

Report of: Executive Member for Finance, Performance and Community Safety

Policy & Performance Scrutiny Committee	Date: 8 th March 2018	Ward(s): All
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SUBJECT: iCo update

1. Synopsis

- 1.1 This report provides an update on the performance of the Council’s trading company Islington Ltd, also known as iCo.
- 1.2 The report considers the progress of the various business units within iCo and provides information on other aspects of iCo’s work and development.

2. Recommendations

- 2.1 To note and comment on the progress made by iCo in 2017/18.
- 2.2 To receive a further update in 12 months’ time.

3. Background

- 3.1 iCo is the Council’s commercial trading company. The company has been established to generate income for the Council in order to help protect essential frontline services. The company trades existing Council services on a commercial basis and also seeks to provide consultancy services related to technical, professional or specialist knowledge, skills or expertise.

iCo’s Board members are named below:

Councillor Andy Hull, Executive Member for Finance, Performance and Community Safety
Councillor Claudia Webbe, Executive Member for Environment and Transport

Kevin O’Leary, Corporate Director for Environment and Regeneration

Bram Kainth, Service Director for Public Realm

Steve Key, Service Director for Financial Services

There is also a vacancy following the retirement of Martin Holland. In considering his replacement, the Board has decided to look externally and intends to recruit a Non-Executive Director with some commercial experience. Recruitment will begin in the Spring.

The Council as shareholder is represented at Board meetings by the Director of Law & Governance.

3.2 iCo’s business units

The iCo Business Units continue to grow in terms of turnover and the Board expect to make a small profit for 2017/18.

The table below gives an indication of the income achieved or projected at the end of December 2017 for iCo’s business units and shows the progress made since the first report to this committee from July 2016.

Business Unit/Income	Actual to March 2016 (£000)	Actual to March 2017 (£000)	Forecast to March 2018 (£000)
Commercial Waste	2	85	380
Memorials	34	180	250
HR	n/a	30	30
iCo Green	n/a	n/a	12
Pest Control	n/a	n/a	30
Income for year	36	295	702

3.3 Memorial Services – Forecast Income from April 2017 to March 2018 £250k

Service delivery has continued as predicted with a steady inflow of demand.

Income is expected to exceed previous years; demonstrating that the service continues to grow, with minimal promotion. The plan is to begin positively promoting and marketing the service with five brochures now in development. The first of these will be due in February as the business starts to focus on bringing more exposure to what it can offer. The Board has agreed that investment in IT support to help the business is a high priority and this will figure in the 2018/19 business plan.

3.4 Commercial Waste – Forecast Income from April to March 2018 - £380k

The iCo Commercial Waste Service is provided to customers in neighbouring boroughs including Haringey, Camden and Waltham Forest - the service is based around general waste and re-cycling (bulk bins). Income has grown steadily through the year and the team are currently exploring the potential to grow the business – The Board has asked for options to consider the level of resources staff, vehicles etc. to make this a reality.

3.5 HR Services – Forecast Income from April to March – 2018 -£30k

The iCo Human Resources Service is provided under contract to the London Borough of Barnet – for schools HR services. This is provided under an annual contract with a small range of additional services e.g. recruitment campaigns. Children’s Services are interested in expanding this service offer to other schools.

3.6 Pest Control – Forecast Income from April to March 2018 £30k

The Pest Control Business only started trading in 2017 and has seen steady growth throughout 2017. A local advertising campaign took place last spring in Islington Life. This is a service area where there is confidence that there is unmet demand from the number of enquiries that are currently received. Confidence is high that a reasonable income stream can be achieved in this area given the demand. The team has recently been successful in acquiring commercial contracts and sees this a potential area where further inroads can be made.

3.7 iCo Green

iCo Green has been developed around the in-house Arboricultural Service. The service is already successful in generating income with clients such as the Corporation of London and the London Borough of Waltham Forest.

The business is scoping the possibility of having beneficial associations with other private companies and individuals in order to increase services that can be offered to clients. For example:

Ecological surveys – many arboricultural consultants are linked to ecology services and iCo has been asked by if this is a potential service that it could offer.

3.8 **Business model**

Along with the profit that iCo makes and the Council receives as the shareholder, the Council also benefits in another way. It is an important element of financial accounting that iCo shows the full cost of all its trading activities. Therefore, when a service is provided through Council teams or uses Council assets, we invoice iCo for these costs, including overheads. If the Council has not incurred additional costs, for example by using existing vehicles or staff doing the work during their existing contracted hours, the income from these invoices can be used as savings in budget planning. Whilst there are some additional costs in running the iCo services, we estimate that the additional 'unbudgeted' income is in the region of £350k to the Council.

3.9 **iCo – exploring commercial opportunities**

Additional support for ICO.

At the moment ICO does not have any direct dedicated resource to help grow the business. There are two areas where it is felt that some additional capacity is required, this is now being considered in the context of ICO moving into profit.

- Sales and Marketing. We have very few people dedicated to sales in the organisation, and in order to really grow some of these services we need to increase capacity. As well as direct sales activity, we need to improve our marketing materials and help to join up complementary services across the council who may be able to sell to existing customers.
- Business Development and administration. Selling services requires a series of specific administrative tasks over and above normal duties. This can include arrangements for invoicing and taking payments, collecting bad debt, providing some customer support and monitoring income forecasts and spend. A dedicated resource would help to establish clear processes and make it much easier and quicker for new services to get up and running.

The ICO board has agreed to explore the best way of filling these skills gaps, and test whether increasing capacity in these areas can increase our income and improve our startup processes. The Board will review this in the Business Planning process for 2018/19.

4. **Conclusion**

4.1 iCo is now trading in a small number of areas. It has been a gradual start whilst critical systems and procedures have been established over the last couple of year. There are signs that steady income growth is achievable and that overall the company is making a reasonable contribution to the Council. Sales and marketing campaigns that are yet to be launched will further support this growth. Overall the level of income being generated is considered to be positive. The Commercial Board provides an ongoing pipeline of possible ventures for iCo to consider and this process appears to be working well.

5. **Implications**

- 5.1 **Financial Implications**
Detailed financial implications are considered as part of the business case and report for any project being proposed.
- 5.2 **Legal Implications**
Any legal implications are included within relevant reports to take iCo projects forward.
- 5.3 **Environmental Implications**
There are no environmental implications.
- 5.4 **Resident Impact Assessment**
A Resident Impact Assessment will be completed and included within the relevant reports for approved projects where applicable.

Signed by:



23 February 2018

Corporate Director Environment & Regeneration Date

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