

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

Policy & Performance Scrutiny Committee	Date: 4 April 2019	Ward(s): All
Delete as appropriate		Non-exempt

SUBJECT: iCo update**1. Synopsis**

- 1.1 This report provides an update on the performance of the Council's trading company, Islington Ltd, trading 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 2018/19.
- 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 was 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 mainly related to technical, professional or specialist knowledge, skills or expertise. It does this for private sector clients with whom the Council itself is not able to trade.

iCo's Board members are:

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

Rizk Saade, Non-Executive Director (appointed July 2019)

The Council as sole shareholder is represented 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 expects to make a small profit for 2018/19.

The table below gives an indication of the income achieved over the past two years, and the projected income for the financial year 2018/19, and indicates the progress made since the last report to this committee.

Business Unit/Gross Income	Actual to March 2017 (£'000)	Actual to March 2018 (£'000)	Forecast to end March 2019 (£'000)*
Commercial Waste	85	336	439
Memorials	180	232	328
HR	30	31	41
iCo Green	n/a	13	6
Pest Control	n/a	32	50
Income for year	295	644	864

*Forecast at end of month 11 (February 2019)

3.3 Commercial Waste

The iCo Commercial Waste Service is provided to customers in neighbouring boroughs including Haringey, Camden and Waltham Forest. The service is based around collecting general commercial waste and recycling (bulk bins). Income has grown steadily through the year and the team has been successful in selling contracts to well-known businesses in the wider London area, including food businesses with multiple premises in several London boroughs. The focus for 2019/20 will be on selling contracts to businesses along existing iCo pick-up routes and providing a dedicated web presence to market the service and provide a digital access point for customers to the service. Growing the market share for the Commercial Waste business is a priority for the coming financial year, with an income target of £650K for 2019/20.

3.4 Memorial Services

The service is on course to slightly exceed the income target for the year. The delivery of additional mausoleum space, currently under construction, is anticipated in the 2019/20 financial year, and the service will be taking active measures to market the service more broadly, pursue partnerships to establish new channels for selling of memorials and grow the business whilst continuing to provide a sensitive service to customers during a difficult time. The provision of new and innovative burial options, such as memorial gardens and sculptures, will be pursued. Priorities for the coming year will be growing the Memorials business to achieve income of £400K, increased marketing and increasing efficiency in service provision.

3.5 HR Services

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. The service has exceeded its income target for the year by nearly 80% and it is anticipated that the income for the next financial year will match the income of this financial year.

3.6 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, and has been successful in winning new work in 2018/19 from Alexandra Palace. However, some clients have chosen to buy the service through the Council, rather than iCo, which has had an impact on iCo income. The business has therefore slightly underachieved the iCo income target for the year. The service continues to make use of innovative marketing and networking opportunities, such as using their social media accounts, and displaying the iCo Green logo at a recent arboricultural conference attended by more than 150 delegates.

3.7

Pest Control

The Pest Control Business only started trading in 2017 and has seen steady growth. Recent marketing activities include a short feature in the Angel AIM newsletter (January 2019 edition), leaflet distribution of 2,000 residential properties and 1,000 business premises during March 2019, and the placement of branding on Council recycling and refuse bins. There continues to be confidence that the business can increase its market share significantly, and the launch of a new website to market the service and provide a customer engagement portal is imminent. Growing the Pest Control business to achieve £100K of income for the next financial year is a priority for iCo in 2019/20.

3.8

Main Business model

The primary business model employed by iCo is to purchase the limited marginal capacity available in existing council services to deliver services for iCo at minimal cost to the Council. This process is subject to full and proper charging and accounting. We calculate the Net financial benefit to LB Islington will be in the region of **£415k** for 2018/19.

3.9

Investments

In addition to the main business model employed by iCo, described above, the company has also made two specific investments. First, it acquired a 10% equity share in a company called Traffic Environment Services (TES) in return for legitimate non-exclusive use of the borough as a testbed for new technologies. Second, iCo invested £60,750+VAT developing a set of tools for Egbert H Taylor and Co to manufacture bin lids which limit the contamination of recyclables in return for a payment for each lid sold.

3.10

iCo activities and business support

iCo activities have benefitted from the dedicated support of a Business Development Officer since August 2018, and it is intended to continue this arrangement for the next financial year, after which it will be reviewed. Budget provision is also being made for increased marketing activities and website development in the coming year.

During the December 2018 Board meeting, the Board agreed the implementation of a new suite of websites to support the activities of the various iCo business units to market their services, engage with customers and streamline processes and procedures where possible. The first of the new websites will be for Pest Control, followed by Commercial Waste early in the new financial year.

During the December 2018 Board meeting, the Board also agreed the implementation of new accounting and payment systems which will ensure iCo is Digital Tax compliant from 1 April 2019, and will relieve some of the accounting and payment support burden on colleagues in the Islington Service Finance team by integrating invoicing, payments and accounting directly to and from the iCo bank accounts.

During the 2018/19 financial year, iCo has benefitted from the support of an accountant who was able to provide timely financial reporting and key performance analysis which has helped the directors make appropriate decisions.

4.

Conclusion

4.1

iCo is now trading in a small number of areas, but is looking to expand the Commercial Waste, Memorials and Pest Control business units as a priority for 2019/20. Considerable income growth has been achieved for the 2018/19 year, and the business units have benefited from increased accounting and business development support. For 2019/20 the aim is to achieve £1.2m of gross income, whilst continuing to explore new opportunities for investment, joint ventures and commercialisation of services. Business strategy days held with business units and iCo directors have identified a number of tasks that will be pursued by the business units to ensure continued growth of the business, including continued dedicated business support, marketing activities and a new suite of websites. The Council's Commercial Board continues to be the source of ideas and possible ventures for iCo to consider, but this is in the

process of being reviewed by the Corporate Director Environment and Regeneration in association with the Head of Strategy and Change.

5. Implications

5.1 Financial Implications

Detailed financial implications are considered as part of the business case and report for any iCo 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:



26 March 2019

Corporate Director Environment & Regeneration Date

Report Author: Kevin O'Leary
Tel: 020 7527 2350
Email: Kevin.Oleary@islington.gov.uk

Financial Implications Author: Steve Keys
Tel: 020 7527 2629
Email: Steve.Keys@islington.gov.uk

Legal Implications Author:
Tel:
Email: