

Introduction

Southend Borough Council has entered into the arena of traded services as part of the initiative to sweat assets and generate income. As part of this we can offer the following elderly care facility which will attract large savings to the council and eventually income generation.

Priory House

As an Arms-Length trading company Priory House will be in a position to exploit the increasing age and health profile of Southend-on-Sea. The initial investment in capital will in return enhance the council's reputation as a provider of excellence in elderly care.

Local Authority Trading Company

Cabinet has approved the establishment of a Local Authority Trading Company (LATC)¹ to provide services to the public and private organisations.

The LATC will provide a separate trading company that has been registered as a Private Limited Company with a name of Southend Trading Corporation Limited; its registration number will need to be registered.

Its core offering will include:

- The provision of care for the elderly in a centre of excellence and be a model for other care homes in the independent sector.
- There may be a possibility to expand into providing expert advice to the independent sector for additional income. Although this has not been included in the business plan.
- The opportunity to include Delaware House in the company model.

Financial Forecast

Profit & Loss Account

The budget profit and loss account for 2014-15, 15/16 and 16/17 is set out below. The income forecasts are based on predictions of residents against a margin of 90% of residents in care. If the idea of a trading company is adopted then the forecast revenue will be accelerated to improve the first year results.

The following does not allow for debtors at year end or any consideration for VAT.

	3 year forecast		
	2014/15	2015/16	2016/17
Revenue	£1,016,777	£1,193,962	£1,340,490
<u>Expenditure</u>	£1,094,370	£1,103,462	£1,114,730

¹ Office of the Deputy Prime Minister (2004): *General Power for Local Authorities to Trade in Function Related Activities Through a Company – guidance on the Power in the Local Government Act, 2003*. Plus the later guidance related to changes in the Corporate Performance Assessment Framework Communities and Local Government (2007) *Amendments to Paragraphs 1-30*. The Government has recently proposed extending the power to all relevant local authorities following an impact assessment and the demise of the CPA Framework in March 2009. See CLG *Local Authorities' power to trade following the end of categorisation under CPA*, October 2009

Overheads & Support services

It is anticipated that the surplus revenue of £238,667 in the first 3 years will be moved into earmarked reserves for future capital spending on Priory House.

It is anticipated that from year 5/6 income flow to the local Authority will be £295,516 before tax.

These figures incorporate that after the first 3 years of trading there will be the repayment of the initial loan of £275,000 for the initial cash flow

There are opportunities to be allowed in these figures for the possibility of apprentice care workers and use Priory House as a seed bed for future carers.

Overheads & Support services

The contribution to departmental and corporate overheads will be based upon the requirement of the asset management team.

The LATC will require working capital to finance staff prior to receipt of customer income. We have estimated this requirement to be a facility of £275,000.

Income Flow to Authority

The income flow and therefore financial benefit to the Authority is not just the profit after tax but also those charges and contributions the Company is making for staff time, which is income that would not otherwise be generated and offsets existing revenue expenditure. The financial benefit to the Authority is summarised below.

Income flow into the Council	2014/15	2015/16	2016/17
Rental of Priory House	£50,000	£50,000	£50,000
Full cost recovery Recharge of staff	£18,750	£18,938	£19,127
Total income flow into SBC	<u>£68,750</u>	<u>£68,938</u>	<u>£69,127</u>

Marketing

The service will primarily be selling its services to individuals. After this has been established and we have a settled service, there will be a marketing campaign launched within the community for the inclusion of Delaware House into the trading company.

The service will be promoted as follows:

- Direct mailing
- Communications within the local community as a beacon of excellence.
- Presentation will also be given at the above if possible with the advantages and cost savings being the main drive of the campaign i.e. “Why wouldn’t you move to STC a beacon of excellence in care”
- Details would be distributed at local business events including promotional events by the innovation centres or seedbed centres.
- Use of Google adwords
- Local press advertising