

VALE COMMERCE LTD
Councillor Mordue
Cabinet Member for Resources, Governance and Compliance

1 Purpose

- 1.1 Any change to the status of an AVDC company is a reserved matter under the Shareholder Agreement. This report relates to the status of Vale Commerce Ltd. which is a wholly owned company of AVDC.

2 Recommendations/for decision

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| 2.1 To acknowledge the decision of the Vale Commerce Ltd Board of Directors taken at their meeting on Wednesday 13 December 2017 to move the company into a state of dormancy and transfer assets and appropriate IP such as the brands, website etc. back to the Shareholder. |
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3 Supporting information

- 3.1 In December 2015 Council approved setting up of a wholly owned company subsequently registered as Vale Commerce Ltd as a vehicle to deliver new commercial services to residents and businesses in the district.
- 3.2 It went on to develop a household brand 'Limecart' and a business brand 'Incgen' and was successful in securing a small number of subscription customers for both. Limecart offered a subscription package based around household cleaning services whilst Incgen offered business incubation services.
- 3.3 During 2016 and 2017 the business developed offers that were taken to market and refined accordingly with customer feedback. Unfortunately, it has been unable to date to scale the activity in accordance with initial targets
- 3.4 Vale Commerce was started to test if conceptually it would be possible to run subscription services for additional residential and business services. This has been achieved, however the marketplace is a congested one, and also challenging in terms of a subcontracting model. If it were to make a success of the approach a significant cash injection would be required, which on balance and considering the viability of the business and receptiveness of the marketplace, the benefits at this time do not outweigh the risks and costs required. As such the Board has recommended to the Shareholder that the company trading is suspended and the company put into a dormant state. **Appendix A** contains a confidential copy of the Board report at the time of this decision.
- 3.5 The Company does not employ staff directly but uses fulfilment partners to deliver the services. High level lessons learnt from running the company include maintaining quality through partners, scheduling to meet customer requirements and understanding of the level of market appetite at this time, and the need for speed of reaction to changes in the market. The experience developed through running the company and the wider commercial activities across the council will be shared with Members at a future seminar. It will also feed into the Audit 'review' following Councils resolution in December 2017.
- 3.6 The Council, as the shareholder, agreed a loan to Vale Commerce Ltd of £50k. This was used to fund equipment, the development of brands and the website as well as the development of the services that were offered. At the

end of the first year the company recorded a loss of £37k (not unusual for a start up company).

- 3.7 In the current financial year the company traded and generated new income through the AVDC commercial team, mainly through Council to Council to sales. The total council spend since its creation of £115,000 is netted off by the commercial team income for the year. With income invoiced and committed this will be sufficient to cover a final loan repayment to the Council to ensure the company is left without liabilities and in a neutral financial position, thereby enabling it to enter dormant status.
- 3.8 The Board recommend the equipment and IP is transferred back to the Council for their own future use through the new commercial team, and plans are already under development as to how to maximise the value of the brands in on going work

4 Options considered

- 4.1 The option to continue to run Vale Commerce has been considered but discounted noting that at the time of setting up the company the Council's own Commercial function was in its infancy, the core Council's capability has grown immeasurably since 2015. Given the current maturity of the Council's commercial approach the Vale Commerce concept has been superseded by the delivery opportunities now available to the Council as a whole including the success with My Account.

5 Reasons for Recommendation

- 5.1 To meet the requirements of the Shareholder Agreement under the Reserved Matters.

6 Resource implications

- 6.1 Those related to the company are addressed in the body of the report. There are no further resource implications anticipated

Contact Officer
Background Documents

Caroline Wheller 01296 585185
Council report 01/12/15