

POLICY, FINANCE AND ADMINISTRATION COMMITTEE

11TH APRIL 2018

REPORT OF DIRECTOR OF CORPORATE SERVICES

ADOPTION OF A COMMERCIAL STRATEGY

1.0 PURPOSE OF REPORT

- 1.1 In the context of the Council's Medium Term Financial Strategy, and challenging financial situation, to set out and support the establishment of a Commercial Strategy; pursuing a more commercial approach which maximises income, increases self-sufficiency and enables funding for services to be protected.

2.0 RECOMMENDATIONS

It is recommended that:

- (i) The Commercial Strategy at Appendix A is adopted**
- (ii) Note the key areas of focus and proposed initial actions to support implementation of the strategy.**

3.0 KEY ISSUES

- 3.1 Between 2010/11 and 2015/16 the Council lost £1.86m revenue funding representing a 57% reduction in centrally allocated funding. In the current 4 year settlement up to 2019/20 the Council will lose a further £933k. There is further uncertainty regarding the level of business rates that will be retained when the baseline is reset. Whilst the Council has managed this reduction well, a deficit position is currently projected within the Medium Term Financial Strategy. A Budget Management Strategy is being developed to help address this deficit and a key component of this is for the council to become more commercial
- 3.2 While the financial position is extremely challenging to the Council, we can embrace the opportunities to take control over our own future and become a more financially sustainable Council. One way to achieve this is to become a more commercially focussed organisation with less reliance on central government funding.
- 3.3 The commercial strategy at Appendix A, sets out a statement of intent; to move from commercial ambition to delivery, providing leadership and direction to the organisation and ensuring our residents understand our desire to meet the financial challenge positively and to protect (and where possible enhance) local services.
- 3.4 **The Key Drivers for this strategy are**
- Need to address loss of government funding
 - Build on work already undertaken to take control of our financial future and become financially resilient
 - Appetite to move to a more innovative and commercial approach
 - The current work being undertaken to refresh the Council's Corporate Mission, Vision and priorities
 - The desire to maximise Income generation where appropriate

Key Focus Areas:

Responding to these drivers the strategy includes a number of key areas of focus:

Existing services: All Council services need to have a greater awareness of the true costs of their service. Services should look to enhance or develop new income streams. Where trading services exist they need to adopt a more commercial approach so that their turnover exceeds their costs or they break even. This may not be appropriate for all Council services as the primary focus for some may be social value and therefore to adopt a more commercial approach may be inappropriate. However income generation should still be considered. Services also need to consider customer data/information held and ensure that the best use is made of this valuable market information.

Fees and Charges: The Council can look to ensure existing services are charging appropriate fees and charges within the market place and also identify any further opportunities where local levies can be charged for. Concessions can be considered where there is a need.

Economic growth: The Local Plan and the Strategic Growth Plan will identify areas of growth that can be supported by the Council. In particular we can, with partners, look to increase the business rates base and therefore our retained business rates and through housing growth, increase our council tax and new homes bonus revenue.

Existing contracts: In addition to in-house services the Council provides it has also entered into a number of contracts with external providers. By reviewing contracts with a more commercial approach, it may be possible to renegotiate more favourable contracts, look at delivering services in a different way or entering into new business partnerships.

Developing business opportunities: Current legislation enables the Council to provide commercial services to other Local Authorities and in particular circumstances the Council can also consider providing new or enhanced services. Should the Council's aim be to make surpluses to reinvest in supporting core funding, it is likely a separate trading company would need to be set up.

Current Assets: Parkside is a good example of where the Council has made better use of its assets. A review of all council assets would identify further opportunities to improve asset utilisation and whether a greater return on our assets could be achieved, alongside supporting our social ambitions.

Delivering the strategy

In support of delivering the strategy the following initial actions are proposed:

- Seek funding from the LGA Productive Expert Fund to support commercial support for training and development within the council
- As part of the LGA's Governance Review, and recommendations recently agreed at the Governance Committee, the Governance Development Group be asked to consider what changes to the scheme of delegation, financial regulations and other parts of the constitution are required to support a more commercial approach
- Develop a business case for establishing a local authority housing company to support the council's social and commercial aims.
- Undertake a review of corporate assets to identify opportunities to maximise commercial return where appropriate.
- Continue to consider the resources required to support commercial development previously noted as part of the corporate restructure and establishment of the

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 The Council is refreshing its Corporate Mission, Vision and priorities to ensure they accurately reflect the changing landscape within which it operates. The Council has articulated intent to become more commercial. This strategy sets out a statement of intent for how ambition can become reality.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 For 2018/19 £50k is available to support the Corporate Improvement Team in the development of the corporate priorities, governance and decision making and development of commercialism within the Council. To support the Council's commercial development, the Council is seeking funding of £7K from the LGA Productivity expert funding to engage an experienced commercial consultant to assist with implementation including training and development.

Future commercial investment will likely require the use of prudential borrowing and the implications associated with these will be considered within any business case development.

6.0 LEGAL IMPLICATIONS

- 6.1 There are potential legal implications arising from the direction that the Council decides to follow. The legal authority to charge for discretionary services and the legal authority to trade commercially are different. Charging must be done on a cost recovery basis only. Trading which is done for a commercial purpose can be done for profit but must be carried out through a company. Similarly if the Council wishes to build housing a number of options are available including purchasing or building houses for social rent, private rent, or sale. The vehicle through which this will be achieved will depend on the purpose it is seeking to respond to. This may include either in-house purchase or the formation of a housing development and/or building company. In either situation, legal advice will be required in setting up a separate company.

7.0 EQUALITIES

- 7.1 Although there are no direct Equality issues arising out of this report, as the Council develops its commercial approach it is recommended that Equality Impact Assessments are completed.

8.0 **RISKS**

8.1 The risks identifies below are the potential outcomes:

L I K E L I H O O D	A	Very High				
	B	High			1	
	C	Significant				
	D	Low				
	E	Very Low				
	F	Almost Impossible				
			Negligible 1	Marginal 2	Critical 3	Catastrophic 4

IMPACT

Risk No	Risk Description
1	Do nothing or not generating income through developing commercial opportunities fails to contribute to the future financial security of the council

9.0 **CLIMATE CHANGE**

9.1 There are no specific climate change implications.

10.0 **WARDS AFFECTED**

10.1 All wards are affected

Contact Officer M Bowen – Corporate Improvement Manager

Date: 16 March 2018

Appendices : Appendix A – MBC Commercial Strategy – A Statement of Intent

Background Papers: *None*

Reference : PFA