

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET – TUESDAY, 9 OCTOBER 2018**

Title of report	<b>COMMERCIAL STRATEGY</b>
Key Decision	a) Financial Yes/No b) Community Yes/No
Contacts	Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a>  Chief Executive 01530 454500 <a href="mailto:bev.smith@nwleicestershire.gov.uk">bev.smith@nwleicestershire.gov.uk</a>  Head of Legal and Commercial Services 01530 454762 <a href="mailto:elizabeth.warhurst@nwleicestershire.gov.uk">elizabeth.warhurst@nwleicestershire.gov.uk</a>
Purpose of report	To request that Cabinet consider and approve the Council's commercial strategy.
Reason for decision	For Cabinet to review and formally adopt the new Commercial Strategy which sets out how the Council's approach the delivery of its functions is to evolve so as to take full advantage of a wide range opportunities that may arise.
Council priorities	Value for money Building confidence in Coalville Homes and communities Business and jobs
Implications:	The financial outcomes of the commercial strategy will be monitored via the MTFS to Cabinet.
Financial/Staff	Existing staff resources can cover the development of the commercial strategy and the set up of small commercial initiatives. It is likely that additional resources will be needed in connection with bigger pieces of work, for example, in connection with business development, marketing or legal advice as work progresses. Requests for resources will be considered by the Project Board, Corporate Leadership Team or Cabinet as appropriate.

Link to relevant CAT	A cross departmental project team will be established to progress work on the strategy.
Risk Management	The development of significant commercial initiatives will be conducted utilising the corporate project management framework.
Equalities Impact Screening	Equality impacts will be continuously monitored and taken into account for individual projects.
Human Rights	None discernible at this time.
Transformational Government	The Council may need to consider other models of service delivery.
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	As author of the report, the report is satisfactory.
Consultees	CLT, Strategy Group, Policy Development Group.
Background papers	None.
Recommendations	<p><b>THAT:</b></p> <ol style="list-style-type: none"> <li><b>1. CABINET APPROVE THE COUNCIL'S COMMERCIAL STRATEGY.</b></li> <li><b>2. AUTHORITY BE DELEGATED TO THE CHIEF EXECUTIVE TO MAKE MINOR AMENDMENTS TO THE STRATEGY.</b></li> </ol>

## 1. BACKGROUND

- 1.1 Despite managing its finances well over many years, we know that the Council will face a budget deficit in the years 2020/21 – 2022/2023. The cost of providing Council services is increasing, the revenue support grant from Government will cease in 2019/20 and the Council will be increasingly reliant on local income.
- 1.2 It is currently estimated that the total budget deficit will be £4.6m by 2023 and the Council has committed to reducing its reliance on New Homes Bonus by 6.25% per year from 2019/20 to 25% or £1.5m by 2023. This takes the total deficit which the Council needs to plan for to £6.1m. This figure is based on certain financial assumptions and variables and may change. Members will be kept informed and update via the Medium Term Financial

Strategy (MTFS) which is regularly reported to Cabinet. For the purposes of future planning it is important to have a target figure, whilst understanding that this figure may change over time.

- 1.3 Cabinet will also be aware that the council has a self sufficiency reserve. This currently stands at £2.76m and it has been agreed by Cabinet that the budget surplus of £299,000 for 18/19 will be added to the reserve. This will make a total of £3.01m available for projects which raise income or achieve other savings for the Council.
- 1.4 To set the commercial strategy in context it may be helpful to understand the structure of the Council's programme of work.
- 1.5 The Council has established a Corporate Portfolio of Programmes:
  - People
  - Place
  - Journey to Self Sufficiency
  - Customer First
- 1.6 These arrange the work that is being done, across the Council on the current corporate priorities, into a clear framework with appropriate project and corporate governance. This work together with team business plans feeds into the Council Delivery Plan (CDP).
- 1.7 The Journey to Self Sufficiency Programme is the Council's plan to manage the budget deficit. The commercial strategy is part of that programme of work. It also includes other key pieces of work such as saving £200k to manage the corporate impact of leisure outsourcing, the development of the Corporate Asset Management Strategy, reviewing fees and charges and the development of the 2019/20 draft budget.
- 1.8 Specifically, in developing budget proposals for 2019/20, a Savings Challenge has been adopted to drive a 2.5% General Fund reduction and a 1.5% Housing Revenue Account reduction in net expenditure (which equals the net cost of services after deducting locally generated income). Via the Savings Challenge, services are being asked to consider positively how they can do things differently to achieve cost savings and/or generate new or more income.
- 1.9 If the challenge is met on the General Fund the Council will have exceeded its Self-Sufficiency saving, as laid out in the MTFS and as set out in paragraph 1.2 above. Whilst the Housing Revenue Account is in a strong financial position, a 1.5% savings challenge represents a realistic saving given that the service has for the last 3 years been subject to annual reductions in rental income of 1% imposed by central government.
- 1.10 The Strategic Director of Housing and Customer Services is leading on the Journey to Self Sufficiency Programme (J2SS). The Head of Legal and Commercial Services is leading on the commercial strategy. A cross departmental project team will be established to progress work on the strategy. The draft commercial strategy is attached as Appendix 1.

## **2. NWLDC APPROACH TO COMMERCIALISM - BEING MORE BUSINESS-LIKE**

- 2.1 The strategy recognises that a lot of good work is being done by services across the organisation, with services such as Grounds Maintenance, Assistive Technology and Legal Services running successful commercial operations and generating income for the Council.
- 2.2 The strategy sets out the context of the organisation, the financial challenge, what a commercial approach means for NWLDC and the broad principles of how we will generate additional income. The strategy is as much about cultural change as it is about income generation. The document recognises that, for NWLDC being more commercial is not just about making money. It is also about how we work and provide our services. It will become increasingly important for the organisation to work in a more business-like way; thinking more about why and how we are doing things and whether we are being as efficient as possible whilst not losing the core public sector ethos. The document, entitled "Being More Business-like", seeks to foster, embrace and embed a one-council approach which engenders shared accountability for the financial sustainability of the organisation together with the empowerment of staff. It will enable staff to make small changes which make efficiencies and improve services as well as set the framework for significant pieces of work or projects, such as investment in commercial property, development existing commercial activities, or exploring new ways to earn extra income.
- 2.3 A 3-5 year action plan is being developed alongside the strategy which will establish ownership for actions with clear timescales next to the delivery of key themes identified in the document. For example, knowing our costs, identifying opportunities for further trading, reviewing our fees and charges for services, asset investment, looking at other models for service delivery and exploring company structures where it makes sense to do so.
- 2.4 The approach taken and language used in the draft document in the draft commercial strategy aligns with the communications strategy, the emerging people plan and customer services strategy. This reflects the desire for a collaborative and empowered organisation with engaged managers and teams.

## **3. POLICY DEVELOPMENT GROUP**

- 3.1 The commercial strategy was considered by Policy Development Group at its meeting on 19 September 2018. The draft minutes from the Group are attached at Appendix 2.
- 3.2 Cabinet will note that there was a request from PDG to add a reference to car parking income into the list of services and areas of good practice and where we are already operating commercial activities. The feedback from PDG on the strategy was welcomed. However, it is not recommended that the requested change is made to the document. The list on page 6 of the draft strategy is intended to provide some examples of our commercial activities. It is not intended to be exhaustive.
- 3.3 Whilst we seek to deliver a balanced financial position in managing our expenditure and income from car parking, our commercial approach is focused on providing a cost neutral accessible service to our communities. In addition, traditionally, the income from car parking is ring fenced to the car parking service and is not used elsewhere on the general

fund. A piece of work will be undertaken in 19/20 to understand more about this budget area.

#### **4. OTHER CHANGES TO THE DOCUMENT**

- 4.1 Since the draft strategy was considered by PDG, some minor changes have been made. Cabinet are asked to note, in particular, the change which has been made to the forecast deficit which has been amended from £6.5m in the first draft of the strategy to £6.1m in the current draft before Cabinet. As paragraph 1.2 states, the financial forecasts may change due to the regular reassessment of the Council's financial position via reviews of the MTFS.