

REPORT TO: STRATEGY AND RESOURCES

Date: 2 November 2020

TOPIC: COMMERCIALISATION STRATEGY

REPORT BY: HEAD OF RESOURCES

1 INTRODUCTION

1.1 The Council's new Corporate Plan was approved in September 2019 to reflect the changing landscape we now face and the reality of the significant cuts to government grant support which have been extended into 2020-21. We are now forecasting reductions beyond 2020-21 as there are no indications that austerity measures will come to an end. The Corporate Plan identified four key priority areas, which are:

- We achieve financial security
- Become focused on delivering the best for our customers
- Our environment is cherished and protected
- We plan for North Devon's future

1.2 Councils are currently dealing with unprecedented, complex and often difficult to predict financial pressures. We don't and won't know for some time the consequences of COVID-19, coupled with the outcomes of Brexit and new trade deals and rules. Set against a backdrop of already established cuts in funding, rising demand for services and economic growth challenges and with further funding cuts likely, we have to take control of our future viability by becoming commercially focused to help **achieve financial security**, which is one of our 4 corporate objectives.

1.3 Part of our drive towards financial security will include identifying new opportunities to generate income and investment in projects that provide good or even excellent financial returns. Whilst undertaking these commercial activities we should not lose sight of our values and our ambitions for our communities to achieve a promising future.

1.4 Sitting alongside the corporate priorities is a delivery plan which under the first priority of achieving financial security included the action of producing a Commercial Strategy that sets out the parameters moving forwards to enable the Council to become a more efficient, business like operation and increase revenue generation to contribute to bridging the future predicted budget gaps.

2 RECOMMENDATIONS

2.1 That members note the context of the financial parameters the Council is currently working within and recommend to Full Council the adoption of the Commercialisation Strategy as set out in Appendix A.

3 REASONS FOR RECOMMENDATIONS

3.1 It is important that there is a clearly defined strategy that the Council must work within when exploring commercial opportunities in order to generate additional revenue.

3.2 To ensure the Council has a savings plan in place to deliver the long-term financial strategy of the Council.

4 REPORT

4.1 In February 2020, Members approved the Revenue Budget for 2020-21 year and adopted the Medium Term Financial Plan (MTFP) 2020-2024 which set out the forecast budget gaps for the 2021-22 to 2023-24 financial years.

4.2 The cumulative budget gap that was being forecast back in February 2020 was;

Years	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
Budget gap / (surplus)	0	1.781	2.110	2.678

4.3 Clearly this creates a large budget gap to bridge moving forwards however it is crucial that both Officers and Members understand the potential financial context that we 'could' end up with, subject to any transitional arrangements the government put in place following the planned fair funding review. This clearly focuses minds on becoming more efficient within the services we currently provide and becoming entrepreneurial in the way we deliver services into the future and move towards a more commercially minded Council to generate additional income for the revenue budget

4.4 The first corporate priority of achieving financial security has of course become even more uncertain since the Medium Term Financial Plan was reviewed in February 2020; in light of Covid-19 with the Council experiencing significant

reductions in core income and additional costs being incurred in response to the pandemic.

4.5 A high-level refresh of the above forecast budget position in light of the current pressures being experienced has increased the predicted budget gaps further to;

Years	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
Budget gap / (surplus)	0	1.995	2.898	3.371

4.6 We are awaiting the Comprehensive Spending Review which is anticipated to be November 2020 and announcements on Government funding for Local Authorities which we hope will see a 3-year funding settlement to provide some certainty into the medium term.

4.7 A separate report on the Medium Term Financial Plan funding gaps and options for Members to explore and make key decisions on moving forwards will be coming forwards to the December meeting; hopefully in light of any government announcement on funding for 2021-22 onwards.

4.8 However, one certainty we can be assured of is that we will still have a significant funding gap for future years to bridge and we need to ensure that we have clear parameters and strong governance in place within the financial context we are operating to look at exploring opportunities and business cases when they arise.

4.9 A Commercial Strategy sets these parameters, which we have clearly proposed as set out in Appendix A of this report.

4.10 Setting clear outcomes are important when devising any strategy and these have been defined as;

- Commercial operating is increasing across the Council
- The efficiency of the Council has been improved
- Generating additional and sustainable income streams for the Council
- Reducing the net budget of a service by reducing controllable costs of a service whilst still achieving service outcomes.
- Having staff with a commercial 'mind-set' across the organisation through developing and upskilling our staff to be more enterprising and innovative.

5 RESOURCE IMPLICATIONS

5.1 We are working through the details of our commercial outcomes and, once completed and risk-assessed, we will build these into our future Financial and Treasury Strategies. In the meantime the following aspirational targets have been proposed and will be further refined during the 2021/22 budget setting process which will incorporate the Medium Term Financial Plan:

- To deliver a minimum of £0.500m of new revenue income by 31st March 2023.
- To reduce back office costs by 5% by 31st March 2024.
- To develop and deliver commercial skills development to Council staff commencing in 2021 which will support this ambitious cultural change.
- To make significant efficiencies in the way we manage our buildings and reduce cost or increase output by over 5% by 31st March 2024.
- To deliver £1m of capital receipts by 2023.

5.2 The primary target is generating additional revenue income and the other targets above must complement and not be at the expense of this key objective.

5.3 It will be the responsibility of the Chief Financial Officer to report to Strategy & Resources and Full Council, progress against the timescales, outputs and commercial activities following the adoption of this strategy.

6 EQUALITIES ASSESSMENT

6.1 There are no equalities implications anticipated as a result of this report.

7 CONSTITUTIONAL CONTEXT

Article or Appendix and paragraph	Referred or delegated power?
Part 3 Annexe 1 (para 1)	Delegated
Part 4 Budget Procedure Rules	Delegated

8 STATEMENT OF CONFIDENTIALITY

8.1 This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

9 BACKGROUND PAPERS

9.1 The background papers are available for inspection and kept by the author of the report.

10 STATEMENT OF INTERNAL ADVICE

10.1 The author (below) confirms that advice has been taken from all appropriate Councillors and Officers.

Author: Jon Triggs, Head of Resources

Date: 16 October 2020