

Report to: Cabinet Meeting - 11 July 2023

Portfolio Holder: Councillor Paul Peacock, Strategy, Performance & Finance

Director Lead: Sanjiv Kohli, Deputy Chief Executive, Director - Resources

<b>Report Summary</b>	
<b>Type of Report</b>	Open report, non-key decision
<b>Report Title</b>	Commercial Plan Update
<b>Purpose of Report</b>	An update on the Commercial Strategy action plan to demonstrate how the Council is responding to the anticipated reduction in funding by making strategic savings and generating additional income.
<b>Recommendations</b>	That Cabinet note the update on the Commercial Plan.
<b>Alternative Options Considered</b>	None
<b>Reason for Recommendations</b>	To share how the Council is seeking to address our forecast financial deficit.

## **1.0 Background**

- 1.1 As a result of changes in the financial climate and anticipated reductions in government funding, the Council forecasted a financial deficit, back in 2021, to impact budgets from 2023/24 onwards. To tackle this deficit the Council identified areas where additional income could be made and/or savings could be achieved without impacting the quality-of-service delivery. The detail of the strategy to address this funding challenge was approved by Policy & Finance Committee on 27 January 2022, in the form of the Commercial Strategy 2022-2026 and its associated Action Plan.
- 1.2 After Members approved the strategy and action plan, an officer group representing a number of services across the authority was set up to identify projects and initiatives that could deliver savings or generate additional income. An action plan was developed and progress against the action plan has been monitored with quarterly meetings with the Business Managers leading these projects. These meetings have involved updating progress on the action plan and continuing conversations around where the Council could be generating income from commercialisation.
- 1.3 It is important to note that “commercialisation” i.e., the identification and realisation of efficiency savings and/or additional income; thereby providing value for money services to our residents, is imbedded in the council’s budget and decision-making processes. Over a period of years, several actions have resulted in increasing the income from our

services. The primary objective has always been to provide improved services to our residents and businesses; with the biproduct being an increase in our income base. The table below sets out some examples of initiatives where there has been a service improvement which has also resulted in an increase in net revenue which has gone towards funding existing and/or new budgetary pressures. For the purposes of illustration, the comparison is between the most recent approved budget, 2023/24 and the reported outturn in 2020/21 i.e., over the last 3 years:

Service	Action	Outturn 2020/21	Budget 2023/24	Increase in Revenue(£)	Increase (%)
Newark Beacon	Brought the management of the serviced offices in-house	Net cost of £68,759	Net Revenue of £62,400	£131,159	190%
Newark Buttermarket	Acquisition, repurposed and refurbished	Net cost of £81,745	Net Revenue of £95,520	£177,265	217%
Lorry Park	Improvements in welfare and improved security	Net Income of £317,795	Net Income of £491,280	£173,485	55%
3 Commercial Units at Beaumont Cross (former Robin Hood Hotel)	Redevelopment and regeneration of key gateway site.	£0	£52,250	£52,250	100%
<b>Total</b>		Net income of £167,291	Net income of £701,450	£534,159	319%

In addition, an increase in the number of homes in the district and an increase in the number of households taking up the garden waste recycling service has increased the gross income to the council from £700,168 in 2020/21 to a budget for the current 2023/24 year of £847,050 i.e. an increase of 21%. This income budget will be exceeded by the year end as the income to 22 June 2023 is already £703,766.

Similarly, an increase in the number of businesses signing up to the trade waste collection service has increased the gross income from £333,072 in 2020/21 to a budget for 2023/24 of £475,000 i.e. an increase of 43%. This income budget is also likely to be exceeded as the income to 22 December 2023 is already £471,342.

## 2.0 Current Position:

	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)
<b>Contribution (to) or from MTFP reserve, before proposed mitigations below</b>	<b>(0.569)</b>	<b>(0.445)</b>	<b>4.853</b>	<b>5.445</b>
<b>Contributions to or (from) other Reserves</b>	<b>0.468</b>	<b>0.200</b>	<b>0.237</b>	<b>0.248</b>
Contribution from Nottinghamshire Business Rates Pool	(0.600)	(0.600)	-	-
Dividends from Arkwood Developments Ltd	(0.500)	(0.500)	(0.500)	(0.650)

Savings from service reviews	-	(0.100)	(0.100)	(0.170)
Savings/efficiencies from making business processes more efficient	-	(0.100)	(0.100)	(0.150)
Increased income from the council becoming more commercial	-	(0.100)	(0.100)	(0.200)
Rental income from town centre regeneration	-	-	(0.150)	(0.200)
Contribution to/(from) MTFP reserve to offset contributions from reserves in future years	1.201	1.644	(4.140)	(4.324)
<b>Proposed General Fund Funding Gap</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

2.1 Further delays in the review of the local government financing system and in the base line business rates re-set, has meant that the financial deficit that was forecast from 2023/24 onwards (when the Commercial Strategy was approved by Policy and Finance Committee on 27 January 2022) has not occurred. However, officers have continued their work in identifying areas where savings can be made, or additional revenue generated as it is still anticipated that the Local Government Finance Reform and business rate re-set will happen - it is just uncertain as to when this will happen. The most recent view is that it will take effect in 2025/26 and therefore the latest revision of the Medium - Term Financial Plan (MTFP), approved by Council on 9 March 2023, assumes that this Council will experience a funding gap from 2025/26 onwards. The target included in the MTFP for additional revenue/savings is as follows:

2.2 The table shows reductions in expenditure and additional income of £0.300m to occur from the 2024/25 financial year, split over the three target headings.

2.3 The following projects/actions have been identified as generating income and/or achieving savings. They have been broken into three categories: -

- Significant ongoing projects (where largest savings/income is forecasted)
- Ongoing projects (where some savings/income is forecasted)
- Planned projects (projects identified but not started yet)

#### 2.4 Significant Ongoing Projects

Ongoing projects where largest savings/income is forecasted.

Project/Activity	Business Unit Lead	Detail	Expected income (£)
Development of Town Centre Brown Field Land	Corporate Property	Corporate property assessed the small areas of land in town centres (brownfield land not utilised) the Council owned to scope if these areas of land could be developed into contract car parking. As a result of this the area of land next to Newark Hospital (Bowbridge Road) was identified for car parking. Planning permission has been granted and the development expected to be completed by September 2023. The residual land has been valued and is being considered for sale to either Arkwood or the council's Housing Revenue Account (HRA) before possibly testing the open market.	£100,000  (Annual rent from car parking spaces after the first year. This is already budgeted for within the MTFP)
<a href="#">Development of Clipstone Holdings</a>	Corporate Property	Clipstone holdings site has now been purchased (freehold) to allow the Council to have flexibility of use and development. The site is being cleared and detailed design of the development is now being progressed with the aim of having a green employment park complemented by modern mixed-use sports facilities, education (a land management economy focus) and well-being provision in partnership with the Clipstone Miners Welfare Trust and YMCA. Site clearance is underway and construction work is anticipated to start on site by Autumn 2023.	£224,000  (Annual rent on completion of Developed Site - expected by 2026)
Industrial Units at Crew Lane, Southwell	Corporate Property	The 6 industrial units on this site have reached end of life and require some investment and 4 of the units are not occupied by tenants as these are not fit for purpose. A feasibility study of the site is being undertaken in order to examine the refurbishment options to modernise the units. This involves utilising the current structures but modernising the units by installing WCs to all plots, small kitchenettes, low-carbon, energy efficient buildings, fire compartmentation works, new door systems and windows. After some market testing, the units will be designed to suit potential new incoming tenants. There is also an opportunity to create a secure external storage area for larger items along the open perimeter of the site.	Additional revenue of £49,615 from 2024/25
Expand the CCTV Partnership	Public Protection	Public Protection looked to increase the number of partners in the shared CCTV services to deliver savings and shared resilience. The current partners are Newark and Sherwood, Broxtowe, and Ashfield. Rushcliffe has now entered a temporary arrangement to join the CCTV partnership. This will be £7,200 per year for a three-year period. The same resource can be used to cover the additional cameras and the additional of another partner reduces the running costs for all current partners.	Reduction in expenditure of £2,400 per annum from 2023/24

## 2.5 Ongoing Projects

The following projects have been identified as beneficial and are in progress or have been implemented but are not currently generating a quantifiable income or saving.

Project/Activity	Business Unit Lead	Project description	Progress update
Promotion of Income Generating Services	Communications	Promotion and marketing of income generating services based on a seasonal calendar, and train front facing staff on marketing our commercial services as part of customer contact.	Communications are working with the relevant business units to implement marketing plans with a view to growing services such as garden recycling, MOT, Truly Beauty, Heritage and Cultural facilities and Newark Beacon. Future campaigns are also planned, and outlined in the relevant business plans, with other business units including Planning.
Extending the Lorry Park	Corporate Property	Look to extend Newark Lorry Park (with more parking spaces and services) on a new site as part of the Towns Fund, SisLog/Gateway project.	New report issued from Capita to ascertain funding opportunities from investment market for the lorry park (and SisCLog/Gateway) is due shortly. This will inform overall financial viability. The target is to increase overall net revenue.
Tablets for Mobile Officers	Planning Development	Officers able to use tablets/mobile on site visits to deliver time efficiencies.	All 14 mobile officers now have tablets and can use this device on site visits/assessments to input into their case file saving each officer time on every case. This time saving is being reinvested in the service to focus on improvements such as speed of application assessment.
Third Party Contract for CCTV	Public Protection	Consider taking on third party contract for CCTV. This means we monitor CCTV for others as a chargeable service, utilising their infrastructure and we monitor their CCTV.	We have explored parish councils that might want us to monitor their CCTV for them and discussed how much this would cost as a service. There are 2 parish council's showing interest. This is ongoing and an outcome is expected in Spring/Summer 2023.
Contract Review	Transformation	Review of contracts for supplies and services for rationalisation and joint procurement e.g., amalgamate contracts across sites and/or services to enable savings via joined up procurement. Potential amalgamations on contracts like cleaning of Council assets, repairs, and utilities.	A review of contracts has been undertaken and most contracts highlighted for rationalisation or joint procurement sit within the Corporate Property business unit. Where savings are anticipated, a benefits realisation review will be completed to determine the true level of any savings as they aren't easy to identify now due to the numerous amounts of contracts applicable. Contract identified are mainly regarding building management such as cleaning contracts, utilities and security. One contract rationalisation has already been undertaken regarding payments at our lorry park and implementation of the rationalisation/joint procurement for the other contracts identified will commence from Spring/Summer 2023.

Project/Activity	Business Unit Lead	Project description	Progress update
Service Reviews	Transformation	Undertake two projects streamlining internal Council processes using business process re-engineering, namely using a defined methodology to redefine processes to identify efficiencies and remove duplication, resulting in service efficiencies	There are five service reviews identified within the Transformation and Service Improvement Business Plan for delivery in 23/24. Each service review has a different focus and two are focused on improving efficiency. Both service reviews are due to start in Spring 2023.
Ticketing System	Heritage & Culture	Ticketing system and website for theatre and National Civil War Centre to market services and future proof online sales.	Procurement was undertaken and the tender was awarded to Spectrix with an expected go live date for the new ticketing system and website of late March.
Develop the Weddings and Events Offer	Heritage & Culture	Develop the events and wedding offer at the National Civil War Centre, Palace theatre and Castle.	The development of this offer has been embedded into the role of a member of staff and progress to date includes a wedding license application being submitted for the NCWC/Theatre. However, the offer continues to be impacted by the ongoing Tudor Attic repairs which impact on the team's ability to plan and book events.
Specialist in-house resource	Planning Development	Get in-house resource for specialist advice such as a tree officer, archaeology officer or conservation officers. This creates saving as the Council don't have to 'buy-in' this specialist and allows the Council to 'sell' this service to other authorities and/or private companies.	This idea is being explored to identify areas for cost savings. Planning is also considering the possibility of 'growing your own' in terms of providing existing staff with specialist training.
Grounds Maintenance Contracts	Environmental Services	Increase the number of external Grounds Maintenance contracts to include playground inspections etc.	Additional contracts have been obtained from many areas, including current SLA additions. Recent discussions are bringing an agreement closer to significantly extending the current Newark Town Council SLA contract length which will further guarantee income for future years. Depending on future growth in contracts, there may be a necessity for additional expenditure in order to service the additional contracts.

2.6 The following projects have been identified but due to capacity have not currently been progressed past scoping/development stage. However, they will however remain under review to develop if necessary.

Project/Activity	Business Unit Lead	Project Description	Project update
Fees and Charges	Transformation & Finance	Annual review of fees & charges that are non-statutory and look for new areas for charging such as selling consultancy skills, car park development, planning consultancy and environmental health advice.	The annual review of fees and charges was completed for 2023 and areas for 'new' charging were identified. The most viable areas will now be scoped out further.
Cinema and Live Shows	Heritage & Culture	Consider expansion of the offer at the theatre to include cinema and live shows online within the Palace Theatre. Develop a business case to explore the viability.	Research on this project began in 2022. Heritage and Culture got in touch with a company to help advise and understand costs to then look at business case on what financial benefits can be raised. However, there has been no further progression due to competing priorities.
Use of Consultants	Transformation	Map use of consultants across the authority with an aim of rationalising and understanding what is needed. Considering questions such as should we have a shared contract for repeated services and would an officer be more efficient.	This activity is the second step after the contract review. Now that the council's contracts have been reviewed the next step will be to work with HR and Finance to explore the use of consultants (using contract information).
Bin Purchasing for New Developments	Environmental Services	Scope the possibility of enacting a planning requirement on developers to purchase residual, recycling and garden waste bins for all new properties. This would theoretically produce savings on bin purchases whilst also possibly driving uptake on garden recycling.	Development purchases brings in circa £40k per annum (a figure which has remained constant since 2019), and therefore this activity is worth exploring when the team has capacity.

### 3.0 Implications

In writing this report and in putting forward recommendation's, officers have considered the following implications: Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding, Sustainability, and Crime and Disorder and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

#### Financial Implications (FIN22-23/4768)

- 3.1 From the table at paragraph 2.1 (an extract from the approved MTFP from 9 March 2023) this shows an anticipated £0.300m reductions in Council net expenditure in 2024/25, increasing in later years to £0.520m in 2026/27 profiled over three main headings.

3.2 The table below shows from paragraphs 2.2 and 2.3 above, in summary, the details of the items, that have not been currently budgeted for, which would contribute towards the MTFP targets.

	<b>Year 1 2023-24</b>	<b>Year 2 2024-25</b>	<b>Year 3 2025-26</b>	<b>Year 4 2026-27</b>	<b>Year 5 2027-28</b>
Clipstone	£0	£0	£224,000	£224,000	£224,000
CCTV Partnership	£0	£2,400	£2,400	£2,400	£0
Crew Lane	£0	£49,615	£49,615	£49,615	£49,615
Grounds Maintenance Contracts	£40,000	£40,000	£40,000	£40,000	£40,000
<b>Total</b>	<b>£40,000</b>	<b>£92,015</b>	<b>£316,015</b>	<b>£316,015</b>	<b>£313,015</b>

3.3 As can be seen from the table above the Council is on track to achieve the £0.300m target during years 2025/26 and is some way towards meeting the £0.520m target for 2026/27, albeit more work needs to be completed for year 2024/25. It is anticipated that through the budget setting process for 2024/25 (starting in July 23) the required additional savings will be found.

#### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Commercial Strategy, Report to Cabinet, 27/01/2022