



Report to: Cabinet Meeting: 24 September 2024
 Portfolio Holder: Councillor Paul Peacock, Strategy, Performance & Finance
 Director Lead: Sanjiv Kohli, Deputy Chief Executive, Director – Resources
 Lead Officer: Nick Wilson, Business Manager – Financial Services, Ext. 5317

Report Summary	
Type of Report	Open report, non-key decision
Report Title	Commercial Plan Update
Purpose of Report	To provide 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.
Recommendations	That Cabinet note the update on the Commercial Plan.
Alternative Options Considered	None, this is just an update report.
Reason for Recommendations	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, 2024/25 and the reported outturn in 2020/21 i.e., over the last 3 years:

Service	Action	Outturn 2020/21	Budget 2024/25	Increase in Revenue(£)	Increase (%)
Newark Buttermarket	Acquisition, repurposed and refurbished	Net cost of £81,745	Net Revenue of £95,840	£177,585	217%
Lorry Park	Improvements in welfare and improved security	Net Income of £317,795	Net Income of £472,260	£154,465	52%
3 Commercial Units at Beaumont Cross (former Robin Hood Hotel)	Redevelopment and regeneration of key gateway site.	£0	£62,380	£62,380	100%
Total		Net income of £236,050	Net income of £630,480	£394,430	267%

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 £572,146 in 2020/21 to a budget for the current 2024/25 year of £740,000 i.e. an increase of 29%. This income budget will be exceeded by the year end as the income to 14 June 2024 is already £758,835.

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 2024/25 of £477,720 i.e. an increase of 43%. This income budget has already been exceeded as the income to 14 June 2024 is already £490,527, albeit this represents income for the full year for current customers. Any further income will be in relation to new customers.

2.0 Current Position:

2.1 The table below sets out the position that was presented to Council in March 2024 within the Medium-Term Financial Plan.

	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)
Funding Shortfall prior to Mitigations	0.200	1.551	4.277	4.642
Dividends from Arkwood Developments Ltd	-	(0.500)	(0.650)	(0.650)

Savings from service reviews	-	(0.100)	(0.170)	(0.170)
Savings/efficiencies from making business processes more efficient	-	(0.100)	(0.150)	(0.150)
Increased income from the council becoming more commercial	-	(0.100)	(0.200)	(0.200)
Use of MTFP reserve to offset contributions from reserves in future years	(0.200)	(0.751)	(3.107)	(1.845)
Proposed General Fund Funding Gap	0.000	0.000	0.000	1.627

2.2 Post the year end position for 2023/24 the Business Manager – Financial Services together with the S151 Officer have reviewed this position. The table below revises the position based on assumptions of forecast year end positions together with reductions in MRP due to the additional £1.165m set aside at the conclusion of 2023/24 to contribute towards future capital expenditure that was originally funded by borrowing. The table shows that there is still an inherent circa £3m annual deficit to fund from 2028/29 onwards. Policy and Finance Committee previously approved, at its meeting of 27th January 2022, a Commercial Strategy underpinned by an action plan, which would bring forward activities in order to assist with closing this gap. A steering group has been established and progress against these actions will be monitored. Update reports have been brought to Cabinet in July of 2023 and July 2024. These updates will be factored into the budget and MTFP to be presented to Council on the 6 March 2025.

	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)
Current shortfall prior to mitigations 2024/25	0.200	1.551	4.277	4.642
Revised shortfall prior to mitigations		1.301	3.123	3.078
Notional savings generatable	(0.250)			
Dividends from Arkwood Developments Ltd		(0.500)	(0.150)	
Savings from service reviews		(0.100)	(0.070)	
Savings/efficiencies from making business processes more efficient		(0.100)	(0.050)	
Increased income from the council becoming more commercial		(0.100)	(0.100)	
MRP savings due to additional contribution to Capital of £1.165m		(0.104)	(0.040)	
Use of MTFP reserve to offset contributions from reserves in future years	0.050	(0.397)	(2.693)	(3.078)
Proposed General Fund Funding Gap	0.000	0.000	0.000	0.000

2.3 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 2026/27 and therefore the latest revision of the Medium - Term Financial Plan (MTFP), approved by Council on 7 March 2024, assumes that this Council will experience a funding gap from 2026/27 onwards. The target included in the MTFP for additional revenue/savings is as follows:

2.4 The table shows reductions in expenditure and additional income of £0.300m to occur from the 2025/26 financial year, split over the three target headings.

2.5 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)

2.6 Significant Ongoing Projects

Ongoing projects where largest savings/income is forecasted.

Project/Activity	Business Unit Lead	Detail	Expected income/reduction in expenditure (£)
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. This project has now been delivered and leased to the NHS. 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.	£0.100m (Annual rent from car parking spaces after the first year. This is already budgeted for within the MTFP)
Development of Clipstone Holdings	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 Site clearance is underway and construction work is anticipated to start on site during 2024/25.	Included in MTFP £0.112m 25/26 full £0.224m 26/27 onwards

Project/Activity	Business Unit Lead	Detail	Expected income/reduction in expenditure (£)
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 has been 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. It is anticipated that a report will be brought to Cabinet during 2024/25 relating to this.	Additional revenue of £0.049m not currently reflected within the MTFP
Reduction in Management Fee to Active 4 Today	Regeneration and Housing Strategy	The forecast budget within the MTFP for the Management Fee to Active4Today over the next three years equates to £1.75m. Through various initiatives it is anticipated that the annual budget for the Management Fee can be reduced.	£0.300m through both reductions in expenditure and generating additional income, not currently reflected in the MTFP
Expansion of Private Sector Lifeline Service	Housing and Estates Management		£0.248m through additional income not currently reflected within the MTFP

2.7 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.	Four strands to the project: 1 - what can NSDC provide to local businesses. 2. what can NSDC provide on behalf of Newark Towns Fund board. 3. what can NSDC provide for partners. 4. How can we promote existing Council services. Communications manager is considering the next steps.

Project/Activity	Business Unit Lead	Project description	Progress update
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.	Now paused as a project. We are now reviewing the option of a development plot subject to early inception of a new access road at the lorry park to be provided by National Highways.
Tablets for Mobile Officers	Planning Development	Officers able to use tablets/mobile on site visits to deliver time efficiencies.	Planning Development all have tablets with mobile connectivity which should now deliver time efficiencies. Planning Officers have tablets. Planning Enforcement team have mobile connectivity which is delivering time efficiencies. More exploration will be given as the procurement for a new Planning system progresses.
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.	The contracts register is still under development. The admin team are working through with assistance from transformation to establish a reliable contract register. Once this is complete we will be able to explore further
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 three service reviews identified within the Transformation and Service Improvement Business Plan for delivery in 24/25. Each service review has a different focus. Service reviews are due to start in Spring 2024.
Ticketing System	Heritage & Culture	Ticketing system and website for theatre and National Civil War Centre to market services and future proof online sales.	The new system and website was procured in March 2023 and has been operational for over a year. An uplift of 6% has been seen in online sales, and last year's Box Office income significantly exceeded budget, although this cannot all be attributed to the new system.

Project/Activity	Business Unit Lead	Project description	Progress update
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 Theatre and NCWC have successfully applied for a wedding license, and plans are being made to promote this refreshed offer. The Castle Gatehouse project will however severely restrict weddings at that location and consequently no bookings are currently being taken. At the end of the project (expected to be 2026) there will be an opportunity with the new garden layout and facilities to increase income, as identified in the project's business plan.
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.	The business unit has consistently tried to bring in as much external income as resource has allowed. These contracts currently run at circa £285,650 per year
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.	The ongoing Legal review is looking at consultants in that area and the aim is to take a wider view across the Council. This is in part reliant on the contracts register which is under development.
Expand the Trade Waste offer	Environmental Services	Look to increase the revenue achieved by the Trade (commercial) Waste service by looking to rationalise the current contract base.	This is an activity that continues to grow each year, currently it is forecast to be £12,900 over the budget for 2024/25, which will then continue into 2025/26.
Re-engineering existing Council processes	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	<ol style="list-style-type: none"> 1. Licencing - Work has started with the team to enhance our licencing offer. Already adjustments have been made to limit paper copies being distributed which results in not only financial savings but also officer time. 2. Housing (Voids) - The voids process is under review due to the significant financial loss (rental income) experienced due to extended voids periods. Confident that efficiencies can be made in several areas.

2.8 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 is being completed for 2024 during the summer alongside the production of the budget. 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.	It is planned to undertake some public consultation during 2024 to test the market for a cinema offer sitting alongside the town's existing provision.
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.	This cannot be done legally, and hence this activity will be closed.

Project/Activity	Business Unit Lead	Project Description	Project update
Expand the Garden Waste service	Environmental Services	Expand the scale of the garden waste service. This service covers 3 trucks we need to invest in vehicles and staff for a fourth truck and thus be able to expand to meet the need. Build a business case considering the viability of investment in a fourth vehicle.	Financial year 23/24 saw the highest uptake of the service yet. For the new financial year the subscription price was raised by £2 per bin. The service will need to look at the uptake for this year (uptakes don't peak until well into the summer) to ascertain whether the price increase has lowered demand. In addition we now have the glass vehicles and a round restructure to do. Next financial year will require the council to offer a comprehensive commercial waste recycling service (over and above what we deliver now) and a commercial food waste service. Before any case can be made for additional green waste vehicles all other requirements need to be factored in. Obviously the ongoing work around space at the depot will play a role in how many vehicles we can actually operate safely. In addition the team has been completely consumed over the last 8 to 12 months in setting up the delivery of kerbside glass collections. This project is still not finished even though the service has started
Develop our arboriculture service	Environmental Services	The Council to develop its arboriculture team undertaking tree works on a commercial basis. This requires investment in staff and equipment and a continuous marketing programme alongside the team. Develop a business case to consider if a team is viable. This would require input from Planning and require heavy involvement from the new Tree & Landscape Officer	Currently the department has applied for training funding through the yearly training budget. If this is granted a number of Grounds Maintenance staff will undertake the first level of training. Once this has been completed a smaller number will be put forward for the level 2 training. Once this is completed we will ascertain whether we have existing staff that have an aptitude for this work at high level. A cost analysis is being drawn up to ascertain the possible savings against contracting out. An ARB can be very expensive to run due to the equipment and certification costs as well as the highly skilled labour that attracts reasonably high wages. Our study is looking at current requirements and the levels currently undertaken
Culturally exempt certain Assets	Finance & Heritage and Culture	Explore the viability of naming some Council assets as 'culturally exempt' to create savings.	Impact on fees has been determined, but work needs to commence to review the impact on show promoters and whether or not any additional income would need to be shared between NSDC and the promoter. The impact of this would then need to be reviewed based on the Council's VAT arrangements for exempt income.

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 (FIN24-25/1988)

- 3.1 From the tables at paragraphs 2.1 and 2.2 (an extract from the approved MTFP from 7 March 2024 and subsequently the Annual Budget Strategy for 2025/26) 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 2.4 and 2.5 above, in summary, the details of the items that were included within the update to this plan during July 2023. Three of the four items have subsequently been included within the MTFP approved at Council 7th March 2024, and hence are already contributing towards the savings identified within the MTFP approved 9th March 2023. Hence they are already inherent within the 2024 iteration of the MTFP.

	Included in MTFP March 24	Year 1 2024-25	Year 2 2025-26	Year 3 2026-27	Year 4 2027-28	Year 5 2028-29
Clipstone	Yes	£0	£0	£224,000	£224,000	£224,000
Crew Lane	No	£0	£49,615	£49,615	£49,615	£49,615
Grounds Maintenance Contracts	Yes	£40,000	£40,000	£40,000	£40,000	£40,000
Total		£40,000	£92,015	£316,015	£316,015	£313,015

- 3.3 The item in the table below is again from paragraph 2.4 above but is yet to be reflected within the MTFP approved on 7th March 2024, and hence would contribute towards the target savings identified within that document.

	Year 1 2025-26	Year 2 2026-27	Year 3 2027-28	Year 4 2028-29
Reduction in Management Fee for Active4Today	£300,000	£300,000	£300,000	£300,000
Expansion of Private Sector Lifeline Service	£248,000	£248,000	£248,000	£248,000
Total	£548,000	£548,000	£548,000	£548,000

- 3.4 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 expected to hit the target of £0.520m for 2026/27 also.

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.

