



CPR.29 15/16

Corporate Policy and Resources Committee

27 October 2015

Commercial Plan – Annual Delivery Plan

Report by:

Commercial Director

Contact Officer:

Penny Sharp
Commercial Director
01427 675185
Penny.sharp@west-lindsey.gov.uk

Purpose / Summary:

This report sets out the proposed annual delivery plan for the Council's Commercial Plan.

RECOMMENDATION(S):

- (1) That members recommend to Council approval of the annual Commercial Delivery Plan for 2015/16.**

IMPLICATIONS

Legal:

The income recovery and generation activity of the Council will need to comply with the legal framework governing the powers and duties of the Council.

The main outlines of this framework are described in general terms in Appendices 1 and 2 of the Council's Commercial Plan.

In addition, in reaching any particular decision to charge or trade the Council must comply with the general duties attaching to local government decision-making including the obligation to act rationally and fairly and to exercise its powers for a proper purpose. By way of illustration of the last of these, the courts have in the past quashed a decision to introduce car parking restrictions where they found the purpose to be income generation and not a real traffic management reason.

The legal implications of all the Council's income recovery and generation proposals will need to be considered carefully. This will be done on a case-by-case basis and the legal implications reflected in each business case that Members consider.

Financial:

FIN REF: FIN/69/16

The Commercial Plan is intended to guide the Council's activity in generating income and contributing to overheads. To achieve the Council's ambition of financial self-sufficiency it will be necessary to find in excess of £2.5m additional net income/savings by 2020. The Commercial Plan is intended to make a contribution to closing this 'funding gap'. The target is for the Commercial Plan to generate a minimum additional £1m income/surplus.

The Council has established an 'Invest to Earn Fund' of £1m for 2015-2020. The 'Invest to Earn Fund' will help finance the development of commercial projects and proposals including research and development activity such as market analysis, sales opportunities and the development of project business cases.

Staffing :

There are no direct staffing implications arising from this report. The resource implications of each commercial project will be considered and reflected in individual business cases.

Equality and Diversity including Human Rights :

This proposed commercial delivery plan has no direct equality and diversity implications. Each individual commercial project/initiative will need to consider any equality implications.

Risk Assessment :

Adopting a more commercial approach inevitably increases risk particularly financial, reputational and delivery risks. The Council's Commercial Board considers risks associated with each individual business case as well as monitoring and managing strategic risks associated with the Council's commercial approach. Risks are managed and reviewed in line with the Council's corporate risk management approach and overseen by Governance and Audit committee.

Climate Related Risks and Opportunities :

There are no direct climate related risks arising from this report.

Title and Location of any Background Papers used in the preparation of this report:

West Lindsey District Council Commercial Plan 2015-2020

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Background

- 1.1 The Council adopted a Commercial Plan in March 2015. The Commercial Plan is intended to support the Council's ambition to become self-financing by 2020. The plan sets out a framework to help guide the Council's cost recovery and income generation activities from 2015-2020.
- 1.2 The Commercial Plan focuses on four themes:
- Increasing income from Council services through trading and charging
 - Increasing external funding to the Council and the district
 - Increasing capital and revenue income from supporting housing and economic growth
 - Strengthening the Council's commercial culture and capability.
- 1.3 At the time of agreeing the Commercial Plan, Full Council recommended that an annual delivery plan be developed and agreed in Autumn 2015. This report details the proposed delivery plan for 2015/16 and its key performance measures. The report also summarises progress to date.

2 Commercial Plan - Progress Summary

- 2.1 The Commercial Plan sets out a four year programme of work with the aim of generating a minimum of £1million net revenue by 2019/2020. It has always be envisaged that the Council's commercial approach will begin slowly and gain momentum as new ideas come on stream and business cases are agreed and implemented.
- 2.2 The emphasis over the last 12 months has been on ensuring the foundations are in place to support the delivery of the Council's commercial ambitions. This has included establishing new governance arrangements, revising the approach to project management, developing and implementing new policies, and recruiting to key roles. In particular, the emphasis has been on engaging staff and elected members in shaping and developing the Council's commercial approach in order to develop a common understanding and commitment.
- 2.3 In addition, a pipeline of commercial projects has been developed with several income generation initiatives well underway. The business planning process has also identified further income generation opportunities that are currently being reviewed by the Commercial Board.

2.4 Highlights of the Council's progress with implementing the Commercial Plan so far are listed in the table below:

<p>Theme 1 - Generating greater income from the council's services through charging, trading and investment (in order to reduce the net subsidy for each service)</p>
<ul style="list-style-type: none"> • Established a trading Corporate Fraud service • Enhanced and grown Trade Waste service • Provided commercial loan that is enabling roll-out of broadband services and generating interest • Redesigned pest control advice to secure a brokerage fee • Enhanced Trinity Arts Centre programme, increasing the number of customers and income generation • Hiring out Guildhall meeting rooms • Developed trading accounts for key services • Established £1m 'Invest to Earn' fund • Developed pipeline of commercial projects • Adopted new Council investment strategy • Reviewed fees and charges
<p>Theme 2 - Securing greater external funding for the council and the district</p>
<ul style="list-style-type: none"> • Secured external funding to support delivery of council services, corporate priorities and for local communities/the district. • Secured new social investment fund for West Lindsey (Key Fund) • Secured GrantFinder to support identification of new funding opportunities • Strengthened relationships with key funding agencies e.g. Greater Lincolnshire Local Enterprise Partnership; Homes and Communities Agency (HCA); Department for Communities and Local Government (DCLG); One Public Estate • Revised external funding bids approval process
<p>Theme 3 - Increasing capital and revenue returns to the council through delivering housing and economic growth</p>
<ul style="list-style-type: none"> • Secured Housing Zone status for 'Greater Gainsborough' – providing a catalyst and focus for housing and economic growth and HCA investment. • Secured Food Enterprise Zone for Hemswell and Riseholme • Secured planning permission for Corringham Road site (adding book value) • Acquired and leased out 10 empty homes, generating a rental income • Negotiated financial compensation and termination of Beaumont Street car park lease • Developed Acquisitions and Disposals policy • Developed Lease Management policy • Developed Land and Property Management Plan • Reviewed Council leases • Implemented new computer-aided asset management system • Undertaken conditions survey of council properties to inform development of a planned maintenance programme • Agreed partnership arrangements for driving West Lindsey's growth

Theme 4 - Enhancing the council's commercial culture and capability
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| <ul style="list-style-type: none">• Held commercial plan workshops with elected members• Developed commercial plan and annual delivery plan• Established Commercial Member Steering Group• Meetings held with teams to discuss the Council's commercial approach• Revised business planning process to encouraged income generation proposals in addition to efficiency proposals• Piloted 'Commercial Lunch and Learn' session for staff• Recruited to key roles with an emphasis on commercial capability (Strategic Leads, Business Development and asset management support)• Revised project and programme management approach |
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3 Commercial Plan - Annual Delivery Plan 2015/16

- 3.1 Appendix 1 contains the proposed annual delivery plan for 2015/16. In future years, the Annual Delivery Plan will be developed and considered in March in conjunction with the Medium Term Financial Plan.
- 3.2 The Annual Delivery Plan details key milestones and success measures for each element of the Commercial Plan. Progress in delivering against the annual delivery plan will be monitored by the Commercial Member Steering Group and reported to Corporate Policy and Resources Committee every six months.
- 3.3 Commercial projects that are currently under development are not been specified in the Annual Delivery Plan due to their commercial sensitivity. As individual projects are progressed and business cases developed they will be considered by the relevant Committee in line with the Council's existing governance framework.

4 Commercial Principles

- 4.1 In implementing the Annual Delivery Plan, the Council will adhere to the commercial principles established in the Commercial Plan:
 - Legally compliant
 - High standards of corporate governance
 - Long-term view
 - Financial sustainability
 - Appropriate rates of return
 - Learning organisation
 - Team Effort

5. Investment Appraisal

- 5.1 Each project and proposed procurement will be financially assessed through an investment model designed to show the rate of return over the lifetime of the project or asset.
- 5.2 The assessment will take into account all costs including costs of financing for purely financial investments and reflect appropriate risks and risks mitigation.
- 5.3 A project/asset will not be given the go ahead unless there is high confidence of achieving a return to the Council greater than the current treasury management average rate of return.
- 5.4 Currently, commercial projects are assessed for financial viability taking into account the time value of money, as well as payback period. Using a Net Present Value (NPV) approach ensures that the expected future returns exceed present day value returns after taking account of inflation, and indicates a level of sensitivity to future variations.
- 5.5 The Council's current financial appraisal model applies a discount factor of 3.5% when analysing viability. This is in line with Cabinet Office guidance for Treasury projects. The discount will be reviewed as part of the annual delivery plan process.

6 Measuring Success

- 6.1 It is important that the Council is able to monitor the success of its commercial approach and its contribution to the Medium Term Financial Plan.
- 6.2 The table below proposes a number of key performance indicators to help measure the impact of the commercial approach. It is proposed to establish baselines and annual targets for these Key Performance Indicators as part of the Medium Term Financial Plan in February each year.

Theme	Key Performance Indicators
(1) Generating greater income from the council's services	Total amount of income generated Income as a proportion of total expenditure Total net revenue income (i.e. surplus)
(2) Securing greater external funding	Total external funding secured for the Council Total external funding secured for communities/district
(3) Increasing capital and revenue	Percentage change in capital value of assets

returns to the council through delivering housing and economic growth	Rate of return on rental income Change in Council Tax base Change in business rates income
(4) Enhancing the council's commercial culture and capability	Proportion of staff that understand corporate objectives Proportion of members that understand corporate objectives Proportion of services that generate income

7. Conclusion

- 7.1 Considerable progress has been made in establishing the foundations required for the effective delivery of the Council's Commercial Plan 2015-2020. A number of commercial initiatives are already well underway with a pipeline of projects for which business cases will be developed during the plan period. Business cases will be considered in line with the Council's existing governance arrangements. Corporate Policy & Resources Committee will monitor the progress of implementing the annual delivery plan.
- 7.2 It is recommended that Corporate Policy and Resources Committee recommends to Council that it approves the Commercial Plan Annual Delivery Plan for 2015/16 and the key success measures detailed in section 6 of this report.