

**Meeting** EXECUTIVE

**Portfolio Area** Resources and Transformation

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## CO-OPERATIVE COMMERCIAL AND INSOURCING STRATEGY 2023-2026

### KEY DECISION

#### 1. PURPOSE

- 1.1 This report seeks the approval of the Co-operative Commercial and Insourcing Strategy 2023-2026 and the approval of Fees and Charges 2024-25 for the General Fund.
- 1.2 The Council recognises that it needs to operate commercially and transform how services are structured and provided in order to ensure the continued delivery of the Council's diverse range of services. There is the need to be prudent and efficient whilst being 'commercial with a conscience' in order to generate income, manage costs and provide funding to support vital services.
- 1.3 The strategy outlines the Council's approach to operating commercially. This will be achieved through maximising opportunities to insource services, the delivery of business process improvements and the generation of new or enhanced sources of revenue. The commercial culture across the organisation will continue to be developed, to ensure that staff are equipped with the right skills to deliver.

## **2 RECOMMENDATIONS**

- 2.1 That the Co-operative Commercial and Insourcing Strategy for 2023-2026, as appended to this report as Appendix A, be approved and reviewed on an annual basis (together with relevant Appendices shown in Part II of this agenda).
- 2.2 That Fees and Charges 2024-25 for the General Fund, as shown at Appendix B, be approved.
- 2.3 That the Strategic Director (CF) be given delegated authority to approve any final changes required to the Strategy, following consultation with the Executive Member for Resources and Transformation.

## **3 BACKGROUND**

- 3.1 Local government has been facing a challenging financial position after a decade of central government funding cuts. These pressures have been heightened by the effects of the Covid-19 pandemic and increasing inflationary pressures. The cost-of-living crisis has driven up demand for services. These impacts have resulted in the Council having to find cumulative savings of £11Million since 2010/11. Therefore, the focus on financial security is more important than ever to support a strong position for the town and the Council.
- 3.2 The Council will continue to assess services to understand how they can deliver savings and generate revenue. It recognises that continuing to do this will help to secure the future delivery of sustainable services for the community and will deliver commercial activity in line with its objectives around 'commercial with a conscience.'

## **4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

- 4.1 The Council has a savings target for the General Fund of £1.23Million in 2024/25 and an additional £1Million per year in future years as per the latest Medium Term Financial Strategy (MTFS) approved at the September 2023 Executive.
- 4.2 The Housing Revenue Account (HRA) also requires savings to meet the cost of those services, and this will be set out as part of the HRA Business Plan to be reported to the November 2023 Executive.
- 4.3 Commercialisation and fees and charges are essential tools in addressing future budget gaps and mitigating pressures. In some cases, fees and charges from one service area support other Council services. There is the need to generate sustainable new income streams, which are built into the Council's MTFS to reduce the likelihood of having to reduce or cut services.
- 4.4 Members should note that although inflation added an additional £2Million of pressure to Council budgets in 2023/24, the majority of fees

and charges for 2023/24 were set between 5-8%, below the rate of inflation (10.3% in January 2023).

4.5 Looking to 2024/25, the Council will continue to incur increased running and resource costs and has considered each area of fees and charges on a case-by-case basis. The Council's Financial Security Group (CFSG), a cross party group of Members, met on 30th August 2023 to review proposals for Fees and Charges for the General Fund 2024-25.

4.6 Increases to fees and charges, detailed in Appendix B, are recommended to meet the Balancing the Budget target. All fees and charges were approved by the majority of Members (with the exception of the planning fees referenced in 5.2.1 which were revised after the meeting of the CFSG); in twenty-eight out of thirty-five categories the fees were approved unanimously. Based on the majority of CFSG Members voting to approve the fees and charges proposed, they are recommended to the Executive to approve.

Summary of CFSG responses where fees were not agreed unanimously

Fee	Number of Members that agreed	Number of Members that disagreed
New town long stay fees average increase 9.26%	4	1
Railways Monday-Saturday 6-24 hours (proposed new time band) from £10.00 to £11.00	4	1
Church Lane North (Saturday 4pm-Monday 6am) from free to £1.00	4	1
On street parking town centre average increase 9.85%	4	1
Street naming/numbering average increase 9.85%	4	1
Local land charges no increase on LLC1, average increase on all others of 15%	4	1
Cemeteries fees increase by average 11.57%	4	1

4.7 The Council's 'Balancing the Budget' priority has four work streams to achieve financial stability for the Council so that it maintains a prudent level of balances, while at the same time being able to deliver on Future

Town Future Council (FTFC) aims, including regeneration of the town centre, housing delivery and co-operative neighbourhood management. The figure below shows the connection between the Council's Financial Security priority and targeted commercial activity. The graphic below sets out the process.



- 4.8 This approach will support services in reducing the cost of delivery and where possible, enable them to achieve break even positions where appropriate. The Council will continue to optimise resources, will actively seek new commercial opportunities and will review existing investments with a view to maximising the commercial return from them, in order to support the Council's wider services.
- 4.9 The Council will ensure that all commercial actions and decisions are ethical in nature and have a positive impact on the community, delivering additional social value and contributing to community wealth building where possible.
- 4.10 The Council operates a Commercial and Investment Working Group (CIWG), comprised of Members of the Executive. Its purpose is to enable the organisation to oversee and support the development of co-operative commercial and insourcing programmes of work. The working group provides commercially focused strategic thinking and direction and will encourages the organisation to work efficiently, achieving value for money, and delivering the Co-operative Commercial and Insourcing Strategy.
- 4.11 Members of CIWG were consulted on the Co-operative Commercial and Insourcing Strategy on 15<sup>th</sup> June 2023.

## **5. IMPLICATIONS**

### **5.1 Financial Implications**

- 5.1.1 The strategy seeks to improve the financial performance of service areas, reduce costs, and bring services back in house where possible. Where possible, low risk concessions contracts will be agreed, but on occasion commercial activity may require increased investment to make savings or generate income in the longer term. On occasions when potential 'pump prime' funds are required the necessary approval processes will be followed.
- 5.1.2 Since the meeting of the CFSG there has been a revision to the proposed planning fee for direct applications, set to rise to £70 per application, to take in increased costs for scanning, inflationary increases on banking and administrative costs and increased cost of operating and maintaining the planning system. This is reflected in Appendix B.
- 5.1.3 If the changes to fees and charges are all approved, they total an increase in budgeted income of £396,588 for 2024/25 which contributes to the funding gap as set out in the September 2023 MTFs report. Equality Impact Assessments (EqIAs) have been completed for changes to fees and charges across all service areas.
- 5.1.4 Following government consultation, the fee for processing planning applications is set to rise, but the regulations need to be voted on by the House of Commons and House of Lords. Once approved, the fees will increase by a prescribed rate of 25%-30% (likely to commence in April 2024) and an additional £103K income is anticipated in 2024/25.
- 5.1.5 It is recommended that Members approve that the fees and charges should increase starting from January 2024, with the exception of garages which are managed via the Northgate system and require an April 2024 start date and Markets which bill quarterly and recommend an April 2024 start date.

### **5.2 Legal Implications**

- 5.2.1 The Council has a number of options available to it when considering the best commercial approach in any given situation. These include:
- Carrying out the service as before, but in a more streamlined manner.
  - Contracting out service provision to the private or third sectors (itself or in conjunction with another authority or using an arrangement procured by another contracting authority, where appropriate).
  - Bringing services that have previously been contracted out back in-house.
  - Providing the services in partnership with another public body.

- Establishing a local authority wholly owned vehicle to take advantage of trading opportunities with individuals or the private sector.
  - Establishing joint venture vehicles in partnership with a private or public sector body, whether or not in conjunction with a services contract.
  - Ceasing to provide the service (where there is no statutory obligation to do so).
- 5.2.2 The Council will continue to consider the most appropriate route forward, utilising cost/benefit analysis and being mindful of the various legal constraints that exist in relation to each option.
- 5.2.3 The Council's powers in section 1 to do anything that individuals generally may do is subject to a restriction in section 4. This states that where, in exercise of the general power, a local authority does things for a commercial purpose, the authority must do them through a company. Although the Co-operative Commercial and Insourcing Strategy is cast in terms of a commercial approach, at this stage the strategy is motivated primarily by making best use of capacity within the services currently provided and to ensure their viability in relation to the Council's core functions. If the expansion of Council services takes on a more directly commercial character, then it may become necessary to operate through a Council company. It is therefore recommended that the performance and scale of commercial activity is subject to regular review.
- 5.2.4 It will also be necessary to ensure consider subsidy control implications and to ensure that there no negative implications on the people who are protected under the Equality Act, as per the Public Sector Equality Duty.
- 5.2.5 The Council is prudent when investing and is cognisant of legal constraints. The Council has only invested £1.5Million in commercial investment assets to date. This investment took place 2018, before changes to PWLB (Public Works Loans Board) rules, when the Council purchased Essex House in Stevenage, which is rented out as office space.

### **5.3 Risk Implications**

- 5.3.1 In order to create sustainable revenue streams to help protect council services and ensure ongoing resilience, the Council must accept a degree of risk. Risk management is one of the guiding principles of the strategy. Risks across all areas are mitigated through efficient and proportional regard to governance, policy, management, processes, and systems to ensure robust decision-making, performance and success of commercial enterprises, contracts, and partnerships. The Council's approach is to pursue diverse commercial activity with risk spread across different sectors and in different areas.

## **5.4 Human Resources Implications**

5.4.1 The strategy requires the Council to provide targeted training and guidance to existing staff to further develop commercial acumen. In addition, the strategy has implications for recruitment practises, performance monitoring and the potential for different pay structures moving forwards as the expectations around commercial skills and application develop further.

## **APPENDICES**

### **Part I**

- A Co-operative Commercial and Insourcing Strategy 2023-2026
- B Fees and Charges 2024/25 General Fund

## **BACKGROUND DOCUMENTS**

- BD1 Medium Term Financial Strategy, Revised September 2023
- BD2 Corporate Plan, Future Town, Future Council