

## **MAIDSTONE BOROUGH COUNCIL**

### **RECORD OF DECISION OF THE CABINET**

Decision Made: 12 September 2012

#### **COMMERCIAL OPPORTUNITIES**

##### **Issue for Decision**

To consider ways in which the Council can take forward possible commercial activity to generate additional revenue income and improve sustainability

##### **Decision Made**

1. That the new opportunities for commercial activity identified in the report of the Assistant Director of Environment and Regulatory Services be agreed and put through the business model process.
2. That a similar business model process be used to bring forward opportunities relating to existing commercial activity.
3. That the Council's fund of £500k, as agreed in the decision regarding Investment Opportunities to meet possible investment failure, be also used in the event that a commercial venture fails or does not meet the expected return.

##### **Reasons for Decision**

The current economic climate is causing significant financial pressure on local authorities. Revenue provision through government grant is reducing and will continue to reduce. In order to achieve the Council's strategic goals and indeed to maintain services, there is a need for the Council to be more business-like.

The Cabinet had already recognised this and a comprehensive review of fees and charges was undertaken last year with the aim of maximizing income. Further reviews will be undertaken as part of the budget setting process.

In addition, with the aim to become more business-like, officers have undertaken extensive research and identified the Council's areas of commercial strength and areas of business opportunity. Existing commercial activity has been reviewed and potential expansion identified where appropriate.

Discussions with local business leaders had indicated that they have no objection to the Council being a competitor, where appropriate, but would

expect that any commercial activity would be undertaken using "a level playing field".

However, any commercial activity has a potential risk and the Council needs to be aware that some ventures may fail. In order to minimize the risk, every proposal will need to be the subject of a rigorous business development appraisal. To assist in this process, advice has been sought from business experts and entrepreneurs and a detailed business development appraisal model has been identified to ensure proposals are fit for purpose.

This advice and appraisal system comes at a cost and budget from last year's underspend has been set aside to start the process off.

It is recognised that new commercial activity will require start up budgets and this will be provided through the invest to save fund.

Having reviewed the main opportunities through a workshop and having in mind the relative strengths of the services/activities, a short list has been identified for those areas considered to have the best commercial potential. These are:-

- Commercial waste
- Venues and event management
- Professional services
- Print room
- Temporary residential accommodation

Subject to Cabinet approval, it is suggested that the business development appraisal model be used to test the opportunities for a commercial waste service, as a lot of background work has already been completed. The author of the model will be employed to provide guidance on the way the model is implemented.

If this proves beneficial, this will then be extended for the other services on the short list.

Individual reports will then be provided to the appropriate cabinet member for approval to progress forward.

A summary of the appraisal model is provided in Appendix A to the report of the Assistant Director of Environment and Regulatory Services.

As mentioned earlier, a review of existing commercial activity has been undertaken and existing services that could benefit from what is called an "entrepreneurial" approach have been identified. These are:

- Bereavement services
- Procurement
- Building Control
- Shared services in terms of the next steps
- Advertisements
- Grounds maintenance

It is proposed to use this approach to review the opportunities for these existing services and bring forward the business plans to the relevant cabinet members.

It is recognised that this approach to business development is new and rigorous controls are necessary to minimise risks to the Council. Such new or extended ventures will need "start up" budgets. Clearly, it is difficult to identify how much additional income will be realised. Individual performance will be identified in the business plans presented to the cabinet members. Once established the performance of each venture will be assessed and monitored by means of the Council's normal procedures including quarterly reporting of service delivery and financial performance.

### **Alternatives considered and why rejected**

The Cabinet could decide not to agree the proposals to test the business case for commercial waste, but this was not recommended as it would mean a potential opportunity to generate income would be lost.

The Cabinet could opt for a different service to test but the case for a commercial waste service is well developed and is most suited to going through the appraisal model in terms of timeliness.

The Cabinet could decide to select other services for potential business development activity; however, officers are satisfied that having considered the strengths of the various services, those identified provide the most likely ways to generate income.

A decision could have been made not to proceed with any of the proposals and not agree the use of the business model process but this would mean no further commercial activity would be brought forward.

### **Background Papers**

Report on Investment Opportunities dated 12/09/2012

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: <b>21 September 2012</b>
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