

MAIDSTONE BOROUGH COUNCIL

CABINET

12 SEPTEMBER 2012

**REPORT OF THE ASSISTAND DIRECTOR OF ENVIRONMENT
AND REGULATORY SERVICES**

Report prepared by Steve Goulette

1. **COMMERCIAL OPPORTUNITIES**

1.1 Issue for Decision

1.1.1 To consider ways in which the Council can capitalise on new commercial opportunities together with ways to improve existing commercial activity.

1.2 Recommendation of the Assistant Director of Environment and Regulatory services

1.2.1 It is recommended that:-

- a) The report be agreed and the new opportunities for commercial activity identified in the report be put through the business model process.
- b) That a similar business model process be used to bring forward opportunities relating to existing commercial activity.
- c) That the Council's fund of £500k previously agreed to meet possible investment failure be also used in the event that a commercial venture fails or does not meet the expected return.

1.3 Reasons for Recommendation

1.3.1 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 businesslike.

1.3.2 The Cabinet has 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.

- 1.3.3 In addition, with the aim to become more businesslike, 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.
- 1.3.4 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".
- 1.3.5 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.
- 1.3.6 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.
- 1.3.7 It is recognised that new commercial activity will require start up budgets and this will be provided through the invest to save fund.
- 1.3.8 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
- 1.3.9 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.

- 1.3.10 If this proves beneficial, this will then be extended for the other services on the short list.
- 1.3.11 Individual reports will then be provided to the appropriate cabinet member for approval to progress forward.
- 1.3.12 A summary of the appraisal model is provided in Appendix A.
- 1.3.13 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
- 1.3.14 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.
- 1.3.15 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.
- 1.4 Alternative Action and why not Recommended
- 1.4.1 Cabinet could decide not to agree the proposals to test the business case for commercial waste, but this would mean a potential opportunity to generate income would be lost.
- 1.4.2 Cabinet could opt for a different service to test but the case for commercial waste service is well developed and is most suited to going through the appraisal model in terms of timeliness.
- 1.4.3 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.

1.4.4 A decision could be 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.

1.5 Impact on Corporate Objectives

1.5.1 The proposals for a structured approach to business development to generate more income will assist in achieving the Council's aims and objectives.

1.6 Risk Management

1.6.1 Any commercial activity gives rise to some risk and therefore proper financial controls and business development appraisal are essential.

The report identifies a business case appraisal model aimed at minimising the risk to the Council.

1.6.2 All business plans must provide income to offset start up costs within a reasonable period of time.

1.6.3 There is potential, due to the risk associated with commercial enterprise for the venture to be less successful than anticipated and income received being less than necessary to pay back the start up costs. If cabinet supports the report, it would be appropriate to allow for a level of scheme failure, even though risk is low, by setting aside a reserve. This has also been identified in the report on investment opportunity and the same fund could be used to support unproductive commercial activity.

1.7 Other Implications

1.7.1

1.	Financial	X
2.	Staffing	X
3.	Legal	X
4.	Equality Impact Needs Assessment	X
5.	Environmental/Sustainable Development	
6.	Community Safety	

- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management

Financial

- 1.7.2 The financial arrangements are identified in the report. Start up costs will be necessary and will be identified as part of the business planning process. Each business case will identify the full costs and potential returns.
- 1.7.3 £10000 has been set aside to pay for the expert advice relating to the business planning process.

Staffing

- 1.7.4 Professional advice is needed to support the business planning process and existing resources will be used to progress the business cases. However, this may need a review of current priorities and activities.

Legal

- 1.7.5 Legal agreements may be necessary if business cases are approved.

Equality Impact Assessment

- 1.7.6 An Equality Impact Needs Assessment is likely to be required for each business case.

1.8 Relevant Documents

- 1.8.1 None

1.9 Background Documents

- 1.9.1 Report on Investment Opportunities on the same Cabinet agenda.

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan? July 2012

This is a Key Decision because: it includes new policy

Wards/Parishes affected: ALL