

# Appendix 2

DRAFT

# Exeter City Council Commercial Activity

## TERMS OF REFERENCE

### November 2019

#### 1. Background and purpose

The impact of budget cuts arising from reductions in central government funding has put increased pressure on budgets and our ability to deliver services. In line with many other local authorities, Exeter City Council must either cut services or seek additional income from alternative sources to balance revenue accounts.

The City Council remains committed to delivering the best quality services to meet residents needs and where possible, their aspirations. Considerable time has been spent ensuring that services are delivered efficiently and effectively to provide best value, cutting services is a last resort.

Exeter City Council is committed to maximising the potential for commercialisation and income generation. Across the organisation there are a wide variety of services which have varying degrees of potential for commercialisation.

Commercial activity will focus on increasing new expenditure from external sources, to assist with future budget savings to enable vital services to continue being delivered.

#### 2. Structure

The Commercial Team is designed to support the City Council's drive to deliver the vision and the Corporate Plan 2018 – 21. To achieve this the City Council will require sustainable financial resources. As the City Council expands its commercial activity, the Commercial Team will deliver appropriate activity. This activity will achieve an income to fund priorities and actions as set out in the Commercialisation Strategy.

The Commercial Team will identify areas within the City Council which have the potential to be commercialised. The Team will then undertake a viability audit and if it passes, prepare a business case and business plan for this area which will then be reviewed by the Senior Management Board.

#### Commercial Team

As of November 2019, the Commercial Team is made up of two members of staff, the Commercial Manager and the Growth & Commercialisation Manager.

It is the role and responsibility of the Commercial Team to:

- Provide additional capacity, support and advice to service areas to develop commercial activity
- Research commercial opportunities
- Develop Business Cases and Plans for the Senior Management Board to review and authorise
- Work with service areas to implement Business Cases and Plans
- Retain, monitor and review the corporate commercial risk register
- Monitor commercial success and report to the Senior Management Board
- Liaise with the Procurement Team/Lead to review corporate spend to identify commercial opportunities and ensure adherence with procurement legislation
- Assist in achieving cultural change
- Learn from other authorities and utilise this for continuous improvement
- Ensure that City Council staff involved in commercial activity have the appropriate level of skills to proceed with commercial activity

### **Commercial Working Group**

An informal Commercial Working Group will be established to discuss and develop commercial ideas and activity. They will meet approx. once every 4 months and will consist of service leads and officers with an interest in developing commercial activity. The working group will also share best practice and knowledge.

### **Senior Management Board**

Commercial business cases and plans will be presented to the Senior Management Board, by the Director responsible for commercial activity. Implementation of commercial activity will not start until the business case and plan has been reviewed and approved by the Senior Management Board. The Senior Management Board will receive an update on commercial activity every 6 months.

If additional budget is required to deliver commercial activity, the Senior Management Board will approve the allocation of funds from the Transformational budget and if new external expenditure is required, make a recommendation to Council to approve new expenditure on commercial activity.

Implementation of all commercial activities will not occur until the business case and plan have been reviewed and approved by the Commercial Board.

Any decision made by the Senior Management Board shall be by way of a majority vote. Whilst not binding on the Council this vote shall be considered as the final decision on a matter.

If aggrieved by the decision of the Senior Management Board, the Commercial Team and/or the officer from the proposed commercialised area may seek a review of their decision.

### **3. Commercial Activity**

The scope of the City Council's commercial activity will be within the immediate area and will not include the development of student accommodation on land or property owned by the City Council.

Income generation and cost recovery will be a key part of the City Council's commercial activity and will be the focus of phase 1 activity.

Once Phase 1 has been delivered (in achieving enough income for full cost recovery), Phase 2 will be activated. Phase 2 will focus on delivering a surplus from commercial activity. A suitable delivery model will be investigated with Legal to ensure the City Council's activities remain legal and compliant.

As part of the process in researching and developing commercial ideas, the Commercial Team will consult with services leads in Legal, Finance & Procurement, Executive Support, Audit and Corporate Property.

#### **Stage One**

The first stage (prior to business case) when developing commercial ideas will be completing the Evaluation Criteria below. Each area of activity will be assessed via the following:

<b>Evaluation Criteria</b>		
<b>Number</b>	<b>Area of Activity</b>	<b>Score</b>
1	Meets ECC Corporate Plan	Y / N

2	Meets Exeter Vision	Y / N
3	Meets our residents needs	Y / N
4	Meets our business needs	Y / N
5	Project meets carbon neutral targets	Y / N
6	Borrowing costs are covered each month	Y / N
7	Provides a surplus each month	Y / N
8	Overall Risk	H / M / L
9	Resources available (spare capacity)	H / M / L
10	Demand established	H / M / L

To determine if a project proceeds to business case and plan, and subsequently presented to the Senior Management Board, the project should show positive results in the above areas of activity. If a commercial idea cannot meet all of the above, it is either withdrawn or significant adjustments are made.

#### **Stage Two**

Once a commercial idea passes the evaluation criteria, a business case and plan with full costings is developed and presented to the Senior Management Board to review and authorise to continue.