

REPORT TO STRATEGIC SCRUTINY

Date of Meeting: 17 November 2022

Report of: Director Net Zero Exeter & City Management

Title: Commercialisation

Is this a Key Decision?

No

Is this an Executive or Council Function?

Executive

1. What is the report about?

1.1 To update members on work undertaken within the Net Zero & Business service, under the umbrella of commercialisation.

2. Recommendations:

2.1 For members to debate and note work undertaken and planned within Commercialisation that supports the One Exeter programme, as well as the City Council's Medium Term Financial Plan.

2.2 To adjust activity to support services to increase income, rather than activity that requires borrowing – 'invest to save' – to deliver commercialisation.

2.3 Going forward, update Strategic Scrutiny every six months, from November 2022 onwards.

3. Reasons for the recommendation:

3.1 To make members aware of projects the Commercial Manager has been working on, as well projects that are planned going forward.

3.2 To make members aware of the current financial constraints in delivering commercial activity.

4. What are the resource implications including non financial resources

4.1 Due to current interest rates, some projects have been put on hold, as they are not commercially viable to progress with.

4.2 Commercial projects need to be met within existing budgets and personnel resources, no additional financial resources are required. This does require officers from across the City Council to work with the Commercial Manager on delivering commercial activity, a challenge when officers are working at capacity.

5. Section 151 Officer comments:

5.1 Members will note the progress made. However, there are challenges, with higher interest rates making business cases much more difficult to achieve viability.

6. What are the legal aspects?

6.1 None identified.

7. Monitoring Officer's comments:

7.1 This report is for information and therefore raises no issues for the Monitoring Officer.

8. Background

8.1 The City Council has been undertaking commercial activity for approximately three and half years. The role of the Commercial Manager was introduced 1 April 2019, on a fixed term contract of 24 months, which was extended for a further 24 months until 31 March 2023.

8.2 The work of the Commercial Manager is guided by the City Council's adopted Commercial Strategy: <https://exeter.gov.uk/council-and-democracy/council-information/strategies-policies-and-plans/corporate-plans-and-strategies/> with services marketed under the umbrella of Exeter City Services – as a brand and marketing tool to raise the awareness of income generating City Council services.

8.3 Due to many businesses in Exeter putting operations on hold during the pandemic, the Commercial Manager post was furloughed for a period of time. As a result, a number of projects were delayed.

8.4 In returning to work after Furlough, the Commercial Manager assessed commercial opportunities and the focus of work temporarily changed to work within the Net Zero & City Management Department. In particular, commercial waste, as there was spare capacity within commercial waste to deliver additional external contracts to support income generation to address their income shortfall.

8.5 During 2021 commercial activity was reviewed by the City Council's Audit team, with recommendations for change, with many of the recommendations being adopted to improve service delivery, including:

- Review and update the Commercialisation Strategy, which is now live on the City Council's website (link above)
- Both Legal and Finance are involved in discussions at project inception, to avoid any delays and wasted time, in pursuing an opportunity that isn't viable

8.6 Below is a table of commercial income that has been secured during the period the Commercial Manager has been in post.

	Company	Activity	Annual income	Duration	Start Date
1	Company A	Disposal of waste & recycling	£250,000	3 + 2 years	September 2019
2	Company B	Scrubbing services and steam cleaning at managed sites	£12,000	Ongoing	
3	Exeter City Council	Voids are now cleared by the term contractor and is not paid as overtime – overtime saving	£5,000 (savings)	Ongoing	Summer 2019
4	Exeter City Council	Pilot to develop Waste Management Permit for events held on City Council owned land	£38,986	One off	2021
5	Various construction companies	Sponsorship for Lego exhibition, held at RAMM	£20,000 (one off)	On-off	Exhibition 2022
6	Company A	Disposal of waste & recycling	£tbc	Contract renewed 2 + 6 years	September 2022
7	Company C	Disposal of waste & recycling	£40,000	8 years	October 2022
8	Company D	Disposal of waste & recycling	£70,000	7 years	April 2023

8.7 A significant amount of work was undertaken to secure the renewal of the contract for Company A. The original contract is worth approx. £250,000 per annum and been recently extended for up to 8 years, with a double digit % increase in income.

8.8 Over the previous two years, the Commercial Manager had been negotiating on a number of significant commercial waste and recycling contracts, valued at £884,000 gross and £447,800 net. For a number of external reasons, these contracts were won by other waste companies.

9. Current Commercial Projects

9.1 A number of commercial projects are ongoing which are listed within Appendix 1, which will be expanded on at Strategic Committee. Some of these commercial projects are on hold, due to officer sickness or current economic conditions.

9.2 Some commercial projects require the City Council to borrow funds to deliver activity – invest to save. Due to the current high level of interest rates, some projects are not commercially viable to progress with. Once interest rates reduce, these projects will be re-assessed to determine if they are commercially viable. The cost to buy raw materials is also affecting the commercial viability of some projects.

9.3 To highlight, due to current economic conditions, commercialisation is very challenging to deliver. This may improve over time at interest rates reduce, but at present, it's very challenging with projects not delivering a return to the City Council.

9.4 To support income generation a new brand and website was designed to promote income generating services under the umbrella of Exeter City Services. The launch of Exeter City Services was temporarily put on hold, as officers were pivoted to work on supporting business rates during the pandemic in distributing covid business grants. Discussions have started with Strata Service Solutions Ltd to build and launch a website promoting income generating City Council services, under the umbrella of Exeter City Services. This will have a positive effect in raising the awareness of income generating services to the wider business community.

10. Next Steps

10.1 The Commercial Manager will be working through commercial projects listed within Appendix 1, to increase income to support the City Council's Medium Term Financial Plan and the One Exeter programme.

10.2 Commercial projects listed within Appendix 1 will be prioritised to work towards delivering commercial income through the One Exeter programme £50,000 for 2024/25 and £350,000 for 2025/26. Some projects will deliver income earlier, with the One Exeter team being informed of progress.

10.3 The team are working with Strata Service Solutions Ltd and the City Council's marketing team to launch a new website - Exeter City Services. The purpose of the website is to bring chargeable City Council services (suitable for business) under one umbrella to promote what we offer, to enable us to cross-sell and upsell services.

11. How does the decision contribute to the Council's Corporate Plan?

11.1 Commercial activity supports the City Council's newly adopted Corporate Plan programme of:

- Net zero carbon city
- A balanced budget
- Value-for-money services

12. What risks are there and how can they be reduced?

12.1 The work of the Commercial Manager will be reviewed early 2023, to monitor progress, the work programme and outputs delivered (new additional income).

12.2 On all new contracts the service lead for legal and finance are included in negotiations to ensure a smooth process for signing contracts that achieve new income.

12.3 A report on commercialisation will be brought to Strategic Scrutiny every 6 months, with the next being May 2023 (or as close to, depending on committee dates).

13. Equality Act 2010 (The Act)

13.1 In recommending this report, no potential impact has been identified on people with protected characteristics as determined by the Act and is for information only.

13.2 The report sets out a programme of work for the whole Council. Any new commercial projects would be brought to Executive with a supporting EQIA.

14. Carbon Footprint (Environmental) Implications:

14.1 The Commercial Manager has focused activity on winning and securing new waste and recycling contracts, with carbon reductions to those businesses, which supports the delivery of the Exeter Net Zero 2030 Plan.

14.2 Going forward, projects led by the Commercial Manager will support services in delivering new income streams, but also looking at ways to reduce City Council and city wide carbon emissions.

15. Are there any other options?

15.1 There is the option not to continue with this post and activity, and leave commercialisation to individual service areas. This deemed the least effective option, as service areas are stretched with delivering existing services.

15.2 There is the option of not renewing the role for the current post holder and to commission a specialist in the most profitable areas of income – waste & recycling – on a set fee or commission basis.

Director: Director Net Zero Exeter & City Management

Author: Service Lead Net Zero & Business

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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