

# Harlow Council Commercialisation Framework

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## 1. Foreword by Councillor Stacey Seales – Portfolio Holder for Governance



The Council are committed to being innovative and showing initiative in response to local need.

The Council has delivered projects that bring income to the authority to support of services, but more can be done and will need to be done in the coming years to maintain financial stability and protect local taxpayers.

So, what has changed? What is new is the scale of the challenge to our operations and services we provide to our residents: budgets remaining static or reducing whilst costs and demand continue to rise, all of which impact on local services and local communities. If we want to create sustainable solutions, being enterprising is now more important than ever.

This commercial framework starts from the standpoint that we must continue to fulfil our commitments to local people, our statutory duties and the services that are much used and regarded within the town.

It sets out our vision of what commercialisation should bring to the town, allowing us to get the most out of the Harlow pound, inward expenditure and investment

It is a starting point. Our action plan will bring forward a pipeline of potential income generating projects/ innovative commercial opportunities so that these can be factored into our future budgets. We will also seek to align our procurement strategy once new government legislation is published.

Stacey Seales

Cabinet Member with joint responsibility for commercialisation

## 2. Introduction

Our commercialisation framework sets out the Council's plan to move the Council's culture to a more commercial mindset, to achieve better value for money.

In the local authority context however, this is balanced with achieving some of our strategic priorities which deliver non-financial benefits.

Commercialisation cuts across the organisation as a whole and the strategy will be utilised by all services the Council delivers.

This strategy links directly to the council's Corporate Strategy 2021 - 2023, a three-year plan that focuses on four key themes:

- Economic growth
- Social cohesion
- Safeguarding the environment
- Being an efficient council

Within our current Corporate Strategy there are several linked references in our short, medium and longer term to our aspirations for commercialisation:

- Being an Efficient Council – Taking a more commercial approach to increase income yield from specific opportunities in the years to come
- Regeneration - Develop the commercial element services and returns from joint ventures and Harlow Investment Fund
- Finance - Develop a property portfolio management strategy
- Governance – Ensure, as far as we are able to do so under the law that procurement activities provide equality of opportunity for local business
- Governance – Develop a commercial strategy

This framework also aligns with the Community Engagement Strategy which sets out our commitment to Stakeholder engagement as part of the change processes.

### 3. Financial baseline:

- The current financial conditions faced by the authority are very challenging and the next few years will bring significant challenges for all Councils, with increases in demand for key front-line services coming with financial volatility.
- With greater government devolution of responsibility for increasing funding to local authorities, it will be extremely difficult for the Council to sustain ongoing budget reductions whilst protecting service provision without improvement's to the Council's funding.
- The funding for our services comes from a variety of sources and the table below shows where Harlow's comes from for the financial year 2022/23 (with 2021/22 included for reference).

	2021-22	2022-23	as a %	
	£'000	£'000	2021-22	2022-23
Specific Government Grants	25,086	24,868	23	22
Fees & Charges	15,707	17,215	14	15
HRA rents and other charges etc.	51,513	53,176	46	47
Interest on investments	75	75	0	0
Council Tax	7,912	8,075	7	7
Section 31 grant	604	604	1	1
Funding Assessment	3,769	3,473	3	3
New Homes Bonus Grant	1,079	1,165	1	1
Essex Business Rates Pooling	180	180	0	0
Use of Reserves (gross)	5,275	4,036	5	4
<b>Total Funding</b>	<b>111,200</b>	<b>112,867</b>	<b>100</b>	<b>100</b>

- As seen above, income from Housing Revenue Account rents and other charges accounts for £53.176m or 47% of the total.
- Income from Council Tax represents £8.075m or 7%.
- The 2022/23 budget assumes £100k per annum of new income / reduced expenditure will be achieved from the outcomes of the proposed Commercialisation Strategy.
- The proposed strategy aligns closely with other key strategies including the Medium Term Financial Strategy and our Fees and Charges Policy.

#### **4. Key challenges/Drivers**

There are several key challenges/Drivers that the Council is currently facing:

- The ongoing work to align the Corporate Strategy aspirations and Council's Medium Term Financial Strategy (MTFS)
- Likely ongoing Commercialisation targets
- The aim of zero Council Tax increases for the next two budgets
- The financial climate in Harlow and the wider economy
- Market intervention where the current market is increasingly unaffordable – which could risk services to residents (e.g., energy price rises)
- Harlow has a 'cautious' approach to Financial Risk and will need to develop its approach to commercial risk within its corporate risk suite
- Levelling up/devolution where the future of local government is still unclear
- Changes to the way our partners work placing greater emphasis on collaborative working
- That any commercial activity will need to be delivered alongside the council's other duties and responsibilities
- The need to develop capacity within the council to develop (and run) commercial activity

## 5. Our Commercial Vision

This framework sets our vision as being a council that:

- Seizes opportunity to build a legacy of growth, investment and prosperity for our town
- Generates increased income yield through commercial activity and which supports the regeneration of our town
- Seeks cost reduction through challenging how we deliver services, ensuring value for money, as well as a return on investment
- Is transformational, seeking to be innovative in its future ways of working
- Drives positive collaboration/partnership working on basis of operational and commercial advantage
- Utilises its LATCO to provide commercial opportunity
- Maximises the social value return to public services
- Supports the continued delivery of front-line services

## 6. Our Framework

It is important that we have a clear framework in which we will operate commercial activities in the local government setting whilst encouraging innovative solutions.

	<p><b>Outcomes -</b> Our commercial opportunities will be required to:</p>
<b>Services and need</b>	<p>Deliver improved quality services for users and meet a need.</p> <p>Address a town/council challenge:</p> <ul style="list-style-type: none"> <li>• Social Value (we will consider how needs met by this are prioritised and captured)</li> <li>• Improved local economy</li> </ul>
<b>Return and Income</b>	<p>Improve financial stability.</p> <p>Deliver a financial return and contribute to our investment in services.</p> <p>Not solely focused on income generation.</p> <p>Focus how we use our resources and demand within the current operational footprint.</p>
<b>Digital</b>	Exploit digital by design as an approach, where possible.
<b>Culture and risk</b>	<p>Create a culture where we can do things differently (members and officers working collaboratively).</p> <p>Have a more 'open' approach to risk in this area by having a corporate risk and risk approach for commercialisation.</p>
<b>Service sharing</b>	<p>Take advantage of opportunities for shared services <u>where</u> there are identified operational and commercial drivers and seek diverse/best fit partners.</p> <p>Uses our LATCO where value (return) and fit can be demonstrated</p>
<b>Meeting statutory responsibility</b>	<p>enable the Council to continue to fulfil its statutory duties.</p> <p>provide a certainty of the statutory basis for charging for commercial activities.</p>
<b>Consistency with plans</b>	<p>Commercial Framework and its pipeline must be consistent with our published corporate strategy</p> <p>Activity should address a key outcome</p>



## **7. Social value in commercial activities**

While there is no single agreed definition of social value, the evaluation of non-financial measures is important for the Council, particularly as adverse effects can have a direct impact on demand for council and public sector services.

The Public Services (Social Value) Act 2012 requires us to consider how what is being procured improves the economic, social and environmental wellbeing of the area.

The Council has a significant impact as a major employer, and supplier and buyer of goods, works and services.

Maintaining a public sector ethos remains at the core of our proposed commerciality and the decision to operate commercially will consider social value as part of the options appraisal.

Areas we will consider include are (but not limited to):

- the impact on residents
- the impact on local businesses
- the impact on employment/employees
- environmental impacts

## 8. Next steps

We will:

• Deliver Make It Our Business training for staff and Members (knowledge and culture)	End quarter 4 2022/23
• Develop a formal commercial corporate risk and appetite	To be agreed by Audit and Standards Committee (flagged in November 2022 meeting report)
• Develop approach to social value measurement and prioritisation	End quarter 4 2022/23
• Develop a standard options appraisal process for bringing forward potential commercial opportunities and subsequent business cases	End quarter 4 2022/23
Ensure the alignment of our likely procurement strategy following the royal asset of the Procurement Bill	March 2023 subject to royal assent
• Create a commercial opportunity pipeline, performance indicators, timescales and deliverability plans	New financial year 2023/24