

16 July 2018**Agenda Item: 5****REPORT OF THE SERVICE DIRECTOR, FINANCE, INFRASTRUCTURE AND
IMPROVEMENT****COMMERCIAL DEVELOPMENT UNIT: FIRST YEAR TRADING RESULTS****Purpose of the Report**

1. To inform the committee on the first-year financial trading results of the Commercial Development Unit (CDU) pilot cohort.

Information and Advice

2. In March 2016, Policy Committee approved a commercial development pilot to explore the potential of more effective income generation. Three services, Outdoor Education, the Education Improvement Service and Trading Standards, were selected to take part in a 12-week pilot.
3. Over 12 weeks the three services participated in a series of masterclasses looking at key commercial concepts and skills. They used these to build a commercial business case that forecast commercial performance over four years. The business cases were assessed by a panel before being approved by Members.
4. Policy Committee approved two years' funding for the Commercial Development Unit in November 2016 following the successful pilot.
5. The financial year 2017/18 is the first full-year financial trading period on which to judge the performance of the three services.
6. The original forecasts for income, expenditure and net service budget were based on the total service budgets in order to produce the forecast net service budget figure and work out incremental savings. Figures for the year-end results have been calculated on the same basis to allow proper comparison.
7. It is important to note that this means they contain other income and expenditure elements outside of the commercial element. This issue is restricted to the Trading Standards figures. In addition the Governor Services sold offer, which is now a part of the wider Education Improvement Service offer, was not included in the original business case.
8. The tables below show the actual year one income, cost and net service cost compared with the forecasts that were produced by the services as a part of the CDU pilot cohort.

Table 1: Costs Actual vs Forecast

	Year 1 Actual	Year 1 Forecast	Difference
Education Improvement	1,469,893	1,672,404	-202,511
Outdoor Education	1,123,844	1,000,100	+123,744
Trading Standards	2,452,732	2,402,427	+50,305
Total Cost	5,046,469	5,074,931	-28,462

9. The costs incurred by the services are £28,462 less than the original forecast. An overspend of £200,188 for Outdoor Education was offset by an underspend of £202,511 for Education Improvement. This overspend is not unexpected, however, as the Outdoor Education Service actually delivered more income than was forecast, as Table 2 shows:

Table 2: Income Actual vs Forecast

	Year 1 Actual	Year 1 Forecast	Difference
Education Improvement	-1,122,345	-1,010,864	+ 111,481
Outdoor Education	-967,330	-809,700	+ 157,630
Trading Standards	-1,404,169	-1,293,195	+ 110,974
Total Income	-3,493,844	-3,113,759	+ 380,085

10. The income generated by the three services, therefore, was £380,085 more than originally forecast.

Table 3: Net Service Budget Actual vs Forecast

	Year 1 Actual	Year 1 Forecast	Difference
Education Improvement	347,548	661,540	- 313,992
Outdoor Education	156,514	190,400	- 33,886
Trading Standards	1,048,563	1,109,262	- 60,699
Total Net Budget	1,552,625	1,961,202	- 408,577

11. The actual net cost to the Authority in 2017/18 of running these services, therefore, was £1,552,625. This is a £408,577 additional saving in excess of that forecast in the original Policy Committee report.
12. These results overall look positive. Further work, however, is required with Trading Standards to isolate costs and income that are related to purely commercial traded activity. Initial work by the service in this regard, indicates that an additional £50,000 of income from commercial traded work was generated and the service is on target to deliver £225,000 of income in the current financial year.

Next Steps

13. Following the approval at Policy Committee in 2016 the Commercial Development Unit has worked with five cohorts, totalling 12 individual services and it is anticipated that additional services will be identified as suitable through the Member led reviews and challenge panels.

14. Work with the services that have gone through the process will continue, but a more co-ordinated organisational approach to commercial work would be beneficial. It is proposed, therefore, to start work on an outline commercial strategy for Committee to consider in the autumn of this year.

Other Options Considered

15. If improved commercial performance is not pursued, savings would need to be found in other efficiencies and service reductions.

Reason/s for Recommendation/s

16. To support the Council's financial position by seeking to reduce the budget needed to run some valued services or, ideally, to generate additional income for the Council.

Statutory and Policy Implications

17. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

18. These are contained within the body of the report.

Equalities Implications

19. Equalities implications will be considered by each of the services.

RECOMMENDATIONS

That members consider whether there are any actions they require in relation to the information contained within the report.

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Constitutional Comments [GR 26/06/2018]

Pursuant to the Nottinghamshire County Council's constitution this Committee has the delegated authority to receive and make the recommendations contained within this report.

Financial Comments [RWK 27/06/2018]

The financial implications are set out in paragraphs 8 to 12 of the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Report to Policy Committee – Commercial Development Unit November 2016

Electoral Division(s) and Member(s) Affected

All