

CORPORATE AND COMMUNITIES OVERVIEW AND SCRUTINY PANEL

8 November 2021

TRADED SERVICES OVERVIEW

Summary

1. The Corporate and Communities Overview and Scrutiny Panel has requested an overview of the Council's Traded Services Portfolio and Strategy. The Cabinet Member with Responsibility (CMR) for Corporate Services and Communication and the Strategic Director for Commercial and Change have been invited to the meeting.
2. The Council's Traded Service activities are part of the Panel's work programme, and members are keen to:
 - Understand what traded services the Council has at present
 - Understand what traded services the Council has ceased in the past 2 years
 - Understand the Council's strategic intent in respect of traded services

Wider context

3. In recent years councils have significantly increased their commercial activity and a large part of this increase is as a result of a rise in expenditure on acquisition of land and buildings. Between 2013 and 2018 this increased from £825 million to over £4 billion. There has also been an increase in the amount that councils have invested in commercial trading, rising from £323m in 2014-15 to £2.9bn in 2017-18.
4. There are many councils that operate trading companies and there has been an increase since the general power of competence was granted to councils following the Localism Act in 2011. Examples of councils that undertake significant trading include Norfolk, Essex and Kent and the range of services is wide including domiciliary care, services to schools, recruitment, legal services, property consultancy and facilities management.
5. The Coronavirus pandemic has had a significant effect on council commercial activity and the Institute of Fiscal Studies has forecast a reduction in commercial income, such as from property rents and trading companies, of £0.6 billion equivalent to 37% across the local authority sector.

[COVID-19 and English council funding: how are budgets being hit in 2020–21? - Institute For Fiscal Studies - IFS](#)

Worcestershire County Council Strategy

6. In response to the budgetary challenges faced by the Council, there has been a

clear aspiration to drive improved income generation and commercial trading as an integral part of the Council's response. It is however recognised that generating new revenue with a potential to create surpluses is difficult, not risk free and takes time to build sustainable revenue streams. When compared to the opportunities available to create value through effective procurement interventions, trading, whilst part of the mix is the more difficult to pursue successfully.

7. A Traded Services Commercial Strategy was developed in 2019 however this now requires review and revision following the Coronavirus pandemic and the implications this has had on service delivery models, the local economy, and the timeframes for implementation.

8. The Council will address this challenge by adopting a number of different strategic Approaches, which include:

- a) Enhancing and commercialising existing assets to generate revenue through rental and leasing, either in part or whole.
- b) Review and enhancement of existing revenue generating sources to ensure their commercial viability and optimisation. This may include broadening or narrowing the scope of activities.
- c) Consider commercial investments in property and land to generate revenue alongside economic regeneration.
- d) Identification of service partnerships and service contracts, whereby the Council would operate as the service provider. This may require establishment of separate legal entities to facilitate.

9. The Council's strategic principles are to:

- Focus on the commercial activities that will generate sustainable returns
- Create a commercial culture of new ideas, innovation, growth and profit
- Use Council assets and resources with the aim of making an optimal financial return

Governance

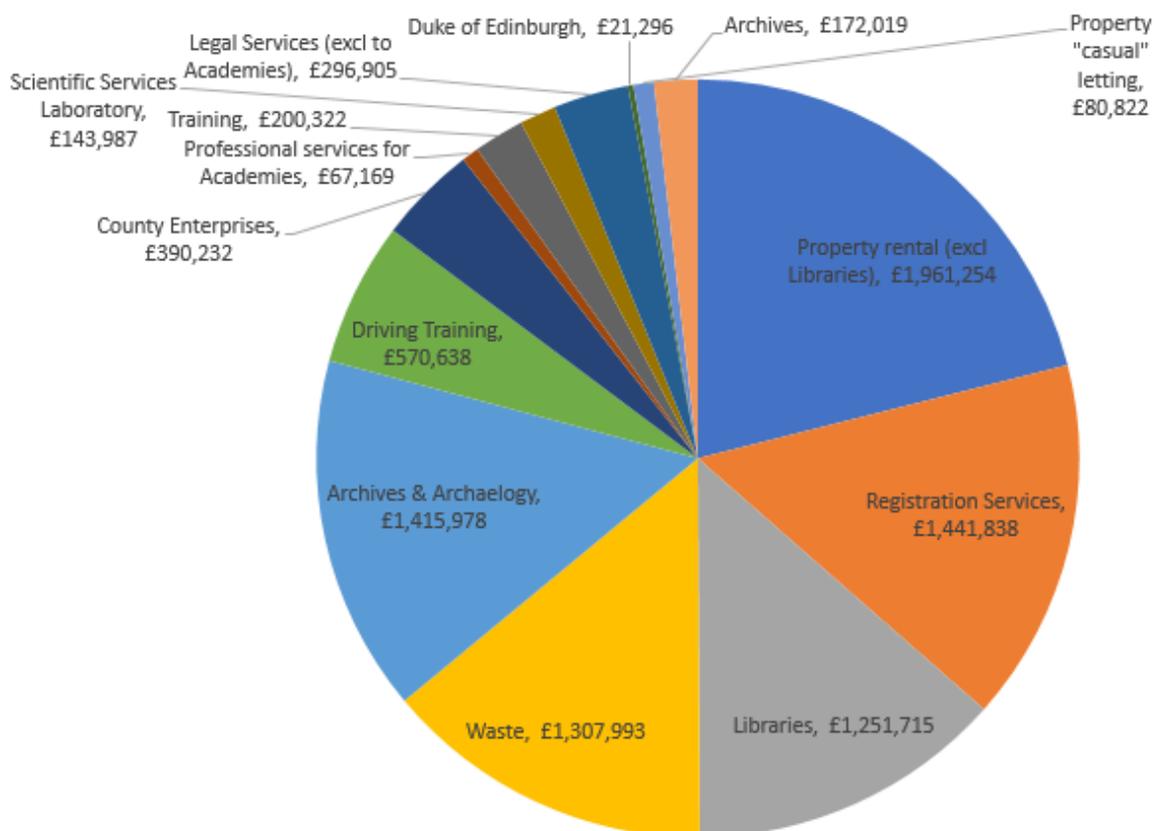
What is the Council allowed to do?

10. The Localism Act 2011 granted local authorities a general power of competence which allows it do things which any individual including private sector organisations can do, which includes commercial activity. Where the Council trades commercially for a profit using the Localism Act power, then it has to do this by establishing a company; this is to ensure that the Council is trading on an equitable basis to commercial providers in relation to taxation i.e. profits are subject to Corporation Tax.

11. There are various other pieces of legislation that provide the Council with powers to trade specific services directly, the main area for this is for the buying, letting and selling of property.

Current Position and How This Has Changed

12. The Council has a number of existing traded services with gross income generation totalling £9.3 million in 2019/20. The chart below sets out the main areas:



13. Traded services increased by approximately £200,000 from 2018/19 to 2019/20. Due to the impact of the Coronavirus pandemic trading was unusually affected in 2020/21 and therefore these figures have not been included in this report.

14. Separate to the traded services, the Council has also been a partner to Place Partnership Ltd (PPL) since 2015. PPL was a property and facilities management trading entity delivering service almost exclusively to public sector clients. In March 2021 the Company ceased trading. As part of the closedown of the business the Building Energy Management Service traded activity generates £145,000 in income. A review is being undertaken of the commercial model of the service to ensure it remains profitable following the insourcing process, and to consider business development opportunities with wider public sector clients.

Examples of Progress

Scientific Services

15. A commercial review of the Council's testing laboratory, known as Scientific Services, was undertaken in 2019 and it determined that the continued operation of the traded service was unviable and unsustainable. Scientific Services were charging approximately £330,000 to external customers however it was costing more than this to

undertake the work. The work that Scientific Services undertook for the Council was negligible at less than £500 per year. The demand for food safety testing has decreased by over a half in the last 8 years and the majority of Council run laboratories closed during this time.

Crowd Funding

16. In July 2020 the Council launched its Crowd Funding partnership with an external provider Spacehive. This initiative allows residents and community organisations in the County to submit ideas for projects which, if they meet the eligibility criteria, people can then contribute towards. When the external contributions reach a level where the project has significant support, the Council and other larger organisations can then make contributions to make the project viable. This joint funding approach reduces the direct revenue cost to the Council. The current round of funding is open to project ideas that will help the County's recovery from the Covid-19 pandemic.

Archives and Ancestry.com

17. The Archives service has entered into a partnership with Ancestry.com to digitise and make available to Ancestry.com users a set of records known as the Bishops Transcripts. These are records of births, marriages and deaths from 1598 to 1837 which provide an additional resource to what was recorded in Parish Registers. Ancestry.com has paid a licence fee to use these records and is also providing the Council with new digital copies of the originals for its own use and free access to Ancestry.com in libraries. In total this is over £200,000 of income and cost saving. Further opportunities are currently being discussed with Ancestry.com.

Historic Environment and Archaeology Services

18. These services both cover their operating costs and in the case of the Archaeology Service, deliver a surplus. The budget for 2021/22 is an income of £1.6million, a contribution to central overhead costs of £110,000 and a surplus of £50,000.

19. The demand for Archaeology services has increased significantly over the last 12 months in response to an increase in activity in construction and it continues to be at a very high level. The service has appointed a manager to lead the service who has created a Business Plan and is re-focusing the service on building a pipeline of opportunities. This will be done by establishing long term relationships with customers to maximise repeat work and provide a sustainable basis for the service that can react to the traditional cyclical 'boom and bust' of the construction industry.

20. The team is also developing a joint offer aimed at local authorities and property developers to provide a 'one-stop shop' for historic, environment and archaeology services. Early success in this has been winning contracts with a West Midlands authority and a county council.

Opportunities Being Explored

21. The Council's Strategy identifies a number of areas that warrant further investigation and review, which include:

Property leasing and rental

22. The Council's Smarter Ways of Working programme is considering how the

utilisation of the Council's corporate buildings can be maximised and any opportunities this generates for renting out space either commercially or to other public sector partners. The Council is also leading on the One Public Estate programme which is a central government funded review of 'front door' and 'back office' accommodation requirements across all public sector organisations in the County with the aim to better utilise space and release land and buildings for rent and development.

County Enterprises

23. County Enterprises is the Council's manufacturing and packaging business that provides supported employment for people with physical and learning disabilities. The main activities are packing and assembly services and metal fabrication producing stainless steel flue pipe products. The expansion into other areas of metal fabricating is an opportunity to be explored.

Professional Services

24. Following the closure of Place Partnership initial discussions have been had with partner public sector organisations for the provision of property management services.

Solar Power Generation

25. The installation of 'Solar Farms' on Council owned land is being actively discussed with an industry leading energy supplier. This could involve the Council leasing land to the supplier and taking a revenue profit share.

Purpose of the Meeting

26. The Corporate and Communities Overview and Scrutiny Panel is asked to:

- Consider the information provided
- Determine any comments the Panel would wish to make to the Cabinet Member with Responsibility for Corporate Services and Communication
- Agree whether any further Scrutiny is required at this stage.

Contact Points

Emma James / Jo Weston, Overview and Scrutiny Officers
Tel: 01905 844965/844964 Email: scrutiny@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Assistant Director for Legal and Governance) the following are the background papers relating to the subject matter of this report:

- Agendas and Minutes of the Corporate and Communities Overview and Scrutiny Panel available on the website here [weblink to Agenda and Minutes](#)