



Commercial Strategy: Progress report

December 2022

Contents

Introduction	3
Guiding principles and our overall approach to commercial activity	3
Commercial Strategy Part 1 Progress Report	4
Commercial Strategy Part 2 Progress Report	6
Commercial Assets	7
Commercial Services	13
Summary of the Council's current investment appetite (2022/23 update)	16

Introduction

This report provides an overview of progress against the actions set out in Reigate & Banstead Borough Council's Commercial Strategy Part 1 and Commercial Strategy Part 2.

Part 1 of the Council's Commercial Strategy was agreed in November 2020, and Part 2 was agreed in December 2021. Both documents are available to download from the Council's website at https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025/4. As part of the Commercial Strategy Part 2, it was agreed that an annual report on the Council's commercial activities and companies would be provided to the Council's Overview & Scrutiny Committee and the Commercial Ventures Executive Sub-Committee. This report serves that purpose.

The report also provides the annual update to the Council's Investment Appetite described within the Commercial Strategy Part 2.

Guiding principles and our overall approach to commercial activity

The Council's commercial activity can be broken down into two main areas:

- Investing in commercial assets; and
- Investing in commercial services.

Across both these areas, our activity is guided by three key principles:

- **Principle 1:** Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives
- **Principle 2:** Any commercial decisions will be based on a robust assessment of the business case using consistent criteria (to be detailed in Part 2 of this Strategy), and appropriate due diligence and risk assessment
- **Principle 3:** Surplus income generated through our commercial activities will be used to ensure the financial sustainability of the Council and continued delivery of services for local people.

Our commercial assets and commercial services activity is carried out in accordance with the Council's established internal procedures, including (as appropriate) decision-making delegations, project and programme management frameworks, risk management processes and established arrangements for agreeing necessary funding. The Commercial Ventures Executive Sub-Committee retains formal oversight and responsibility for commercial activity.

Commercial Strategy Part 1 Progress Report

The Commercial Activity Action Plan within the Commercial Strategy Part 1 was agreed in November 2020 as an interim measure until the Commercial Strategy Part 2 had been produced. It focused on some initial commercial activity priorities and the embedding of a more commercial mindset within the organisation. Elements of it have been superseded by more detailed actions within the Commercial Strategy Part 2 and/or changes to the broader regulatory framework within which the Council operates. Nonetheless, there is value in providing a progress update against the action plan in this report.

Work area 1: Becoming more business-like in our day-to-day activities:

Activity	Timeframe	Progress update
Implement review of fees and charges and update policy	2020/21	Action superseded: see more detailed progress update under Part 2 (Commercial Services Priority 2).
Implement updated fees and charges policy	Q1 2021	Fees and charges policy is reviewed and updated annually and presented to the Executive for its agreement in November each year.
Continue to explore opportunities to maximise income from selling our Revenues, Benefits and Fraud services	By Q1 2021	Action superseded: See detailed progress update under Part 2 (Commercial Services Priority 1)
Explore other opportunities for income generation	Q2 2021 onwards	Action superseded: See detailed progress update under Part 2 (Commercial Services Priority 1)
Expand procurement and contract management skills and resources within the Council	2020/21	Challenges have been encountered in recruiting specialist staff with procurement and contract management skills. A strategic review of the Council's procurement approach is currently underway and will inform future resourcing in this area.

Work area 2: Increasing capital and revenue returns through our assets and investments:

Activity	Timeframe	Progress update
Evaluate and rebase current property asset holdings	Ongoing	Action superseded: See detailed progress update under Part 2 (Commercial Assets Priority 1)
Explore partnering opportunities	Ongoing	Conversations are ongoing across some service areas about the potential for sharing service delivery with other public sector partners. Activity at Surrey County Council with respect of a County Devolution Deal also continues to be monitored.
Implement robust investment criteria and maintain an update to date understanding of market yields to ensure appropriate opportunities are explored and that a balanced portfolio is maintained – further information to be provided in Part 2 of this Strategy	Ongoing	Action completed through publication of Commercial Strategy Part 2

Work area 3: Developing a commercial culture

Activity	Timeframe	Progress update
Transformation work and appropriate recruitment: Review additional necessary steps following roll-out of the Revenues, Benefits & Fraud investigation services	Q2 2021	Specialist external expertise continues to be drawn upon where appropriate to ensure that the Council takes a robust approach to activity associated with delivery of the Commercial Strategy. Due to structural changes within the organisation and changes to the regulatory environment in which the Council operations, activities that deliver commercial benefits are progressed by existing Council service areas rather than a dedicated commercial resource within the organisation.

Work area 4: Governance and decision-making

Activity	Timeframe	Progress update
Implement effective company holding structure for planned and current activities	2020/21	After initial investigatory work, it was concluded that a holding structure is not needed.
Annual approval of business plans for Council subsidiaries, and training to ensure business plans are robust and well considered	2021	Company progress and priorities are provided via separate Companies Update reports.

Commercial Strategy Part 2 Progress Report

The Commercial Strategy Part 2 provides more detail in relation to the overall framework set out in Part 1, and includes action plans for Commercial Assets and Commercial Services. These have formed the basis of Council activity over the past year with contributions to the delivery of the strategy from a range of different service areas.

It should be noted that since the Commercial Strategy Part 2 was agreed by the Executive in December 2021, the Council has also begun to implement its Financial Sustainability Programme, which overlaps with some elements of the Council's commercial activity. Quarterly updates on the Financial Sustainability Programme are provided to the Council's Overview & Scrutiny and Executive Committees.

Commercial Assets

Priority 1: Evidence – Ensuring a robust understanding of our asset portfolio and its performance

Task	Responsibility (timeframe)	Outcome	Progress
Undertake a deep dive into our current portfolio and develop a reporting template	Property (2021/22)	Robust understanding of asset portfolio and performance	A full review of the Council's property portfolio has been undertaken since the Commercial Strategy was agreed. This has comprised a detailed assessment of both budgets and asset performance. A reporting template has been developed.
Introduce quarterly reporting to CVESC on asset and portfolio performance	Property (2022/23 onwards)	Ongoing and up to date understanding of asset portfolio and performance	<p>Informal discussions have been held with members of CVESC about proposed reporting process and format. Once the details have been agreed; it remains the plan that these reports will be included on the formal CVESC agenda for 2023/24 onwards. The potential for rapidly changing market conditions means that formal reports can only be a snapshot of a 'point in time'.</p> <p>Although not a specific action in the Commercial Strategy Part 2, a review of the Council's Asset Management Plan has been undertaken and reported to CVESC. This will ensure that our approach to Asset Management reflects core Corporate Plan and Commercial Strategy priorities, and remains fit for purpose.</p>

Priority 2: Asset Management – Maximising value from the assets that we currently own and/or manage for commercial income

Task	Responsibility (timeframe)	Outcome	Progress
Continue activity to re-let vacant floorspace and minimise the cost to the Council from void space	Property (2021/22)	Reduced costs to Council and increased income	Good progress has been made to fill void properties, including three longstanding voids, which have been vacant since as long ago as 2015. In total over the past year £1.197m has been secured from new lettings and £384k of costs have been avoided.
Focus on the worst-performing assets in our portfolio to improve their commercial return (eg via upgrades, repurposing, redevelopment or disposal)	Property (2022/23 -2023/24)	Reduced costs to the Council and increased income or capital receipt	As noted above, most existing voids have been successfully filled. Work is now ongoing to review existing catering concessions with proposals presented to CVESC for its consideration in November 2022. The Property Team is now also exploring optimal management and leasing arrangements for some of the Council's lower value assets.
As leases expire, implement upgrades to key investment assets to ensure they remain attractive to potential tenants	Property (Ongoing)	Maintenance of a reliable income stream from investment assets	Work is underway to develop proposals for one commercial office building within the Council's portfolio following departure of the tenant. An interim solution has been found for some industrial units where the lease is coming to an end; this will enable the current tenant to remain in the building for a further 2 years, securing an ongoing income stream for the Council.

Priority 3: Asset (Re-)Development – Securing new income streams and/or capital receipts from development projects

Task	Responsibility (timeframe)	Outcome	Progress
Conclude development of Marketfield Way, Cromwell Road and Lee Street	Place Delivery (2021/22-2022/23)	Project place-shaping objectives achieved	<p>Marketfield Way (now known as The Rise):</p> <ul style="list-style-type: none"> Development is progressing well and on track for practical completion in late 2022 for opening in 2023 <p>Cromwell Road (now known as Wheatley Court):</p> <ul style="list-style-type: none"> Development concluded, management and maintenance contracts for the residential units are currently being finalised with a social housing provider <p>Lee Street:</p> <ul style="list-style-type: none"> Development concluded, all properties are now let and occupied.
Continue marketing of units at Marketfield Way and Cromwell Road	Property (2021/22-2022/23)	Direct income streams secured	<p>Marketfield Way (now known as The Rise):</p> <ul style="list-style-type: none"> More than 50% of commercial floorspace is now let, with heads of terms or leases being finalised for all the remaining commercial units. It is anticipated that all commercial units will be let within 2023 <p>Cromwell Road (now known as Wheatley Court):</p> <ul style="list-style-type: none"> Ground floor commercial units have not currently been let and will continue to be marketed. <p>Revenue income: Based on the above, income assumptions have been included within the Medium Term Financial Plan taking into account the status of current lease negotiations, rent free periods etc. It should be noted that these forecasts are deliberately conservative until details are formally confirmed, but gross rent is forecast to potentially be as high as £1.1m per year when all units are let:</p> <ul style="list-style-type: none"> 2024/25: £0.25m 2025/26: £0.4m 2026/27 £0.5m 2027/28: £0.8m <p>Work is underway to produce budget forecasts in relation to future rental income from the housing units at Wheatley Court.</p>

Task	Responsibility (timeframe)	Outcome	Progress
			Capital receipts: In addition to revenue income receipts, the Council receives capital receipts from its development activity, which are used to fund upfront development costs with surplus funds used to fund the future capital programme.
Establish housing company as a mechanism to generate income from residential letting activity	Housing (2021/22)	Income stream secured via payment of dividends from company to Council	Initial work was undertaken to investigate the opportunity to establish a housing company, however this is no longer being pursued as it did not present a viable solution. The Council continues to work with Raven Housing Trust in relation to residential development opportunities in the borough.
Complete Horley Car Park feasibility work and progress to planning then development	Place Delivery, Property, Housing (2021/22-2022/23)	Place-shaping objectives and contribution to rolling project pipeline	Following initial investigations, this project is currently paused, and will be re-visited at an appropriate time.
Identify other pipeline projects for existing but underused assets	Property, Place Delivery, Housing, Greenspaces, Car Parking, Other services as required (2021/22-2022/23 and ongoing)	Contribution to a rolling pipeline of projects to deliver a combination of corporate objectives, reduced costs to the council, income generation and capital receipts	An initial site prioritisation matrix has been developed Work is ongoing to review potentially underutilised assets in the Council's ownership to inform development of a future pipeline.

Priority 4: Asset Disposal – Disposing of assets that are currently underperforming or surplus to requirements

Task	Responsibility (timeframe)	Outcome	Progress
As leases expire, dispose of assets where it makes financial/operational sense to do so. See also priority 2	Property, other services as required (Ongoing)	Reduced costs to the Council, capital receipts	Following the asset review referred to under priority 1 and the successful letting activity referred to under priority 2, no specific assets are currently identified for disposal.

Priority 5: Asset Acquisition – Purchasing assets which deliver broader benefits in line with our corporate plan

Task	Responsibility (timeframe)	Outcome	Progress
Investigate opportunities to invest in emergency and temporary housing solutions, or other housing products to meet local needs	Housing, Property (from 2022/23 onwards)	Reduced housing revenue costs to the Council, contribution to wider housing objectives Direct or indirect income stream(s)	Proposal agreed by the Executive in October to purchase temporary and emergency accommodation for homeless single people and families in the borough, helping to avoid/reduce the cost to the Council of expensive emergency accommodation placement in the private sector. The revenue budget impact of the proposal will depend on the pace of change in homelessness demand.

Task	Responsibility (timeframe)	Outcome	Progress
Investigate opportunities to invest in social or economic regeneration in the borough	Property, Place Delivery (from 2022/23 onwards)	Direct or indirect income stream(s) or capital receipts, contribution to wider regeneration objectives	See priority 3. Work is ongoing to review potentially underutilised assets in the Council's ownership to inform development of a future pipeline. The starting point for work to investigate opportunities to invest in the social or economic regeneration of the borough will be the adopted Local Plan.
Investigate opportunities to invest in renewable energy solutions	Sustainability, Property (from 2022/23 onwards)	Reduced energy revenue costs to the Council, contribution to wider sustainability objectives	Consultants have been commissioned to undertake energy audits across a range of the Council's main operational buildings, including the Town Hall, Harlequin, Earlswood Depot and our Community Centres. These will identify opportunities for both energy efficiency improvements and renewable energy. This work will inform the development of more detailed proposals to reduce energy usage on our buildings, both saving money on energy bills ('invest to save') and reducing our carbon emissions.
Identify land assembly opportunities to enable the delivery of corporate objectives and pursue accordingly	Property, Planning, Place Delivery (from 2022/23 onwards)	Land acquired to enable the future delivery of other corporate objectives	Opportunities continue to be explored in relation to land assembly to deliver corporate and local plan objectives, however no acquisitions have been made since the Strategy was agreed. Opportunities will be reported as they arise in the manner described in the Strategy.

Commercial Services

Priority 1: Trading services – continue to incrementally grow our existing trading activities for medium-term income generation and introducing commercial into services that we currently provide non-commercially or new services that align with our remit

Task	Responsibility (timeframe)	Outcome	Progress
Explore options to expand and consolidate the Council's Revenues, Benefits and Fraud income generating activity, including potential to establish a trading company	Revenues, Benefits & Fraud (2021/22-2022/23)	Generation of increased income stream	The team continues to provide services for a range of third party organisations and be recognised for its high quality work and successful outcomes. A company structure is not currently considered necessary and is therefore not being pursued at this time.
Explore options to expand and consolidate the Council's Garden Waste customer base	Neighbourhood Operations (2021/22-2022/23)	Generation of increased income stream	Project actively being progressed having commenced Autumn 2022
Establish housing company as a mechanism for the Council to generate income from residential letting activity	Housing (2021/22)	Income stream secured via payment of dividends and loan premium from company to Council	See comment under Commercial Assets Priority 3

Commercial Strategy: Progress report

Task	Responsibility (timeframe)	Outcome	Progress
Explore new commercial trading opportunities arising from the implementation of the Government's Waste & Resources Strategy	Neighbourhood Operations (2022/23 onwards)	Potential to secure a revenue stream to either mitigate against service provision cost increases or to generate income	Further information is awaited from Government in relation to key elements of the Strategy that have the potential to impact on Council activity or present opportunities to the Council
Consider other service areas where there may be potential to introduce trading activity	Various (Ongoing)	Potential to generate income to cover costs or introduce new income streams	No additional areas for trading activity are currently being pursued, however conversations are ongoing across some service areas about the potential for sharing service delivery with other public sector partners. Other potential income generating opportunities are also being explored, with (for example) inclusion of a £50k income target from filming activity included within the 2023/24 draft budget proposals.

Priority 2: Fees & Charges – Maximise income from existing non-statutory fees and charges and introduce new non-statutory fees and charges where appropriate

Task	Responsibility (timeframe)	Outcome	Progress
Assess all fees and charges for compliance with the Fees & Charges Policy and maintain rolling review to ensure continued alignment and amend charging models to increase receipts where this can be justified.	Various (Ongoing)	Costs for non-statutory service provision covered by relevant fees and charges as far as possible	Detailed review of fees and charges undertaken as part of the 2023/24 budget setting process. Although the draft budget consultation is still underway, the review has identified changes with the potential to generate an additional approx. £0.5m per year for the Council. Alongside this exercise, it is also being proposed to 'right-size' some fees and charges income budgets, resulting in a net benefit of a further approx. £0.5m per year
Introduce enhanced charging in relation to pre-application advice	Planning (2022/23)	Costs for non-statutory service provision covered by relevant fees and charges	Proposals for enhanced pre-application advice charges included as part of the draft 2023/24 budget, and projected to generate an additional £18k per year for the Council
Continue to explore opportunities for the introduction of new fees and charges	Various (Ongoing)	Costs for non-statutory service provision covered by relevant fees and charges as far as possible	Work is ongoing in this area. As part of the draft 2023/24 budget it is proposed to introduce some new charges (for example street naming and numbering, weekday pay and display parking at the Town Hall and optional licensing pre-application services). Once additional income forecasts are available these will be included within annual budget proposals.

Summary of the Council's current investment appetite (2022/23 update)

The Commercial Strategy Part 2 includes a summary of the Council's investment appetite, to be updated annually to inform the Council's commercial activity. Changes to the investment appetite are reflective of current market conditions and trends.

Asset category	2021/22	2022/23	2023/24	2024/25	2025/26
Offices	Red	Red			
High Street Retail	Red	Red			
Industrial/Distribution	Amber	Red			
Leisure (hotels, gyms)	Amber	Amber			
Hospitality (food and drink)	Amber	Amber			
Housing	Green	Amber			