

**REPORT OF THE HEAD OF PLANNING, ECONOMY AND REGENERATION**

**COST-RECOVERY AND COMMERCIALISATION IN GROWTH, ECONOMY AND DELIVERY**

**Cabinet Member(s):** Cllr Graeme Barnell

**Responsible Officer:** Mrs Jenny Clifford, Head of Planning, Economy and Regeneration

**Reason for Report:** To present to members steps to introduce cost recovery into the Growth, Economy and Delivery service, and to update members with regard to potential next steps with regard to further commercialisation within the service.

**RECOMMENDATION:**

1. **That the report be noted**

**Financial Implications:** In recognition that it is increasingly difficult to find public sector funding for discretionary services, the Economic Development Team is working towards a more commercial approach to service delivery. This report sets out potential measures to introduce cost recovery fees for certain discretionary services provided by the Economic Development team within the financial year 2019-20. It also raises the potential opportunity for exploring further income generation through the creation in the future of a commercial arm either from within the service, or across the organisation.

**Legal Implications:** Charging fees on a cost-recovery basis is within the legal remit of the Council as set out in Part 8, Section 93 of the Local Government Act 2003. However, if the Council wishes to explore developing income generating schemes that go further than cost recovery it would need to consider setting up a commercial arm which is able to trade on its behalf.

**Risk Assessment:** It is difficult to predict with any accuracy the number of economic development planning advice enquiries that the team may receive in the coming years. Therefore there is a risk that returns may be lower than anticipated. There is also a risk that a fee may deter applicants from seeking pre-application advice. It should also be noted that as levels of local authority funding diminish there is a risk that discretionary services supported by the Economic Development team may have to be discontinued, if there is no cost recovery in place.

Local authorities are limited to raising money on a cost recovery basis. Should the Council wish to set up a new company to raise income such a decision would include consideration of risk as part of that decision making process. The risks associated with this would need to be subject to a detailed risk assessment as part of business planning.

**Equality Impact Assessment:** No equality impacts are foreseen.

**Impact on Climate Change:** None anticipated

**Relationship to Corporate Plan:** The Economic Development team helps to deliver the Council's objectives for the Economy:

- Bringing new businesses into the district
- Business development and growth
- Improving and regenerating our town centres
- Growing the tourism sector

## **1.0 Introduction**

- 1.1 The Economy PDG at its March 2019 meeting previously considered cost recovery opportunities. These included recouping costs with regard to general economic development activities, business support and input in the planning process. It also considered commercialisation opportunities over and above costs recovery which would require the setting up of a commercial arm which is able to trade on its behalf.
- 1.2 The Group recognised the importance of looking at becoming more financially sustainable but were concerned that charging for business support services could be a disincentive, particular for fledging companies. The Group also wished to better understand how other authorities were grappling with these financial challenges.
- 1.3 Since the Economy PDG previously considered this item officers have been undertaking more research. Of all the above opportunities relating to cost recovery, the area which officers consider could be introduced most simply and quickly and has the necessary mechanisms in place is the input of the service into the planning process. This relates to both pre-application enquiries and economic development input into Planning Performance Agreements.
- 1.4 Discussions with other local authorities have identified that there are no directly relevant nearby examples of charging for some of the areas previously considered. However other opportunities may exist than those previously considered. More work is required to better understand these opportunities and current barriers to implementation along with gaining a clearer indication on how best to introduce more commercialisation opportunities without providing a disincentive to businesses. This additional work is explained later in the report.
- 1.5 This report therefore makes proposals on elements of cost recovery that could potentially be actioned now and acknowledges the need for further consideration of other commercialisation opportunities.

## 2.0 Cost-recovery for Planning Advice

2.1 The areas that seem most appropriate for cost recovery currently are planning performance agreements and specific economic development advice related to pre-application enquiries. These are explored in more detail in the following paragraphs.

### ***Planning Performance Agreements (PPAs)***

2.2 A PPA is an agreement between the local authority and the applicant that lays out agreed timescales, actions and the required resources for processing their application. They give greater certainty to both the applicant and the local authority that technical issues will be addressed in a timely manner and the application will be processed to an agreed timetable. PPAs give a much firmer basis for charging the appropriate fees for the work undertaken in processing and assessing major applications, and are therefore more likely to approach full cost-recovery for the services provided. The Development Management Service is already using a PPA approach for applications on major development sites. The Development Management Service currently has a target of £20,000 per year from PPAs. Although it is difficult to know in advance how many major applications will require Economic Development input as this fluctuates from year to year we envisage that additional income from this could be around £4,000 per annum.

2.3 In line with planning fees, there is an exemption for charging pre-application advice for commercial developments less than 200m<sup>2</sup>, which would exclude all minor applications. The proposed fee structure is laid out below. Fees for pre-application advice are aligned with those already levied by the Planning, Regeneration and Economy Service for heritage / conservation advice.

### ***Pre-application Advice***

2.4 The Economic Development team currently gives advice in connection with pre-application enquiries. It is proposed that this time could be charged in a similar manner to those levied in the Development Management service for Listed Building / Heritage advice. This would include pre-application advice on employment, and commercial site applications, meetings and site visits with clients, and production of a summative report. Fees would be levied as part of pre-application fees administered by the planning service to reflect officer time involved.

#### Proposed Fee Structure

		<b>Proposed Fee Structure</b>	
Planning pre-application advice	Pre-application advice on planning applications concerning employment / commercial property by the Economic Development team.	(in addition to normal planning services fees)  In principle advice no visit  Detailed advice and visit  Additional advice /	  £90  £180  £60

		visit	
Planning Performance Agreements	PPA advice on planning applications concerning employment / commercial property by the Economic Development Team	Relevant hourly rate for the member of staff (on a cost recovery basis)	

### 3.0 Further Commercialisation Opportunities

#### *Benchmarking*

- 3.1 The GED team recently carried out a benchmarking exercise by emailing out a short questionnaire to all authorities involved in the ‘Better Business for All’ commercialisation project nationally, backed up with additional desktop research. Many authorities now charge for non-statutory advice on regulatory services (Environmental Health and Trading Standards).<sup>1</sup> However due largely to government funding for business support activities, business advice is still offered free of charge.<sup>2</sup> However some authorities have externalised some or all of their economic development function through stand-alone development agencies which can take a more commercialised approach to business support or manage grant-funded business support programmes (Torbay Development Agency, North Devon +).
- 3.2 A Local Government Association survey in 2017 showed the huge variety of commercial activities being undertaken by local councils up and down the country. These ranged from commercialisation of conventional council services to totally unrelated commercial activities including running film studios and airports. The most common commercial activities related to economic development and regeneration involve investment in or development of commercial property, and the subsequent rental of the commercial space created. Linked to this and with more of an economic development focus is creating managed workspace, as a business hub, innovation centre or incubation space.
- 3.3 Such commercial activity is often conducted through specially created trading arms set up as commercial companies or not-for-profit social enterprises. Local examples include the Torbay Development Agency (TDA) and Cornwall Development Company (CDC), where business support services are linked to more extensive property and asset management services. There are also independent Business Support Agencies such as West Devon Business Information Point (BIP) (Okehampton) and Somerset Business Agency CIC (Langport) who create income by:
- Applying for Government and EU funding to deliver business support programmes

<sup>1</sup> see Hampshire County Council  
<https://www.hants.gov.uk/business/tradingstandards/businessadvice/chargingbusinessadvice>

<sup>2</sup> see Crannock Chase District Council  
<https://www.cannockchasedc.gov.uk/business/economic-development/open-business-business-support>

- Tendering for Government and EU-funded business support service contracts
- Business consultancy

3.4 As an example, the Torbay Development Agency (TDA), was set up in 2007 by Torbay Council to externalise its property and economic development services. It was established as a social enterprise wholly owned and controlled by the Council so that any net surpluses are reinvested to assist economic regeneration in Torbay. Building on its strong relationships with the public sector, it now works across the south west and has a turnover of over £7 million, mainly through its asset management and property services. It offers a range of services including:

- Business Support Services – runs the Growth Hub contracts and manages a number of business centres
- Property development and asset management
  - Regeneration projects, housing and commercial property development
  - Lease of commercial space
- Property Services
  - Property management (Torbay housing stock and schools)
  - Cleaning services under the name ‘Complete Facilities Management Services Ltd.’
- Civil Engineering Works
- Investment Fund Management

3.5 The Economic Development team is already looking at a project to develop incubation space. It has identified a number of potential sites, and is discussing with partners options for applying for last round of ERDF funding. Careful consideration would need to be given to the investment potential of these projects, with clear business cases and robust analysis of return on investment.

3.6 It is considered that there is potential for commercial land and property investments to benefit economic development within the district and provide a financial return for the Council. This is not entered into more detail in this report as this is unlikely to provide any returns in the immediate term; however the team are actively working on proposals for consideration.

3.7 To explore commercialisation further, the Economic Development team will be applying under **the LGA’s Productivity Expert Programme** for support from a Local Economic Growth Advisor to advise on opportunities for commercialisation within the service. There may be potential to develop a wider commercial trading arm for the Council which could incorporate a number of different service areas throughout the authority. Further analysis would be needed across the Council to better understand the scope for such a corporate trading arm as opposed to the benefits of setting up individual trading companies for discrete services areas.

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**Circulation of the Report:** Cllr Graeme Barnell

**List of Background Papers:**

*Mid Devon District Council Planning Service, CIPFA 2018*