

WIRRAL COUNCIL COMMERCIAL STRATEGY

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FOREWORD

We have made a commitment to Wirral residents that we will achieve all 20 of our Pledges for 2020. Despite our ongoing financial reductions, it is a commitment which we are determined to meet.

The Council, together with the majority of Local Government, is facing a challenging financial future. The mix of austerity, with reducing central government grant, and increasing financial demands is making the Council address questions about the long term sustainability of all the services arranged by the Council.

To get there requires a fundamental change in how we do business. This commercial strategy is one element of this change. Our approach to becoming more commercial is not about simply charging more for our services, it is not about becoming purely profit driven, it is about making our organisation more business-like, more able to take advantage of commercial opportunities which will benefit our borough, and our residents. We have defined commercial as:

Maximise charging, trading, assets and investment opportunities to generate income, surpluses and reduce costs.

It is about having a private sector head, with a public sector heart. It is on this principle that we will begin to change how the Council thinks and behaves, making sure that every possible opportunity to drive up income and root out inefficiency is identified and maximised. The ideal scenario is investing to earn with a financial and social return.

Our Commercial Strategy aims to take a commercial approach to service design, management and decisions, encouraging innovation whilst optimising assets and services to exploit opportunities to generate income surplus for reinvestment and reduce costs. An important element of the Commercial approach is finding the right balance between our public sector ethos and delivering social value and our commercial practices, ensuring we meet our pledges, to improve the lives of Wirral residents supporting local businesses, as well as increasing income and opportunity.

Commercial activity is not new to us. Wirral currently operates commercial services in a range of diverse sectors including leisure, theatre events, car park charging, garden waste and services to schools through a Community Interest Company (Edsential). This strategy will consolidate our existing commercial activity and provide a structured corporate framework for commercial projects and all future commercial activity. This will include links to the new Wirral Growth Company. We're delivering a new regeneration vision for Wirral and a new dynamic organisation to deliver it. This is a new way to deliver regeneration through a joint venture with a leading development and investment partner with the skills, track-record and resources we need to drive future growth and prosperity. The creation of a joint venture property company – Wirral Growth Company – will bring new expertise, new ideas and new investment to Wirral.

INTRODUCTION

What we know

Financial

Over the next 4 years we anticipate rising costs (inflation) and demand for services alongside reduced central government funding that will result in a budget gap of £45m in 2019/20 and £67m by 2022/23. In 2018/19 alone, we will see a reduction of £7m of government grant funding, which together with increased costs and demands, resulted in a budget gap of £61m. We have already saved over £100m between 2011/12 and 2018/19 and therefore finding further efficiencies and savings becoming progressively more challenging.

Budget Projections 2019/20-2022/23: Budget Gap Forecast

Projections	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Cumulative Budget Gap	45	62	65	67
Annual Budget Gap	45	17	3	2

Our Medium Term Financial Strategy 2019/20-2022/23 (MTFS) focus is on building the foundations for a sustainable financial future with sufficient support for services and describes how to provide the funding and services so that residents receive the support for their lives and communities. Outlined, in addition, is how the Council will invest in our local economy to encourage growth to continue.

The MTFS and the 2018/19 Budget is the first step in resolving the financial challenges we face and moving to a more self-sufficient funding position.

Maintaining business as usual whilst reforming services and regenerating the local economy will be the future focus to target our resources. Establishing the correct baseline to do this is an essential component of our delivery and the MTFS sets out how we plan to do this in line with our financial principles. It details the financial remit within which the Wirral Plan directs all services up to 2023.

A key approach in the MTFS is to increase income for the Council and two key themes within this are:

Fees and charges

- The introduction of new income sources through charges and trading, for example with local businesses.
- Review of and ensuring fees and charges take account of costs, demand and comparable charges made by others for similar services.
- Ensure the fees and charges are recognised as a key and increasingly important part of the financial resources of the Council.

Treasury Management

The Treasury Management Strategy sets out the expected treasury operations for 2018-2021, linked to the Council's MTFS, Capital Strategy, Asset Management Plan and the Wirral Plan. It is inextricably linked to delivering the Council's priorities and strategy. Key strands include:

- The optimisation of returns on investments whilst ensuring security and liquidity.
- Examination of new opportunities for innovative investments, balancing risk with opportunity to be more risk aware to generate short and long term income.
- Use of prudential borrowing where it is supported by a sound business case in accordance with the principles of the Treasury Management Strategy.
- Ensure that Treasury Management is recognised as a major contributor to the Councils overall financial standing the resilience. Whilst operating within the relevant guidelines and regulations.

Wirral Plan

In order to achieve the ambitions of the Wirral Plan we are committed to delivering a modern public service, organising ourselves to deliver our aims and recognising the need for the Council to be much more commercially focused, harnessing the spirit and practices of commerce to secure outcomes for residents. This will mean leveraging greater value from assets and resources as well as maximising commercial opportunities and income generation through a range of service models delivered within a public sector ethos. This Strategy is important as it will provide a commercial framework, promote innovation and ensure cost effectiveness through contract and service review and support the growth plan.

The Wirral Plan highlights that we must become an innovative outward looking organisation that is responsive to new technologies, to cultural and societal change, and to the evolving needs of Customers in order to achieve its objectives. Many Local Councils are leading the way, demonstrating resourcefulness and initiative to rise to the challenges that communities face.

Our commercial success to date

We currently operate commercial activities in a range of diverse sectors including, leisure, theatre events, garden waste and services to schools. This range of activities, including income generated through fees and charges, is estimated to bring in annual income for 18/19 of around £38m. Where there is not an agreed subsidy from the Council to cover core Council functions, the income generating services are expected to at least break even.

We have also successfully created some local authority trading companies, which is very much in line with a developing trend in local government of more Council owned trading companies. As trading bodies, they can provide their services to a much wider market than a council department. Local authority companies represent alternative service delivery vehicles and exist alongside in-house delivery, trusts, social enterprises, outsourcing and other delivery models, but with particular emphasis on the concept of trading. The advantages of such operations are that a local authority can only enter into trading in the wider commercial market through a company. An example is Edsential, established in December 2015, a community interest company established and jointly owned by Wirral Council and Cheshire West and Chester Council to provide traded services to the Education sector.

The financial context, as stated before, in which we operate means that we already undertake a range of activities to generate income and make savings. These range from sharing services with other Councils, traded services to commercial activities such as Leisure services. Without these we would have had to make even more efficiency savings.

VISION

An important element of the commercial approach is finding the right balance between our public sector ethos and our commercial practices, ensuring we meet our pledges, to improve the lives of Wirral residents, as well as increasing income and delivering social value. This is reflected in the commercial approach vision and principles.

To define our Commercial approach the following vision has been adopted by the council;

'Wirral Council will take a customer focussed, innovative, commercial and entrepreneurial approach to secure the delivery of high quality and value for money services to support the Wirral Plan.'

To underpin this strategy the following key principles have been developed;

- **Aim** - Maximise charging, trading, assets and investment opportunities to generate income, surpluses and reduce costs.
- **Strategy** - To develop and implement a plan that will transform the operation of the Council into a business that takes a commercial approach to ensure that we are more flexible, more efficient, more effective and will ensure we deliver better and sustainable outcomes for local people.
- **Customers & markets** - To provide goods, services, and works to Wirral residents and other public organisations and operate within a complex model of multiple markets, rather than a single service model, within a social value ethical framework.
- **Culture** - Foster and embed an innovative and commercial approach through a commercial development programme across the Council.
- **Support to succeed** - Provide rigorous, flexible processes and support services that promote and develop commercialism.

Management of risk is central to our Commercial approach and all potential activities will be assessed with due regard to the risks being taken

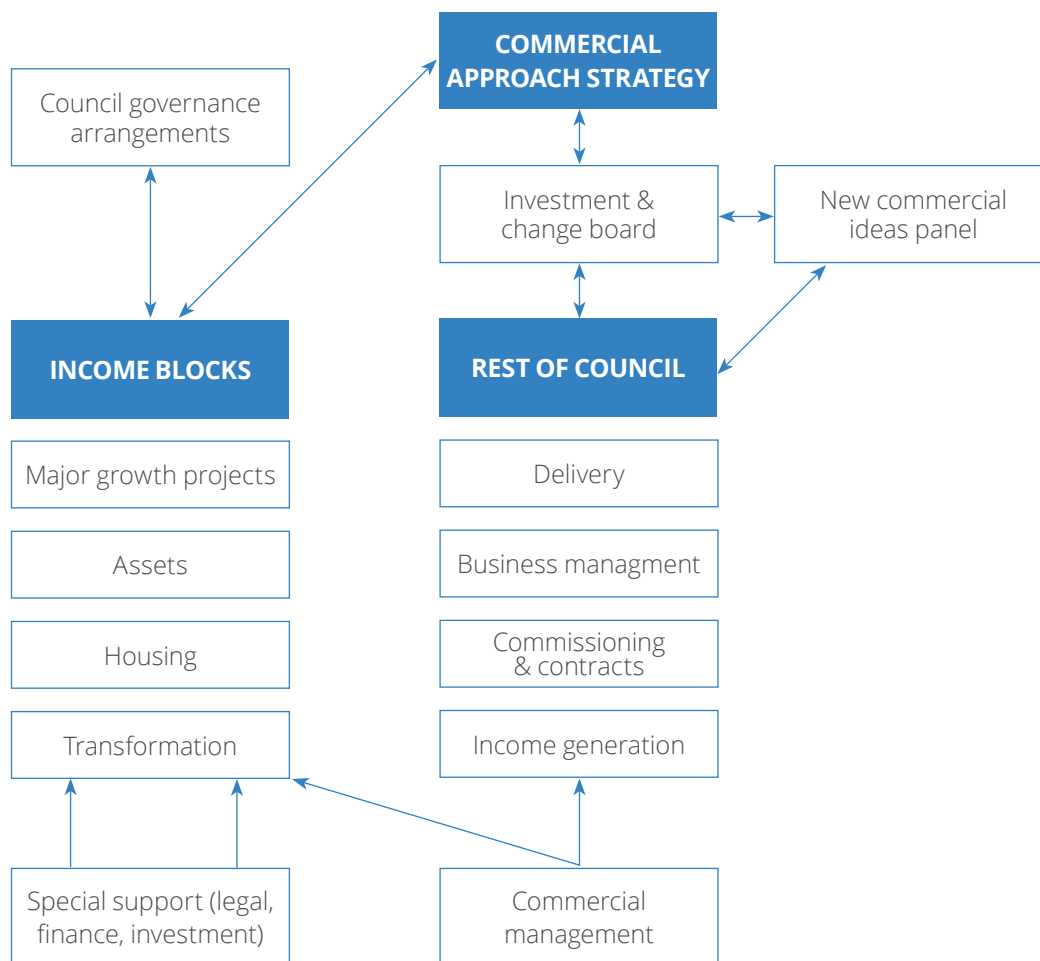
In order to achieve the joined up and efficient delivery of this vision, the commercial strategy will align with the overall Council strategy and other relevant financial strategies, such as the MTFs, to support the delivery of the Wirral Plan

THE SCOPE OF OUR COMMERCIAL APPROACH

Governance

Commercial development across the Council will be overseen by the Investment and Change Board ensuring the delivery of the Commercial Approach Strategy.

Commercial Approach Strategy Alignment



The New Commercial Ideas Panel reports into the Investment and Change Board and the remits of the Panel are:

- New Commercial Opportunities.
- Council commercial activity oversight.
- Commercial intelligence.
- Promoting commercial successes.

Customers and markets

We already operate a wide variety of commercial activities across a range of customers and markets. These are mainly focused across the Council footprint to a range of customers including residents, businesses and other public sector organisations, with some income generated from members of the public and businesses and other public sector organisations beyond the Council boundaries.

If we are to realise the ambition of this commercial strategy then for all current income generating services and future new services and investment opportunities, we will need to increase and maximise income from our customers and markets.

We also need to ensure all services are customer focused and we will achieve this through establishing core customer focus principles that all services adhere to.

Overall approach to customers and markets

New customers and markets	Maturity of market	Due diligence through new commercial governance arrangements
Existing customers and markets	Retain and grow customer base and cross sell	Ability to sell on from existing services
	Existing services and investments	New services and investments

Commercial Opportunities

Understanding and prioritising the best opportunities available to us is the key to the success of this Commercial Approach. This will include reviewing existing commercial activity for costs, quality and value for money. Also we will establish a new commercial ideas framework to ensure new innovative commercial ideas are encouraged, evaluated and where prudent supported to deliver.

What success will look like

The overall expected outcomes from our commercial approach are:

- Initial financial expectations are £1 million surplus per year from the commercial approach for the next three years from 18/19.
- Introducing and embedding a more commercial culture across Wirral Council.

Culture

Delivering our ambitious plans for the future will require a fundamental shift in how we do business and a change in culture. The new operating model is designed to move us towards that new culture, values and behavior's where we think commercially and design our approach based on outcomes for residents, around partnerships, insight and evidence – working to achieve a new Wirral, where all public resources and activity are invested in achieving the vision we set in the Wirral Plan.

This will require individual and organisational development around commercial thinking including intrapreneurialism (innovation and progressive change within an organisation). We will develop the skills of our workforce and it will also influence the skills that we require in the people that we recruit in future into key roles and in the partnerships that we develop.

Risk management

The risks and issue management will be done in line with the Council's Risk Management Policy.

Legally compliant

There is complex legislation and case law that governs local government's ability to generate income. This includes trading in services to make surplus and the recovery of part (contribution) or the whole of the cost of a service through charging.

We will need to make sure that its commercial activities are legally and state aid compliant, including having consideration of the Public Sector Duty within the Equality Act 2010. Also following The Prudential Code for Capital Finance in Local Authorities.

Where necessary specialist external advice will be sought to inform sound decision-making.

ACTION PLAN

What do we need to do?

- **Growth** - Identify, support and build new innovative commercial ideas and develop a coordinated approach to maximise high quality value for money income generation opportunities to a wider business-to-business client base, which includes trading our services to Partner organisations and other LA's.
- **Income & debt management** - Introduce a new way of working that is fit for purpose for a future Revenues and Benefits service aligned to the Council's corporate vision. The ultimate objective is to increase revenue and reduce overall cost to serve and future proof the function as part of a new and enhanced Transaction Centre operating model.
- **Fees and charges** - Develop more robust and rigorous customer focussed approaches to income generation through financial management and modelling. This will include a focus on the profit and loss of current commercial activities and full cost recovery of non-trading statutory services.
- **Investments** - Through effective Treasury Management consider and develop appropriate investment opportunities. We will understand how traditional and alternative financial instruments will fund new options.
- **Culture** - Embed a more entrepreneurial commercial culture across Wirral Council through effective support, challenge and CPD. This will include, Commercial Skills training; intranet resources; e-learning modules; commercial networks.

