



COMMERCIAL STRATEGY

Scrutiny Report of the Business Overview & Scrutiny Committee

August 2018



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1. INTRODUCTION

- 1.1 As part of the Business Overview & Scrutiny Committee's Work programme for 2018/19, it was agreed to undertake pre-decision scrutiny of the Council's Commercial Strategy before it is submitted to Cabinet for approval. As a result, a scrutiny workshop was held on 20th August 2018 and was open to all Overview & Scrutiny Committee Members.
- 1.2 A presentation was delivered by the Cabinet Member for Finance and Resources and Stuart Bellerby, Senior Manager (Commercial Approach) before the session was opened up for Member questions. A summary of the outcomes from the workshop are detailed in this report.

2. DEVELOPING THE COMMERCIAL APPROACH AND STRATEGY

- 2.1 Council agreed the Commercial Strategy's vision and principals in June 2016 through Cabinet. As well as generating more income to support the financial challenges faced by the Council, the strategy's aim was to make Wirral more business-like and more able to take advantage of commercial opportunities to benefit the Borough and residents.
- 2.2 The Cabinet Report details how the Council needs to modernise and work in new ways to deliver the 2020 vision for Wirral and also highlights a requirement for a commercial approach to be adopted. Specifically looking at ways Wirral can generate income, maximise assets and reduce pressure on service delivery.
- 2.3 The Medium Term Financial Strategy 2016-21 was agreed and adopted by Council on 3rd March 2016. This included the development of a commercial approach as one of the Council's Financial Strategy Principles.
- 2.4 The vision and principals for the commercial approach aim to balance the public sector ethos and Wirral's commercial practices, ensuring the Wirral Plan pledges are met to improve the lives of Wirral Residents, as well as increasing income. The vision – agreed by Cabinet – states:

"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"

- 2.5 Underpinning the strategy, the following key principals were 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.

- 2.6 The Cabinet report set out the requirements for a new approach to enable the Council to become a more commercial organisation as well as setting out the strategic vision and principals to govern the Commercial Strategy.

3. SUMMARY OF WORKSHOP FINDINGS AND OBSERVATIONS

3.1 The Council's Medium Term Financial Strategy (MTFS) 2019-23 – agreed in July 2018 - sets out the national picture for local government and key questions from this document were adapted and used to support discussion for the workshop. THE MTFS states:

“The future for local government finances is one in which Councils aim to be financially self-sufficient. This means that Wirral has to plan to establish a strong and buoyant tax base and other sources of direct income.”

3.2 It was explained to Members that the MTFS for 2019 -2023 has a much greater emphasis on income generation than in previous years, with four main areas identified for increasing income:

- Council Tax base
- Business Rate base
- Fees and Charges
- Treasury Management

3.3 In developing a commercial strategy for Wirral, Members were assured that other local authority strategies were reviewed to understand their commercial approach and what aspects could be adopted by Wirral. In particular, Warrington, Nottingham and Harrow were noted to be good strategies. National literature has also been consulted, including the Local Government Association's 'Enterprising Councils – Supporting Councils income generation activity'.

3.4 The commercial approach and strategy alignment is shown in Appendix 1. This makes a distinction between what the Commercial Strategy is about, and what it is not about. Existing major projects, such as Wirral Growth Company and transformation projects are reported to continue with their own governance arrangements and any other layers of bureaucracy are deemed to be unnecessary.

3.5 Fees and Charges

Members were informed that there is an expectation that the Council will generate £1 million per year through its commercial approach. Most of this will be generated through fees and charges. Members emphasised that it is critical that income from existing services which are provided is maximised, including the collection of income from services and activities where it is known that this may not always be the case.

3.6 It is understood that in the last 18 months, all fees and charges have been challenged through reviews. Relevant service managers have also been challenged around setting the right fees and charges but, importantly, ensuring that volume is also considered to ensure the customer base is not lost. The emphasis, therefore, has been to concentrate on income and not necessarily the fees and charges and this approach was acknowledged by Members.

3.7 Property Investment

Members were presented with annual statistics from government to the end of March 2017 showing that total local government borrowing is £92.2 billion with total investment of £33.1 billion. Research carried out highlighted the growing trend in investment in property which a

third of councils have done so since 2010 and with a reported spending of £2.4 billion between them. (Commercial Healthcheck – Grant Thornton, 2018).

3.8 Concerns were raised in relation to how the Council would invest in property as part of its Commercial Strategy moving forward to maximise commercial returns. In particular, how this would be achieved with the Council selling some assets for capital receipts. However, it is understood that the strategy would look at investment for both residential and commercial properties and that each property - whether owned or invested in - would be considered as part of a more commercial approach as to whether it is sold or not. Members noted that although some local authorities look in their own locality as part of their growth agenda, others may look outside their boundaries to identify properties. However, it was reported that government is looking at prohibiting local authorities from borrowing from the public sector to invest outside of their boroughs.

3.9 Business Rates

To generate more income from business rates, there is a need to encourage business growth in Wirral. The provision of business rates relief was identified by Members as having an impact on trying to maximising income as the Council moved to 100% retention of business rates. Liverpool City Council was cited as an example of some businesses being initially exempt from business rates for a period of time. It is acknowledged, however, that Wirral offers exemptions to businesses below a certain value to encourage start-ups in low value properties. Although it is reported that Wirral Council has a high collection rate, Members had a longer-term view that generating significant income through business rates could be challenging.

3.10 Members also highlighted that rent of properties may present more of an obstacle for small business than business rates and the impact this has on growth. Although this is more relevant to the Council's growth agenda, officers will be encouraged to have a more business-like approach as part of the commercial approach going forward.

3.11 Development of new commercial ideas and opportunities

Examples of commercial successes from other local authorities were highlighted to Members. These included:

- Nottingham – Embedding a more business-like approach across the Council's workforce and businesses which has generated several million in increased revenue.
- North Lincolnshire – Commercial services provided include construction and site management services, arboriculture and landscaping and procurement consultancy.
- Buckingham County Council – Established 'Buckingham Law Plus' which delivers legal services to local authorities and wider public sectors.

3.12 Although Members acknowledged the commercial successes delivered by other local authorities, it was highlighted that Wirral's strategy should identify what it has to offer and what makes Wirral unique to maximise income. This includes its coastline that links to the tourism and leisure industry. Members also highlighted the need to not just rely on a captive customer base but to draw people in from outside the Borough. The return of the Giants to Liverpool and Wirral was an example presented to Members of how the strategy will be applied to maximise income from the event.

- 3.13 To draw people in to Wirral, which Members recognised as a challenge, it was explained that there is a need to look at existing infrastructure, business, assets etc. and what will work best for Wirral.
- 3.14 Members recognised that the need to generate new commercial ideas was pivotal to the success of the strategy to maximise income. It is also important to have the right culture embedded across the council, with staff having the right knowledge and expertise. Members highlighted the challenge of how to incentivise staff to generate ideas and heard that the lack of formal mechanisms previously by which new commercial ideas can be considered and ratified had been an issue.
- 3.15 It was reported that an Investment and Change Board has now been established and will look at many of the bigger projects. Additionally, underneath this, there is a New Commercial Ideas Panel which is chaired by officers and has been in existence for a few months. The objective is to encourage staff to present new ideas to the Panel. Both the Board and Panel currently meet on a monthly basis to encourage staff to present any new ideas. Although Members welcomed these arrangements, it was agreed that the Overview & Scrutiny Committee could receive presentations from both the Investment and Change Board and the Commercial Ideas Panel to better understand how they operate and to receive an up to date position on what has been achieved.
- 3.16 The Senior Manager for Commercial Approach acknowledged that many ideas will need investment and up to £25K can be considered by the New Commercial Ideas Panel but Members were assured that the business case has to identify how this will be paid back as part of the generation of income. It is anticipated that staff may be encouraged to develop and discuss ideas knowing that there is investment available.
- 3.17 Within the structure, there is a new department called 'Commercial Management'. This provides capacity and support for staff across the Council to develop new ideas. There is also a new member of staff with a specific role to support, develop and monitor new commercial ideas, but Members were assured that there is a requirement that the role has to generate its own salary by year 2.
- 3.18 Members suggested that the strategy should ensure more work is done with the third sector when looking to maximise income. It is understood that consideration is being applied to looking at the services Wirral provides which may be of interest to the third sector.
- 3.19 In relation to the impact on local businesses, Members had a concern that new commercial ideas may create competition and have an impact on other businesses. Although Wirral would be operating under a free market philosophy, this would be taken into consideration when looking at new ideas.
- 3.20 A number of questions were raised in relation to embedding the right culture across the council and ensuring the right messages are conveyed to achieve a more commercial approach. It is understood that an intranet site has been established around commercialisation and e-learning modules have been included as part of the suite of training packages, as well as running training courses. Network meetings have also been established with Council officers sharing ideas and to

understand what it means to be more commercial. It was welcomed that different Council services are talking to each other, such as leisure services, the Floral Pavilion and schools traded services to tap into the available expertise and to promote the sharing of ideas. It is also understood that managers will be provided with resources and materials to deliver their own commercial training.

3.21 Members agreed that these mechanisms are vital to ensure the Council can deliver on its strategy and also suggested that, with shrinking budgets and challenges to deliver services, commercialisation will become more important to the role of Members. It was agreed that, as part of Member development, appropriate training should be delivered to Members on commercialisation

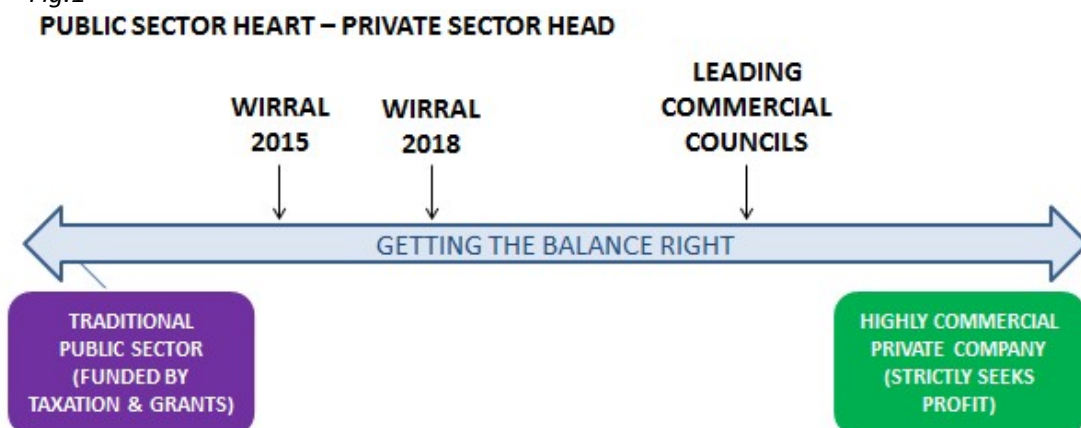
3.22 Income monitoring

Members emphasised the need for effective monitoring of income to measure the success of the strategy. It is reported that income is not currently scrutinised on a regular basis but this will change moving forward. Income is only looked at on a service to service basis but there is a need to understand what the pressures are and identify who is doing well and who isn't. The Investment and Change Board will monitor on a quarterly basis how well income targets which will be set have been met and to ensure that targets are realistic but challenging. Members suggested that periodic income reports should be presented to Overview & Scrutiny for consideration.

3.23 Getting the balance right

Members agreed that the balance between social value and the generation of income is critical and where Wirral is placed on the spectrum, particularly in the use of public funding and taking risks. Fig. 1 below shows where Wirral has moved to since 2015 and where it currently sits against other leading commercial Councils. Members were informed that these other more commercial local authorities are taking bigger risks for the bigger returns but Wirral is looking to become more risk aware than risk averse and this was acknowledged by Members.

Fig.1



4.0 WORKSHOP RECOMMENDATIONS

Following the workshop presentation and the question and answer session, Members agreed to the following recommendations detailed below:

Recommendation 1

It is recommended that officers and Cabinet considers the content of this report prior to approval of the Commercial Strategy.

Recommendation 2

To acknowledge the importance of Wirral's commercial approach moving forward, it is recommended that Member development should also include commercialisation training.

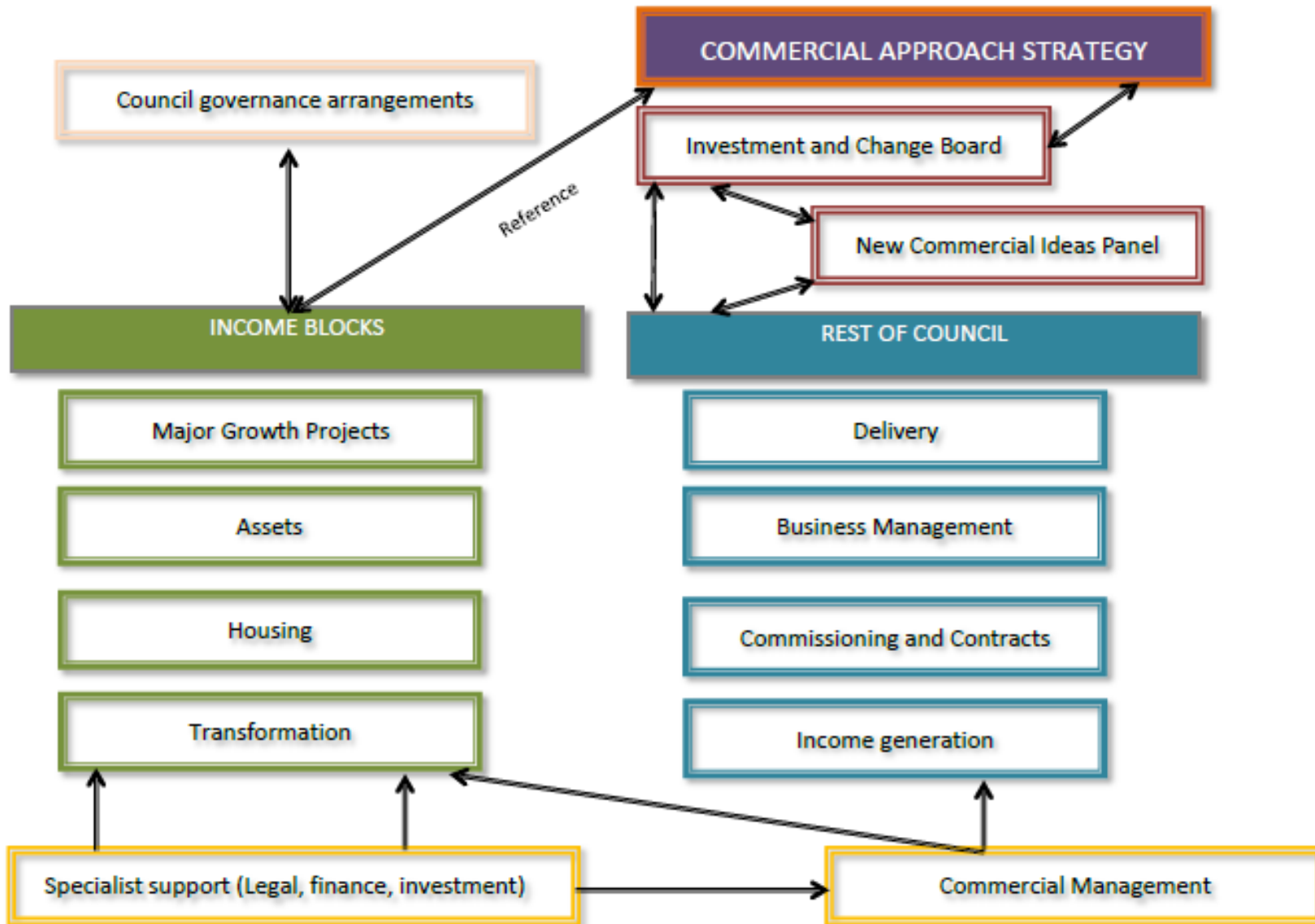
Recommendation 3

The Business Overview & Scrutiny Committee should receive presentations by the Investment and Change Board and the New Commercial Ideas Panel as part of its work programme to understand how they operate and to scrutinise their effectiveness.

Recommendation 4

The Business Overview & Scrutiny Committee should receive an annual report detailing the progress made to deliver the Council's Commercial Strategy. This should include reporting on income received under its remit and details of whether targets have been met or not.

Commercial Approach Strategy Alignment



Appendix 2 – Workshop Attendance

Cllr. Mike Sullivan (Chair)

Cllr. Dave Mitchell

Cllr. Tony Cox

Cllr. Pat Hackett

Cllr. Phil Gilchrist

Cllr. Chris Carubia

Cllr. David Elderton

Cllr. Gerry Ellis

Cllr. Anita Leech

Cllr. Thomas Usher

Officers / Cabinet Members

Stuart Bellerby – Senior Manager (Commercial Approach)

Cllr. Jeanette Williamson – Cabinet Member (Finance and Resources)

Michael Lester – Scrutiny Officer