



**Business Overview and Scrutiny Committee**  
**Wednesday, 4<sup>th</sup> March 2020**

<b>REPORT TITLE:</b>	<b>Commercialisation Update</b>
<b>REPORT OF:</b>	<b>The Director of Delivery Services</b>

**REPORT SUMMARY**

This report has been produced at the request of Business Overview Committee and provides an update on commercialisation activity taking place within the Council. It summarises the 5 key commercial strands and where current commercial activity is taking place. It also highlights some commercial benefits to the Council already from the commercial approach.

**RECOMMENDATION/S**

1. That the Committee notes the report

## SUPPORTING INFORMATION

### 1.0 REASON/S FOR RECOMMENDATION/S

The report provides Business Overview and Scrutiny Committee with the update on commercialisation that was requested.

### 2.0 OTHER OPTIONS CONSIDERED

None

### 3.0 BACKGROUND INFORMATION

3.1 Prior to 2016 there was very little coordinated commercial activity across the Council.

3.2 The Council established two new companies in 2015/2016:

- Edsential (jointly owned with Cheshire West and Chester Council)
- Evolutions (wholly owned by the Council)

3.3 Cabinet approved the Councils overall vision and approach to income generation through a cabinet report (June 2016) and in November 2018 Cabinet agreed the Council's Commercial Strategy.

3.4 The Commercial Approach originated as a transformation project back in 2016. This has since transferred to the newly established service, the Commercial Management Service (June 18) with a key focus on income generation. The service is responsible for enabling and challenging the commercial approach across the Council.

3.5 The commercial programme launched with 5 key work streams:

3.6

Themes	Summary
<b>1. Growth</b>	Developing new commercial ideas which covered range of commercial opportunities from Wirral Growth Company to charging for green waste collection. Also established governance and workflow arrangements.
<b>2. Income &amp; debt management</b>	Focus on recovering even more Council Tax and Business Rates and reducing debt
<b>3. Fees and charges</b>	Optimising fees and charges through income targets (total additional income across the Council was £32m for 2018/19) – Wirral's top 5 income generators, <ul style="list-style-type: none"><li>• Leisure (£8.5m annual income, net cost to Council of £1.5m);</li><li>• School Traded Services (£4.5m, breaks even);</li><li>• Cemeteries and crematorium (£2.8m net cost £400k)</li><li>• Car parking (£2.7m income and makes £1.5m surplus which is invested back into highways infrastructure etc)</li><li>• Floral Pavilion (£2.6m, cost to Council of £900k)</li></ul>
<b>4. Investments</b>	Through effective Treasury Management, developing appropriate investment opportunities, opportunities to work with other councils; eg. Warrington

<b>5. Developing commercial skills across the Council</b>	<p>OD programme</p> <ul style="list-style-type: none"> <li>• Aligned to launch of commercial approach; developed staff training programme which included:</li> <li>• 5 day Commercial Skills training – this is now into Cohort 4 and we have had interest from other Councils for buying our services to deliver this programme</li> <li>• 5 e-learning commercial modules (Covering key commercial messages and staff can utilise this in their own roles)</li> <li>• Regular commercial network meetings running within the Council</li> </ul>
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3.7 The service areas that carry the most potential for the Council include:

- Wirral Growth Company – large scale regeneration and mixed use of assets bringing long term revenue streams. Other opportunities with housing developers to build/sell land, assets
- Review of Council assets to rent or sell as part of longer term investment strategies (align to One public estate and working with partners; rationalization and sharing of assets/costs)
- Innovative investment opportunities (Treasury Management) – opportunities to learn from other public sector organisations including Warrington

3.8 Managing commercial risk – any new commercial ideas go through an internal governance framework which includes evaluation of financial, economic and reputational risk. Existing commercial activities are regularly reviewed through risk management and risk profiling.

3.9 Current activity

<b>Themes</b>	<b>Outputs so far</b>
<b>1. Growth</b> – 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.	Over 200 new commercial ideas have been prioritised down to around 18 for further evaluation and development. Key ideas being developed include: <ul style="list-style-type: none"> <li>• Explore options to rationalise and improve the operational services and assets delivering Council transport and vehicle logistics and relevant commercial opportunities</li> <li>• Optimise opportunities for events hosted by Wirral Council venues.</li> <li>• B2B services for our public sector partners, building on the successes of our Wirral Traded Services offer to schools that generates £4.5m of annual income and achieves high customer satisfaction.</li> </ul>
<b>2. Income &amp; debt management</b> - 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 and Council Tax and Business rate collection is up for 18/19 whilst debt has been reduced.
<b>3. Fees and charges</b> - 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 trading non-statutory services.	All 1200 fees and charges have been reviewed annually over the last 3 years linking these to expected annual income targets. Individual challenge sessions with the largest current income generating services across the Council along with support and challenge to all other income generating services have resulted in £2m of additional income for 18/19.
<b>4. Investments</b> – Through effective Treasury Management consider and develop appropriate investment opportunities. We will understand how traditional and alternative financial instruments will fund new options.	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. Key strands include: <ul style="list-style-type: none"> <li>• The optimisation of returns on investments whilst ensuring security and liquidity.</li> </ul>

	<ul style="list-style-type: none"> <li>• Examination of new opportunities for innovative investments, balancing risk with opportunity to be more risk aware to generate short and long term income.</li> <li>• Use of prudential borrowing where it is supported by a sound business case in accordance with the principles of the Treasury Management Strategy. Treasury Management brought in around £2m of savings for 18/19.</li> </ul>
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## 4.0 FINANCIAL IMPLICATIONS

### 4.1 Commercialisation realised benefits so far to the Council:

	Activity	Amount of additional income	Reporting period
1	Additional income across services that set fees and charges	£2m	18/19
2	New school traded service income – Legal/Print/DPO	£152k	18/19
3	Tour of Britain income	£32k	Up to Sep 19
4	Street/house naming	£15k	Jan – Dec 19
5	Procurement activity - MPF	£28k	18/19

## 5.0 LEGAL IMPLICATIONS

5.1 The Council has powers to charge for services and in certain circumstances to trade. This may require different delivery models, specific commercial projects will be examined to ensure that they are within the Council's powers. As projects are developed the legal implications will be identified as part of the project plan.

## 6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The Council has invested in a new Commercial Management team. This includes 6 new Commercial Business Development Officers (1 specifically focussed on Leisure and 2 in Parks and Countryside), whose main aim is to support commercial development across the Council and deliver new income generating projects.

6.2 The Commercial Team has been supporting 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. So far this has included:

- Intranet support site for commercial approach launched
- E-Learning modules developed
- Training packages for managers and above
- Network meetings for commercial leaders and managers

6.3 This report does not have any direct implications relating to ICT or Assets.

## 7.0 RELEVANT RISKS

7.1 Management of risk is central to our commercial approach and all potential activities will be assessed with due regard to the risks being taken. This will be in line with the Council's corporate approach to risk management including review of risk frequency.

## 8.0 ENGAGEMENT/CONSULTATION

8.1 Specific engagement and consultation are considered for each commercial project as necessary.

## 9.0 EQUALITY IMPLICATIONS

9.1 The potential impact will be reviewed for each commercial project as necessary.

## 10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

This report is for Members information and does not have any direct Environment or Climate Implications. The potential impact on environment and climate are reviewed for each commercial project as necessary

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## APPENDICES

Cabinet – Approval of the Wirral Council Commercial Strategy  
Business Overview & Scrutiny Committee - Scrutiny Report on Workshop on Commercial Strategy

### Background Papers

As above

Cabinet - Developing our Commercial Approach

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
<b>Business Overview &amp; Scrutiny Committee - Scrutiny Report on Workshop on Commercial Strategy</b>	<b>Tuesday 18<sup>th</sup> September 2018</b>
<b>Cabinet - Developing our Commercial Approach</b>	<b>Monday 27<sup>th</sup> June 2016</b>

# **WIRRAL COUNCIL'S COMMERCIAL STRATEGY**

**Wirral Council  
2018 - 2021**

# 1. Table of Contents

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## 2. 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.

### 3. 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.

## 4. 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.

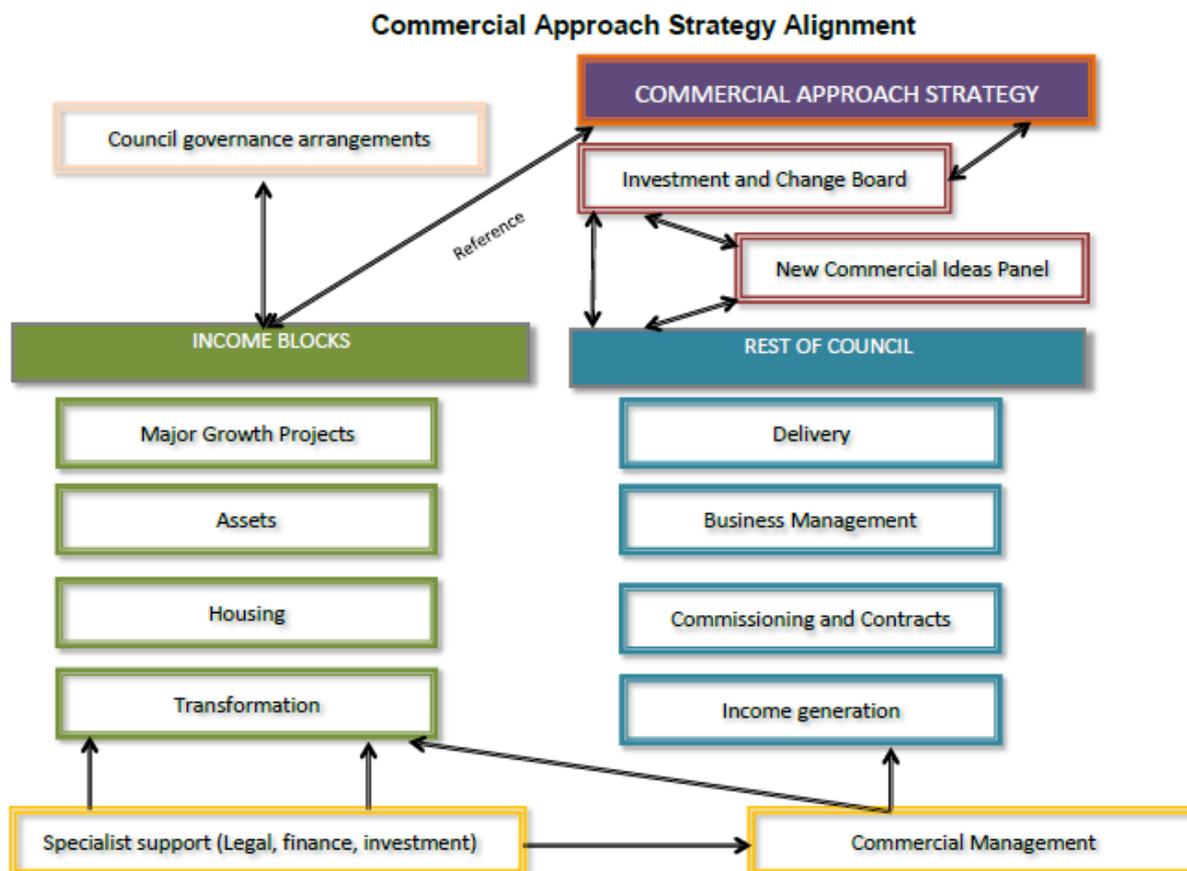
Management of risk is central to our Commercial approach and all potential activities will be assessed with due regard to the risks being taken

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.

## 5. 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.



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. 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?
1. <b>Growth</b> – Identify, support and build new <b>innovative</b> commercial ideas and develop a coordinated approach to maximise <b>high quality value for money</b> income generation opportunities to a wider business-to-business client base, which includes trading our services to Partner organisations and other LA's.
2. <b>Income &amp; debt management</b> - 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.
3. <b>Fees and charges</b> - Develop more robust and rigorous <b>customer focussed</b> 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.
4. <b>Investments</b> – Through effective Treasury Management consider and develop appropriate investment opportunities. We will understand how traditional and alternative financial instruments will fund new options.
5. <b>Culture</b> - Embed a more <b>entrepreneurial</b> commercial culture across Wirral Council through effective support, challenge and CPD. This will include, Commercial Skills training; intranet resources; e-learning modules; commercial networks.



## 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

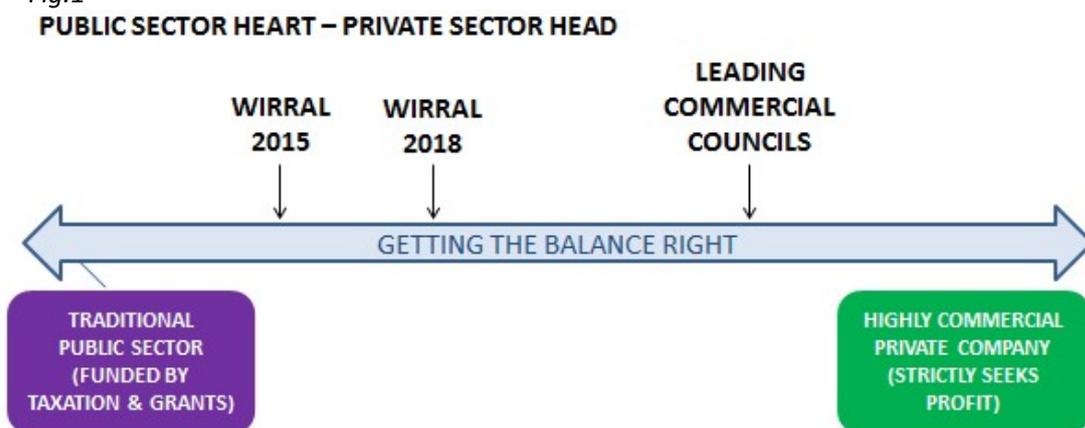
3.22 Income monitoring

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.

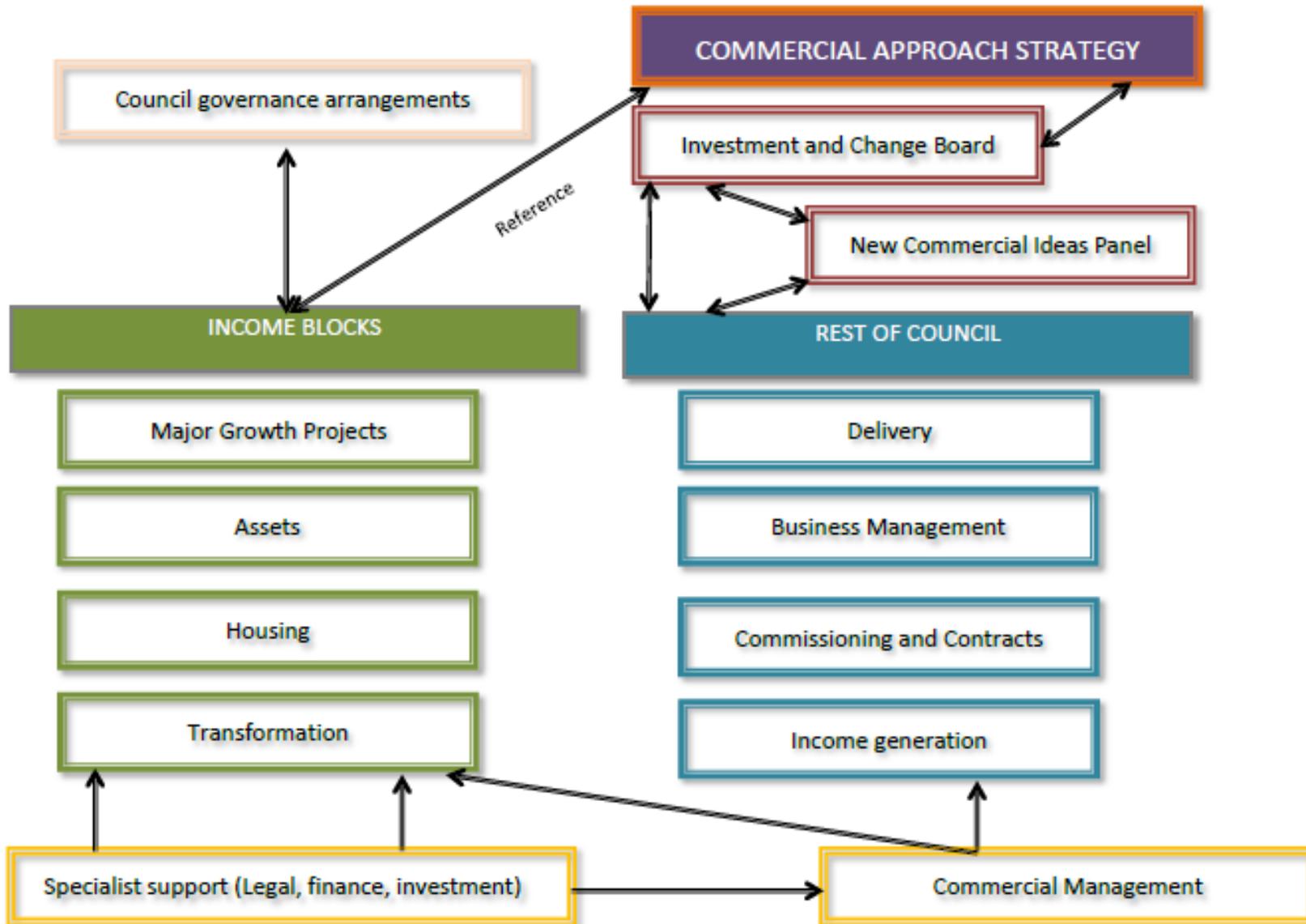
### **Recommendation 3**

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