

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 November 2017

Subject: **COMMERCIAL STRATEGY**

All Wards
Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 Local Authorities are currently operating in an extremely challenging financial environment with increasing pressures from reduced Government support, increasing demand for services and reduced resources.
- 1.2 With the removal of Government grant funding in 2020/21, further to the four year settlement provided by the Government in 2016/17, the Council will have reduced its Government funding by £2.9m. The Council recognises the importance of maintaining a financially sustainable position in the long term which is demonstrated by the 10 Year Financial. The Council therefore needs to generate other sources of income to support the services it provides and one approach to this is for the council to become more commercial focused in its operations to generate income.
- 1.3 The purpose of this Commercial Strategy is to address the income generating financial challenge, focus on improved efficient and effective ways of working, and concentrate on the capability and capacity of the organisation, the deployment of resources and doing things differently. The Commercial Strategy is attached at Annex A.
- 1.4 The Council will adopt a new commercial version to
Become Self-Sufficient by 2020/21 – Review processes, streamline activities, engage with digital technology, enable economic growth and increase sustainable income streams to minimise the impact of the loss of central government grant on services whilst reshaping Hambleton District Council
- 1.5 By embracing a more commercial culture the Council will seek out new opportunities to create income, invest in people and projects that provide a good rate of return, support the Council's priorities and values whilst ensuring the rewards generated are balanced with the required level of risk.
- 1.6 It is recognised that a high priority to move to a commercial approach is to engage with all staff across the authority and develop the value that the staff can contribute. Therefore, there is a need to invest in skills and training, provide and equip staff with use of digital technology to operate in a more flexible and agile way to enable staff to act more commercially. All will be actively encourage to consider more innovative ways of working to reduce costs, generate income and improve customer satisfaction.
- 1.7 The Commercial Strategy aims to unite projects, schemes and initiatives that are currently on going across the Council under one focussed area with a range of ambitious new activity to ensure the Commercial Strategy is both relevant and aspirational; it will provide leadership and coordination in all income generating activities.

- 1.8 In order to support the cultural change across the authority, upskill and train staff and ensure that this area is developed sufficiently to generate the level of income that is required a Head of Service – Commercial & Programme Manager will be employed, along with a supporting officer which will be a graduate.
- 1.9 In addition to the costs detailed in paragraph 1.8 above, to embrace the financial challenge of generating income as detailed in Annex A section 4, the Commercial Strategy refers to the Financial Strategy to identify the budgets for:
1. the amount of income to be generated or savings to be made every year;
 2. increased investment in staff to be funded from increased income generated over the next 5 years
 3. a commercial reserve to provide up front funding to projects to yield a return in the longer term
 4. a finance cost revenue budget to support projects in the initial years.
- 1.10 The Commercial Strategy once approved will be further developed to produce an implementation plan which will assist the authority to better understand how assets and resources will be utilised to best effect. There is not a one size fits all model in terms of how land and property can be used to support commercial practice, the creation of strategic and pipeline projects which underpin economic growth and generate income will be developed. Each scheme and project will be considered and evaluated using the business case methodology as laid down in the Commercial Strategy.
- 1.11 We shall continuously seek new opportunities to generate income for the Council and encourage and enable our staff, partners, businesses and residents to suggest ideas and concepts which can be appraised using our business case methodology. We shall invest in projects which provide a good return on investment whilst recognising the social and community value of the district's natural, built and historic environment
- 1.12 This Commercial Strategy aligns closely with other key strategies across the Council including the Council Plan, Economic Development Strategy, the 10 Year Financial Strategy and Efficiency Plan, the 10 Year Capital Programme, the Local Plan and the Asset Management Plan. Together these strategies support the vision in the Council Plan and contribute to the Council's ambition of community leadership and working with partner organisations.
- 1.13 The Commercial Strategy supports the Council's future to ensure that the Council remains an affordable and sustainable organisation whilst working with the community and partners to deliver the Council's priorities.

2.0 LINK TO COUNCIL PRIORITIES:

- 2.1 The income generated through the commercial strategy will support the finances of the Council through the financial budget and 10 year plan which assists in ensuring the Council's services are effective and efficient whilst it contributes to the achievement of the priorities set out in the Council Plan.

3.0 **RISK ASSESSMENT:**

3.1 The risk in approving the recommendations are detailed in the table below:

Risk	Implication	Prob*	Imp*	Total	Preventative action
Increased costs associated with the Commercial Strategy exceed the income generated	There is insufficient funding to support the ongoing revenue budget and the sustainability of the 10 year Financial Strategy	3	5	15	Manage and monitor the income generated from projects to identify issues early and identify parts of projects that can be adapted.

3.2 The key risk in not approving the recommendations are as shown below:-

Risk	Implication	Prob*	Imp*	Total	Preventative action
There are no alternative funding sources to support the service delivery of the Council	Increased costs would result in reduced Council Services and a reduction in employees.	5	5	25	Agree the Commercial Strategy and associated budgets to be included in the Financial Strategy 2018/19 to 2027/28 report

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

3.3 Overall the risk of agreeing with the recommendations outweighs the risks of not agreeing them and is considered acceptable

4.0 **FINANCIAL IMPLICATIONS:**

4.1 To provide leadership and coordination in all income generating activities to support the Commercial Strategy a Head of Service – Commercial & Programme Manager will be employed, along with a supporting officer which will be a graduate. The costs associated with these posts are £96,430 subject to changes in the pay award, national insurance and superannuation rises.

4..2 To embrace the financial challenge of generating income as detailed in Annex A section 4, the Commercial Strategy refers to the Financial Strategy to identify the budgets for:

1. the amount of income to be generated or savings to be made every year;
2. increased investment in staff to be funded from increased income generated over the next 5 years;
3. a commercial reserve to provide up front funding to projects to yield a return in the longer term;
4. a finance cost revenue budget to support projects in the initial years.

4.3 The financial strategy is approved prior to the beginning of every financial year and the Commercial Strategy costs listed in paragraph 9.2 above will be stated in the Financial Strategy 2018/19 to 2027/28.

5.0 LEGAL IMPLICATIONS:

5.1 The legal implications are set out in the Commercial Strategy Annex A, section 10 – Regulation and Delivery Models.

6.0 EQUALITY/DIVERSITY ISSUES:

6.1 There are no specific equality implications to this report.

7.0 RECOMMENDATIONS:

7.1 That Cabinet approves and recommends to Council:

- (1) the approval of the Commercial Strategy and the approach to generating income;
- (2) the increase in the establishment to employ a Head of Service – Commercial & Programme Manager - and a supporting graduate Officer as detailed in paragraph 9.1 of the report; and
- (3) that the Financial Strategy 2018/19 to 2027/28 report will identifies budgets associated with the Commercial strategy as detailed in paragraph 9.2 of the report.

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Background papers: None

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