



Date: Wednesday, 1 March 2017

Time: 12.30 pm

Venue: Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

Contact: Jane Palmer, Senior Democratic Services Officer
Tel: 01743 257712 Email: jane.palmer@shropshire.gov.uk

CABINET TO FOLLOW REPORT (S)

3 Minutes (Pages 1 - 10)

To approve as a correct record and sign the Minutes of the Cabinet meeting held on 8 February 2017.

Contact: Jane Palmer Tel: 01743 257712

8 Commercial Strategy (Pages 11 - 26)

Lead Member – Councillor Michael Wood – Portfolio Holder for Corporate Support

Report of the Director of Place and Enterprise

Contact: George Candler Tel: 01743 255003

13 Bridgnorth Youth Centre, Innage Lane - Reprovision and Development of Adult Social Care Services and Reprovision of Youth Services (Pages 27 - 38)

Lead Member – Councillor Michael Wood – Portfolio Holder for Corporate Support

Report of the Director of Place and Enterprise

Contact: George Candler Tel: 01742 255003

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Committee and Date

Cabinet

1 March 2017

CABINET

**Minutes of the meeting held on 8 February 2017 in the Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND
12.30 pm - 1.30 pm**

Responsible Officer: Jane Palmer
Email: jane.palmer@shropshire.gov.uk Tel: 01743 257712

Present

Councillor Malcolm Pate (Leader)
Councillors Steve Charmley (Deputy Leader), Karen Calder, Lee Chapman, Simon Jones, David Minnery, Cecilia Motley, Stuart West and Michael Wood

118 Apologies for Absence

Apologies for absence were received from Councillor M Price.

119 Disclosable Pecuniary Interests

None were declared.

120 Minutes

RESOLVED:

That the Minutes of the Cabinet meeting held on 18 January 2017 be approved as a correct record and signed by the Leader.

121 Public Question Time

No questions had been received from members of the public.

122 Scrutiny Items

There were no scrutiny matters to consider.

123 Treasury Strategy 2017/18

The Leader and Portfolio Holder for Strategy, Financial Strategy, Budget and Business Plan presented a report on the Treasury Strategy 2017/18 to the Head of Finance, Governance and

Assurance [s151 Officer] on the Council's Treasury Strategy for 2017/18 and the recommended Prudential Indicators for 2017/18 to 2019/20 and congratulated the achievements of the staff who undertook this work.

Responding to a Member's query, the Head of Finance, Governance and Assurance stated that he would provide a written response on the level of debt transferred from Oswestry Borough Council and North Shropshire District Council on 1 April 2009.

RECOMMENDED:

- i. That the Treasury Strategy for 2017/18 be approved, with any comments.
- ii. That the Prudential Indicators, set out in Appendix 1, in accordance with the Local Government Act 2003, be approved, with any comments.
- iii. That the Investment Strategy, set out in Appendix 2 in accordance with the CLG Guidance on Local Government Investments, be approved, with any comments.
- iv. That the Minimum Revenue Provision (MRP) Policy Statement, set out in Appendix 3, be approved, with any comments.
- v. That the Section 151 Officer be authorised to exercise the borrowing powers contained in Section 3 of the Local Government Act 2003 and to manage the Council's debt portfolio in accordance with the Treasury Strategy.
- vi. That the Section 151 Officer be authorised to use other Foreign Banks which meet Capita's creditworthiness policy, as required.

124 Financial Strategy 2017/18 to 2019/20 - Final

The Leader and Portfolio Holder for Strategy, Financial Strategy, Budget and Business Plan presented the report from the Head of Finance, Governance and Assurance [s151 Officer] on the Council's Financial Strategy 2017/18 to 2019/20. He stressed that the Financial Strategy reflected a time of unprecedented uncertainty in local government finance with the impact of significant changes in local government funding making it impossible to calculate the impact on the Council and making the development of a long-term financial strategy impossible.

He drew attention to the two stage approach to be taken by the Council through the development of a short term financial strategy 2017/18 to 2018/19 based on achievable, lower impact savings proposals and using one-off resources to close the resultant gap; the second stage ahead of the 2019/20 financial year would result in the development of strategies alongside the emerging themes from Central Government. He stressed that the Council had a vision and a willingness to 'make things happen'.

The Leader concluded that the Council had, and would continue, to make strong representations to the Government to seek a redistribution of existing finances whilst recognising that the current Government had inherited the financial problems.

Responding to a Member's query, the Leader stated that the suggested precept was 3.99%. Referring to the level of consultation responses received, he noted that local people had nevertheless been given the opportunity to comment. Another Member queried the value of making comment given the demise of local government generally and the impact on services for local people.

With particular reference to Adult Social Care, he stated that the service provided should be based on 'need' rather than 'outcomes' and the key issue was the lack of resource. The Leader agreed that resources did not match demand but new innovations within the Council's Strategies were being developed. He added that Central Government had acknowledged that there was a problem with support for elderly care. Returning to the issue of 'need', the Portfolio Holder for Adults commented that national criteria for needs assessment had been established by the Government; early intervention was key in order to avoid the level of 'need' being reached.

RECOMMENDED:

- i. That Council agree the 2017/18 budget of £563.330m including the savings proposals previously approved by Council and the revised proposals to deliver a balanced budget in 2017/18 as outlined in Appendix 3.
- ii. That the Head of Finance, Governance and Assurance (Section 151 Officer), in consultation with the Leader of the Council, make amendments to the Financial Strategy following receipt of the Final Local Government Financial Settlement. The Council General Fund Balance and/or Financial Strategy Reserve can be used to enable any reduction in resources or increase in costs to be managed through this process. If timing is sufficient, the final position to be approved by Council on 23 February 2017.
- iii. That the changes required to the 2017/18 budget as a result of the Final Local Government Settlement and revised business rates and collection fund estimates be noted.
- iv. That the revised funding gap for the years 2018/19 and 2019/20 be noted.
- v. That the revised Capital Programme, as set out in the report, be agreed and recommended to Council.
- vi. That the Policy for Flexibility around the use of Capital Receipts, as set out in Appendix 7, be agreed and recommended to Council.

125 Fees and Charges 2017/18

The Leader and Portfolio Holder for Strategy, Financial Strategy, Budget and Business Plan presented a report from the Head of Finance, Governance and Assurance [s151 Officer] on the level of fees and charges to be applied in 2017/18/.

RECOMMENDED:

- i) That the breakdown of the total income for 2016/17 and 2017/18 be noted and in particular that the proposed 2017/18 charges for discretionary services represent only £33.433m of the £73.466m of income derived from Fees and Charges.
- ii) That the charges for 2017/18 be recommended to Council as detailed in Appendix 3 to be implemented 1 April 2017, recognising that managers have proposed varying policies for 2017/18.
- iii) That as previously agreed, it be noted that any changes to fees and charges proposed by Shropshire Community Leisure Trust Ltd. in relation to the outsourced leisure facilities will only be referred to Cabinet and Council for approval if the proposed increases exceed Consumer Price Index (CPI) for the preceding November.
- iv) That, subject to restrictions or exemptions identified in the Welfare Reform and Work Bill, it is recommended to Council that:
 - Social Housing rents for 2017/18 are reduced by 1% from 3rd April 2017.
 - Affordable rents for 2017/18 are reduced by 1% from 3rd April 2017.
 - Shared Ownership rents continue to be set at 2.75% of the outstanding capital value of the home at the time of sale and thereafter increased each April by the greater of the preceding September Consumer Price Index plus 1% or 1%.
 - Service charges continue to be set on the basis of actual cost.

126 Robustness of Estimates and Adequacy of Reserves

The Leader and Portfolio Holder for Strategy, Financial Strategy, Budget and Business Plan presented a report from the Head of Finance, Governance and Assurance [s151 Officer] on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves and stated that the Council's use of reserves was prudent with risks were covered.

A Member praised the efforts of the Officers concerned in managing this area. He queried the release of £5M from the General Fund Balance to be used to help fund the known funding gap in the 2019/20 financial year. The Head of Finance,

Governance and Assurance [s151 Officer] explained the risks before the Council because of future Central Government funding uncertainties. The Leader commented that he welcomed ideas and input from all political persuasions to deal with the Council's current financial situation.

RESOLVED:

- i) That the recommended level of general balances to support the 2017/18 revenue budget at £13.29m be approved , noting that the projected balance will be above this for 2017/18;
- ii) That the projected recommended level of general reserves be noted for the following two years at £16.80m in 2018/19 and £33.68m in 2019/20.
- iii) That it be noted that the Council's General Fund Balance and/or Financial Strategy Reserve may be amended as required to facilitate any amendments required to the Financial Strategy following receipt of the Final Local Government Financial Settlement.

127 Estimated Collection Fund Outturn for 2016/17

The Leader and Portfolio Holder for Strategy, Financial Strategy, Budget and Business Plan presented a report from the Head of Finance, Governance and Assurance [s151 Officer] on estimated Collection Fund surpluses/deficits for 2016/17 for Council Tax and NDR for the year ending 31 March 2017.

In answer to a Member's query, the Head of Finance, Governance and Assurance [s151 Officer] explained that the Council's percentage collection rate could change from year to year and the fund dropped to zero to start afresh in the next financial year.

RESOLVED:

- i) That the overall Collection Fund estimated surplus of £6.109m be noted for the year ending 31st March 2017, comprised of an estimated surplus of £2.669m for Council Tax and an estimated surplus of £3.440m for Non-Domestic Rates (NDR).
- ii) That the distribution of the Collection Fund estimated surplus for Council Tax and NDR to the major / relevant precepting authorities and the Secretary of State, be noted.
- iii) That Shropshire Council's share of the overall estimated deficit of £4.162m, comprised of an estimated surplus of £2.183m for Council Tax and an estimated deficit of £1.979m for NDR, be noted.
- iv) That the inclusion of Shropshire Council's share of the overall estimated deficit in the 2017/18 budget be noted.

128 Financial Monitoring report Quarter 3 2016/17

The Leader and Portfolio Holder for Strategy, Financial Strategy, Budget and Business Plan presented a report from the Head of Finance, Governance and Assurance [s151 Officer] consolidating the previous separate revenue and capital monitoring reports into one financial monitoring report.

A Member commented on the scheme to convert to LED street lighting and suggested that this should be completed in a timelier manner in order to invest to save. The Director of Place and Enterprise reported that the Council was in Year 2 of a five-year programme and the benefits of the programme were well recognised. The Head of Finance, Governance and Assurance agreed to provide an update to the Member on other issues on which he requested additional information.

RESOLVED:

- i) That it be noted that at the end of Quarter 3 (31 December 2016), the full year revenue forecast is a potential underspend of £0.244m;
- ii) That the impact of this on the Council's General Fund Balance be considered.
- iii) That net budget variations be approved of £6.215m to the 2016/17 capital programme, detailed in Appendix 3/Table 6 and the re-profiled 2016/17 capital budget of £53.951m.
- iv) That re-profiled capital budgets be approved of £66.058m for 2017/18 and £25.800m for 2018/19 and £2.320m for 2019/20 as detailed in Appendix 1/Table 9.
- v) That the capital expenditure to date of £26.972m be accepted, representing 50% of the revised capital budget for 2016/17, with 75% of the year having elapsed.

129 Treasury Management Update Quarter 3 2016/17

The Leader and Portfolio Holder for Strategy, Financial Strategy, Budget and Business Plan presented a report from the Head of Finance, Governance and Assurance [s151 Officer] on the treasury management activities of the Council in the last quarter.

RESOLVED:

That the position as set out in the report, be accepted.

130 Community Right To Challenge Expressions of Interest for the Future Delivery of a Library Service in Church Stretton

The Portfolio Holder for Leisure and Culture presented a report from the Director of Place and Enterprise on the Council's approach to the redesign and commissioning of the library service in Church Stretton and the progress to date.

RESOLVED:

- i) That the valid expressions of interest under the Community Right to Challenge legislation in relation to the redesign of Shropshire Council's library services in Church Stretton be confirmed and accepted; and
- ii) That all future decisions on this area of work be delegated to the Director of Place and Enterprise in consultation with the Portfolio Holder for Leisure and Culture to ensure the delivery of the recommended approach.

131 Determination of Admission Arrangements 2018/2019

The Portfolio Holder for Children and Young People presented a report from the Director of Children's Services on the determination of admission arrangements 2018/19.

RESOLVED:

- i) That the proposal to amend the local authority's admission arrangements in the following respects be approved:
 - a) The merger of the designated catchment area of Hope, Worthen and Westbury Primary Schools;
 - b) The rationalisation of the designated secondary school catchment areas for individual properties at Hope Bagot, Hemford and Roughton;
 - c) The reduction of the Published Admission Number of St Giles CE Primary School, Shrewsbury.
- ii) That the admission arrangements for 2018/19 be approved without further amendment to those determined in February 2016.
- iii) That the publication of the approved admission arrangements for Shropshire Council for the academic year 2018/19 be agreed in accordance with the School Admissions Code 2014.

132 Social Value Charter for Shropshire

The Portfolio Holder for Corporate Support presented the report from the Director of Place and Enterprise on the development of a Social Value Charter for Shropshire. The Portfolio Holder for Adults commended the report and congratulated the Officers working to take this initiative forward.

RECOMMENDED:

That Council adopts the Social Value Charter for Shropshire, as detailed in Appendix 1 to the report.

133 Tender of New Contract for 0-25 Public Health Nursing Services (From October 2017)

The Portfolio Holder for Health and Wellbeing presented a report from the Director of Public Health on the proposed redesign, commissioning and procurement of a new 0-25's Public Health Nursing Service. Members applauded this service redesign and its benefits to children and young people in Shropshire.

RESOLVED:

- i) That procurement of a new "0-25 integrated Public Health Nursing Service" be approved as outlined in the report for an initial period of three years commencing 1st October 2017 with the option to extend, exercisable by the Council, for up to four further 12 month periods.
- ii) That delegated authority be granted to the Director of Public Health in consultation with the Portfolio Holder for Health and Wellbeing, to progress the procurement process up to preferred bidder stage, prior to seeking further Cabinet approval to award the contract in June 2017.

134 Social Care System I.T. Replacement

The Portfolio Holder for Corporate Support presented a report from the Head of Human Resources and Development seeking authority for the Director of Adult Services to enter into negotiations and to enter into a contract for a replacement IT system for Adult and Children's Social Care.

RESOLVED:

That delegated authority be granted to the Director of Adult Social Care in consultation with the Portfolio Holder for Corporate Support to negotiate and agree a contract with the identified preferred Social Care I.T. System provider, within the agreed budget for this system as set out in the Cabinet and Council papers as detailed in the report.

135 Exclusion of Public and Press

RESOLVED:

That, in accordance with the provisions of Schedule 12A of the Local Government Act 1972, and Paragraph 10.4 (3) of the Council's Access to Information Procedure Rules, the public and press be excluded during consideration of the following item.

136 Minutes

RESOLVED:

That the exempt Minutes of the Cabinet meeting held on 21 December 2016 be approved as a correct record and signed by the Leader.

Signed (Leader)

Date:

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Committee and Date

Cabinet

1st March 2017

SHROPSHIRE COUNCIL - COMMERCIAL STRATEGY

Responsible Officer Tim Smith, Head of Business Enterprise and Commercial Services
e-mail: tim.smith@shropshire.gov.uk Tel: (01743) 258676

1. Summary

- 1.1 Cabinet is asked to consider and approve the Council's first commercial strategy which sets out the vision, objectives, approach and roadmap to create a new high performing and enterprising culture within the organisation. This strategy will work towards the objective of enabling the Council to become financially sustainable by financial year 2020/21.
- 1.2 The strategy sets out a clear direction for staff who will receive commercial training, development and support to think and act more commercially regardless of their position, location or role.
- 1.3 It involves a positive change of mind set for managers, staff and for the organisation as a whole. The emphasis will be on enterprise, innovation and investment underpinned by a business case methodology to ensure that investment decisions are robust and consider a wide range of financial, economic, environmental, community and social benefits.
- 1.4 The Council will use its lead authority role in the One Public Estate Programme and work with public sector partners to rationalise under utilised buildings, reduce costs, realise capital receipts and invest in land and property which can generate income, houses and jobs in the county. The Council will use capital funding to generate revenue funds and allocate land in its Local Plan Review to continue to shape and support the growth in houses and employment in the county.
- 1.5 The commercial strategy is one of three new strategies which underpin the Council's new focus on economic growth, commercialism and investment.

2. Recommendations

- 2.1.1 Cabinet approves and adopts the commercial strategy (attached as Appendix A) which shall apply for the period 2017 to 2021.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The business case methodology that shall apply to all investment and commercial decisions which require Council capital funding involves a thorough appraisal of risks, opportunities and benefits. Section 6 of the commercial strategy outlines the methodology that is likely to apply. This will be tested, evaluated and amended where necessary.
- 3.2 This methodology along with strong and effective governance, management and performance reporting will ensure that the Council invests appropriately and takes into account its legal and statutory responsibilities.
- 3.3 A new set of investment principles shall apply when committing funds to finance commercial projects. These principles will be set out in the investment strategy which in turn will be subject to a thorough assessment of risk and opportunity.

4. Financial Implications

- 4.1 The Council's financial and treasury management strategies will be refreshed to identify the levels of funding, expenditure and income associated with commercial activities and investment schemes.
- 4.2 The business case methodology will appraise the yield, return on investment and payback period and calculate the financial inputs and outputs for each scheme and project. These projects will be considered and reported to Cabinet for approval via the established protocols, procedures and delegations.
- 4.3 The Council's capital and revenue budgets will be revised to reflect the investment and commercial targets with the respective directors and heads of service held accountable for these. A cross disciplinary team of officers, led by the Head of Business Enterprise and Commercial Services, shall act as a commercial hub to provide information, advice and commercial support for directors, managers and staff.
- 4.4 Officers are working through the details of our commercial objectives and, once completed and risk-assessed, we will build these into our future Financial and Treasury Strategies. In the meantime the following aspirational targets have been proposed:
- To invest in schemes and projects which can deliver £10m to £15m of new revenue income over a period of five to ten years with net returns of investment exceeding 10%.
 - To deliver a minimum of £5m of new revenue income by the 31st March 2020.
 - To deliver £50m of capital receipts by 31st March 2020.
 - To reduce back office costs by 25% by 31st March 2019.
 - To deliver commercial skills development to 25% of Council staff by the end of 2018, rising year on year by 25% to 100% by end of financial year 2021.

- To make significant savings in the way we manage our buildings and reduce cost by over 30% by 31st March 2020.

5. Background

- 5.1 Shropshire Council has achieved significant levels of savings in recent years and, whilst being able to use reserves and one off funding to maintain a short term sustainable position, faces an underlying revenue budget gap which is forecast to be £37m by 2019/20. This is largely due to the rising demand and cost of adult social care services, reductions in revenue support grant and the continuing high costs of operating public services in a rural and sparse county.
- 5.2 Whilst we shall continue to advocate to Government for a fairer and better funding deal for the county, we recognise that Shropshire Council must take more control of its own destiny and become a more commercially focused and financially sustainable council. One which embraces a more commercial culture in terms of how we think and act to ensure we continue to deliver high quality services as efficiently and effectively as possible.
- 5.3 This commercial strategy is closely aligned with the Council's new draft economic growth strategy in terms of the creation of new homes and jobs, the ambition to attract inward investment to the county, the need to provide the infrastructure and skills for business growth and to generate significant new income streams for the Council. These two strategies along with the investment strategy and one public estate programme will identify through the use of land and property and the consideration of yield, return on investment and payback how best to leverage the Council's assets to achieve growth, service efficiencies and financial returns which can be used to protect and improve public services in the county.
- 5.4 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 back office and community hubs and strategic and pipeline projects which underpin economic growth. Each scheme and project will be considered and evaluated using the business case methodology explained in paragraph 3.1 and 3.2 above.
- 5.5 An example of an investment project is the construction of the second phase of students living accommodation for the University Centre of Shrewsbury at the Tannery site in Shrewsbury town centre. The Council is developing land it owns in partnership with a private company to create buildings which will generate a permanent yield for the Council in terms of student and third party income, rent from retail use, education and training for students, additional jobs, research and intelligence for economic development and business rates for the Council.
- 5.6 We recognise the value of our staff and the need to invest in their training, support and development to enable them to act more commercially. We will invest in skills and training and equip them with use of digital technology to operate in a more flexible and agile way. We will actively encourage them to consider more innovative ways of working to reduce costs, generate income and improve customer satisfaction.

5.7 We shall invest in buildings that can create shared community and back office hubs whilst rationalising the size and cost of the poorly utilised land and buildings. This in turn will release land and buildings which can generate income, housing and employment opportunities which in turn can influence the allocation of sites in the Local Plan review. This will be achieved in collaboration with our one public estate partners.

5.8 We will adopt a new commercial vision which is:

To become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. One which uses its assets, skills and infrastructure to shape and improve public services and enable economic growth in the county. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2020/21.

5.9 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 county's natural, built and historic environment.

5.10 The commercial strategy aligns closely with other key strategies including economic growth, digital transformation, broadband, workforce and skills development, investment and asset management. Each of these contribute towards our ambition to make Shropshire Council a leader of innovation, enterprise and growth which others will aspire to and which others wish to collaborate with.

5.11 This commercial strategy sends out a strong signal that Shropshire Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and we shall continue to put the best interests of Shropshire residents at the heart of everything we do.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

Michael Wood, Portfolio Holder for Corporate Support

Local Members

All

Appendices

Appendix A – Commercial Strategy 2017-2021

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APPENDIX A



COMMERCIAL STRATEGY

Section 1 - Background and purpose

All public sector organisations currently find themselves in an extremely challenging environment, with mounting financial pressure, reduced resources and greater market competition.

Shropshire Council faces an underlying revenue budget gap which is forecast to be £37m by 2019/20 in terms of spending compared to resources with reductions in revenue support grant, uncertainties in future Government funding and increasing demand and costs of adult social care being the principle reasons for the financial shortfall.

At Shropshire Council we recognise the need to take more control of our own destiny and become a more commercially focused and financially sustainable council. One which embraces a more commercial culture in terms of how we think and act to ensure we deliver high quality services as efficiently and effectively as possible.

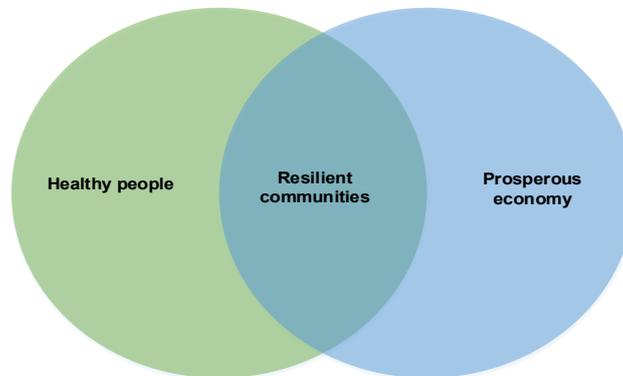
In doing so we shall continuously seek new opportunities to generate income for the Council. We shall invest in projects which provide a good return on investment whilst recognising the social and community value of the county's natural, built and historic environment.

This commercial strategy aligns closely with other key strategies including economic growth, digital transformation, broadband, workforce and skills development, investment and asset management. Each of these contribute towards our ambition to make Shropshire Council a leader of innovation, enterprise and growth which others will aspire to and wish to collaborate with.

This commercial strategy sends out a strong signal that Shropshire Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and we shall continue to put the best interests of Shropshire residents at the heart of everything we do.

Section 2 – Vision, ethos and approach

Here at Shropshire Council, our vision to “make Shropshire a great place to live, learn and work”, focuses on “Healthy people, resilient communities and prosperous economy”, as our key priorities for all of our work over the coming years.



Our commercial vision is...

To become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. One which uses its assets, skills and infrastructure to shape and improve public services and enable economic growth in the county. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2020/21.

We will adopt a commercial culture whilst retaining strong public, community and social values. We are willing to partner and work with others who share our ethos and values.

We aim to be consistently innovative and resourceful being as efficient as we can at all times. We will invest in schemes and projects that improve productivity, reduce costs associated with poorly utilised land and buildings, collaborate with partners and seek ways of using our assets to generate additional income.

We shall adopt a commercial approach which allows everybody to share their ideas and for these to be evaluated swiftly using a robust business case and project management methodology. People will feel valued and involved in our new enterprising and commercial approach. Our staff will receive skills development and training which we see as a value not as a cost to our organisation.

Governance, management and performance of new commercial enterprises, partnerships and contracts will continue to be robust to ensure that the Council adheres to its statutory responsibilities and that public money continues to be appropriately used and accounted for.

Section 3 – Commercial assets

Shropshire Council has a rich source of assets, attributes and roles from which we can derive commercial value.

These can be summarised as being:

Place shaping role	Using our strategic planning, economic growth, highways, broadband and education and skills development roles to shape and create the market for growth and enterprise.
Staff	Using and developing the knowledge and skills of our workforce to create the culture of trust, empowerment and involvement in commercial activities.
Infrastructure	Using and developing our digital and ICT, highways, street furniture and broadband infrastructure for commercial gain.
Land and buildings	Using our land and buildings to promote and deliver housing and economic growth whilst using the Council's lead role in the One Public Estate programme to co locate with partners to generate capital receipts and reduce costs.
Partnerships	Using and selecting the most appropriate private, public and third sector partner to deliver the schemes and projects that derive the maximum level of income for the Council and value for customers, residents and communities.
Business intelligence	Using our vast amount of business and service data more intelligently to create new commercial opportunities and better service delivery models which will generate new income for the Council.
Customer intelligence	Using the various channels that the Council has to communicate with the public and use the customer information and contacts we have to help design and develop new commercial opportunities.
Market strength	Use our economic, infrastructure and asset strength to influence how the supply chain and infrastructure providers operate and partner with the Council to derive commercial benefits and new income streams.
Brand and web presence	Using the high value of our web presence, search engine optimisation and brand value to promote our trading and commercial activities and those which we can partner with others to receive a financial return.
Liquid assets	Access to cash, cheap borrowing and liquid assets to enable investment.
Democratic organisation	An ethos to develop commercially for the wider public good.

These assets and attributes will be applied to re define and re design how we work, where we work, who we work with and influence how we take investment decisions.

Section 4 – Commercial definitions

There are lots of definitions in relation to commercialism. In essence it's an approach or 'mind set' that helps our Council approach the challenges we face;

Commercialism

For Shropshire Council, 'commercialism' is an understanding of how we as an organisation need to operate in a more business like way. This involves empowering staff to be innovative, embrace new flexible and agile working and move towards running services at cost neutral and where applicable 'trading' and selling services.

This essentially means making sound decisions in terms of how we use our resources, how we invest public funds in projects and ventures to become more efficient and to generate income for the Council.

This will involve physical, technical and emotional changes which require strong and effective leadership and management at all levels of the organisation.

Enterprise

The Council sees this as the ability to think and act differently when considering the ways, we manage, operate, deliver and resource our services and products in order to deliver best value for our residents and customers.

This means being resourceful and looking for increased innovation and confidence to consider different options some that would not previously have been considered, trailing new ways of working and applying learning.

We have enterprising staff and volunteers. And we work with partners who are equally enterprising. Through the Workforce Strategy we shall provide our staff with the commercial skills they require to be inquisitive, innovative and enterprising in everything they do.

Trading

We are a multi-faceted organisation which commissions and provides a wide range of services across the county. We also trade in markets and sectors beyond our borders using the skills and expertise of staff with a strong and wide range of skills and knowledge.

We recognise that not all services can 'trade' or charge for what they do to customers to generate income. We also recognise that some can but have never been encouraged or enabled to do so.

We can all work in a way that puts our customers first, being aware of costs and delivering services as effectively and efficiently as possible. For ease there are three definitions of the types of charging or trading¹ a service can do;

- **Traded** More than 75% of a service's income is received by supplying services and products to external customers including other public sector organisations, schools, residents and/ or the private sector.
- **Part-traded** Less than 75% of a service's income is received by supplying services and products to external customers including other public sector organisations, schools, residents and/ or the private sector.
- **Non-traded** No income is received by supplying services to external customers as defined above.

Investment

The Council's capital investment decisions go beyond the traditional Public Sector approach of achieving social and community goals, replacing infrastructure and improving land and buildings. The principal focus will be on investing in projects and schemes that will generate some form of financial return on investment for the Council.

This approach will provide the Council with greater resilience and support the vision of being a financially sustainable council by 2020/21

All Capital Spending Decisions should focus on achieving at least one of three main drivers:

- **Revenue Generation/ Invest to earn:** For example, proposals that generate new sources of income for the Council, such as investment in land and property development, rental property, renewables, schemes that grow Council's business rates income, or proposals to enable existing revenue streams to be maintained longer into the future.
- **Invest to save:** For example, proposals to introduce new technologies and redesign services to reduce demand and promote independence.
- **Social Value:** For example, proposals that will bring collective benefit to a community.

Directors will oversee all commercial business activities ensuring they are appropriately governed, scrutinised, managed and monitored. Officers will also consider investment proposals covering the following areas:

¹ There is a difference between the power to charge for discretionary services and the power to trade commercially to generate income. Charging must be done on a cost recovery basis only. Trading i.e. doing something for a commercial purpose can be done for profit but must be carried out through a company.

- Capital Receipts Generation from Asset Sales
- Asset retention
- Borrowing Proposals (Internal and External Borrowing)
- Capital Spending Decisions
- External Lending Decisions

Investment decisions will be made having applied a robust business case methodology and will be evaluated against key investment principles. A set of financial and non-financial criteria shall be used to assess which schemes and projects are taken forward.

Section 5 – Commercial objectives

The Council's corporate plan has identified a number of key objectives that are directly linked to commercial activity;

- Commercial operating is increasing across the Council
- The efficiency of the Council has been improved
- Generating additional and sustainable income streams for the Council.

These objectives will be measured in a number of ways, for example;

- Increase in commercial activity demonstrated by the level of additional income being achieved such as increase in total contribution to fixed costs and overheads (%) and contribution to staff costs (%).
- Reducing the net budget of a service by reducing variable cost of a service.
- Additional income will be measured and monitored in terms of increases in turnover, profit and return on investment with income targets set for teams that are charging for services and efficiency targets set for all services.
- A de minimus level will be established for all third party income above which all new income can be categorised and measured to monitor and evaluate commercial performance.
- Embed a commercial culture across the organisation through developing and upskilling our staff to be more enterprising and innovative.
- % increase in the number of partnerships with private and public sector bodies where this derives the greatest commercial and financial benefit.
- % increase in new jobs, including apprenticeships, created resulting from the Council's commercial input.

We are working through the details of our commercial objectives and, once completed and risk-assessed, we will build these into our future Financial and Treasury Strategies. In the meantime the following aspirational targets have been proposed and will be further refined during 2017:

- To invest in schemes and projects which can deliver £10m to £15m of new revenue income over a period of five to ten years with net returns of investment exceeding 10%.
- To deliver a minimum of £5m of new revenue income by the 31st March 2020.
- To deliver £50m of capital receipts by 31st March 2020.
- To reduce back office costs by 25% by 31st March 2019.
- To deliver commercial skills development to 25% of Council staff by the end of 2018, rising year on year by 25% to 100% by end of financial year 2021.
- To make significant savings in the way we manage our buildings and reduce cost by over 30% by 31st March 2020.

Section 6 – Business case and project methodology

The Council will adopt a robust business case and project methodology to all investment schemes and projects.

The various stages of the methodology are in the final stages of development and will be tested on future schemes, d but are likely to include:

1. Identify an innovative commercial **idea/concept**, discuss with colleagues, and where appropriate begin discussions with relevant Portfolio Holder, Deputy Portfolio Holders and partners.
2. Develop a **concept business case** which will appraise various business models and may identify further pipeline projects.
3. Prepare an **outline business case** considering financial implications, investment criteria² and identify any wider benefits.
4. **Project team** formed; to identify key activities and deliverables.
5. Prepare **detailed business case**; to include benefits, risks and returns.
6. **Directors' sign off**
7. Seek **Portfolio Holder** approval.
8. **Formal Cabinet/Council** approval.
9. **Go live.**

The project methodology will also identify the governance, management and operational requirements to ensure that accountability is maintained and decisions taken in accordance with legislative requirements and the Council's constitution.

Quarterly and annual performance reporting will be adopted for all investment and commercial schemes and ventures which are implemented. This will help to inform contract performance, service performance, financial performance, customer performance etc.

² The financial considerations will include identifying Return on Investment (ROI) calculations, capital requirement, potential income generated, anticipated yield, break-even point and payback period.

Section 7 – Timescales and outputs

Our commercial plan will identify the commercial activities that will, over the next twelve months, convert this strategy into practice and start to embed the commercial culture in the organisation.

It will be the responsibility of the Head of Business Enterprise and Commercial Services to report to Directors and Cabinet, via the Portfolio Holder for Corporate Support progress against the timescales, outputs and commercial activities that are set out in the commercial plan.

The short term timescales and outputs are as follows:

- January/ February 2017 – develop and agree our approach for commercialism to include business case and project methodology along with governance, performance management and monitoring frameworks.
- 1 March 2017 – seek Cabinet approval of the Commercial Strategy.
- By 8 March 2017 – adopt a commercial communications plan.
- By 31 March 2017 – develop the commercial materials and information and launch this via the Staff Intranet.
- By 31 March 2017 – establish a Commercial Board and agree terms of reference.
- By 31 March 2017 - establish the commercial support and resources required to co-ordinate and report the commercial activities being undertaken.
- By 1 April 2017 onwards – agree the final performance measures and reporting mechanism with Directors and Portfolio Holder/s.
- By 1 April 2017 onwards – ensure that all key strategies are aligned and that lead officers ensure that no commercial/ investment opportunity is missed from the business case methodology and approach.
- April 2017 onwards – fact find and establish current commercial activity via initial baseline survey of staff to include new commercial ideas/ concepts.
- April 2017 onwards – begin the commercial awareness aspects of staff development and upskilling.

The medium to long term timescales and outputs are set out in section 5.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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