



Committee and Date

Cabinet

1st March 2017

SHROPSHIRE COUNCIL - COMMERCIAL STRATEGY

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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