

Cabinet

17 October 2019

Commercial Strategy

Recommendation

That Cabinet approves the Council's Commercial Strategy attached as an appendix to this report.

1. Key Issues

- 1.1 The Council Plan engagement sets out the Council's ambition to ensure that Warwickshire is the best it can be, sustainable now and for future generations. The Council faces pressures from increasing demand for services, further constraints on and uncertainty about, our long-term resources. This creates an increasing reliance on generating our own revenue and requires the Council to work in new and different ways to achieve its ambitions for Warwickshire.
- 1.2 The Council has declared a climate change emergency and is developing plans to achieve carbon neutrality which will require changes in working practices and how services are delivered, both now and in the longer-term.
- 1.3 Commercialism is one of the levers that can help manage these pressures and help shape our response to climate change. The Council has an opportunity to help meet its future funding needs and maintain its long-term financial sustainability through the development and implementation of commercial behaviours and practices in the way it works. By seeking to increase income streams, the Council will be able to reduce the amount of financial savings required, which will in turn help the Council invest in priority services.
- 1.4 The proposed Commercial Strategy, which has been developed with help from an independent expert, is attached at the **Appendix**. In developing the Strategy consideration has also been given to good practice and lessons from across the sector.

2. Options and Proposal

- 2.1 The introduction of a Commercial Strategy will support the Council as it implements its new Target Operating Model through better use of existing resources, increased financial returns on investment, improved delivery of social and environmental priorities, reduced costs and increased value from

contracts. Commercialism is a key enabler of the strategy/commissioning and delivery split inherent in our new target operating model.

- 2.2 A more commercial ethos and culture will also encourage innovation and will drive the identification and exploitation of new opportunities to enhance delivery of our outcomes. Our commercial focus will reflect our purpose: to make Warwickshire the best it can be.
- 2.3 A key element of our commercial strategy is the definition of commercialism in Warwickshire (contained on page 4 of the strategy) which is a broad one, reflecting the dual need to generate revenue and maximise the delivery of outcomes.
- 2.4 What commercialism means for Warwickshire sets the context for the outcomes the proposed Strategy seeks to achieve. The Strategy is based around three objectives set out in section 3. The objectives are:
 - to enable a more commercially focused organisation;
 - to optimise our commercial performance; and
 - to invest in new commercial opportunities
- 2.5 The Strategy sets out (in sections 4, 5 and 6) what the Council will do to achieve each of the three objectives.
- 2.6 The Strategy will be supported by a commercial operating policy and annual commercial forward plan. The work undertaken to date has identified several areas of potential commercial opportunity which will be further scoped and developed to inform the first annual commercial forward plan. Individual commercial investments/ initiatives will be assessed against their social and environmental benefits in addition to their financial benefits and will be subject to business cases and member approval as necessary.
- 2.7 There are risks associated with any commercial activity and there has been criticism of property investments made by some local authorities, especially those made outside their local area. The National Audit Office is undertaking a value for money study of commercial investments and the Prudential Code is likely to evolve in its coverage of commercial risks. National developments will be kept under review and our approach amended as necessary.
- 2.8 In order successfully to deliver the strategy, an enhanced commercial capacity will be required. As a result, it is proposed to develop a small commercial function and to build commercial skills more fully into our recruitment and learning and development programmes. A new Commercial Board, developed from the existing Trading Board, will have responsibility for driving the Strategy and for oversight of commercial activity.

4.0 Financial Implications

- 4.1 It is recognised that resource to implement and deliver the Commercial Strategy will be required. Further work is being undertaken to identify any financial implications. Unless existing resource can be found, it is likely that this will create a cost pressure that will need to be managed within the overall financial strategy.
- 4.2 Individual commercial projects/investments will be subject to robust business cases and approvals. Evaluation will use a balanced suite of economic, social and environmental criteria to ensure all commercial activity aligns with the Council's objectives and purpose.

5.0 Timescales associated with the decision and next steps

- 5.1 Subject to Cabinet approval of the Commercial Strategy, a detailed implementation plan will be developed for delivery from April 2020. The implementation plan will identify where additional resources or investment are required to deliver the Strategy. This timescale aligns with the development of the Medium-Term Financial Strategy which will be put to Council for approval in February 2020. Minor design adjustments will be made to the final version of the strategy before it is published to accommodate feedback from Cabinet.

Background papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): N/A

Other members: Councillors Seccombe, Kaur, Butlin, Roodhouse, Singh Birdi, Warwick, O'Rourke, Chattaway, Boad and Chilvers.