

# PAPER C

Purpose: For Decision



## Committee report

Committee	<b>CABINET</b>
Date	<b>10 OCTOBER 2019</b>
Title	<b>APPROVAL OF ISLE OF WIGHT COUNCIL COMMERCIAL STRATEGY</b>
Report of	<b>LEADER AND CABINET MEMBER FOR STRATEGIC PARTNERSHIPS</b>

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### EXECUTIVE SUMMARY

1. This report seeks approval for the council's Commercial Strategy 2019-2022.
2. The Isle of Wight Council, like many councils across the UK is facing a challenging financial future. If the council is to continue to meet the needs of its residents, it must increase the revenue coming into the council through becoming more commercial. The commercial strategy is set out to enable the council to achieve future financial sustainability, while still delivering high quality services that are vital to residents. This is about being more business minded in order to continue to serve the needs of Island residents.

### BACKGROUND

3. Commercial activity is not new to the council which currently operates commercial services in a range of diverse sectors including leisure, car park charging, green waste collection and services to schools directly from the council. The commercial strategy aims to set the framework for a co-ordinated approach across the council, looking within for the expertise to drive this forward.
4. The commercial strategy sets out the approach we intend to take. In many ways we are already starting to deliver (as referred to in para 3 above). There is no fixed view on how services should be delivered as we want to tap into the talents and skills in our workforce and through our partners and contractors and with our community.

5. The aim of the strategy is to take a commercial approach to service design, management and decisions, encouraging innovation while optimising assets and services to exploit opportunities to generate income surplus for reinvestment and reduce costs. An important element of this approach is finding the right balance between our public sector ethos and need for social value and our commercial practices, ensuring we meet our corporate priorities and outcomes and values of future financial sustainability and putting the best interests of customers and community at the heart of everything we do.
6. The commercial strategy has been developed within the context of the council's Medium-Term Financial Strategy (MTFS) which has improved the overall resilience of the council and responded to financial challenges through a series of activities which includes providing funding to pump prime "invest to save" initiatives and targeting resources to transformational change
7. The MTFS includes themed activity for the council and the diagram below sets out activities by theme that have informed by development of the commercial strategy.

Creating Financial and operating capacity to transform	Increasing efficiency and effectiveness	Entrepreneurial, Commercial and Collaborative activities (with managed risk)	Public Service Transformation
<ul style="list-style-type: none"> <li>• Create a £1m Transformation Reserve to fund "spend to save" schemes</li> <li>• Review existing capital programme and re-prioritise towards invest to save</li> </ul>	<ul style="list-style-type: none"> <li>• Review of cost and income opportunities</li> <li>• Capital investment targeted towards revenue savings</li> <li>• Capital investment targeted towards avoiding future costs</li> <li>• Smart and lean evidenced based commissioning providing for actual need rather than perceived need or want.</li> <li>• Review of fees and charges to ensure alignment with policy objectives and affordability</li> </ul>	<ul style="list-style-type: none"> <li>• £100m commercial property acquisition fund with a portfolio of assets of different size, across sectors and geographies with strong covenants and in strategic growth locations</li> </ul>	<ul style="list-style-type: none"> <li>• Pursue One Public Estate/One Public Service initiative.</li> <li>• Use technology and digital solutions.</li> </ul>

## STRATEGIC CONTEXT

8. A key outcome for the Corporate Plan (2019-2022) is for the council to be a financially balanced and sustainable council. Alongside the financial and treasury management strategies adopted by the council the commercial strategy provides an additional framework for planning service delivery and investing in new opportunities to ensure that this outcome can be achieved.
9. In addition, the plan includes a specific activity related to developing a commercial strategy by October 2019. The strategy set out in Appendix 1 of this document, if approved, will deliver this activity.

## CONSULTATION

10. The development of this strategy has been informed by engagement with members and officers from across service areas. Further detail on engagement activity and the outcome of consultation is included in Appendix 2 of this report (pages 3 to 6).
11. In summary the key issues raised through engagement were:
  - the need for political drive, leadership and a culture of commercial thinking;
  - greater understanding of how council's commercial activity differs from service delivery – defining commercial;
  - the need for a commercial strategy to help plan service delivery;
  - the need to build commercial understanding and skills throughout the organisation;
  - the need to understand how commercial activity links with social value;
  - ensuring commercial activity is based on robust business plans and business planning;
  - consideration of how commercial activity could be delivered, eg traded activity; partnerships; collaborative working;
  - identifying current activity that would benefit from being part of traded activity;
  - the need for investment in ICT to support commercial activity.
12. Engagement with staff and members has been used to inform the content and development of the commercial strategy.

## SCRUTINY COMMITTEE OR PANEL VIEW

13. At the Scrutiny Committee meeting held on 10 September 2019, the committee requested that members of the committee's task and finish group on commercialisation receive a briefing on this item in advance of discussion at Cabinet. The task and finish group received a briefing on 26 September 2019.

## FINANCIAL / BUDGET IMPLICATIONS

14. Our Medium-Term Financial Strategy 2016/17 to 2019/20 sets the foundation for a sustainable financial future for the council. The overall aim is to ensure that "in year" expenditure matches "in year" income over the medium term while regenerating the Island economy and providing essential value for money services for our businesses and residents. It establishes the principles under which the council will operate:

### *Short term*

- Creating financial and operating capacity to transform.
- Increasing efficiency and effectiveness.
- Withdrawing from or offering minimal provision of low impact services.

### *Medium term*

- Entrepreneurial, commercial and collaborative activities (with managed risk).

### *Medium/longer term*

- Improving the Island economy.

- Public service transformation.

### CARBON EMISSIONS

15. Full Council recently resolved to acknowledge and declare a climate emergency (July 2019), with the aim of achieving net zero carbon emissions on the Island by 2030. While approval of this strategy does not directly impact carbon emission reduction, in implementing this strategy all appropriate activity should plan to embed the principles of reducing carbon emissions.

### LEGAL IMPLICATIONS

16. The Local Government Act 2003 gave authorities a general power to trade and to charge as they choose to for discretionary services, provided they are not prohibited by other legislation and that such trading is through a company. The Localism Act 2011 contains the “general power of competence”, essentially allowing authorities to do anything that individuals generally may do, that is not expressly prohibited, offering scope for the council to identify innovative ways in which it can generate income. (This does not include the power to raise taxes or make byelaws.)
17. This may require different delivery models and specific commercial projects will be examined to ensure that they are within the council’s powers. As projects to deliver the strategy are developed the legal implications will be identified as part of any project plan.

### EQUALITY AND DIVERSITY

18. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
19. Under the Equality Act 2010 we are required to have due regard to our equality duties when making decisions, and the equality impact assessment for this strategy found that there were no negative equality and diversity impacts arising from the approval of this strategy. Implementation of projects linked to the strategy will be subject to separate assessment.

### PROPERTY IMPLICATIONS

20. There are no direct property implications arising from this report. As projects to deliver the strategy are developed property implications will be identified as part of any project plan and would be subject to a separate decision.

## OPTIONS

21. Option 1: That Cabinet approves the Isle of Wight Council Commercial Strategy contained at Appendix 1 of this report and the accompanying rationale for the strategy set out in Appendix 2 of this report.
22. Option 2: Not to approve the Isle of Wight Council Commercial Strategy contained at Appendix 1 and to prepare an alternative strategy.

## RISK MANAGEMENT

23. The financial challenge is the single biggest risk to sustainable public services on the Island and accordingly, the council needs to maximise the deployment of resources that it does have towards driving additional income/funding and cost savings to secure council services for the future. The council's Medium-Term Financial Strategy sets the framework for managing the council's resources and the commercial strategy is framed to align with this.
24. A key risk is that without a clear strategy for commercial activity the council simply reacts to opportunities with no clear corporate approach to developing opportunities and staff or delivering activity. This approach is disorderly and likely to result in sub optimal decisions taken which could indirectly lead to the need for greater than necessary cuts to essential services.
25. Should the commercial strategy not be approved, officers will need to work with the administration to prepare an alternative strategy that is acceptable.

## EVALUATION

26. The new commercial strategy is recommended for the following reasons:
  - It is consistent with the council's corporate plan and medium-term financial strategy.
  - It provides a strategy to consider an "alternative to cuts".
  - Implementation of the strategy will improve the overall financial resilience of the council.
  - Funding is available to "pump prime" spend to save (revenue) and invest to save (capital) and property investment (capital borrowing) schemes.
  - It targets the resources and assets of the council towards wider transformational change of public services and regeneration.

## RECOMMENDATION

27. That Cabinet approves the Isle of Wight Council Commercial Strategy contained at Appendix 1 of this report and the accompanying rationale for the strategy set out in Appendix 2 of this report.

## APPENDICES ATTACHED

28. [Appendix 1](#) – Isle of Wight Council Commercial Strategy – draft.

29. [Appendix 2](#) – Rationale for commercial strategy.

BACKGROUND PAPERS

30. [Medium Term Financial Strategy 2016/17 to 2020/21](#)  
31. [Treasury Management Strategy Statement 2019/20](#)  
32. [Property Investment Strategy, September 2017](#)  
33. Corporate Scrutiny Committee – [Reap the Harvest – Profit with Social Value, Feb 2019](#)

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