



Cabinet report

Date **12 MAY 2022**

Title **COMMERCIAL STRATEGY**

Report of **CABINET MEMBER FOR STRATEGIC FINANCE, CORPORATE RESOURCES AND TRANSFORMATIONAL CHANGE**

EXECUTIVE SUMMARY

1. This report seeks approval for the council's revised Commercial Strategy 2022-2025.
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.

RECOMMENDATION

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| <ol style="list-style-type: none">3. That Cabinet approves the Isle of Wight Council Commercial Strategy contained at Appendix 1 of this report. |
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BACKGROUND

4. Commercial activity is not new to the council which currently operates commercial services in a range of diverse sectors. The revised commercial strategy aims to set the framework for a co-ordinated approach across the council, looking within for the expertise to drive this forward.
5. 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 4 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.

6. 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 community wealth generation and our commercial practices, ensuring we meet our corporate priorities and outcomes and values of future financial sustainability and to work together with our communities to support and sustain our economy, environment, and people.
7. 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.
8. The review of the commercial strategy provides an opportunity to review and refresh our priorities and to reset our corporate approach, ensuring that commercial operations return a level of income to cover running costs and to fill surplus capacity and to plan for future operations delivering a surplus.
9. The values of being entrepreneurial and commercially focused for the Isle of Wight Council to reach to its communities' needs is not however simply about profit; it can be summarised into three broad themes:
 - Increasing revenue through the production of service-based savings or income; improving efficiency of service delivery through reducing costs and streamlining processes,
 - Making the Council's commitment to tackling climate change a priority at the heart of all decisions,
 - Increasing community wealth or producing social value by acting on the Council's position as a steward for the Island.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Responding to climate change and enhancing the biosphere

10. Cost-effective service delivery should equal a reduction in the use and consumption of utilities to make our services as efficient as they can be. While the strategy does not directly action a reduction in carbon emissions for services, it does support the Climate and Environment Strategy (as per the strategic alignment section) and will consider the overarching goal of net zero status for all decisions or actions that take place.
11. The commercial strategy includes specific commitment to looking at the whole-life impact of commercial decisions/projects including business cases that will need to demonstrate an impact on the net-zero status. There will be later activities, as detailed in the attached action plan, that include the production of a project/business case scoring tool & checklist for the use of staff which will include an assessment on environmental impacts.

12. 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.

Economic Recovery and Reducing Poverty

13. The commercial strategy outlines its approach to community wealth building as a specific aim. This will look towards supporting all commercial decisions/projects to be taken in the view of local procurement to create a cyclical method of wealth distribution to local businesses on the Island. With the Isle of Wight Council being one of the main procurers in our local economy, it will take its position to champion the investment of this money into local businesses/suppliers as the first option. The associated action plan also details the creation of a Community Wealth Building project as an activity which will look to create greater local wealth for the Island.

Impact on Young People and Future Generations

14. Incorporating recent learning and the alliance ambitions, the strategy outlines its vision to think long-term about decisions to ensure that there is consideration of other strategies and securing positive outcomes for our communities. Instead of taking a purely financial approach to commercialisation, the strategy incorporates elements of municipal entrepreneurship which links back to training and development delivered by APSE from January – May 2022. This outlines that the council sees itself as a steward of place for the Island and it will use its position to leverage the best outcomes for local communities and its residents.
15. While the strategy does not directly outline how it will approach engagement and open participation with our local residents, it does draw links and a commitment to the Community Engagement Strategy to ensure that all decisions are made with sound judgement and prior consultation. In creating excellent and more efficient public services for delivery, one of the key aims of the strategy, the starting point of this is to always understand what is valuable and meaningful for residents, including young people and future generations.

Corporate Aims

16. The alliance priorities as presented in the corporate plan are set against a clear aim to work together openly with our communities to support and sustain our economy, environment and residents. The strategic aims in the commercial strategy were formed against the key activities in the corporate plan. The strategy is closely aligned to the achievement of activities 9, 10 and 12 – improving the financial position of the organisation; invest and spend as much money on Island as possible; and looking at invest to save opportunities which can be funded by borrowing. The strategy seeks to achieve these by setting out a framework against how the organisation will approach securing investment, creating income generation opportunities and creating the necessary skill development and governance internally to capitalise on commercial activities. The strategy further supports the alliances position in using the councils position to act as a steward of place; leverage its unique status as an authority and one of the predominant procurers to spend and invest in Island businesses to reinvest wealth cyclically across our Island economy. Along with the refreshed procurement strategy, the commercial strategy will act as a primary puzzle piece for achieving the alliances core goals, specifically

in economic recovery. The commercial strategy further acts as an offset to all other strategies – with budget pressures ever-present, the strategy’s aim to increase revenue through increased income or savings (thus elevating the financial position of the council) will allow the council more flexibility to deliver services, projects and capitalise on new opportunities.

CONSULTATION

17. The review of this strategy has been informed by engagement with councillors and staff from across service areas.

SCRUTINY COMMITTEE

18. Scrutiny considered on 8th March and a summary of the feedback and comments are as follows:
- Councillor Jarman presented the draft outline of the Commercialisation Strategy to Scrutiny.
 - The draft asked Scrutiny for acceptance of the vision, principles/values, outcomes, definitions, and strategic aims.
 - Questions were asked of the strategy around the areas of managing risk and ensuring that development opportunities and spending are kept on Island/local.
 - Cllr Jarman assured Scrutiny that while there may need to be a different attitude toward risk, all decisions will be made with oversight and calculated judgement to ensure that public funds are soundly invested. In addition to this, Cllr Jarman also confirmed that the priority would be to spend local and invest in businesses/the economy on the Island.
 - The final draft of the strategy seeks to further incorporate this feedback by addressing the aforementioned points in more detail.

FINANCIAL / BUDGET IMPLICATIONS

19. Our Medium-Term Financial Strategy 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.

LEGAL IMPLICATIONS

20. 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.)

21. 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

22. 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.
23. 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 a separate EIA for each new project. Each project will have a specific user group identified as part of the stakeholder management process who will contribute to ongoing risk and issues as recorded and reported by the project manager to the Commercialisation Programme Board.

PROPERTY IMPLICATIONS

24. 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

25. Option 1: That Cabinet approves the Isle of Wight Council Commercial Strategy contained at Appendix 1 of this report.
26. Option 2: Not to approve the Isle of Wight Council Commercial Strategy contained at Appendix 1 and to prepare an alternative strategy.

RISK MANAGEMENT

27. 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.

28. 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.
29. Should the commercial strategy not be approved, staff will need to work with the administration to prepare an alternative strategy that is acceptable.

EVALUATION

30. The revised 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.

APPENDICES ATTACHED

Appendix 1. Isle of Wight Council Commercialisation Strategy – draft.
Appendix 2. Revised Isle of Wight Council Commercialisation Strategy Action Plan

BACKGROUND PAPERS

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

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