

MELTON BOROUGH COUNCIL

COMMERCIAL STRATEGY – A STATEMENT OF INTENT

BACKGROUND

Context: As previously reported our four year settlement results in an overall loss of grant of £933k between the baseline financial year 2015/16 and 2019/20, representing a 42% reduction. This is in addition to the previous reductions of £1,859k or 57% over the period 2010/11 to 2015/16.

The Council has continued to receive cuts in funding from central government with more to come. The Council is set to incur an overall loss of grant of £933K between the financial years 2015/16 and 2019/20 representing a 42% reduction as part of the four year funding settlement. This is in addition to the previous reductions of £1,895k or 57% over the period 2010/11 to 2015/16. By 2019/20 the Council will no longer be set to receive any general central government funding. There is further uncertainty regarding the level of business rates that will be retained when the baseline is reset.

While this is an extremely challenging position to the Council, we can embrace the opportunities to take control over our own future and become a more financially sustainable Council, through becoming a more commercially focussed organisation with less reliance on central government funding.

This commercial strategy sets out a statement of intent; to move from commercial ambition to delivery, providing leadership and direction to the organisation and ensuring our residents understand our desire to meet the financial challenge positively and to protect (and where possible enhance) local services.

Key Drivers:

- Need to address loss of government funding
- Build on work already undertaken to take control of our financial future and become financially resilient
- Appetite to move to a more innovative and commercial approach – looking internally and externally
- Refreshed Corporate Mission, Vision and priorities
- The desire to maximise Income generation where appropriate

Corporate Context

The Council is refreshing its Corporate Mission, Vision and priorities to ensure they accurately reflect the changing landscape within which it operates. One theme within the Organisational Priorities is to become “...a more agile and commercial council, removing waste and ineffectively and securing our future.” The Council’s Commercial Strategy sets out how the commercial elements of this transformation will be achieved and where the Council will focus.

Our Commercial Vision *We will generate additional income to help meet our future funding needs; safeguarding existing and offering new services to support our social ambitions, and enabling us to more effectively deliver our Corporate vision and priorities.*

Definitions

Commercialism can mean different things to different people and can have negative connotations especially within the public sector. However, because it can have different meanings and be implemented in diverse ways, this enables the Council to have our own approach to commercialism that enables us to meet our corporate aims and objectives

Commercialism:

Our commercial activity will be delivered within a Commercial Framework. For the Council commercialism will be an approach to meet the financial challenges which we respond to by adopting a more business-like approach to both existing services, where applicable, and to new business opportunities. This will be through developing a commercial culture, empowering staff to be innovative, continuing to develop agile and flexible working, making best use of our resources, and identify sound investment opportunities to generate income.

Innovation:

We want our staff and partners to think and act in new ways; to be creative in the way that we approach, design and deliver existing and new services to our community. By developing our staff to become more commercially aware, it will increase confidence and ensure decisions are taking being 'risk-aware' rather than 'risk averse'. It must be recognised that in becoming more commercial, not every opportunity undertaken will be successful and that the Council therefore needs a culture which enabled learning and improvement; accountability, not blame.

Commercial Culture:

Developing behaviours, skills, knowledge, and mind-set to behave in a more business-like way to meet our aim of financial sustainability

Trading:

The legal authority to charge for discretionary services and the legal authority to trade commercially are different. Charging must be done on a cost recovery basis only. Trading which is done for a commercial purpose can be done for profit but must be carried out through a company.

Investment:

The council has a well managed treasury investment strategy. This will be widened into other types of investment. Future investments will look to focus on projects or activities including property and housing that will generate a return on investment for the Council

Return on investment:

The amount of profit from an investment, usually in terms of the percentage of the original total cost invested over an agreed timeframe net of any costs.

Social Value:

Activities, projects, undertakings that produce a benefit to the community.

Commercial Opportunities

There are a number of areas where the Council can focus its commercial activity. If the areas identified below are to be developed in the future it needs to be within a Commercial Framework and aligned to the Council's aims and priorities, project management system and performance management framework.

Existing services: All Council services need to have a greater awareness of the true costs of their service. Services should look to enhance or develop new income streams. Where trading services exist they need to adopt a more commercial approach so that their turnover exceeds their costs or they break even. This may not be appropriate for all Council services as the primary focus for some may be social value and therefore to adopt a more commercial approach may be inappropriate. However income generation should still be considered. Services also need to consider customer data/information held and ensure that the best use is made of this valuable market information.

Fees and Charges: The Council can look to ensure existing services are charging appropriate fees and charges within the market place and also identify any further opportunities where local levies can be charged for. Concessions can be considered where there is a need

Economic growth: The Local Plan and the Strategic Growth Plan will identify areas of growth that can be supported by the Council. In particular we can, with partners, look to increase the business rates base and therefore our retained business rates and through housing growth, increase our council tax and new homes bonus revenue.

Existing contracts: In addition to in-house services the Council provides it has also entered into a number of contracts with external providers. By reviewing contracts with a more commercial approach, it may be possible to renegotiate more favourable contracts, look at delivering services in a different way or entering into new business partnerships.

Developing business opportunities: Current legislation enables the Council to provide commercial services to other Local Authorities and in particular circumstances the Council can also consider providing new or enhanced services. Should the Council's aim be to make surpluses to reinvest in supporting core funding, it is likely a separate trading company would need to be set up.

Current Assets: Parkside is a good example of where the Council has made better use of its assets. A review of all council assets would identify further opportunities to improve asset utilisation and whether a greater return on our assets could be achieved, alongside supporting our social ambitions.

The Council's Current Commercial Activity - timesage

In Autumn 2016 Melton Borough Council decided to run a pilot to see whether there was a commercial opportunity with offering subscription services to residents. This is partially based on the fact that there are in excess of 1/3rd of households in the Borough paying for the green waste club, currently operated on behalf of the Council by Biffa, and that according to Mosaic data groups ABDE&F with capacity for discretionary spend account for over 12,000 households (approx 53%).

Developments in assistive technology meant we could offer enhanced services to give residents, and their families, extra peace of mind. Following research with our existing Lifeline users, more than

half stated they would consider enhanced assistive technology. The packages available through timesage involved this enhanced 'lifeline' offer. This would enable a resident to access assistance through a local control centre all day every day, with options at home (via a phone line), for when out (through mobile technology) and a further offer of a wrist watch which operates anywhere in the UK.

A professional website was developed with external support which included a straightforward payment platform. Resources have been given to enable the website to be managed through existing internal resources to enable the project will continue to progress without the need for external support.

Investments

The Council no longer holds significant capital receipts and therefore future investment of capital may require borrowing and therefore the return on any investment decisions in projects and schemes will need to be considered to assist the council in maintaining its financial sustainability. Consideration should also be given to opportunities to invest capital in projects which may generate a return for the Council and which will assist the Council's Medium Term Financial Strategy.

Areas to be considered for investment include:

Housing: The provision of housing is a national priority. Focussing on increasing the supply of housing has the potential to not only meet the council's social ambitions, it can also provide a valuable source of income too. A number of options are available including purchasing or building houses for social rent, private rent, or sale. The vehicle through which this will be achieved will depend on the purpose it is seeking to respond to. This may include either in-house purchase or the formation of a housing development and/or building company.

Considering how to make the best use of the Council's own land and whether to work in a collaborative approach with other districts are significant factors.

Commercial Property: More and more Councils are looking at this as an option; purchasing commercial property to take advantage of the relatively low cost of borrowing with a view to securing a steady income stream for the future as a response to reductions in government funding. Targeted real estate investment within the Borough can boost regeneration and add value, both economic and social.

Councils are also acquiring commercial properties outside of their local area for purely commercial reasons with the ability to achieve a return. However recent changes in accounting guidance have made the potential returns less attractive, though opportunities should still be considered on a case by case basis.

The income from these investments can then be reinvested in the local area, or to fund local services.

The way forward.

To meet the financial challenges facing the Council and to become a commercially-focussed organisation a number of positive changes are needed:

Developing a commercial culture: The rules of engagement

The move towards a more commercial, enterprising, entrepreneurial approach will require not only a change in mind-set but also a change in the ethos of the Council. For services to become more commercial they must be able to compete within what can often be fast paced markets. Agile and quick decisions will be required and a sharper focus on the bottom line we will be required. Colleagues working in areas identified to become more commercial will need support and development to adapt to the new ways of working/thinking. It will also be necessary to review the scheme of delegation and financial regulations to enable a commercial culture to translate into commercial behaviours.

Key factors to consider will include:

- Empowering colleagues to take business-like decisions and seize opportunities, make quick decisions on pricing/ promotions in response to costs/ market conditions
- Acting in a risk aware, not risk averse way
- Having permission to innovate whilst recognising not everything tried will work but we learn from any mistakes
- Recognising sometimes we will need to invest now for a return later
- Recognising some services will be required to at least breakeven or even better
- Consider our position about competing with local businesses
- Whether we are prepared to compete outside of area/other LAs?
- To be commercially focussed you need to be Customer focussed – put the customer at the heart of what we do

Commercial Framework

This is to be developed but will encourage everybody to share their ideas so people feel valued and involved. Staff will receive training and development. To ensure we meet our statutory and social responsibilities, that public money continues to be accounted for, we will set up a governance system and monitor our activities through our enhanced project management and performance frameworks.

Skills, knowledge and capacity

To meet the financial challenges and in a timely manner, the Council will need support in developing its commercial ambitions by bringing in those specialist skills and knowledge not currently available within the Council. Wherever possible we will seek out funding opportunities to meet costs incurred.

Branding

The Council is a trusted organisation within the community. People know where we are and recognise our long term commitment to Melton. For some services, particularly those where trust is a factor it would be prudent to strongly associate a service with the Council. For other services, particularly those which are more experiential, it may be more appropriate to create a spinout-brand, where association with the Council is perhaps less attractive. This required branding would need to be considered on a case by case basis.

Delivery vehicle

The Council will need to decide what delivery model would best achieve our commercial aspirations. This could be achieved through a number of vehicles including in-house delivery (where it is legal to do so), establishing a trading company, a form of hybrid-brand. Some delivery vehicles may be closely aligned to the Council and branding while others will be more removed. The vehicle will need to be considered as part of any business case developed.