SCARBOROUGH BOROUGH COUNCIL

Commercial Strategy

April 2018
## DOCUMENT CONTROL

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## REVIEW HISTORY

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Scarborough Borough Council

Commercial Strategy

2018 - 2025
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Like all Councils, Scarborough Borough Council has made significant budget reductions in recent years. Since 2010, the Council has delivered savings of £17 million from its annual revenue budget and over that same period performance in many areas has increased. Central government funding continues to be reduced and there is an expectation from government that local authorities become more self-sufficient and develop sources of income to contribute to the funding of local services. Since 2010 the funding that the Council receives to run its services has reduced by £8.264m (65.82%).

Against this backdrop of reduced funding, rising demand, changing demographics and increased customer expectations are creating significant challenges for local government.

In order to respond to this, local authorities must think and act in a more commercial manner. This document outlines Scarborough Borough Council’s strategic approach to commercialisation and income generation.

The strategy sets out a number of key principles to be applied in a ‘One Council’ approach to innovation and municipal entrepreneurship, developing a vision for 2025 and beyond.

Modernising how we deliver existing services to our customers in a more efficient and creative way, maximising income from existing trading areas within the Council or exploring new opportunities and innovations, this strategy provides both an inward challenge of ourselves as well as looking outside across the economic partnership region as a means of developing new sustainable investment opportunities.

Already, over 90% of authorities share some services with another Council, over 50% own a trading company and over 50% operate a joint venture with a private sector partner. Local government has an excellent track record of innovation, creative thinking and being risk aware, not risk averse. This strategy seeks to build on similar successes already in place at Scarborough Borough Council.
The impact of changes to local government funding creates increased financial risk to service delivery but also offers the opportunity to fundamentally review the way services are funded and delivered at a local level as well as the way in which services are provided, commissioned or procured.

This strategy sets out a framework in which services can operate with a more commercial approach, whilst retaining a clear focus on the residents we serve.

By generating extra revenues, delivering cost reductions through trading and business improvement, local services can be put on a more sustainable footing and the Council on a more self-supporting delivery model.

The following key drivers have informed the development of this strategy:

- **The Council needs to generate significant income to help offset a budget gap of around £5.2 million over the 3 financial years to 2020/2021**

- **This financial context is a key driver behind the need to look differently at the way services are currently delivered**

- **The Council is ambitious for the Borough and our residents and is keen to deliver excellent customer service**

- **A learning organisation, the Council has researched best practice from around the sector and will challenge and benchmark itself against other Councils**

With clear links to the Council’s Corporate Plan, the Medium Term Financial Plan and other key documents, this strategy is joined up both in thinking and approach to service provision, putting our residents at the heart of service delivery.

Delivering efficiencies, helping communities to become more resilient and independent, managing demand and changing ways of working remain part of the overall solution and will be embedded as part of the commercial strategy. Being efficient, agile and customer driven underpin the commercial operating model.
The core aims of this strategy are therefore to deliver a financial return which contributes to the Council’s spending and investment plans and to help sustain priority outcomes for the Borough’s residents.

Over the lifetime of the current financial plan, a programme of work will be developed that identifies new opportunities through sound business planning and market analysis, challenging existing approaches to service delivery and developing a ‘2025 vision’ and beyond.

In achieving this, the strategy will also deliver on the following objectives:

- Help enable non-statutory (discretionary) services to seek full cost recovery where ever possible to reduce risk of service closure
- Influence and shape markets where either no service provision exists, despite proven demand, or where the market is not working for our residents, visitors or businesses. Encourage a mixed economy of supply
- Make more efficient use of assets
- Improve service delivery whilst reducing cost
- Demonstrate that the Council is open for business and to attract continued inward investment in to the Borough
- Utilise alternative investment models to support service delivery and add social value to supply chains
- Develop sustainable partnerships across the public, private, voluntary and not for profit sectors
- Strengthen the Council’s reputation as being ambitious place shapers
Commercialisation has many meanings for different people. The vision for Scarborough Borough Council is that it is an organisation that is customer oriented, with services that are easy for our customers to use, responsive and efficient. By being commercial in our thinking, we will ensure our services are financially robust and sustainable.

Delivering on this vision requires new income streams to enable the Council to continue to invest in valued front line services and Council priorities and ensure they remain sustainable.

Any new venture will be challenged using a robust business case establishing whether to proceed to a full business plan, setting objectives to be met, full market analysis, addressing risks, identifying resources required, expected outcomes, and ensuring the full business case meets corporate objectives aligned to the Council plan and financial strategy.

Setting the appetite for risk is vital for the Council. As a public body using the public purse good governance, transparency and robust decision making will be the effective mechanism to ensure the Council is risk aware at every step of the journey. Accepting that things will sometimes go wrong, but having the right culture to support organisational and individual learning through open and honest dialogue, review processes, control measures and mitigations will strengthen decision making.

Implementing change will always carry risk and the approach outlined above will make the Council more risk aware. Following the status quo however would create significant risk from strategic drift:

* The Council will not deliver the £5.2 million savings identified in the Financial Strategy
* The Council will not review its fees and charges process
* The Council will be in danger of being unable to deliver on its corporate priorities

This strategy has four key, inter-related principles that will drive a ‘One Council’ approach to delivering the Council’s commercialisation agenda.
The framework below illustrates how the following key areas of activity work together

**CORPORATE PLAN**

**MEDIUM TERM FINANCIAL PLAN**

**COMMERCIAL STRATEGY**

**INCOME GENERATION**
- Fees
- Charges
- Trading Services
- Full cost Recovery
- Value Chains
- Demand Management
- Retention, win back & conversion rates
- Procurement & Contract Management

**CORPORATE MODERNISATION**
- Unit Costs
- Market Analyses
- Service Review
- Benchmarking
- Business Model Canvass
- Alternative delivery models
- Engagement, training & One Council culture
- Technical & professional skills

**ECONOMY & REGENERATION**
- Economic Growth skills
- Development linked to Local Plan
- Business Rates retention
- Employment & Skills
- Housing Regeneration: Growth in NHB & CTR
- ‘Smart City’ thinking

**COMMERCIAL PROPERTY INVESTMENT**
- Asset Challenge
- Regeneration & Development focused
- Investment income
- Local asset backed vehicles
- Joint ventures & ADMs
- One Public Estate
Income Generation - how will we do it?
We will:

- Instil a clear understanding across the authority in respect of local authority charging and trading
- Ensure full cost recovery in respect of the provision of non-statutory discretionary services and those statutory services that permit the charging of a fee
- Ensure that fees and charges reflect market rates and are regularly benchmarked against other service providers and robustly reviewed each year through a systematic process that avoids simply making annual uplifts
- Be alive to the fact that reducing fees and charges where appropriate can also increase the customer base and overall income levels
- Consider how value chains linked to residents and businesses as well as social benefits can be incorporated into service provision
- Understand how providing regulated services over and above statutory obligations can add social value or plug a gap where the market isn’t working for residents, businesses or visitors
- Identify opportunities for local authority trading, to provide new services that the market either does not currently supply or where a lack of competition detrimentally impacts on value and quality
- Fully understand our relative commercial position and bargaining power in the market place
- Develop performance indicators, such as retention, win back and conversion rates, that will provide clear focus on outcomes
- Be bold in our thinking when considering alternative delivery models (e.g. shared services, joint ventures, local authority trading company, mutual, community interest company, Trust etc)
Corporate Modernisation - how will we do it?

We will:

- Modernise and transform service provision, reviewing the efficiency and effectiveness of services and developing a ‘2025 vision’ built around sustainable delivery models and clearly linked to the current medium term financial plan and beyond.

- Carry out full service diagnostics, including understanding true unit costs, demand led pressures and performance levels, each being benchmarked against similar organisations.

- Use business planning toolkits to illustrate the changes required to modernise services over the coming years.

- Conduct robust service planning to ensure outcomes, priorities and commercial objectives remain clearly aligned to core Council plans and priorities.

- Ensure that commercially robust contract management processes are embedded within each service, including in relation to procurement, contract negotiations, and managing the ongoing supplier relationship.

- Explore opportunities to develop shared services between SBC and other organisations.

- Exploit knowledge and expertise. Commit to the continuous personal development, training and investment in our staff through performance management systems.

- Enable communities to become more independent and channel shift away from high cost transactional services, recognising that through greater use of technologies we can create cashable and non-cashable efficiencies which enable investment elsewhere across the Council, to enhance the sustainability of service provision.

- Support relationships between the Council, voluntary and community sectors.

- Through the Corporate Modernisation programme, the Commercial Director will lead, develop and support Service Unit Managers to embed a commercial ethos across all services areas of the authority, supported by internal (and external, where appropriate) professional advice (legal, finance, marketing, ICT etc).

- Acknowledge that staff and partners will need a lot of support and time to develop an entrepreneurial mind-set. Cultural change means winning the internal hearts and minds battle that commercialisation is fundamentally a positive development.
Driving Economic Growth - how will we do it?

We will:

• Work with the Local Economic Partnership to drive economic growth in the Borough, creating new jobs, inward investment and delivering new and affordable homes that meet the needs of our residents

• Work with key partners and stakeholders to deliver the Local Plan, secure an expanded council tax base, new homes bonus and increased business rate retention and maximise the opportunities for our residents and businesses to benefit from unprecedented levels of investment along the Yorkshire Coast

• Capitalise upon significant growth opportunities for the Borough, such as Potash mining, offshore wind and advanced engineering, by working alongside the University, TEC, UTC and Skills Village, to match employment and skills with predicted high end job growth and demand, together with a housing supply to match this need

• Convey the message that the Borough is open for business, with serviced business parks ripe for enabling supply chain related investment

• Ensure that significant investment in public realm, transport, events and leisure facilities continues to provide a unique offer for the Borough’s residents, visitors and businesses, sustaining a vibrant visitor economy that continues to support around 17,000 jobs and over £500 million being spent in the Borough each year.

Commercial Property Investment - how will we do it?

We will:

• Develop an innovative and creative property investment strategy, under which we will purchase new investment property across the economic region, supporting growth and regeneration projects

• Release value for reinvestment in new assets and other Council priorities, through rationalising the existing property portfolio by actively disposing of selected properties

• Challenge existing property assets in order to improve the overall quality and income returns from the property portfolio

• Consider innovative and creative solutions for growth, funding and investing in valued Council services and priority areas, by exploring for example different ways of building homes and commercial premises, investing in start-up businesses in the Borough, joint ventures with other public or private sector organisations and ways of using public land to achieve long term socio economic sustainability for the Borough

• Deliver inward investment and regeneration projects within the economic region, closely aligned to the Council Plan and medium term financial plan
CASE STUDIES

Through detailed research, some innovative and relevant examples of municipal entrepreneurship have been identified:

Cheshire West, Chester Council & Wirral Borough Council
Trading Schools Services:

- Created single company offering variety of services – grounds maintenance, waste management, cleaning
- Delivering high quality services for local schools
- Employs over 1000 local employees with annual revenue of 23m

Cherwell District Council
Graven Hill Development Company for Self-Build Homes:

- Motivated by growing housing demand
- Mix of serviced plots, custom build, affordable rental and shared ownership
- Indicative sales of £350m with 15% gross profit
**Wychavon, Worcester City and Malvern Councils**  
Three-way agreement to combine revenues and benefits departments in 2010:

• **£3m savings over 5 year term and safeguarding jobs**

• **The partnership now serves other authorities generating income and has improved services**

• **The shared services agenda has since been expanded to include IT and audit**

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**Swindon Borough Council**  
PPS Community Solar Farms - wholly owned Ltd company by SBC:

• **Used Council owned unproductive former landfill site**

• **Utilised variety of funding models, UK’s 1st ISA & UK’s 1st Council backed solar bond**

• **Community lead engagement, investment opportunity and funding projects, whilst returns on investment**
Warrington Borough Council
Raised a £150m CPI indexed bond which supported:

• Loans to Registered Providers delivering a return via arrangement fees and margin on interest rates, plus any new homes bonus and increased Council Tax base

• Through its banking license developing a new Local Authority Mortgage Scheme (LAMS) which has realised over 200 loans in Warrington, lending over £5.5m

• Residential & Commercial green energy projects to mainly reduce fuel poverty but also making returns on investment

• Digitising a range of trading areas, benefiting from administrative efficiencies, revenue growth and winning significant additional business
NEXT STEPS

During 2018/19, we will:

• Develop a 3 year timetable for Corporate Modernisation “big ticket” and service reviews that will deliver on the strategic approach set out in chapter 4

• Devise a framework for a Council wide approach to reviewing and setting fees and charges in readiness for the 2019 Budget Council

• Develop a rolling programme for staff and Elected Member engagement, training and development

• Work in partnership with the LEP to develop a regional Industrial Strategy as required by central government that will deliver on the Borough’s growth plan

• Implement the actions arising from the Commercial Property Investment Strategy

• Prepare an action plan for 2019/20 together with a “looking back” progress report