

Wyre Council - Commercialisation Strategy 2018/19 to 2022/23

Background and Commercial Vision

In December 2016, the Council adopted a new Strategic Narrative, which sets out a clear vision and goals for evolving the way that Wyre council works.

The Strategic Narrative contains three big goals and these are:

- An integrated and community-focused service offer.
- A flexible and change-ready workforce.
- Financial discipline and commercial awareness.

Focusing on the third big goal around financial discipline and commercial awareness, the narrative commits that:

- By 2020 we will have implemented new ways to replenish dwindling government funding for local authorities.
- Our employees will be commercially minded with the ability to spot and maximize commercial opportunities.
- We will be financially astute delivering quality services, in conjunction with partners, on time and on budget.

Our approach will include:

- **Maintaining financial discipline.** Our Medium Term Financial Plan and Efficiency Programme will be aligned with our Business Plan to ensure our objectives and priorities are properly resourced and funded appropriately.
- **Bringing commerciality into everyday thinking.** We will bring commerciality into everyday working across the organisation through improved procurement practices, better contract management and a focus on delivering established financial goals.

At Wyre, commercialisation is a broad term used to capture all aspects of service reviews and redesign, the commissioning cycle, shared and multi-partner organisation joined-up services, income generation and general efficiencies.

Key Drivers

The council has a forecast budget gap of £2.7m in 2022/23 (as at October 2018) largely owing to central government cuts and this financial position necessitates our becoming more commercial in our approaches to procurement, contract management and the delivery and marketing of our services.

There is renewed interest in inter-Council arrangements with other local authorities as financial pressures increase. The same applies to other public sector partners who are similarly looking at the advantages, both financial and operational, of delivering services together on a shared footprint to make efficiencies.

Wyre's ultimate goal is achieving sustainability without the need for central government grant support and successes reported by other councils are building confidence in the sector that this is possible.

The introduction of our new appraisal 1-2-1s and 1-2-1+ are embedding the strategic vision and driving forward the 'One Team One Council, 'Working Collaboratively' and 'Work Smart' values throughout the workforce.

Annual benchmarking of services has highlighted areas for further investigation where our unit costs appear high compared to both our 'nearest neighbour' group and the national average. This analysis will prompt more detailed reviews of high unit cost areas to identify potential savings.

Core principles of Commercialisation at Wyre Council

Commercialisation at Wyre Council encompasses the following approaches:

- Selling and Marketing our Services
- Fees and Charges
- Smart Procurement
- Improved and Continuous Contract Management
- Multi-partner Collaboration and Shared Services
- Maximising our Assets
- Investments
- Generating Efficiencies
- Digital Transformation
- Civic Crowdfunding

This strategy allows for all services to participate (or elements of services) and encourages a diverse range of approaches.

The principles of commercialisation include:

- Be open to all options for service delivery
- Be willing to take risks – allow for failure as well as success
- Be open and honest about current performance
- Follow financial regulations
- Be prepared to invest now for a return in the future

Links to other Wyre Council Strategies and key documents include the following:

- Wyre Council Business Plan
- Medium Term Financial Strategy
- Procurement Guide for Staff
- Commercial Advice for Staff
- Digital Transformation Strategy
- Annual Fees and Charges review
- Annual Benchmarking Report

Aims and Objectives

Essentially, the strategy aims to deliver a financial return, which contributes to closing the growing funding gap currently forecast to be £2.7m in 2022/23 (as at October 2018).

This will entail developing a programme of work based on:

- business cases put forward throughout the year;
- business plan programmes and projects;
- external funding bids;
- fees and charges reviews;
- marketing our services and assets
- training and development of staff to grow our in-house commercialism skills;
- the creation of cross-directorate working groups to take shortlisted projects forward; and,
- harnessing Wyre's unique selling points including our capital assets, a brand that people trust and detailed local knowledge.

Creating the right culture and environment

Careful consideration will be given to nurturing the positive, 'can do' culture within Wyre in order to encourage innovative ideas and develop them into robust project proposals. This will involve the following activities:

- Undertaking a staff development programme to support our vision and goals;
- Holding regular staff briefings (at least once a year) and cascading updates to teams during the year via Core Brief
- Adopting a project management approach for the implementation of the programme and promoting the new online resources for generating project proposals;
- Ensuring new proposals have the right support from the Senior Leadership Team and necessary stakeholders.

Outcomes

The approach taken in this strategy will ensure that positive outcomes are delivered including:

- A real, tangible opportunity to make a contribution to the Medium Term Financial Plan;
- Staff development – new skills will be acquired and can be transferred to other opportunities internally;
- Enhancing Wyre Council's reputation as a leading-edge authority in this sphere;
- Developing the organisation into a more innovative workplace, building on successes so far;
- Bringing benefits to the local economy;
- Ensuring the sustainability of non-statutory services that would otherwise be stopped due to lack of funding.

Criteria for Selecting Investment Assets

An initial Pass/Fail test will apply to all investment property acquisitions:

1. Owing to the council's requirement to generate income through a satisfactory level of return, the net initial yield (NIY) range that we could expect to achieve on the investment is likely to be between 5% and 7%. The NIY allows for the cost of purchase including agent's fees, surveys and stamp duty and should exceed a minimum level of 5% to qualify. (To **calculate net initial yield**, you need to deduct all the expenses (ongoing costs + cost of vacancy) from the annual rental income (weekly rent x 52). You then divide that number by the property's purchase price (including associated cost of purchase expenses) and times it by 100. This will give you the percentage yield.)
2. Whilst borrowing is not currently planned to finance the purchase of investment property, if it is undertaken then all investments must initially provide income equal to or above the council's required rate of return (ROR) defined by the cost of capital borrowing for purchase.

Any asset meeting the above criteria will be eligible to pass to the next stage for consideration. Any assets which do not meet the above criteria will not be considered further.

Following the initial Pass/Fail test, for eligible assets, a more detailed evaluation criteria will then apply accompanied by a business case co-ordinated by the Head of Built Environment.