

# COMMERCIAL STRATEGY

**WOKINGHAM  
BOROUGH COUNCIL**

# CONTENTS

INTRODUCTION	-	P3
NATIONAL DRIVERS	-	P4
LOCAL CONTEXT	-	P5
WHAT 'COMMERCIAL' MEANS TO US	-	P6
THE STRATEGY	-	P7
GUIDING PRINCIPLES	-	P8
OBJECTIVES	-	P9
CULTURE	-	P10
GOVERNANCE	-	P11
PERFORMANCE MANAGEMENT	-	P12
CHALLENGES	-	P13
CURRENT ACTIVITIES	-	P14
OUTPUTS - PAST & FUTURE	-	P15
PRIORITIES	-	P19
COMMUNICATING THE STRATEGY	-	P21
MANAGING RISKS	-	P22

# INTRODUCTION

Our Corporate Plan and MTFP recognise the need for the council to be a more commercial organisation. This is both as an enabler to improve service delivery and organisational efficiency and a critical component of our financial strategy to address the financial gap that will be caused as a result of the government's removal of the Revenue Support Grant. Successful delivery of the Commercial Strategy should enable members and officers to make positive choices about where they want to invest, rather than having to make decisions about where to reduce expenditure.

Our vision for Wokingham Borough includes an aspiration that we will be a "...commercially-minded council" explained as:

*"a commercial mind-set ... ..that promotes the ability to deliver services differently, demands innovation and ensures we are able to maximise our assets for the benefit of our communities and to deliver financial sustainability."*

This is further developed by a set of commercial principles which convey the future state of the organisation:

- We continually identify and develop opportunities to commercialise existing and new services
- Our partnerships (private and public) are efficient and deliver value
- We have a strategic commissioning and procurement approach that derives the maximum value from every pound spent

- We adopt the most effective delivery models to deliver best value services
- We price commercially ensuring we cover all our direct costs (except when we have made a conscious and evidenced decision to subsidise)
- We are commercially astute – we understand the market and know how to make it work for us.
- We all understand and recognise where we have a role to play

This Strategy explores:

1. The drivers behind our aspiration to be a more commercial organisation
2. What this means for Wokingham Borough Council
3. Our commercial objectives
4. How we will deliver these objectives

# NATIONAL DRIVERS

## Local Authority Funding Gap

Even prior to COVID 19 LAs have become increasingly reliant on new forms of income and/or new practices/delivery models as a necessity to bridge the gap between escalating demand led services and falling/static government grant.

## National Audit Office

Pledged to discuss the rise in commercialism in local government with CIPFA and the relevant government departments.

[Source: Public Finance August 2019]

PWLB Consultation regarding borrowing restrictions –

(<https://www.dmo.gov.uk/responsibilities/local-authority-lending/lending-arrangements>

)

# LOCAL CONTEXT

## Funding Pressures

Wokingham Borough has been the lowest funded Unitary Authority in England for many years so has already embarked on many activities aligned to Commercialisation. The funding pressures will however continue, exacerbated by COVID 19, so being 'commercially minded' must remain a key priority.

## Innovation

The Council has a strong record of being Innovative, which is one of the four values in the Council Plan. Furthermore, our staff have demonstrated tremendous feats of innovation in our response to COVID 19 We will need to build on this to develop and deliver on a more ambitious commercialisation strategy.

# WHAT 'COMMERCIAL' MEANS TO US

Due to the drivers described in this strategy, commercialisation is something every council is looking at. However, the focus and definition of what that means is different from one council to the next.

It is important therefore, to define what we mean by being commercial.

## **Commercialisation is NOT just about making money.**

Working commercially is about using assets and capabilities to deliver outcomes in the most efficient and effective way to deliver a net benefit to bottom line finances. It is as much about avoiding costs through early intervention and prevention as it is about developing new projects.

This means 'commercialisation' at Wokingham Borough Council includes all of the following:

**Preventing costs arising in the first place (e.g. self sufficiency and resilience)**

**Creating social value to enable delivery of excellence in services to our communities**

**Early intervention to prevent a cost escalating**

**Redesigning our staff structures and process to be most efficient and effective**

**Reviewing the service delivery model (e.g. outsourced, shared service, company) to be most efficient and effective**

**Effective management of contracts**

**Identifying new sources of income**

**Commissioning the right outputs/outcomes**

**Enhanced Financial Management**

**Maximising existing sources of income**

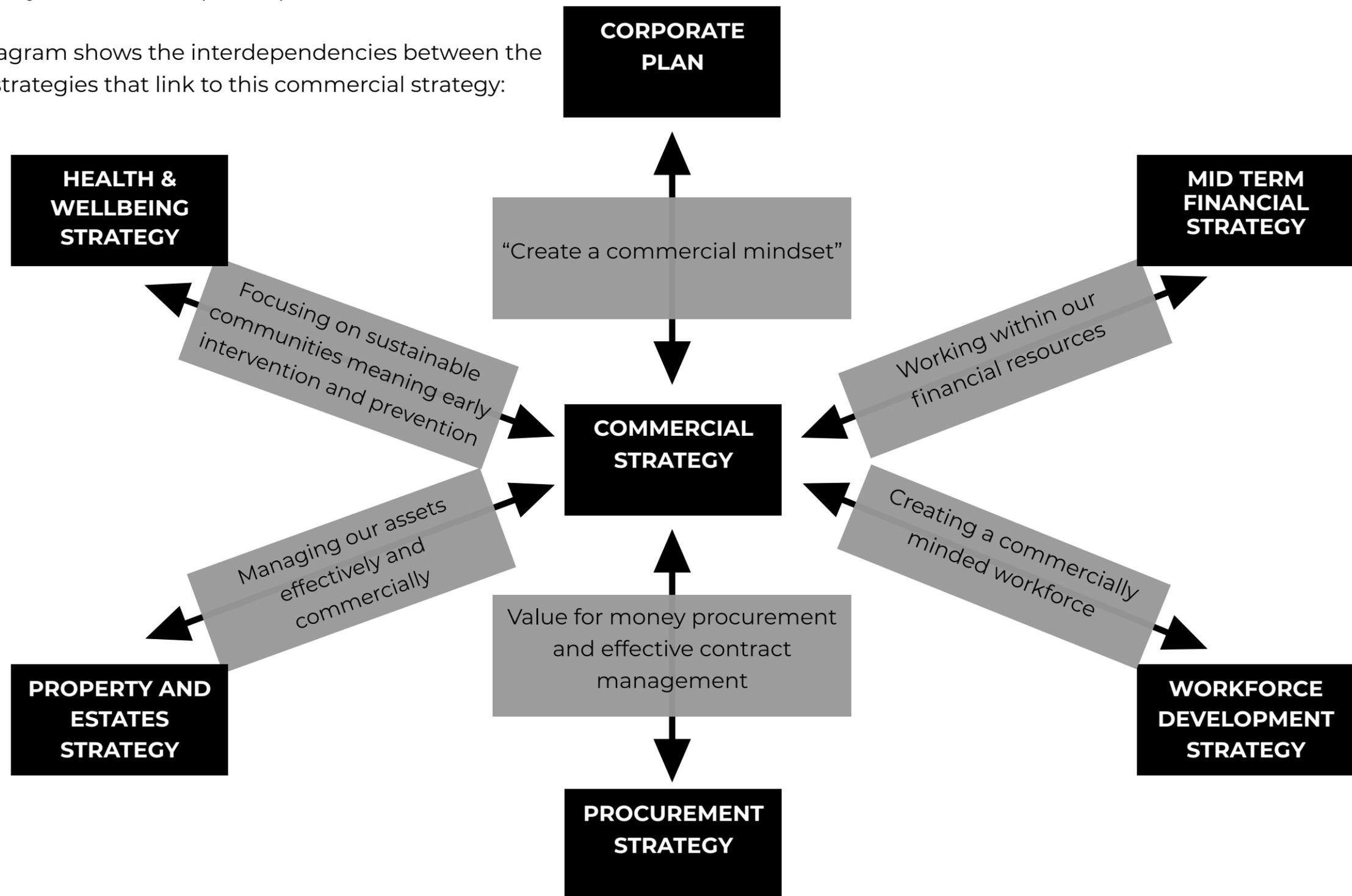
**Eliminating unnecessary demand and work**

**Insight and Intelligence to make good choices**

# THIS STRATEGY

This strategy doesn't operate in isolation and is part of a hierarchy of key strategies and plans that work together to ultimately deliver the corporate plan.

The diagram shows the interdependencies between the main strategies that link to this commercial strategy:



# GUIDING PRINCIPLES

This commercial strategy is built on a number of guiding principles. These principles set the context and the scope for the commercial strategy as well as providing a high level evaluation test for commercial opportunities.

**1. Ultimately about creating social value, as money is only ever for the Community** - the purpose of commercialisation is to increase our ability to deliver excellent services for our communities.

**2. Applies to all Council Services** - our definition of commercial is purposefully broad. This means it applies to all services. Whilst the financial impact services can make through commercial working won't be the same, all services can contribute to objectives by applying a commercial approach to their thinking, planning and action.

**3. Cultural as much as anything else** - a broad definition of 'culture is 'the way we do things round here'. If commercialisation applies to all services then we need a culture where thinking and acting commercially is the norm.

**4. Well managed risk taking** - operating commercially will mean doing new things, this means there will be risk. Risk doesn't mean opportunities won't be pursued, but risk will be well managed to reduce the likelihood of objectives not being met.

**5. Business Cases with ROI (including social value) for investment** - there will be a robust approach to investment

based around solid commercial businesses cases that identify the return on investment and the social value created.

**'Knits' together Commercialisation activities rather than replace or duplicate existing arrangements** - there are already many commercial activities happening across the council. This strategy won't replace them or duplicate activity, but will outline a system for more effectively managing commercial activity in order to achieve better outcomes.

**7. All discretionary services to be self funding or make a contribution** - to meet the financial objectives and the principle that this approach is for all council services, all discretionary services are expected to be self funding or at a minimum to make a financial contribution or cost avoidance.

# OBJECTIVES

## PRIMARY OBJECTIVE

The primary objective is to use our limited resources as effectively and efficiently as possible in delivering the Council plan.

## SECONDARY OBJECTIVES

Achievement of the primary objective will come in part through the following secondary objectives:

- Development of a commercial culture
- Clear Governance – responsibilities, authorities, processes, templates, funding
- Appropriate performance management framework for commercial initiatives

The overarching aim of this strategy is to deliver a financial return which contributes to the Council's efficiencies and additional income targets, helping to safeguard and develop frontline services that the Council currently provides.

Given the scale of financial challenge facing the council, doing nothing is not an option. It is incumbent on all staff and stakeholders to explore all forms of commercialisation. This will help us to work towards becoming self financing.

The successful delivery of the Commercial Strategy will mitigate some of the savings that the Council will have to make. We will look to carefully manage and control any risks associated with the implementation of this strategy.

It is important to note that the benefits of pursuing the Commercial Strategy are not purely financial. Becoming a commercially focused organisation means putting the customer at the heart of everything we do. We will actively encourage creative thinking to develop more effective ways to deliver our services.

We will empower our staff to take business-like decisions, manage risk and seize new opportunities. This will help to improve the quality and speed of decision making, thereby improving the services we deliver to customers. An empowered workforce means more engagement, higher customer satisfaction, increased productivity and also better business intelligence. The result of this is that the Council's ability to attract and retain top talent is enhanced.

Through growing the commercial activity of the Council we are looking to benefit the people of Wokingham, ensuring that wealth generated in Wokingham stays in Wokingham. In turn this will help to attract businesses, professionals and entrepreneurs to the area. It is anticipated that increased prosperity within the borough will positively affect the household income of residents, helping to reduce the barriers to social inclusion.

# CULTURE

Developing a commercial culture is an important part of this strategy. To achieve the ambitious objectives outlined in this strategy requires all of us to play our part.

Whilst large commercial projects will be important, we are looking to develop a commercial culture across all service areas where thinking in a business-like way and making business like decisions is the normal way of working.

An embedded commercial culture will enable all our services to reach their potential and unlock new and innovative ways of delivering services to residents and businesses in Wokingham. A commercial culture will encourage us to be creative and entrepreneurial, finding ways to add value to the way we serve residents.

A culture can be defined as ‘the way we do things round here’ and the way we operate across our service areas will ambitious and bold, working in new ways to steward the resources we have in the most effective way to deliver the priorities highlighted in the Council Plan.

These competencies and skills are within the “HR Plan” - workforce strategy

# GOVERNANCE

To ensure the effective and joined up delivery of the strategy a Commercial Board will be formed. This is a member and officer led group comprising of managers from the main commercial initiatives of WBC and managers from support services. It is led by the Deputy Chief Executive and Chief Financial Officer. The Lead Member for Finance will also sit on the board to provide a political steer to the board and the link between the officers and members for commercial activity.

The aim of the Commercial Board is to oversee the operation of commercial activities in WBC and provide CLT and Cabinet with assurance that commercial initiatives are in line with this commercial strategy.

Specific duties of the Commercial Board include:

- Developing and maintaining the Commercial Framework which provides the basis for all of the Council's commercial activity
- Overseeing commercial performance
- Providing advice to Service Managers on the development of commercial opportunities
- Assisting with commercial business plan writing and financial modelling
- Holding the commercial projects register
- Providing analysis of the performance and impact of projects and the contribution towards efficiencies and additional income targets
- Providing recommendations and advice to Members and the

CLT on the approval of commercial business plans

- Highlighting any potential commercial conflicts of interest to the CLT for direction
- To implement KPI's and measure success of commercial projects
- To ensure an exit strategy has been defined

This board will monitor and manage commercial performance of existing initiatives and be the forum to discuss business cases for investment in new opportunities.

The board will also create a forum for the identification of commercial opportunities between and across departments.

# PERFORMANCE MANAGEMENT AND THE COMMERCIAL FRAMEWORK

A Commercial Framework will be introduced across WBC. This is a process, with associated documentation, that teams can quickly work through to assess new and existing commercial initiatives.

This enables teams to:

- apply the commercial thinking needed to assess an idea
- creates a common approach and language across WBC
- provides a standard framework for the Commercial Board to evaluate different opportunities.

The process provides an easily accessible business case template. For high risk initiatives a more detailed business case may also be needed after successfully passing through the commercial framework stage.

The stages of the framework are as follows:

## STAGE 1.

Determine the vision and strategic objectives

## STAGE 2.

Understand the operating environment

## STAGE 3.

Identify market expectations

## STAGE 4.

Understand customer value

## STAGE 5.

Analyse the competitive environment

## STAGE 6.

Determine costs and pricing strategy

## STAGE 7.

Identify risks

## STAGE 8.

Calculate Return on Investment

# CHALLENGES

It is important to recognise some of the challenges that exist in achieving the objectives laid out in this strategy. Some of the main challenges are:

**Staff capacity to deliver** - it is recognised that capacity is an issue and that new ways of freeing and creating capacity will be needed to deliver against this strategy.

**Identifying meaningful performance measures including social value** - the way commercial performance is measured and managed needs to look different to other council services. New measures need to be identified and the right system for monitoring and managing commercial performance needs to be put in place.

**Commercial is not for the Public Sector** - the focus on commercial is different for many staff members and for our communities. This can create resistance to change. Our challenge is to communicate the reason for operating commercially - that is to protect front line services and benefit the community. The same mission, but with a slightly different operating model.

**Political environment** - national and local politics set the context for our work. We need to work closely with national and local politicians to ensure our commercial approach.

**Risk appetite across all stakeholders** - working in new ways involves risk, however without taking risks we will continue

working in the same way which won't meet the financial challenge we are facing. We need to work closely with stakeholders to understand the risks including the risk of not trying new things. We also need to manage risk very well.

**Investment to support initiatives** - investment will be needed to realise commercial opportunities that are identified. The landscape for finding investment at preferential rate is changing and becoming more challenging. We need to work in new and different ways to find investment and we need to analyse options in a robust manner before committing to investing.

# CURRENT ACTIVITIES

Working commercially isn't new to Wokingham. We already have a number of activities that are set up to either operate commercially or to improve the commercial working of the council.

This strategy is aimed to connect these areas rather than to duplicate them. To provide focus and a system for working that creates synergies between our existing commercial services as well as and effectively identifying new opportunities and implementing them successfully.

Some of the current commercial activities are:

- Wokingham Housing Ltd
- Optalis Ltd
- Continuous Improvement Group
- ASC Impower
- Contract Review Board
- CFO Insights
- Designing Our Neighbourhoods
- Town Centre Regeneration
- Grant Finder
- Housing 1-4-5
- Financial Management Review
- Climate Emergency Investment Board
- Shared Services and Trading Services

# OUTPUTS - PAST & FUTURE

	OBJECTIVES	ACHIEVED TO DATE	MTFP
<b>WOKINGHAM HOUSING LTD</b>	Solely owned housing development, operations and management companies set up to deliver affordable and social housing across the borough based on sound financial business cases that allow them to operate with no or minimal costs to the local taxpayer.	Interest received on loans to date is £3.4 million	Interest charge on loans and dividend income
<b>OPTALIS LTD</b>	A company operated in partnership with RBWM to provide care provision for the ASC market to Wokingham residents – commercially viable as enables WBC to manage demand and quality of care in the local area market. Therefore influences increasing volumes and costs associated with Adult Social Care. Operates under ‘Teckal’ status.	Savings achieved in 2019/20 of £400k, has been operating since 2011.	Target of £1m of savings over the MTFP 2021-23
83 <b>COMMUNITY INVESTMENT GROUP</b>	This is a group formed to assist the Deputy Chief Executive in investing up to £200 million of capital funds into commercial acquisitions that support the economic development, regeneration, protection of employment and assets within the borough whilst being based on sound business case that allows the assets to be acquired at no cost to the local taxpayer and make a return above financing costs that contributes to Council services.	Over £85 million invested in a portfolio that returns over %5 p.a. gross.	Target of £1.9m in 21/22 and £2.6m in ongoing net of debt financing costs
<b>CONTINUOUS IMPROVEMENT PROGRAMME</b>	A service improvement programme of activities across the Council that will drive efficiencies and service benefits over the next few years. Utilises one-off (Special Item) funding in the MTFP.	Work is focussed on future cost prevention and cost containment so will not deliver cashable savings outside of service budgets.	Special Item of £1.1m in 21/22
<b>DESIGNING OUR NEIGHBOURHOODS</b>	Long-term objective of maximising prevention and early intervention through a better understanding and response to community health needs.	In progress	Savings within service targets.

# OUTPUTS - PAST & FUTURE

	OBJECTIVES	ACHIEVED TO DATE	MTFP
<b>ASC TRANSFORMATION</b>	<p>Transformation programme focusing on demand management which will deliver efficiencies through: -</p> <ul style="list-style-type: none"> <li>• Strengthening the Voluntary Sector and Community offer</li> <li>• Redesigning the Front Door to ASC</li> <li>• Increasing access and effectiveness of short-term support</li> </ul> <p>Targeted strength-based review programme</p>	<p>Projects have been slightly delayed due to covid however changes are now starting to be made and embedded into practice from which savings will start to flow</p>	<p>Demand management savings target of £3m over the MTFP 2021-23</p>
<b>CONTRACT REVIEW BOARD</b>	<p>A CLT commissioned report from CIPFA looked into the procurement and contract management of Wokingham Borough Council. Report findings are positive around procurement and have highlighted some areas for development in our contract management</p>	<p>The outcome of this report has recommended a number of actions which include a revised procurement strategy and development of a “centre of excellence” for managing and supporting procurement and contracts across the major spending services.</p>	<p>Better contract management will reduce further pressures for contractor inflation within the medium term plan.</p>
<b>CFO INSIGHTS</b>	<p>This is a benchmarking tool developed to assist the council in its performance management and comparison with similar authorities. It has been acquired and multiple licences exist within the council. The licences are held and controlled by Finance.</p>	<p>This project will not deliver cashable savings, but will highlight where other councils may have a better provision of service or cost efficiencies which WBC can learn from.</p>	<p>No budget implications</p>
<b>TOWN CENTRE REGENERATION</b>	<p>The Wokingham town centre regeneration programme was developed to refresh and improve the user experience of the town centre. The programme is self-financing through lettings of commercial properties and residential accommodation through a combination of leasehold and freehold private market sales.</p>	<p>This project has completed the build phase and is now being actively marketed. Over 85% of the commercial floorspace has now been let</p>	<p>£2 million on completion and rising to £6 million once debt repaid.</p>

84

# OUTPUTS - PAST & FUTURE

	OBJECTIVES	ACHIEVED TO DATE	MTFP
<b>GRANT FINDER</b>	<p>This is a project that would allow council officers and counsellors to search for and apply for various grants that will either fund existing projects and service delivery schemes or allow the council to attract funding for new schemes</p>	<p>There are about 20 officers signed up as Grant Finder users. There is a requirement to recruit a support officer however this has been unsuccessful to date</p>	<p>Where there is the ability to find extra funding for existing projects this will deliver windfall savings</p>
<b>HOUSING 1-4-5 plus 100</b>	<p>A scheme to deliver 1,000 houses over the next four years at a return rate of over 5%. This is being managed by the council</p>	<p>In progress - sites being identified</p>	<p>In excess of £10 million pa across revenue/companies and HRA</p>
<b>FINANCIAL MANAGEMENT REVIEW</b>	<p>This is a review of the Council's financial management services with a target operating model being developed. It is moving to a finance business partnering model with the services to allow more effective and more accurate budget monitoring, budget management and forecasting.</p> <p>This will also develop a better understanding of the Council's cost base to allow enhanced benefit identification in business cases and ensure any commercial activities have the ability to cover direct and indirect costs when moved forward for approval.</p>	<p>Financial Target Operating Model developed and service structure enhanced</p>	<p>Better service budget management will assist in achieving cashable efficiencies.</p>
<b>CLIMATE EMERGENCY INVESTMENT BOARD</b>	<p>The council will seek to invest in projects that address the council's declared climate emergency agenda. Projects will seek to cover costs where possible from income streams generated or by accessing grants from government and private sector.</p> <ul style="list-style-type: none"> <li>• Solar farms</li> <li>• Electricity</li> <li>• Trees</li> </ul>	<p>Schemes in progress that have accessed matched funding from Salix.</p>	

# OUTPUTS - PAST & FUTURE

	<b>OBJECTIVES</b>	<b>ACHIEVED TO DATE</b>	<b>MTFP</b>
<p><b>ALTERNATIVE DELIVERY MODELS</b></p>	<p>The council has a number of shared services and trading service arrangements with other Berkshire authorities. Some of these are in the process of being reviewed to assess the quality of service and also the financial viability going forward. The council will always consider entering into shared services or operating trading services if there is a sound business case and demonstrable value for money to the council.</p> <p>The council will assess traded services on a commercial basis and always seek to recover direct and indirect costs to the council whilst remaining commercially competitive and avoiding distortion of competition in the local markets</p>	<p>The original shared service arrangements have delivered financial benefits to the council over their period of operation; this needs to be measured with a cost benefit analysis of the quality of service provided.</p>	<p>Benefits are achieved in service budgets.</p>

# PRIORITIES

	<b>SHORT TERM 2021/22</b>	<b>MEDIUM TERM by end of 2023</b>	<b>LONG TERM by end of 2026</b>
<b>Approach to Commercial Development</b>	<p>Adoption of Commercial Strategy</p> <p>Establish Commercial Board</p> <p>Commercial Framework adopted</p>	<p>Continue to develop commercial and investment opportunities to impact on annual targets</p> <p>The Board drive commercial growth across the council</p>	
<b>Commercial Focus</b>  87	<p>Drive commercial growth through pilot - Social Care Market Management</p> <p>Drive commercial growth through pilot - Land Assets</p> <p>Drive commercial growth through pilot - Trading Register and Customer Account Management</p> <p>Drive commercial growth through pilot - Dinton Country Park</p> <p>Demand management work in Adults and Children's is reducing cost in the service</p>	<p>The four pilot areas are developing a commercial return</p> <p>All service areas identified how they can start and/or improve commercial performance</p> <p>A series of 'large commercial projects' identified, business cases developed and are beginning to be implemented</p>	<p>All service areas operating in a commercial manner with commercial results (both income and savings) leading towards self sufficiency</p>
<b>Developing a Commercial Culture</b>	<p>Staff training on 'commercial awareness' including the commercial framework</p>		

# PRIORITIES cont.

	<b>SHORT TERM 2021/22</b>	<b>MEDIUM TERM by end of 2023</b>	<b>LONG TERM by end of 2026</b>
<p><b>Developing a Commercial Culture</b></p> <p>88</p>	<p>An 'intelligent client' approach is developed to improve the management of our contracts</p> <p>A pipeline of contracts for review to provide potential savings</p> <p>Create a plan to develop a commercial culture</p> <p>All service areas start to become more business-like in their thinking and decision making</p> <p>Increase and formalise our capacity to continually develop commercial ideas through horizon scanning of sector innovations and transferring appropriate lessons from peers.</p>	<p>We have staff highly skilled in contract management and negotiation and we see that reduce the cost we are paying and quality we are receiving from contracts</p> <p>A commercial culture becomes more normal across the council</p> <p>Ensure we understand the real cost associated with service delivery and the correct fees are set and are only ever subsidised intentionally</p> <p>Service areas work more efficiently and effectively as staff become more business minded in their decision making</p> <p>Determine the most effective service delivery models across WBC</p>	<p>We 'sweat our contracts' so they are working to our benefit and delivering savings</p> <p>Our culture is commercial and working commercially is normal across all service areas</p>

# COMMUNICATING THE STRATEGY

Throughout the course of this strategy it is important the vision and aims are communicated well internally and externally. The Communications Team will develop a plan to mitigate this risk which:

- Informs our residents about this strategy, and why it is being implemented.
- Informs the elected members, officers and key partners about this strategy and why it is being implemented.
- Sets out criteria which can be applied during the planning of a particular commercial project in order to measure the impact on the perception of the Council.
- Includes a communications strategy to highlight any commercial successes to promote achievements both internally and externally.
- Includes a communications strategy to deal with any commercial failures or sudden interest in the Commercialisation Strategy from the press or any other interested party

# MANAGING RISKS

Risk management is embedded in all of the decision making processes within the Council. Effective risk management requires an informed understanding of relevant risks, an assessment of their relative priority and rigorous approach to monitoring and controlling them. All risks associated with any commercial activity will be managed through the Council's Risk Management Framework.

A key part of the Council's Risk Management Framework is the Strategic Risk Register which contains all risks that may have an impact on core services and both strategic and operational objectives. As such, commercialisation has been added to the Strategic Risk Register which is monitored by the Corporate Leadership Team and Audit Committee..

In any commercial venture there will always be an inherent element of risk. The presence of risk is not always entirely negative as it can be a driver of innovation and a motivator to staff.

Given the potential risks involved it would be easy to take a risk adverse approach, however this approach would hinder potentially highly beneficial opportunities or innovation. We will look to identify risks early in the strategic planning phase and implement approaches to mitigate or manage these risks where possible.