

## Background and Purpose

Councils are currently dealing with unprecedented, complex and often difficult to predict financial pressures. We don't and won't know for some time the consequences of COVID-19, coupled with the outcomes of Brexit and new trade deals and rules. Set against a backdrop of already established cuts in funding, rising demand for services and economic growth challenges and with further funding cuts likely, we have to take control of our future viability by becoming commercially focused to help **achieve financial security**, which is one of our 4 corporate objectives.

Part of our drive towards financial security will include identifying new opportunities to generate income and investment in projects that provide good or even excellent financial returns. Whilst undertaking these commercial activities we should not lose sight of our values and our ambitions for our communities to achieve a promising future.

Our commercial strategy aligns closely with other planned approaches and components.

Approach	Components
Partnership / Collaborative Customer Centric & Digital Environment	Organisational Design Organisational Development Technology / Digital Transformation

These elements provide a combined message that North Devon Council is entering a new era of business enterprise, growth and innovation. We will work with our partners who share our ambition and values and continue to put the best interests of North Devon residents' at the heart of everything we do.

## Our Vision

Government expects councils to make a significant contribution to reducing the national budget deficit through reductions in our 'core' funding over the next few years. These reductions will lead to difficult decisions and may require some 'one off' financial investments to enable longer-term savings to be delivered.

The principles' of the latest finance settlement allows authorities to spend locally what is raised here locally which, is the major driver towards 75%/100% business rate retention and this means our commercial approach towards investment is critical to our future thinking for delivering savings and generating additional income. Our commercial vision is:

**Commercial Vision:** To become an enterprising and commercially focused Council which staff are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the District. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2023/24.

## **Our Principles**

- We will develop a commercial strategy and culture through the adoption of appropriate behaviours and decision making, whilst retaining strong public, community and social values.
- We will collaborate with partners who share our ambition and values and put the best interests of our customers and communities at the heart of everything we do.
- We will be creative and resourceful to create efficiencies.
- We will invest in schemes and projects that improve productivity and reduce costs as well as seeking new ways of utilising our assets to generate additional income.
- Whilst undertaking commercial activity we will not lose sight of our values and our ambitions for our communities to achieve a promising future.
- We will engage our staff to build commercial awareness and invest in them to support and develop a commercial mind-set.
- We will ensure governance, management and performance of new commercial enterprises, partnerships and contracts continue to be robust and subject to challenge.
- We will adhere to statutory responsibilities and ensure public money continues to be appropriately spent and accounted for.
- We will recognise that we need to be risk aware, not risk averse and drive behaviours that support the idea that failure must be viewed as a learning opportunity as well as pioneering new ways of working and learning.

## **Commercial Assets**

North Devon Council has a rich source of assets, attributes and roles from which we can derive commercial value and these are summarised in Appendix 1. These assets and attributes will be applied and assessed against the following criteria:

- Financial objective
- Revenue delivery
- Risk
- Control
- Liquidity
- Management oversight
- Performance
- Diversification

This will enable us to determine how we work, where we work, who we work with and influence how we take investment decisions.

# Commercial Definitions



There are lots of definitions in relation to commercialism and to ensure we all have the same shared understanding we have adopted the following four.

## 1. Commercialism

For us, 'commercialism' is an understanding of how we as an organisation need to operate in a more business like way. This involves working with our staff to help them to start thinking in a different way, in essence, helping them to develop a more commercial 'mind-set', creating an environment that allows them to be innovative, encouraging them to embrace new flexible working and agile approaches and where applicable, supporting them to develop approaches that enable 'trading' and the 'selling' of services. This essentially means making sound 'business' decisions in terms of resources and investments.

## 2. Enterprise

We see this as the ability to think and act differently when considering the ways we manage, operate, deliver and resource our services, to create best value for our residents and customers. We need to become resourceful, innovative and develop the confidence to consider options that would not previously have been considered. We need to drive behaviours that support the idea that failure must be viewed as a learning opportunity as well as pioneering new ways of working and learning.

Through our organisational development component we will develop behaviours that bring out the enterprising 'spirit' in our staff and volunteers giving them the confidence, skills and creating the environment enabling them to be inquisitive, innovative and enterprising. We will develop relationships and work with partners who share our ethos.

## 3. Trading

We are a multi-faceted organisation which commissions and provides a wide range of services across the district. Outside of the traditional treasury management instruments, we may wish to consider trading in markets and sectors beyond our boundary using the skills and expertise of our staff. We recognise that not all services have the opportunity to 'trade' or charge customers for services to generate income but our aim will be to explore new opportunities whilst ensuring existing trading relationships are working as efficiently as possible.

## 4. Investment

Our capital investment decisions go beyond the traditional Public Sector approach of achieving social and community goals, replacing infrastructure and improving land and buildings. Our principal focus will be on investing in projects and schemes that generate a financial return or investment for the Council.

This approach will provide the Council with greater resilience and support the vision of being a financially secure council by 2023/24.

## Commercial Decision Making

Our Capital Spending Decisions should focus on achieving at least one of our four main drivers:

1. **Revenue Generation / Invest to Earn:** For example, proposals that generate new sources of income for the Council such as investment in land and property development, rental property, green energy renewables, schemes that grow our business rates income, or proposals to enable existing revenue streams to be improved and maintained longer into the future.
2. **Invest to Save:** For example, proposals to introduce new technologies and redesign services to reduce demand and promote independence.
3. **Social Value:** For example, proposals that will bring collective benefit to a community.
4. **Improving the environment or increasing natural capital**

The Chief Financial Officer will oversee all commercial business activities ensuring they are appropriately governed, scrutinised, managed and monitored. Investment decisions will be made having applied a robust business case methodology and will be evaluated against key investment principles. A set of financial and non-financial criteria shall be used to assess which schemes and projects are taken forward.

## Commercial Outcomes

The key outcomes that are directly linked to commercial activity can be summarised as:

- Commercial operating is increasing across the Council
- The efficiency of the Council has been improved
- Generating additional and sustainable income streams for the Council
- Reducing the net budget of a service by reducing controllable costs of a service whilst still achieving service outcomes.
- Having staff with a commercial 'mind-set' across the organisation through developing and upskilling our staff to be more enterprising and innovative.

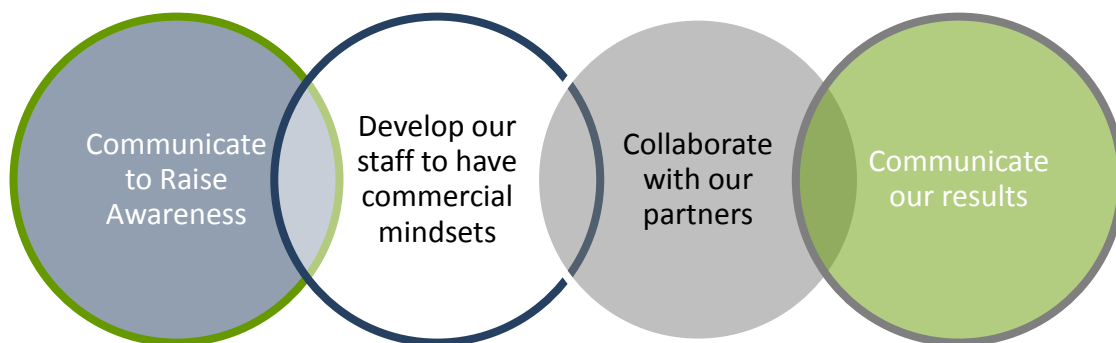
We are working through the details of our commercial outcomes and, once completed and risk-assessed, we will build these into our future Financial and Treasury Strategies. In the meantime the following aspirational targets have been proposed and will be further refined during the 2021/22 budget setting process which will incorporate the Medium Term Financial Plan:

- To deliver a minimum of £0.500m of new revenue income by 31<sup>st</sup> March 2023.
- To reduce back office costs by 5% by 31<sup>st</sup> March 2024.
- To develop and deliver commercial skills development to Council staff commencing in 2021 which will support this ambitious cultural change.
- To make significant efficiencies in the way we manage our buildings and reduce cost or increase output by over 5% by 31<sup>st</sup> March 2024.
- To deliver £1m of capital receipts by 2023.

The primary target is generating additional revenue income and the other targets above must complement and not be at the expense of this key objective.

It will be the responsibility of the Chief Financial Officer to report to Strategy & Resources and Full Council, progress against the timescales, outputs and commercial activities that are set out in the Medium Term Financial Plan.

# NEXT STEPS



## Appendix 1 Commercial Assets

Staff	Using and developing the knowledge and skills of our workforce to create the culture of trust, empowerment and involvement in commercial activities.
Land and buildings	Ensuring our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the District to generate capital receipts and reduce costs. Through master-planning of key strategic sites, using our land and buildings to promote and deliver housing and economic growth.
Liquid assets	Access to cash, cheap borrowing and liquid assets to enable investment.
Infrastructure	Using and developing our digital and ICT platforms, public open spaces, car parks, street furniture and other infrastructure for commercial gain.
Partnerships	Using and selecting the most appropriate private, public and third sector partner to deliver the schemes and projects that derive the maximum level of income for the Council and value for customers, residents and communities.
Place shaping role	Using our strategic planning and economic development roles to shape and create the market for growth and enterprise.
Business intelligence	We will use our vast amount of business and service data more intelligently to create new commercial opportunities and better service delivery models which will generate new income for the Council.
Customer intelligence	Using the various channels that the Council has to communicate with the public and use the customer information and contacts we have to help design and develop new commercial opportunities.
Market strength	Use our economic, infrastructure and asset strength to influence how the supply chain and infrastructure providers operate and partner with the Council to derive commercial benefits and new income streams.
Brand and web presence	Using the high value of our web presence, search engine optimisation and brand value to promote our trading and commercial activities and those which we can partner with others to receive a financial return. North Devon already has a strong brand image, we need to refresh this and make it relevant to a changing market, building on our strengths, and making sure we deliver beyond expectations.
Democracy	An ethos to develop commercially for the wider public good.