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# FINANCE & RESOURCES

## Overview and Scrutiny Committee

<b>Report for:</b>	Finance and Resources Overview and Scrutiny Committee
<b>Title of report:</b>	Commercial Strategy
<b>Date:</b>	6 September 2022
<b>Report on behalf of:</b>	Councillor Andrew Williams, Leader and Portfolio Holder for Commercial Strategy & Delivery
<b>Part:</b>	I
<b>If Part II, reason:</b>	
<b>Appendices:</b>	None
<b>Background papers:</b>	Finance and Resources Overview and Scrutiny Committee, 5th July 2022, Commercial Strategy Update. Cabinet, 15th March 2022, Commercial Strategy Update.
<b>Glossary of acronyms and any other abbreviations used in this report:</b>	

### Report Author / Responsible Officer

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<b>Corporate Priorities</b>	A clean, safe and enjoyable environment Building strong and vibrant communities Ensuring economic growth and prosperity Ensuring efficient, effective and modern service delivery Climate and Ecological Emergency – working to deliver net zero carbon
<b>Wards affected</b>	All
<b>Purpose of the report:</b>	To share the Commercial Strategy with Committee
<b>Recommendation (s) to the decision maker (s):</b>	1. To acknowledge and note the content of the Commercial Strategy, with particular focus on the Commercial Objectives and Principles
<b>Period for post policy/project review &amp; Implementation:</b>	Full Business Cases for identified opportunities will be presented for approval over the coming months. Regular performance reports will be presented, once approval has been given to commence implementation of opportunities.

## 1 Introduction/Background

The Council's Corporate Plan sets out an ambitious agenda. We want to help our communities to become stronger and more vibrant and we want to continue to deliver excellent services to our residents. At the same time our funding remains under pressure. This will require the Council to develop new approaches, finding new ways to manage and improve services and their cost effectiveness, whilst also identifying ways of generating additional financial income.

As detailed in a series of updates to Scrutiny and Cabinet meetings, Officers have been working on a Commercial Strategy – and associated delivery programme – over recent months and this is now being shared with this Committee. The Strategy is intended as an outward facing document, which sets out the reasons for the Council to adopt a more formalised set of commercial behaviours and what this means for Members, Officers and Residents.

## 2 Key Issues

The Commercial Strategy sets out the need for a more innovative, commercially focused Council if Dacorum is to continue delivering and investing in valued services within the context of continued reductions in central government funding. It documents the need for different approaches to leverage maximum value from the Council's assets and resources to create a financially sustainable organisation.

The Commercial Strategy has adopted a broad definition of 'commercial' and assessing, testing and developing various ways in which the Council might be able to use its assets and capabilities more effectively to both reduce costs and develop viable revenue streams. The opportunities identified in the Commercial Strategy span 5 thematic areas:

- **Service Models:** Enhancing the design of services to maximise quality, minimise cost and create longer-term flexibility.
- **Traded Services:** Offering existing Council Services to fee-paying clients, either individuals, businesses or other councils/public sector organisations.
- **Procurement:** Driving greater value from our use of external suppliers, both financial and social.
- **Contract Management:** Ensuring our suppliers deliver all their commitments to our residents.
- **Assets & Investments:** Financial opportunities from carefully appraised, strategic investments.

The Strategy has four primary objectives:

- Enhancing our ability to provide social, economic and environmental outcomes that can help to deliver against all six of our priorities.
- Developing new incomes streams to support services and help balance the budget.
- Creating a culture where staff think and act differently to deliver new ways of service delivery to serve our residents and businesses.
- Increasing the robustness of the organisation through the creation of a diverse commercial portfolio to ensure long term organisational sustainability.

## 2.1. Key Considerations

The Commercial Strategy identifies the following 7 principles, which will underpin commercial activity and behaviours in Dacorum:

1. *We will continually identify and develop opportunities to commercialise existing and new services.*

A commercial lens and behaviours will need to be a continual part of how the Council operates, which continues beyond the current set of opportunities and business cases.

2. *Our partnerships (private and public) will be efficient and deliver best value.*

Whilst working collaboratively with partners to secure outcomes for our residents, these partnerships will need to work commercially for Dacorum as much as they do for our partners.

3. *We will have a strategic commissioning and procurement approach that derives the maximum value from every pound spent.*

Existing service models and contracts will not be assumed to be the right approach for the future, and will be fully evaluated before new commitments are made.

4. *We will adopt the most effective delivery models to deliver best value services.*

We will be honest and focused in evaluating our service delivery models, putting effectiveness and efficiency above comfort with existing arrangements.

5. *When we need to charge for our services, we will price commercially, ensuring that this covers the cost of the service unless we have made a conscious and evidenced decision to subsidise.*

Fees and charges will (as a minimum) reflect the full cost to the Council of providing a service – not just the direct operating costs – and exceptions to this will only be where there are strong drivers which enable other priority outcomes to be secured.

6. *We will be commercially astute – we will understand the market for our services, and know how to make it work for us.*

Services will understand the context in which their services operate and how best to maximise value for residents.

7. *We will all understand and recognise where we have a role to play in maximising the impact of the Council's assets for the benefit of residents and communities.*

These commercial principles will need to be owned and deployed by Members and Officers in their decision making.

## 2.2. Governance

As set out in the Commercial Strategy, the Commercial Board – chaired by the Chief Executive – will act as the main Officer Governance forum responsible for overseeing the implementation of the Commercial Strategy and the associated work plan. Regular updates will be provided to Finance and Resources Overview and Scrutiny Committee. Any investment requirements will follow normal approval processes, through Cabinet and Full Council.

## 2.3. Timelines

The Commercial Strategy sets out an initial set of commercial opportunities, which are currently having Full Business Cases prepared. It is planned for the FBCs to have finished being developed in two stages (as indicated below) and for Commercial Board to review these during October and November, detailed timings and Implementation Plans are currently being developed as part of the FBC's.

Full Council approval of any investment required will follow, depending on the final requirements identified in the Full Business Cases.

Project	Lead Officer	Project Sponsor(s)	Directorate	Additional Comments
<b>Phase 1 – FBC development by 30 September</b>				
Smart Parking	Ben Hosier	Robin Barton	Corporate & Commercial Services	
Light Industrial Units	David Barrett Richard Rice	Robin Barton James Doe	Place	
Commercial Waste	Richard LeBrun	Jody Nason	Resident Services	Project pending the Waste Transformation Programme being fully mobilised
CCTV	Karen Proudfoot	Richard LeBrun	Resident Services	
Fees and Charges	Fiona Jump	Nigel Howcutt	Corporate & Commercial Services	
Environmental Shared Service	Emma Walker	Richard LeBrun	Resident Services	
Property Services	Mark Pinnell Richard Rice	Jody Nason James Doe	Resident Services Place	
<b>Phase 2 – FBC development by 31 October</b>				
Fleet EV	Craig Thorpe	Richard LeBrun	Resident Services	Project pending the Waste Transformation Programme being fully mobilised
Developer Account	Alex Robinson	James Doe	Place	
Planning Enforcement Shared Service	Alex Robinson	James Doe	Place	
Legal Shared Service	Mark Brookes	Robin Barton	Corporate & Commercial Services	
Homes & Contents Insurance Service	Fiona Jump	Nigel Howcutt	Corporate & Commercial Services	

### 3 Consultation

The Commercial Strategy has been drafted around clear themes, objectives and principles in support of the Council's Medium Term Financial Strategy, which has included input and updates with Officers and Members.

### 4 Risk implications:

The pursuit of further income generating opportunities will create additional risks for the Council's strategic risk profile. Similarly, new service models and new procurement approaches will also carry additional risks. The Commercial Board will play a key role in maintaining oversight of this risk profile. Members will also have a critical role to play in this, through reporting to the Finance and Resources Overview and Scrutiny Committee. Regular reports and updates will also be provided to the Audit Committee. Individual commercial opportunities are likely to be reviewed by Internal Audit at appropriate stages in their lifecycle. Members will be aware that Commercial Awareness Training was made available to all Members earlier in the year (delivered by Trowers and Hamlin) and further opportunities to support Members in their governance of these risks will be kept under regular review.

There is no doubt that commercial development by a number of local authorities has created significant risks, in particular by creating unsustainable borrowing levels. The current set of commercial opportunities has been deliberately selected to provide a balanced portfolio with limited requirements for financial borrowing.

## **5 Equalities, Community Impact and Human Rights**

There are no specific implications arising from the Commercial Strategy itself. Any implications arising from individual commercial opportunities will be identified as part of the Business Case and associated approval process.

## **6 Sustainability implications (including climate change, health and wellbeing, community safety)**

There are no specific implications arising from the Commercial Strategy itself. Any implications arising from individual commercial opportunities will be identified as part of the Business Case and associated approval process.

## **7 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)**

The implementation of individual commercial opportunities will make demands of the Council's infrastructure. This will be assessed within the Management Case of each Business Case and form part of the associated approval process.

## **8 Conclusions:**

To support the Council's ambitions and in response to the financial pressures identified in the Medium Term Financial Strategy, the Council must look at existing and new funding streams to enable the Council to have greater financial sustainability in the delivery of the Corporate Plan.

The Council has considered the wider public and private sectors to develop new approaches, find new ways to manage and improve services and their cost effectiveness, whilst also identifying ways of generating additional financial income.

This Commercial Strategy produces a framework which clearly sets out the reasons for the Council to adopt a more formalised set of commercial behaviours and what this means for Members, Officers and Residents