

# Dacorum Borough Council

## Commercial Strategy

### 1.0 INTRODUCTION

Our Corporate Plan sets out an ambitious agenda for Dacorum. We want to help our communities to become stronger and more vibrant and we want to continue to deliver excellent services to our residents. We are focussing on our place-shaping role to create high quality neighbourhoods, facilities, town centres and jobs. We aspire to create new and better homes for our residents and we need to respond to the climate and ecological emergency. At the same time, our funding remains under pressure. The Revenue Support Grant from central government continues to fall and, as a result, both our Corporate Plan and Medium Term Financial Strategy recognise the need for the Council to be a more commercial organisation. This means that we need to improve service delivery and organisational efficiency and find ways to generate more income as a critical component of our financial strategy. Successful delivery of the Commercial Strategy should enable members and officers to make positive choices about what they want to invest in, and where, rather than being forced to make decisions about how, and where, to reduce expenditure.

Therefore, in order to deliver the priorities of the Corporate Plan, the Council needs a new, more agile, innovative, and commercially aware operating model to ensure that, in an environment of continued reductions in central funding, our limited resources are used to leverage maximum value and create a financially sustainable organisation that meets the changing needs and expectations of residents.

Our vision for Dacorum Borough includes an aspiration that we will be a commercially minded council. This is explained as *“a Council which adopts a commercial mind-set across the organisation. We expect staff to think innovatively and deliver services differently. We will use commercial principles to maximise the impact of our assets (whether physical or intangible) to benefit our communities and deliver financial sustainability”*

In responding to this, the Council will follow the following commercial principles:

- We will continually identify and develop opportunities to commercialise existing and new services;
- Our partnerships (private and public) will be efficient and deliver best value;
- We will have a strategic commissioning and procurement approach that derives the maximum value from every pound spent;
- We will adopt the most effective delivery models to deliver best value services;
- When we need to charge for our services, we will price commercially, ensuring that this covers the full cost of the service unless we have made a conscious and evidenced decision to subsidise;
- We will be commercially astute – we will understand the market for our services, and know how to make it work for us;
- 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.

This Commercial Strategy explores:

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

The Council has historically focused on cost control, which led to a relatively strong financial position in relation to other councils. However, continued financial pressures mean that this approach alone will no longer meet our financial objectives. The Council needs to innovate and develop an ambitious commercial and entrepreneurial approach to build on the past and develop a sustainable council that enables the communities of Dacorum to thrive and prosper. This commercial strategy outlines how we will achieve this.

## **2.0 NATIONAL DRIVERS**

### **2.1 Local Authority Funding Gap**

Over the last few years, grants from Central Government have decreased by around 40%.

The Revenue Support Grant was historically reducing year on year as part of the last multiyear financial settlement (2016-2019) and achieved zero for 18/19. Current MTFS assumptions are that the Council will have to pay a negative Revenue Support Grant from 2023/24 onwards.

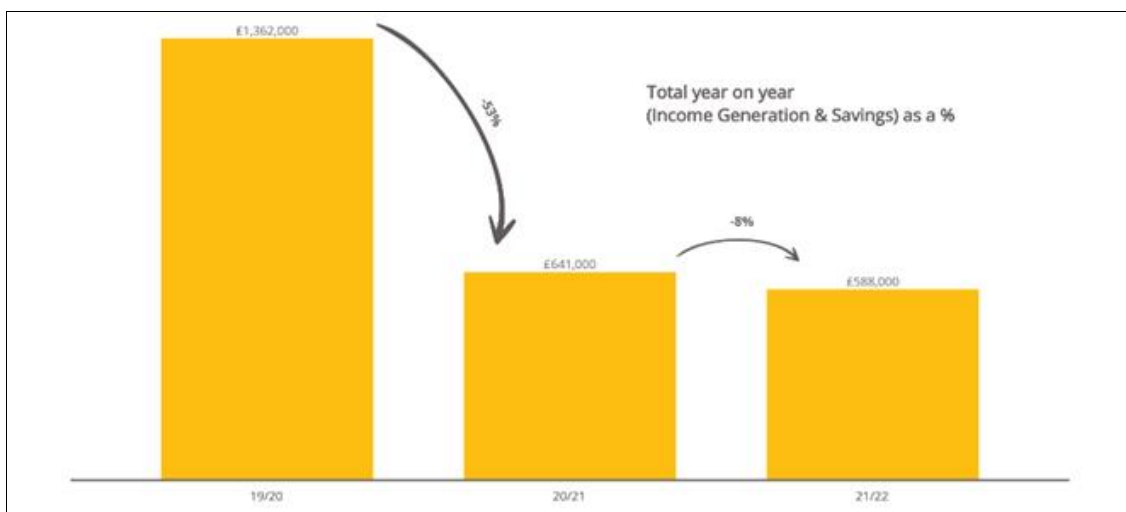
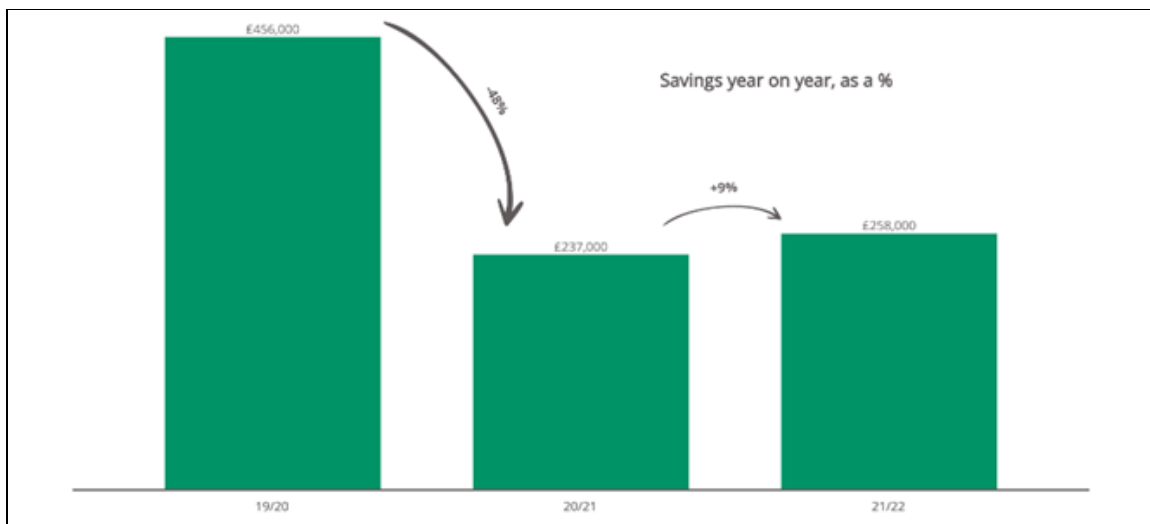
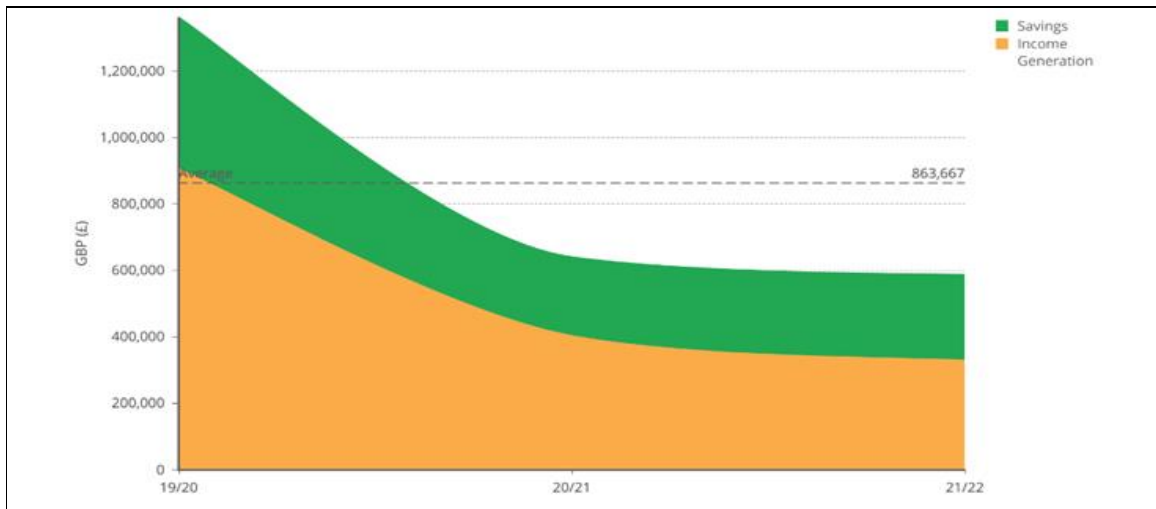
The 22/23 Local Government Finance Settlement provided a potential increase in councils' core spending power in cash terms. However, to realise this, the government assumption is that councils will raise council tax by the maximum amount permitted without requiring a referendum. The New Homes Bonus also makes up a considerable part of funding for councils like Dacorum. This is the fourth on-year settlement in a row, which, without a multi-year settlement, makes it difficult to make long-term financial plans.

This is not the only funding stream that is likely to change. Baseline funding (Business rates funding) is likely to be changed significantly in 22/23 and there is uncertainty as to how this will be developed as part of the levelling up agenda.

The Council has already responded to this national picture by making savings and generating new forms of income as well as new practices and delivery models, in order to bridge the gap between the increasing demand for services and falling, or static, government grants. Examples include increasing rental income from the use of Council buildings by third parties and broadening the scope of Council fees and charges.

The funding reforms being brought about by government, and the challenges highlighted above, demonstrate the need and potential for the Council to move towards self-financing. Achieving self-financing will strengthen the Council's ability to make longer-term plans and make future investment decisions.

The charts below shows the savings made, and income generated, for the General Fund and HRA over the last three financial years:



Dacorum has historically focused on careful management of financial resources and on reducing its spend. However, continued financial pressure from the external environment in which local authorities operate, combined with increasing demand for services and more complex and challenging community issues, means this approach will no longer lead to long term sustainability.

As the Council moves forward following the pandemic, we need to adopt a new strategic approach, which will enhance our ability to respond to future challenges and invest in developing our communities.

## **2.2 National Audit Office**

The arena for the commercial development of local authorities is changing due to government policy and perceived unsustainable borrowing and risk levels for commercial ventures by some local authorities. Whilst this does not apply to the Council and our current commercial activities, it still sets the national picture and could create changes in the way local authorities can make commercial investments in the future.

These national drivers provide the big picture context to which our commercial approach must respond.

## **3.0 WHAT 'COMMERCIAL' MEANS TO US**

In response to the issues set out, commercial approaches are being adopted by many local authorities.

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, at Dacorum, mean by being commercial.

Working commercially is about using our assets and capabilities in the most efficient and effective way to create a net benefit to the Council's finances. It is about identifying and implementing opportunities, which expand the ways the Council, can secure income.

Being commercial is also about being creative and exploring new ideas and activities, which will increase income to the Council. It means that we will need to work in different ways and Council employees will need to develop new skills and behaviours to help make the delivery of the Strategy a success.

Every commercial opportunity will be robustly assessed before it is put forward for formal approval and the Council will develop a range of commercial projects within the programme to balance risks.

There will always be a clear link between any commercial endeavour and the Council delivering better services for residents.

Commercialisation is NOT just about making money. It is as much about avoiding costs, through early intervention and prevention, as it is about developing new projects.

This strategy impacts on all services across the Council. 'Being commercial' is a mind-set that must underpin the way we all do our jobs.

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

- Preventing costs arising in the first place
- 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 internal processes to be most efficient and effective
- Reviewing service delivery models (e.g. outsourced, shared service, company) to be most efficient and effective
- Effectively procuring and managing our contracts
- Identifying new sources of income
- Commissioning the right outputs/outcomes
- Enhanced financial ownership by service managers
- Maximising existing sources of income
- Eliminating unnecessary demand and work
- Insight and Intelligence to make good choices

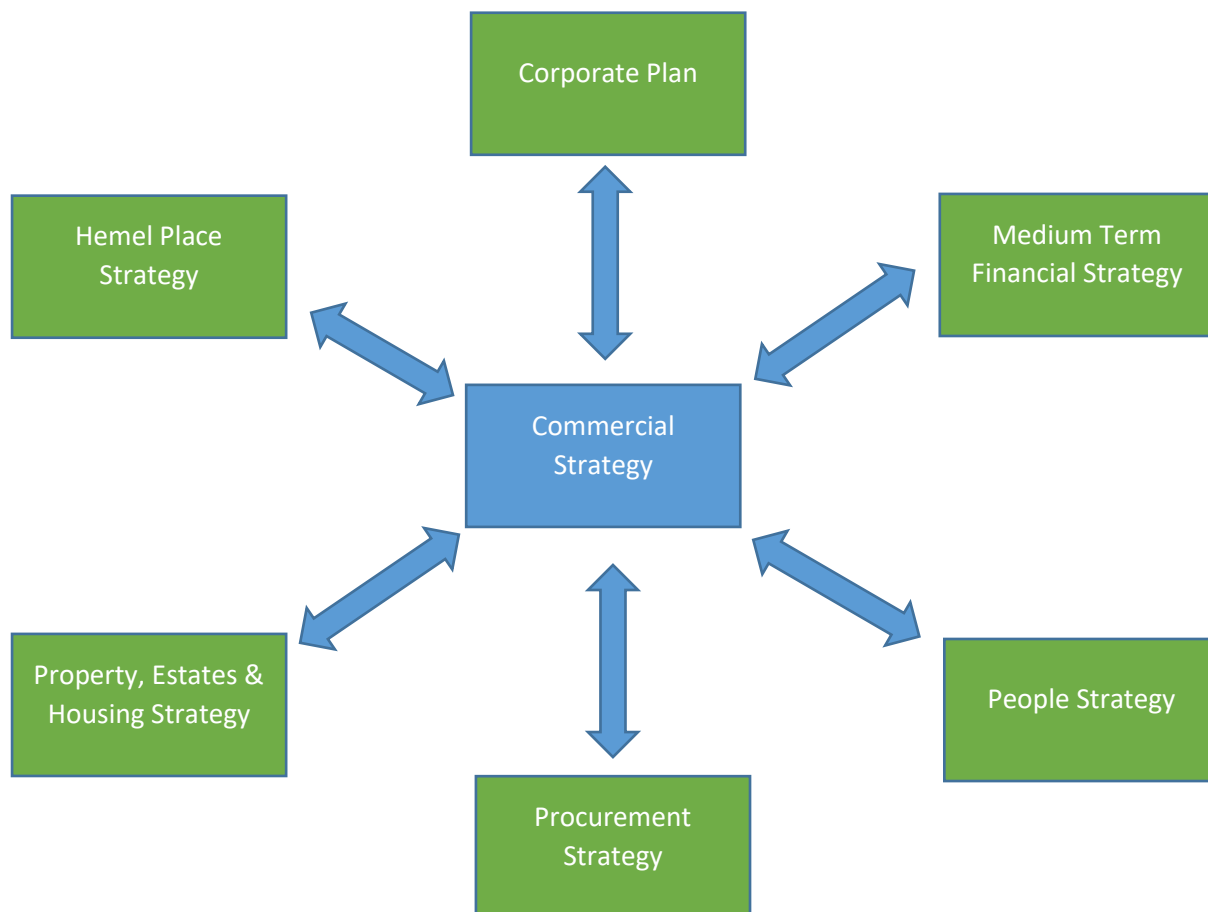
#### 4.0 BENEFITS

The successful delivery of the strategy will achieve multiple benefits including:

- Ensuring our resources are stewarded wisely to deliver outcomes for our residents and businesses.
- Enhancing our ability to provide social, economic and environmental outcomes that can help to deliver against all six of our priorities: A clean, safe and enjoyable environment, Building strong and vibrant communities, Ensuring economic growth and prosperity, Providing good quality affordable homes in particular for those most in need, Climate and ecological emergency and Ensuring efficient, effective and modern service delivery.
- Developing new incomes streams to support services and rebalance the budget
- Creating a culture where staff think and act differently to deliver new ways of service delivery to serve our residents and businesses
- Inspiring staff by embedding a forward thinking, opportunity focused mind-set that can drive wider culture shift
- Increasing the robustness of the organisation through the creation of a diverse commercial portfolio to ensure long term organisational sustainability

## 5.0 THIS STRATEGY

This strategy does not operate in isolation and is part of a hierarchy of strategies and plans that work together to ultimately deliver the Council Plan. This diagram shows the interdependencies between the main strategies that link to this commercial strategy:



## 6.0 OBJECTIVES

### PRIMARY OBJECTIVE

The primary objective is to use the Council's resources as effectively and efficiently as possible when delivering the Council Plan.

### SECONDARY OBJECTIVES

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

- Developing a **commercial culture**
- Putting **sound governance** in place – being clear about responsibilities, authorities, processes, templates and funding
- Ensuring there is appropriate **performance management** in place 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. This will help to safeguard, and develop, frontline services that the Council currently provides and enhance the Council's ability to invest in its place shaping agenda.

This commercial strategy sets the objective of improving the net financial position of the Council by £2.25 million by 2025 through the delivery of commercial projects and improved commercial working across the Council.

Funding and investment will be required for the successful 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 and customer-centric ways to deliver our services.

We will empower our staff to take business-like decisions, to 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 better business intelligence. The result of this is that the Council's ability to attract and retain top talent will be enhanced.

Through growing the commercial activity of the Council, we are looking to benefit the people of Dacorum, ensuring that wealth generated in Dacorum stays in Dacorum. In turn, this will help to attract businesses, professionals, entrepreneurs and investment 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.

## 7.0 CULTURE

Developing a commercial culture is an important part of this strategy. To achieve the ambitious objectives outlined in this strategy, all participants need to fulfil their roles. 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, along with being creative and innovative is the normal way of working at the Council.

An embedded commercial culture will enable all our services to reach their potential and it will unlock new and innovative ways of delivering services to residents and businesses in Dacorum. A commercial culture will encourage us to be creative and entrepreneurial, finding ways to add value to the way we serve residents. This will include behaviours such as challenging current approaches to look for improvements, seeking ways to maximise value for customers and the Council from contracts and looking for growth opportunities.

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 will be developed through our new approach to organisational development, which will be set out in the Council's People Strategy.

## 8.0 DEVELOPING THE PROGRAMME AND OUR PRIORITIES

The Commercial Programme has been developed collaboratively across the Council. It has worked closely across all service areas to review the Council's assets and capabilities to identify a range of potential opportunities. A portfolio of opportunities has then been selected for further development. This approach should ensure that the Council pursues a diverse range of opportunities - different in their potential scale, complexity and nature – to balance the risks of the overall programme.

In selecting the opportunities, consideration has been given to:

- The need to generate a net financial return to support the pressures identified in the MTFS.
- The creation of large-scale commercial projects that have the potential to create long-term income for the Council.
- Development of a commercial culture across service areas, so that thinking and acting in a commercial manner becomes central to the Council's thinking and decision-making.

The following table shows the highest commercial priorities to investigate within the commercial programme. Not all of these will necessarily lead to implementation, but all have been progressed to Full Business Case.

Priority Code	Priority Area	Description	Impact
D1	Commercial Waste	Developing the Commercial Waste income streams, building on the existing assumptions that form part of the Waste Transformation Programme	Increase the number of businesses using the council service and improve the level of income generated
Priority Code	Priority Area	Description	Impact
D2	Light Industrial	Develop underused garage sites into light industrial units	Increased revenue generation, servicing demand in the local area and supporting economic development
D3	Smart Parking	Utilising ANPR to increase car parking revenue from major council assets	Increase revenue substantially, provide a better parking experience and support retail in the borough
D4	CCTV	Providing CCTV to businesses in Dacorum and developing a lifeline monitoring centre	Financial impact through income generation and savings
D5	Fees and Charges	Increasing fees and charges that benchmarking has shown to be currently charged at low rates in Dacorum	Increase in income generated
D6	Environmental Enforcement Shared Service	Shared Service managed by the Council	Increased income generated and economies of scale realised.
D7	Property Services	Create a dedicated transactional property function that works across	Cost savings and increased resilience



		the HRA and the General Fund	
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This second table shows the group of second level priority commercial projects:

<b>Priority Code</b>	<b>Priority Area</b>	<b>Description</b>	<b>Impact</b>
D8	Fleet EV	Retrofitting the Council's fleet with electric motors	Financial saving and carbon reduction
D9	Developer Account Management	Increasing the size and scope of the existing service	Income generation
D10	Planning Shared Service	Shared service to create efficiencies and economies of scale	Increased income generated and economies of scale realised.
D11	Building and Contents Insurance	There is an opportunity to partner with an insurance firm to provide DBC Home and Contents Insurance to residents.	Financial impact through income generation and savings
D12	Legal Shared Service	Creating a shared legal service with other authorities	Cost reduction and resilience

The expectation is that the further opportunities will be identified and implemented as commercial behaviours become embedded across the Council, and learning from this first phase of projects is captured.

## 9.0 HOW WE WILL DELIVER THE STRATEGY

The effective delivery of the strategy is overseen by the Commercial Board. Delivery will be the responsibility of many service areas throughout the Council. This is an officer-led group comprising of senior managers from the main commercial initiatives of the Council and managers from support services. It is chaired by the Chief Executive.

The aim of the Board is to oversee commercial investment decisions and the operation of commercial activities in the Council to ensure commercial initiatives are developed and delivered in line with this commercial strategy.

The Terms of Reference for the Board are as follows:

The Commercial Board will provide senior officer level governance for the development of Dacorum's Commercial Strategy, delivery of the associated programme of work, and realisation of associated income. It will also play a key role in overseeing the organisational development required to support the Council's commercial focus, although specific initiatives and projects are likely to form part of the transformation programme and associated governance.

Whilst much of the Board's work will be focused on General Fund activities, it will have a remit across both the General Fund and Housing Revenue Account.

The Board will specifically have officer governance responsibility for:

- Strategic and business planning for new commercial activity, including development and review of the Commercial Strategy.
- Business planning and performance management for services and activities whose primary focus is the generation of revenue surpluses to support General Fund activities;
- Business planning and performance management for services, which are forecast to generate budget surpluses. Whilst this might include services with marginal trading activity, the main focus will be on services forecast to generate surpluses > £50k per annum.
- Review and approval of all commissioning and procurement activity, which involve the Council's capital assets and / or revenue expenditure > £75k<sup>1</sup>.
- Review and approval of commissioning and procurement activity for all digital investment.
- Performance management of any direct shareholdings in trading companies.
- Review of any proposed investments in capital assets, which are intended to generate ongoing revenue income.
- Approval and performance management of any activities, which are intended to realise one-off capital, returns to the Council > £75k.

### **Project Management**

All commercial opportunities will be subject to a robust development process. An Initial Business Case will be developed to test an opportunity at an early stage, and demonstrate that there is potential value in further work.

A Full Business Case will then provide a detailed assessment of the opportunity, including its strategic fit, commercial benefits, deliverability and risk profile. Full Business Cases will be subject to review and approval by:

- Commercial Board
- Finance & Resources Scrutiny Committee
- Cabinet
- Full Council (where required in line with the Council's Constitutional and Financial procedures)

The Council's Programme Management Office (PMO) will support management and delivery of the Full Business Cases and commercial opportunities.

### **Commercial Pipeline**

The Board will develop a Commercial Pipeline to actively measure the position and likely value of its current and future commercial priorities. This approach will enable the Board to adopt a flexible approach and focus resources where they are most needed; whether that is at the beginning of the pipeline - the identification of new large-scale commercial opportunities, or later down the pipeline on the implementation of projects and realisation of benefits.

### **Working Commercially**

The Board will also oversee and review the development of a commercial culture and improved commercial working across all services. This will be done by reviewing the outcomes the authority is achieving through improved contract management, procurement, efficient and effective service delivery and business-like decision-making.

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## 10.0 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 communication risks 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 the rationale for its introduction
- 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

## 11.0 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 a 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.

A number of key risks to the commercial programme are:

<b>Risk</b>	<b>Detail</b>	<b>Mitigation</b>
Capital investments don't deliver the forecast return	Some of the commercial priorities require investment to realise the opportunity.	A thorough approach to business planning with robust sensitivity analysis so no investments are made without a good level of confidence.
The organisational culture doesn't change to facilitate commercial thinking and action	Without a culture change it is unlikely services will realise the commercial opportunity that has been identified	A focus on skills development, commercial performance management and culture change to drive a new commercial culture.

<b>Risk</b>	<b>Detail</b>	<b>Mitigation</b>
Reputational damage to the council through commercial priorities that don't deliver	Failures that result in losses could impact on the reputation of the council	A thorough approach to business planning together with a balanced portfolio of commercial priorities.
Business as usual suffers as a result of commercial activity	Resources are stretched so doing more with existing resources could impact core business	Ensure that risk assessments are carried out on a case by case basis to take into consideration any impact on business as usual