

REPORT TO EXECUTIVE

Date of Meeting: 14 January 2020

REPORT TO COUNCIL

Date of Meeting: 21 January 2020

Report of: David Bartram - Director
Title: Commercial Strategy

Is this a Key Decision?

No

Is this an Executive or Council Function?

It is a council function to agree the strategy. The Executive is then responsible for implementing that strategy.

1. What is the report about?

1.1 To present a new Commercial Strategy to Council which details the process to determine the viability of commercial projects to progress with and our aims and aspirations around commercialisation.

2. Recommendations:

2.1 Executive to recommend to Council to:

- (i) adopt the Commercial Strategy
- (ii) that business cases are presented to the Strategic Management Board (SMB) to determine if a commercial project to continues

3. Reasons for the recommendation:

3.1 To ensure there is a process in developing commercial ideas and to bring these ideas to reality, and that there is an open and transparent process to continue with commercial ideas.

4. What are the resource implications including non financial resources.

4.1 A new Commercial Manager was appointed Spring 2019, this post is full time and funded for 2 years through the transformation budget. They have the responsibility of researching and developing commercial ideas. The Commercial Manager is there to assist service leads to develop commercial activity, some help and assistance will still be required from each service area to progress business cases and business plans.

4.2 When developing commercial ideas, advice must be sought from a number of service areas to ensure ideas viable and sit alongside the City Council's Corporate Plan and Exeter Vision:

- Legal
- Finance & Procurement
- Executive Support
- Audit
- Corporate Property

Some service areas will be more engaged than others.

4.3 The Growth & Commercialisation Manager oversees this area of work, so a percentage of their time works on commercial activity.

4.4 If a commercial project has authorisation from the Strategic Management Board to continue, some financial resources may be required. A business case and business plan would detail costs associated with that particular project to bring it to reality, both income and expenditure required to progress. Appendix D of the Commercial Strategy details what information must be included in each business case and plan.

4.5 If a commercial idea requires additional finance, and it cannot be sought from within the service area, a request will be made to Executive and Council for external funding.

5. Section 151 Officer comments:

5.1 Developing commercialisation will support the ongoing need to deliver savings across the Council's revenue budget. The Council will need to take a prudent approach to each project and therefore it is a positive move to introduce a Board to oversee the implementation of each potential project.

5.2 Whilst the Council is right to consider each opportunity on its merits, they must be strong enough to stop projects that will not deliver the expected returns quickly.

6. What are the legal aspects?

6.1 Please see monitoring officer comments below

7. Monitoring Officer's comments:

7.1 Any issues of concern will be raised at the meeting.

8. Background:

8.1 In the face of ongoing austerity there is less money and more demand on our services than ever before. The current medium term financial plan demonstrates a continuing gap between the resources available and the demand for those resources.

8.2 A small Commercial team of two has been established to identify potential new income streams and enhance existing ones. A new Commercial Manager (David Greensmith) was appointed Spring 2019, with a temporary contract for 2 years. The Growth & Enterprise Manager's (Victoria Hatfield) role was changed last financial year. The area of commercialisation was added to this post, subsequently the job title was amended to Growth & Commercialisation Manager.

8.3 It is the role and responsibility of the Commercial Team to:

- Provide assistance, support and advice to service areas to develop commercial activity
- Research commercial opportunities
- Develop Business Cases and Plans for the Strategic Management Board to review and authorise
- Work with service areas to implement Business Cases and Plans
- Retain, monitor and review the corporate commercial risk register
- Monitor commercial success and report to the Strategic Management Board

- Liaise with the Procurement Team/Lead to review corporate spend to identify commercial opportunities and ensure adherence with procurement legislation
- Assist in achieving cultural change
- Learn from other authorities and utilise this for continuous improvement
- Ensure that City Council staff involved in commercial activity have the appropriate level of skills to proceed with commercial activity

9. Strategic Management Board

- 9.1 To ensure consistency and transparency, it is recommended commercial business cases and plans are reviewed and authorised by the Strategic Management Board. The business case and plan will be presented by the Director responsible for commercial activity to the Strategic Management Board.
- 9.2 Implementation of commercial activity will not start until the business case and plan has been reviewed and approved by the Strategic Management Board.
- 9.3 If additional budget is required to deliver commercial activity, there will be the requirement to report to Executive and Council for a request for additional budget.

10. Commercial Strategy

- 10.1 A new commercial strategy has been developed over the summer of 2019, a full copy of the strategy and supporting material is included within Appendix 1. The strategy has been researched and written by an external consultant, with some amendments due to some commercial opportunities presenting themselves earlier than anticipated. The Commercial Strategy provides direction and a purpose of commercial activity for the City Council.
- 10.2 The Commercial Team has the responsibility to bring forward a wide range of ideas, to increase the amount of new and external income to the City Council. Income between service areas will not be pursued. A number of business cases have already been developed on some service areas, to understand the potential for the City Council. These were produced by the external consultant prior to the commercial team being established and will be progressed if they are deemed to be commercially viable, these can be viewed in Appendix B of the Commercial Strategy.
- 10.3 The scope of the City Council's commercial activity is shown within Appendix 2. There are a wide variety of City Council services which have varying degrees of potential for commercialisation. Some services have already embarked on commercial activity such as Trade Waste, the Corporate Property Team has operated commercially for many years. It will not include the development of student accommodation on land or property owned by the City Council.
- 10.4 Income generation and cost recovery is defined as achieving income that either partially or fully recovers the costs of providing a service but does not generate a surplus. Income generation and cost recovery will be a key part of the City Council's aim to be financially sustainable alongside this strategy and will be the focus of phase 1 activity.
- 10.5 Once Phase 1 has been delivered (in achieving enough income for full cost recovery), Phase 2 will be activated. Phase 2 will focus on delivering a surplus from commercial activity, a suitable delivery model will then be investigated with Legal Services to ensure the City Council's activities remain legal and compliant.

10.6 One the Commercial Strategy has been approved by Council, it will be professionally designed by the Marketing & Communications team within the City Council.

11. How does the decision contribute to the Council's Corporate Plan?

11.1 The Commercial Strategy fits neatly with the City Council's Corporate Plan 2018 - 2020. The Commercial Strategy focuses on the main theme of:

Provide value-for-money services despite continuing central government budget reductions

- We will continue to improve the way we deliver services to meet residents' day-to-day needs recognising that financial constraints are placing a premium on efficient and customer-focused services.

11.2 To meet ongoing reductions in central government funding, the Corporate Plan details areas of work the City Council will focus on during 2018 – 2020:

- a. Expand our commercial activity and generate more income
- b. Improve the management of our built assets, improving value for money, income potential and maximising longevity
- c. Procure goods and services as efficiently and effectively as possible
- d. Modernise our policy and processes for allocating grants
- e. Make it as easy as possible for more people to help themselves by providing high quality information and advice through digital and self-help services
- f. Provide accessible, high quality, customer-focused, efficient and effective one-stop shop services for people who need our help and advice
- g. Support our staff to shift to agile, mobile and remote working, ensuring we make the best use of the skills and experience of all our staff

11.3 The Commercial Team will primarily focus on activity a (above), with some support given in activity b.

11.4 Appendix A of the Commercial Strategy list how commercial activity fits fully with the Corporate Plan, Exeter Vision and Liveable Exeter.

12. What risks are there and how can they be reduced?

12.1 Commercial activity will be reviewed and monitored on a monthly basis by the Commercial Team, in association with services leads. A full review will be provided to the Strategic Management Board every 6 months.

12.2 As part of the process in researching and developing commercial ideas, the Commercial Team will consult with services leads as listed with 4.2.

12.3 To determine if a commercial idea should be progressed, in consultation with internal Audit, an Evaluation Criteria has been developed.

12.4 The first stage (prior to business case) when developing commercial ideas will be completing the Evaluation Criteria below. Each area of activity will be assessed via the following:

Evaluation Criteria		
Number	Area of Activity	Score
1	Meets ECC Corporate Plan	Y / N
2	Meets Exeter Vision	Y / N
3	Meets our residents needs	Y / N
4	Meets our business needs	Y / N
5	Project meets carbon neutral targets	Y / N
6	Borrowing costs are covered each month	Y / N
7	Provides a surplus each month	Y / N
8	Overall Risk	H / M / L
9	Resources available (spare capacity)	H / M / L
10	Demand established	H / M / L

12.5 To determine if a project proceeds to business case and plan, and subsequently presented to the Strategic Management Board, the project should show positive results in the above areas of activity. If a commercial idea cannot meet all of the above, it is either withdrawn or significant adjustments are made.

12.7 Once a commercial idea passes the evaluation matrix, a business case and plan with full costings is developed and presented to the Strategic Management Board to review and authorise to continue.

13. Equality Act 2010 (The Act)

13.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

13.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

13.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

13.4 In recommending this proposal no immediate potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only.

13.5 A copy of the EQIA for the Commercial Strategy is within Appendix 3.

14. Are there any other options?

14.1 There is the option of not developing commercial ideas into deliverable projects. This could result in lost income to the City Council and some services having to be scaled back or even being cut from the ones we deliver to our residents and business community.

14.2 It is recommended to continue with commercial activity. This will be reviewed in the run up to the funding coming to an end for the Commercial Manager post.

Dave Bartram
Director

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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