

PLYMOUTH CITY COUNCIL

Subject:	Strategic Business Case – Commercialisation Initiatives
Committee:	Cabinet
Date:	2 September 2014
Cabinet Member:	Councillor Lowry
CMT Member:	Anthony Payne (Strategic Director for Place)
Author:	Lee Pundsack, Project Manager, Transformation
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Key Decision:	Yes
Part:	I

Purpose of the report:

This report presents a 'strategic business case' for progressing the Commercialisation project across the Council as part of its GAME transformation programme.

This report presents the proposed scope of what will be considered for 'commercialisation' and the key principles for capturing the resultant financial benefits. It does not provide a specific breakdown at this stage of exactly how and where the net commercialisation additional income target of £3.744m in 2016/17 will be achieved as this will be developed from the detailed work which will follow across a diverse range of activities as part of the project. However, it does show some initial areas where a more commercial approach is reaping dividends.

The project proposes to enable the Council to operate more commercially by:

- Developing a commercial strategy with principles, guidelines, controls and protocols including how benefits are to be captured and used
- Increasing the commercial capability of the Council
- Increasing commercial awareness throughout the Council thereby increasing opportunities
- Instilling commercial principles in management
- Considering and deciding the optimum method of delivery eg an alternative service delivery vehicle (ASDV) and/or delivery within service area
- Ensuring services are able to compete commercially by considering and understanding the market and costs
- Identifying commercial opportunities through the use of consultants and staff
- Implementing the commercial opportunities at a strategic, tactical or operational level

This project aims to increase financial benefit by £3.744m in year 2016/17, and £6.666m in total over the three year period.

This Project aims to deliver a capability within the Council that will:

- Deliver a new Commercial capability that aims to deliver an uplift of net income/benefits of £3.744 million in 2016/17 across all current or future commercial activities.
- Improve commercial decision making and entrepreneurship through a commercial strategy that will assist changing the culture and processes across the Council and partners to ensure that all current and future commercial projects generate a financial return or a social return.
- Allow officers and councillors to identify and develop business opportunities
- Give a coordinated view and better control to commercial activities across the Council to ensure every commercial opportunity adds value to the Council's vision, values and objectives.
- Gives us a strategic understanding of the current and the desired future shape of commercial, category and sales management structures within the Council.
- Allow better negotiation of deals and contract renegotiations to mitigate commercial risk, and provide more profitable outcomes.
- Identify a range of partners and potential commercial advantages they can bring in provision of services.
- Give the ability to identify commercial opportunities through the better utilisation of assets.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

The following has been summarised from the strategic business case, demonstrating the alignment of the project with the Corporate Plan.

Democratic

Wherever possible, elements of this project will be 'co-designed', engaging with stakeholders and allowing them meaningful opportunities to influence the project. Alongside this we will embrace the democratic processes, maintaining a high level of contact with councillors.

Responsible

With the Council facing a £64 million funding gap over the next three years, we will have to be more innovative with our available resources. The commercialisation project will play a major part in bridging this funding gap, by identifying and implementing appropriate commercial opportunities from within our services and from utilisation of assets, and from new commercial opportunities. We will ensure we are responsible in our commercial endeavours by assessing the impact any change is like to have on stakeholders.

Fair

We will be honest and open in our plans for commercial activity and will provide opportunity for proposals to be commented on by those customers who are most likely to be impacted by the changes. We will explore opportunities for Plymouth students with relevant skills to be involved in developing our commercial activities and thereby gaining employability skills and practical work experience. We will be fair by ensuring our commercial activities follow the fairer fees and charges policy.

Partners

We propose to actively engage with partners where appropriate. This will improve the outcomes that we achieve and enable us to implement change more effectively by sharing resources and expertise. We will provide more efficient services to our customers and offer a wider portfolio for them to explore. When exploring ASDVs we will work together with the wider community looking to seek outsourcing or co-production opportunities to develop different ways of working where appropriate.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:

This project aims to realise a financial benefit of £3.744m in year three, and £6.666m over the three year period.

	2014/15	2015/16	2016/17
	£m	£m	£m
Annual net additional financial target	0.700	1.522	1.522
<i>Cumulative Financial Target (in year requirement)</i>	<i>0.700</i>	<i>2.222</i>	<i>3.744</i>

To progress this project it will require an initial investment in additional specialist staff of £180k - £200k and will be requested to be funded initially from the transformation budget prior to these costs subsequently being funded from the commercialisation income generated.

These costs are outlined in more detail at section 7 of the Business Case

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

This project will improve the commercial capability and capacity of the Council

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? Yes – as attached as Appendix item 9.4

Recommendations and Reasons for recommended action:

It is recommended that:

- I. That the Strategic Business Case – Commercialisation with the Option 3 Coordinated Commercialisation project as the preferred option be approved and taken forward for implementation.

2. That approval of the Council's Commercial Strategy is delegated by Cabinet to the Strategic Director for Place as the Senior Responsible Officer of the GAME Board, in consultation with the Cabinet Member of Finance.
3. That the initial Workstreams and areas for commercialisation investigation be as set out in Commercialisation Workstream Summary at Appendix 9.3 of the Strategic Business Case.
4. The Project will aim to develop further work streams throughout the period of transformation in order to bridge the budget deficit.
5. That the key principles for capturing financial benefits from commercialisation and the scope of their coverage be as set out in the Financial Commercialisation Paper at Appendix 9.1 of the Strategic Business Case – these being in summary that:
 - Commercialisation covers both expenditure (eg contract renewals and demand management) and income (eg increased net surplus/profit from existing or new income streams) and may arise as a result of Council working alone or with partners.
 - Areas of activity include advertising, sales of goods and services, sponsorship and rentals (from existing assets or capital acquisitions)
 - Commercialisation would exclude contributions, grants, donations, ring-fenced income, social care income from service users
 - Unplanned and unforeseen 'windfalls' or 'one offs' relating to increased income or cost reductions, irrespective of whether they come about from commercial activity or business as usual must be declared in the monitoring for Corporate Management Team (CMT) to discuss
 - CMT and Transformational Programme Board (TPB) will agree and own these corporate commercial principles
 - Commercialisation may include cost reductions or increased income in commercial activities or a combination of both in order to improve net position.
 - Net commercialisation gains, over and above existing approved budgets and agreed budget actions will be captured, this will include new activities and expansion of and charging for existing activities
 - Commercialisation may occur as an ongoing benefit or a one off event
 - Any existing and agreed budget action plans to reduce cost or increase net income contained in current budget delivery plans will not be captured
 - Commercialisation will apply to revenue, capital and external accounts where applicable
 - Any exceptions to the capturing commercialisation benefits within GAME Municipal Enterprise must be agreed by CMT with a clear rationale

Reasons:

By taking commercialisation forward as a project within transformation, it provides the best opportunity to provide a cohesive, coordinated and comprehensive approach to deliver the opportunities identified to date whilst ensuring that the approach fits with the operational blueprint.

Due the diversity of the work areas and opportunities that are encompassed by the Commercialisation project, the associated actions, Workstreams and principles are needed to support and direct the Commercialisation project to ensure that the required benefits can be captured and delivered in a timely fashion. The project recognises that the Council's Fees, Charges and Concessions policy is applicable but primarily directed at domestic customers rather than commercial. All other decisions about new or revised commercial opportunities will be taken in accordance with the Leader's Scheme of Delegation for Executive Functions.

Alternative options considered and rejected:**Option 1** – Do nothing continue as we are

This option has been rejected as it will not help address the future funding gap and the Council would not maximise or deliver its commercial opportunities

Option 2 - Services commercialise themselves

This option has been rejected as there would not be a co-ordinated approach to commercialisation, therefore opportunities would be missed, especially the opportunities to cross sell services. The commercial development of staff would be less effective and services may not have the resource or expertise to implement commercial opportunities

Option 3 – The implementation of a Coordinated Commercialisation project (preferred option)

This option has been proposed as the preferred option as it provides a holistic approach centred around a commercial strategy, whilst putting in place the required building blocks to sustain commerciality within the Council

Published work / information:

None

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Edge Public Solutions – Review of Street Services April 2014	Yes								
GAME Outline Business Case – 24/3/14 v1.3	Yes								

Sign off:

Fin	Corps F FC141 5001- SA- 07/08/ 14	Leg	2088 9/ALT	Mon Off	DVS/ 2093 2	HR		Assets		IT		Strat Proc	
Originating SMT Member; Simon Dale													
Has the Cabinet Member(s) agreed the content of the report? Yes / No													



Strategic Business Case

Programme Name:	<i>Growth, Assets and Municipal Enterprise</i>		
Date:	31/7/14	Version:	V1.03
Projects:	Commercialisation		
Author:	Lee Pundsack		
Owner (SRO):	Anthony Payne		

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V0.01	16/07/2014	Lee Pundsack	First draft	
V0.02	22/07/2014	Lee Bond	Re draft	14-19
V0.03	24/07/2014	Lee Pundsack	Re draft	13-18, 23-24
V0.04	25/07/2014	Lee Pundsack/ Mark Turner	Inputs from project exec	13-18 Appendix
V0.05	25/07/2014	Lee Bond	Exec summary drafted , new timeline added	13 – 16, 28
V0.06	28/07/2014	Dalvinder Gill	Architectural influence	20-23, 25-27
V0.07	28/07/2014	Mark Turner	Proj exec comments	All
V0.08	29/07/2014	Dalvinder Gill	Additions to Architecture	23
V0.09	29/07/2014	Lee Pundsack	Response to comments from SRO	All
V0.10	31/07/2014	Lee Pundsack/ Mark Turner	Response to comments from SRO/DMT/Legal/Finance/Sue Thomas	All
V0.11	04/08/2014	Lee Bond	Response to Comments From Simon Dale	All
V0.12	06/08/2014	Alex Hurth	Response to Comments from CMT	All
V0.13	07/08/2014	Lee Bond	Response to Comments from Alwyn Thomas	4-6
V0.14	07/08/2014	Lee Bond	Response to Comments From Emily Hatcher	All
V0.15	07/08/2014	Lee Bond	Obtained Legal Sign Off	All
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V0.17	07/08/2014	Lee Bond	Obtained Monitoring Office Sign off	All
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V0.19	07/08/2014	Lee Bond	Finance sign off	All
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V0.21	08/08/2014	Lee Bond	Response to Portfolio Office comments	All
V0.22	08/08/2014	Lee Bond	Portfolio Office Sign off	All
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V1.02	20/08/2014	Lee Bond	Response to Project Exec Comments	All
V1.03	21/08/2014	Lee Pundsack	Response to Comms comments	56-58
V1.04	21/08/14	Lee Pundsack	Response to Democratic support	Contents page

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Location	File Address	Date

QUALITY REVIEWERS: (General QA and accuracy)

Name	Position	Signature	Date
Subject Matter Expert			
Portfolio Office			
Business Technical Architect			
Programme Accountant			

SIGN OFF:

Position	Name		Date
Senior Responsible Owner			
Portfolio Office			
Business and Technology Architecture			
Portfolio Accountant			

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Preface: Transformation background and overview

An introduction to Plymouth City Council’s Transformation Programme

Drivers for Transformation:

The Brilliant Co-operative Council with less resources

On its adoption of a new Corporate Plan in July 2013, the council set the bar still higher, to become a Brilliant Co-operative Council. This ‘Plan on a Page’ commits the Council to achieving stretching objectives with measurable outcomes, and also sets out a Co-operative vision for the Council, creating a value-driven framework for the way that it will operate as well as the outcomes that it is committed to achieve.

The Corporate Plan was developed using the principles of a Co-operative Council. It is a short and focused document, but does not compromise on its evidence base, and was co-developed with the Cabinet of the Council, before being presented in person by members of the Corporate Management Team to every member of staff throughout the council at a series of 74 roadshows. The positive results of this commitment to strong communications and engagement were evidenced by 81% of council staff responding to the workplace survey conducted in October 2013 agreeing that they understand and support the values and objectives set out in the Corporate Plan.

OUR PLAN THE BRILLIANT CO-OPERATIVE COUNCIL



CITY VISION
Britain’s Ocean City

One of Europe’s most vibrant, waterfront cities where an outstanding quality of life is enjoyed by everyone.

CO-OPERATIVE VALUES
One team serving our city

OUR OBJECTIVES Creating a fairer Plymouth where everyone does their bit

PIONEERING PLYMOUTH	GROWING PLYMOUTH	CARING PLYMOUTH	CONFIDENT PLYMOUTH
We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources.	We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes.	We will promote a fairer, more equal city by investing in communities, putting citizens at the heart of decision-making, promoting independence and reducing health and social inequality.	We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally.

WE ARE DEMOCRATIC

Plymouth is a place where people can have a say about what is important to them and where they can change what happens in their area.

WE ARE RESPONSIBLE

We take responsibility for our actions, care about their impact on others and expect others will do the same.

WE ARE FAIR

We will be honest and open in how we act; treat everyone with respect; we will champion fairness and create opportunities.

WE ARE PARTNERS

We will provide strong community leadership and work together to deliver our common ambition.

THE OUTCOMES What we will achieve by this plan

<ul style="list-style-type: none"> ■ The Council provides and enables brilliant services that strive to exceed customer expectations. ■ Plymouth’s cultural offer provides value to the city. ■ A Council that uses resources wisely. ■ Pioneering in reducing the city’s carbon footprint and leading in environmental and social responsibility. 	<ul style="list-style-type: none"> ■ More decent homes to support the population. ■ A strong economy creating a range of job opportunities. ■ A top performing education system from early years to continuous learning opportunities. ■ Plymouth is an attractive place for investment. 	<ul style="list-style-type: none"> ■ We will prioritise prevention. ■ We will help people take control of their lives and communities. ■ Children, young people and adults are safe and confident in their communities. ■ People are treated with dignity and respect. 	<ul style="list-style-type: none"> ■ Citizens enjoy living and working in Plymouth. ■ Plymouth’s brand is clear, well known and understood globally. ■ Government and other agencies have confidence in the Council and partners: Plymouth’s voice matters. ■ Our employees are ambassadors for the city and the Council and they are proud of the difference we make.
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The economic, demographic and policy environment affecting public services is accepted as the most challenging in a generation. At the same time as an aging population is placing increased demand on health and social care services, the UK is facing the longest, deepest and most sustained period of cuts to public services spending at least since World War II. The Council’s Medium Term Financial plan identified in June 2013 funding cuts of £33m over the next three years which, when added to essential spend on

service delivery amount to an estimated funding shortfall of circa £64.5m from 2014/15 to 2016/17, representing 30% of the Council's overall net revenue budget.

The Council has shown remarkable resilience in addressing reduced funding and increased demand in previous years, removing circa £30m of net revenue spend from 2011/12 to 2013/4 through proactive management and careful planning. However the Council has acknowledged that addressing further savings of the magnitude described above while delivering the ambitions of the Corporate Plan will require a radical change of approach.

Review of existing transformation programmes

The council commissioned a review in June 2013 to:

- Examine the Council's financial projections and provide expert external validation of our assumptions about costs and income in the medium term
- Review the Council's existing transformation programmes and provide a view as to whether they will deliver against the Corporate Plan
- Provide advice as to how the Council might achieve the maximum possible benefit through a revised approach to transformation

This review validated the Council's current Medium Term Financial Plan based on projections and assumptions jointly agreed, and judged it to be robust, taking into account the complex financial landscape and changing government policy.

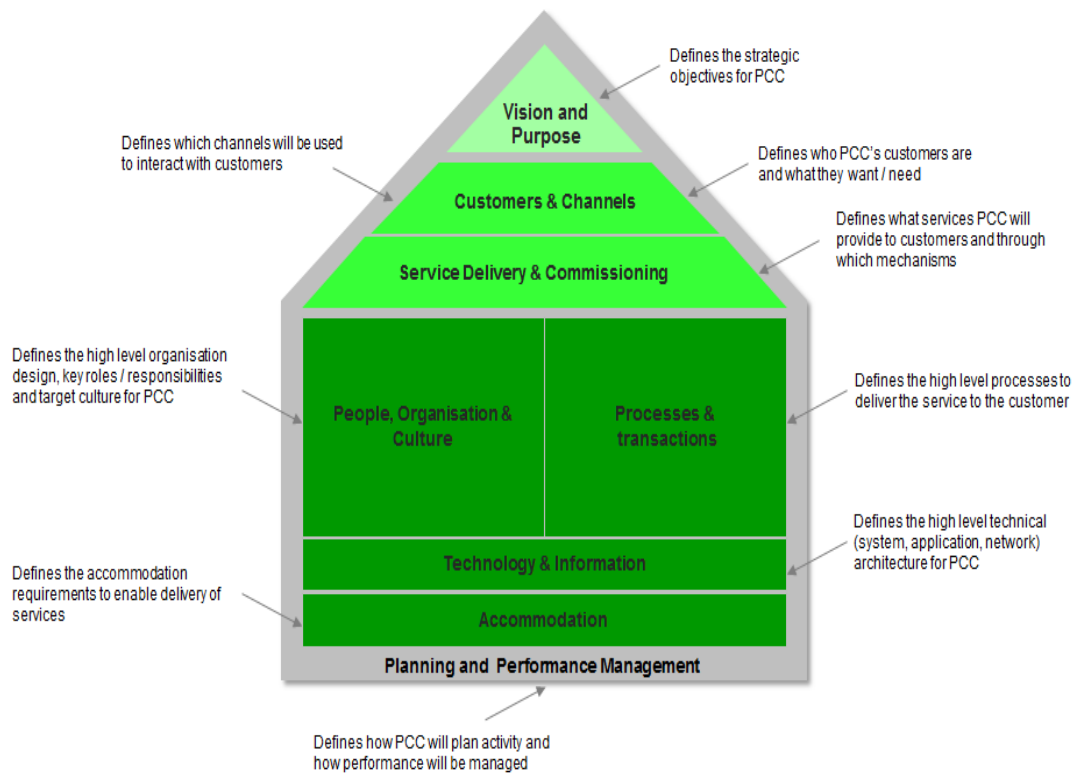
The Council has initiated a number of far-reaching and ambitious change programmes over 2012-13 to address the twin aims of addressing financial constraints and improving service delivery. These include:

- Investment in Customer Transformation and Core ICT infrastructure (Cabinet approval September 2012)
- ICT Shared Services: DELT (Cabinet approval October 2013)
- Modernising Adult Social Care Provision (Cabinet approval January and August 2013)
- Co-location with Clinical Commissioning Group at Windsor House (Cabinet approval January 2013)

In addition to feedback and advice about individual programmes underway, the Council received advice from various sources that has been carefully considered, and which has informed the overall design of the Transformation Programme and the content of the business cases for the five programmes. The Transformation's GAME programme includes a Commercialisation project which is the subject of this strategic business case.

Vision and Direction: The Blueprint

The Council has responded to concerns that, despite strong support for the Corporate Plan from both officers and members, there was a lack of clarity about how the Corporate Plan translates into practical action and a danger that the Council might be attempting to 'do the right things, but in the wrong way'. After significant consultation with Members and over 100 staff from all levels and disciplines within the organisation, the Council's vision for the Brilliant Co-operative Council has been translated into a Blueprint which describes the capabilities which the Council will need in the future. These capabilities will be commissioned by the council and will result in services being delivered by the Council and a variety of other organisations operating across the public, community and voluntary and private sectors. The components of the Blueprint are illustrated below:



To inform the development of the main components of the Blueprint, a number of principles have been developed co-operatively with Members, senior officers and staff to ensure that the values set out in the Corporate Plan guide how the Blueprint is developed.

Governance and Oversight

The Council has also responded to advice that governance and oversight arrangements for transformation projects would benefit from being strengthened. Whilst ensuring that the council's existing constitutional arrangements for decision making are unaffected, a number of bodies have been put in place to ensure a co-ordinated approach is taken to oversight of the Transformation programme. The detail of the transformation governance arrangements were considered by the council's Audit Committee on 13 March 2014 and can be summarised as follows:

Members

- The Co-operative Scrutiny Board and Panels are aligned to the Transformation Board and programmes that match their terms of reference

Officers

- The Transformation Portfolio Board co-ordinates the delivery of the Blueprint, prioritises decisions within and between programmes, ensures effective engagement, ensures overall resourcing and delivery of the programme and recommends Programme Business cases and exceptions. It is chaired by the Chief Executive and comprises Senior Responsible Officers for the Programmes, the Transformation Director, engagement leads, finance and HR Responsible Officers and the Head of the Portfolio Office

- Programmes are led by a Senior Responsible Officer, who is accountable for the successful delivery of the programme, achieving desired outcomes and realising expected benefits and is responsible for chairing the Programme Board and leading the Programme
- Each project within the five Programmes is led by a Project Executive who is accountable to the Senior Responsible Officer for the successful delivery of the Project, and chairs the Project Board.
- The Portfolio Office provides co-ordination and support across all the programmes and projects and ensures that sufficient capacity and capability is in place to deliver the overall programme.

I. Scope of Strategic Business Case and Executive Summary

Scope of this strategic business case

This report presents a 'strategic business case' for progressing a commercialisation project across the Council as part of its transformation programme.

This report presents the further work which has been progressed as part of the GAME transformation programme to identify potential areas and Workstreams across the Council for commercialisation activity with high-level estimates of income potentials where possible. This report also presents the proposed scope of what will be considered for 'commercialisation' and the key principles for capturing the resultant financial benefits. This report does not provide a specific and robust breakdown of exactly how and where the commercialisation income target will be achieved at this stage as this detailed work will follow on from the acceptance of this business case across a diverse range of activities as part of the project.

Executive Summary

Plymouth City Council, understanding the future pressures of a reduced budget and a requirement to consistently improve the quality of service that it provide, commissioned two reviews in 2013 to begin building a clearer picture of what the Council would look like in the future and how it might address the funding gap. These reviews identified the Council's current capabilities and capacity for change and provided a clearer picture of the opportunities and issues to mandate change.

One review posed the following high-level questions to the Council.

- How good is the council currently at a set of activities?
- How good should the council be at these activities in the future?
- What initiatives will close the gap?

The work indicated that there is an opportunity to commercialise services and identified some key areas for development to deliver the following strategic capabilities:

- Development and implementation of a commercial strategy
- Generating Commercial leads and manage revenue
- Maintain Plymouth City Council's income stream
- Oversee and improve delivery across the organisation

The Commercialisation project is now one of a number of the identified transformation projects that intends to change the way that the Council operates. It is required to firstly make savings, and secondly change ways of working by adopting a commercial strategy that would in turn allow for greater efficiency within services as well as expanding the Council's commercial portfolio

From the initial work undertaken in 2013, the commercialisation project has been set an ambitious income generation target of achieving an additional £3.744 million, over 3 years from across the Council.

The reviews and associated reports provide a positive starting point for the project to develop from. There are clear opportunities for Plymouth City Council to take positive steps towards encouraging Growth and inspiring Confidence to the city's residents through the potential successes of the commercialisation project.

This Project aims to deliver a capability within the Council that will:

- Deliver a new Commercial capability that aims to deliver an uplift of net income/benefits of £3.744 million across all current or future commercial activities.
- Improve commercial decision making and entrepreneurship through a commercial strategy that will assist changing the culture and processes across the Council and partners to ensure that all current and future commercial projects generate a financial return or a social return.
- Allow officers and councillors to identify and develop business opportunities
- Give a coordinated view and better control to commercial activities across the Council to ensure every commercial opportunity adds value to the Council's vision, values and objectives.
- Gives us a strategic understanding of the current and the desired future shape of commercial, category and sales management structures within the Council.
- Allow better negotiation of deals and contract renegotiations to mitigate commercial risk, and provide more profitable outcomes.
- Identify a range of partners and potential commercial advantages they can bring in provision of services.
- Give the ability to identify commercial opportunities through the better utilisation of assets.

The scope for the project has been clearly identified as the following,

- In scope - The scope of this project encompasses all service areas within Plymouth City Council. The project will mainly focus around improved income generation from all income streams, better marketing and sales, generation of additional income from new commercial initiatives, and providing a framework for future income generation.
- Out of scope- The negotiation of contracts currently within the People Directorate are not within the scope of this Project and will fall within Integrated Health and Wellbeing Transformation Programme

In achieving its goals the project will be uphold the values embedded in Plymouth's corporate plan:

- We will be **democratic** by giving stakeholders the opportunity to co-design our commercial activities where practical.
- We will be **responsible** by ensuring that the Council are gaining benefit from all their activities and assets.
- We will be **fair** by being honest and open in our plans for commercial activity and will provide opportunity for proposals to be commented on by those customers who are most likely to be impacted by the any changes. We will be fair by ensuring our commercial activities follow the fairer fees and charges policy.
- We will develop partnerships by working with external organisations to gain commercial guidance and where appropriate, work together to make the most of a commercial opportunity.

The project work undertaken to date has identified the following as key risks which will be mitigated and/or managed.

- *Current lack of capacity within services to engage and deliver the project objectives.* The project has identified that there are a limited number of suitable individuals within the Council to help deliver commercialisations benefits; hence the project will need to find or provide suitable extra resources in order to bridge this gap.
- *There is a lack of commercial capability across the Council.* The project has identified that there is a lack of specialist skill sets within the Council to help deliver commercialisations benefits. The project has reviewed its business development options and is proposing the recruitment of a new core commercial team alongside the potential to bring in external expertise where appropriate. There is a need to include these commercial requirements into the P&OD workforce delivery project to ensure plans for staff development incorporate the commercial aspect needed for the organisation in the future.
- *The scale of benefits may not be available to reach the projects targets in the required timeframes.* The project will have to be ambitious and constantly striving to generate new revenue streams. To achieve its targets, there will need to be a rapid initiation of work streams while recognising the Council has limited resources.
- *Delivery of Commercialisation initiatives could impact on core service delivery.* Commercialisation projects will need to ensure that they communicate effectively with business as usual so as not to impact on core service delivery.
- *Council in its current form may not legally be able to generate the surpluses required.* The Council will need to ensure that there is an understanding of the legal position with respect to the generation of surpluses / profit. This may involve the setting up of distinct trading entities or alternative service delivery vehicles (ASDVs).
- *There is a need to ensure that the Commercialisation project aligns to the strategic vision of the Council and its policies.* The project will need to ensure that no commercial opportunities are taken that are in conflict of those aims

The Project has considered 3 viable options:

OPTION 1 – Do nothing continue as we are

- The funding gap would not be filled, or would be addressed through cuts to staff and services
- The Council would not be maximising its commercial opportunities
- Rates, fees and charges may need to be increased

OPTION 2 - Services commercialise themselves

- There would not be a co-ordinated approach to commercialisation, therefore opportunities would be missed, especially the opportunities to cross sell services
- The commercial development of staff would be less effective
- Services may not have the full resource needed to implement commercial opportunities
- The identification of new commercial opportunities would not happen, meaning that many would be missed. This would impact on income generation
- The funding gap may not be bridged

OPTION 3 – The implementation of a Coordinated Commercialisation project (preferred option)

- Increasing commercial awareness and capabilities across the Council by:
 - Developing a commercial strategy
 - Increasing the commercial capability of staff through training
 - Increasing commercial awareness through events and workshops
 - Instilling commercial principles in management including the need to understand costs, pricing, marketing and the concept of “upselling”
 - Investigate the optimum method of delivery eg ASDV and or within service area
- Identify commercial opportunities through the use of consultants and staff
- Implement the commercial opportunities at a strategic, tactical or operational level

It is recommended that Option 3 is implemented as it provides the best opportunity to provide a cohesive, coordinated and comprehensive solution to the issues and opportunities identified in past reports. Option 3 is the only option that fits the requirements of the operational blueprint, with the development and implementation of a commercial strategy providing a long term approach to develop the Council’s commercial capability and deliver additional net income.

Due the diversity of the work areas and opportunities that are encompassed by the project, the following are proposed to support and direct this project to ensure that the required benefits can be captured and in a timely fashion:

1. The approval of the Council’s Commercial Strategy is to be made by the SRO of the GAME Board in consultation with the Cabinet Member with portfolio holder for Finance
2. That the initial Workstreams and areas for commercialisation investigation be as set out in Commercialisation Workstream Summary at Appendix 9.3 which includes Trade Waste, Advertising, Renewable Energy Generation, Cemeteries and Crematoria, Security and Catering Services. It should be noted that Municipal Enterprise and Commercialisation will need to be wider across all areas of Council activity where deemed appropriate.
3. That the key principles for capturing financial benefits from commercialisation and the scope of their coverage be as set out in the Financial Commercialisation Paper at Appendix 9.1 – these being in summary that:
 - Commercialisation covers both expenditure (eg contract renewals and demand management) and income (eg increased net surplus/profit from existing or new income streams) and may arise as a result of Council working alone or with partners.
 - Areas of activity include advertising, sales of goods and services, sponsorship and rentals (from existing assets or capital acquisitions)
 - Commercialisation would exclude contributions, grants, donations, ring-fenced income, social care income from service users
 - Unplanned and unforeseen ‘windfalls’ or ‘one offs’ relating to increased income or cost reductions, irrespective of whether they come about from commercial activity or business as usual must be declared in the monitoring for Corporate Management Team (CMT) to discuss and agree their utilisation
 - CMT and Transformational Programme Board (TPB) will agree and own these corporate commercial principles
 - Commercialisation may include cost reductions or increased income in commercial activities or a combination of both in order to improve net position.

- Net commercialisation gains, over and above existing approved budgets and agreed budget actions will be captured, this will include new activities and expansion of and charging for existing activities
- Commercialisation may occur as an ongoing benefit or a one off event
- Any existing and agreed budget action plans to reduce cost or increase net income contained in current budget delivery plans will not be captured
- Commercialisation will apply to revenue, capital and external accounts where applicable
- Any exceptions to the capturing commercialisation benefits within GAME Municipal Enterprise must be agreed by CMT with a clear rationale

For full financial principles and exclusions please refer to section 7 and appendix 9.1 noting that these principles have been proposed to complement the Council's Fees, Charges and Concessions policy which primarily concentrate on domestic rather than commercial activities.

2. Case for Change

2.1 Current situation

In 2013 Plymouth City Council commissioned a review to investigate the potential savings and additional incomes that could be realised from a large scale transformation programme.

As part of this work Plymouth City Council's commercial opportunities and capabilities were assessed and asked a number of high level questions:

- How good is the council currently at a set of activities?
- How good should the council be at these activities in the future?
- What initiatives will close the gap?

The assessment considered the Council's current ability to commercialise its services and identified four general areas for action:

- Develop a commercial strategy
- Generate leads and manage revenue
- Maintain income streams
- Oversee and improve delivery

The assessment identified that despite some existing commercial capability there is a need for a commercial strategy to tie these areas together and also to identify potential income generating areas for the Council in the future. There is also a need for the council to improve its overall commercial capacity and capability to ensure it is better positioned to maximise opportunities for generating income at a service level.

The outcome of the assessment is summarised in *figure 1 (section 2.2)*

Subsequent to the tactical work undertaken in 2013, A more detailed review was commissioned in late 2013 to review Environmental Services (now part of Street Services) to identify potential savings and opportunities in this front line service area. This service area includes several commercial activities, such as the Trade Waste service which provides waste and recycling collection and disposal services to businesses and commercial premises.

The reports clearly highlighted that the Council has potential to improve efficiency and capture opportunities for extra revenue.

Further analysis undertaken by officers in the transformation team has confirmed that at present there are no formal corporate commercial guidelines for services to operate on, and although there is a fees, charges and concessions policy, this concentrates primarily on domestic customers and can be difficult to apply to commercial ones. There is also no clear and coordinated understanding of council wide commercial activities, meaning that the opportunity to “cross sell” services is missed, with each department only offering their own service provision when other services could be offered.

2.2. Potential commercialisation

The initial reviews in 2013 considered the Council’s need for a commercial capability in the future. This picture of current and future capability need can be seen in figure 1 to identify where the council needs to focus its development efforts.



Figure 1: the current and future commercial capabilities

The work identified that the opportunity for the Council to develop commercially can be best progressed by:

- Developing a commercial strategy
- Utilising customer and market insight to develop services
- Focusing on commercialising services
- Generate additional revenues whilst maintaining income streams
- Overseeing delivery

The information and estimates provided by this review indicates that there is the opportunity to generate an additional £3.744m net income over three years through expansion of existing and generation of new commercial activities. Work has commenced by the Transformation team to identify potential areas and initiatives in more detail although quantifying specific benefits and delivering them are in their early stages.

2.2.1 Recent commercial activities

The Street lighting re-lamping project approved by Council in January 2013 is an example of a commercialisation project that generates substantial savings. An investment of £7.9m will generate energy savings of £1.2m per year. The project is financed through a 12 year prudential loan. The savings from this project far exceed the loan costs and repayment, and thus generates a net benefit for the Authority from year one.

Another recent example which falls under a commercialisation banner is that the Council has renegotiated its landfill gas management contract such that the Council and the contractor now equally share risk and reward and will now work much closer together to secure the opportunities arising from landfill gas management and electricity generation. This renegotiation should secure an additional income of around £200k per annum from October 2014.

2.2.2 Commercial opportunities

Taking the lead from the first review, a further review was commissioned to look specifically at the Environmental Services division (now Street Services) to identify how it could be made more efficient and identify opportunities that could improve service delivery and reduce costs to contribute towards the future funding gap.

The resultant report identified several key existing areas and opportunities to generate new and/or increased income streams by operating with a more commercial approach to service delivery. This included suggestions for using the integration of services into Street Services to be able to bundle services for sale and expand the Councils current market share in key areas such as Trade Waste collection.

Commercialisation has therefore been identified as a key project in the GAME transformation programme and will be a key contributor to closing the funding gap based on the work undertaken by these reviews.

2.2.3 Commercialisation of other councils

There have been many councils across the country that have embarked on a commercialisation journey, seeking to reduce budget pressures and increase income. These councils are benefitting from commercialisation although it is relatively early days to ascertain and quote specific financial returns. Notwithstanding this as can be seen in appendix 9.4 “commercialisation case studies”, Oxford, North Lincolnshire, and Aylesbury Vale Councils have embarked on this journey, while West Lindsey District Council are branding themselves as “The Entrepreneurial Council”.

In 2011 Oxford City Council embarked on a transformation / commercialisation project to reduce expenditure by 20% and increase performance by 20%. By September 2012 turnover from new customers was £330k with a total increase in volumes for the full year of £1.24 million.

North Lincolnshire Council has started on an Entrepreneurial Journey to make its services commercially available to other organisations. They have introduced a service that supports their cooperative blueprint similar to Plymouth City Council. Their approach to commercialisation was to:

- Maximise Value from buildings and assets.
- Introduce modern working practises
- Raise income by producing in house “commercial packages”

They have produced three commercial packages, for schools, local businesses and for other Local Authorities.

In 2013 West Lindsey District Council started on a journey to rebrand them as an “Entrepreneurial Council”. Their approach had three aims:

- Entrepreneurial - looking creatively at all resources
- Commercial - how they become more cost conscious in the solutions they propose and the way they use that money
- Co-production – Less hand outs, different approaches, different relationships with communities

Their successes include a 20 % reduction in Net Expenditure over the last three year (approximately 98% from efficiencies and rationalisation, 2% income) and a further 23% reduction in the pipeline (approximately 37% from further efficiencies and 63% from income achieved while delivering social outcomes).

For full case studies refer to Appendix 9.4

2.2.4 Identifying commercial opportunities

The Transformation team in developing this business case have undertaken a series of commercial opportunity identification activities in early 2014. This has built on previous work that had identified opportunities within Street Services coming from:

- The expansion of the successful Trade Waste service
- Cemeteries & Crematoria
- The bundling of services

Alongside this piece of work, members of the transformation team have researched commercial activities provided by other councils and have held a series of “commercial awareness” events with members of staff from all levels of service, to gather ideas for commercial opportunities within the Council. These commercial events and research have so far suggested over 120 potential commercial opportunities, with many being able to be grouped under the general themes and subjects including:

- Advertising
- Security services
- Utilisation of premises for celebratory events
- Catering services
- Creating service directories for external organisations
- See Appendix 9.3 – Workstream Summary Document - for examples of Workstreams in development

The above opportunities and ones identified in the future will be packed into a portfolio of marketable services that can be advertised through a variety of means such as an online directory.

3 Strategic Case

3.1 Scope

In scope - The scope of this project encompasses all service areas within Plymouth City Council, initially concentrating on Street Services. The project will mainly focus around improved income generation from all income streams, improvements to contracts where possible, better marketing and sales, generation of additional income from new commercial premises, collaboration with other Public Sector bodies, and providing a framework for future income generation.

Out of scope- The negotiation of contracts currently within the People Directorate are not within the scope of this Project and will fall within Integrated Health and Wellbeing Transformation Programme

3.2 Strategic Fit

This project will align with a range of internal strategies.

3.2.1 Corporate Plan

A key driver for this Transformation project is the Council's Corporate Plan. The commercialisation project recognises that a co-operative approach will enable the Council to work in different ways, producing savings while at the same time engaging with stakeholders and improving services. Therefore we will be:

Democratic

Wherever possible, elements of this project will be co-designed, engaging with key stakeholders and allowing them meaningful opportunities to influence the project. Alongside this we will embrace the democratic processes, maintaining a high level of contact with councillors. Examples of our democratic approach will include:

- Member briefings
- Presentations to Cabinet Members and the Leader
- Business Community surveys, for example to ascertain what PCC services would benefit local businesses, and where possible, what services could be adapted to benefit local businesses
- Community engagement events, for example 'sofa events', providing the opportunity for two way dialogue with the community for feedback to proposals.
- Co-designing opportunities with staff, providing the opportunity for them to provide suggestions, ideas and feedback on proposals

Responsible

With the Council facing a £64 million funding gap over the next three years, we will have to be more responsible with our use of resources. The commercialisation project will play a major part in bridging this funding gap, and will be:

- Identifying and implementing as many appropriate commercial opportunities from within our services
- Identifying and implementing as many appropriate commercial opportunities as possible from utilisation of assets.

The Council will be responsible with its commercial activities, assessing the likely impact of commercialisation on all stakeholders and ensuring that the impact of any implementation plans will not be detrimental to the City or its citizens.

Commercial activity will support a Confident Plymouth, where marketing activities will complement Plymouth's brand and assist in raising awareness.

Fair

We will be honest and open in our plans for commercial activity and will provide opportunity for proposals to be commented on by those customers who are most likely to be impacted by the any changes.

We will explore opportunities for Plymouth students with relevant skills to be involved in developing our commercial activities and thereby gaining employability skills and practical work experience.

We will be fair by ensuring our commercial activities follow the fairer fees and charges policy.

Partners

We will demonstrate we are partners by.

- Liaising with the local business community to ensure that our commercial actions add to the local economy.
- Engaging with organisations such as the Plymouth Chamber of Commerce to assist with service design and business needs
- Seeking arrangements with businesses that will be mutually beneficial
- Working alongside external companies to share commercial knowledge, and where possible work together to maximise a commercial opportunity

This will improve the outcomes that we achieve and enable us to implement change more effectively by sharing knowledge, best practice and resources.

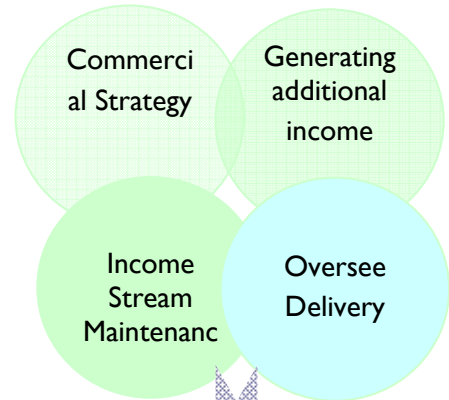
3.2.2 Fit/Alignment with Blueprint

The Blueprint has been guided by a set of principles that focused on a number of organisation areas and highlighted a number of capability gaps that required initiatives to fill those gaps. Commercialisation featured as one of the areas where there was a gap and opportunity to improve in areas:

- Commercial Strategy
- Generating Additional Income
- Income Stream Maintenance
- Oversee Delivery

Blueprint Component	Strategic Principle - By 2017/18 we will...
Commercial	...be a value-led cooperative council
Vision & Purpose	...work in one integrated team with our communities and neighbourhoods to serve our city
Customer & Channels	...ensure customers are focused, informed and able to influence the council's decision making
Commissioning and Service Delivery	...have a real-time, consistent and accurate view of the customer demand on our services
People, Organisation & Culture	...have a high awareness of customer views, needs and preferences, reduce dependency and proactively manage their expectations
Process & Transactions	...make it clearer, easier and faster for customers to interact with the council
Technology and Information	...ensure customers are focused, informed and able to influence the council's decision making
Planning and Performance	...have a real-time, consistent and accurate view of the customer demand on our services

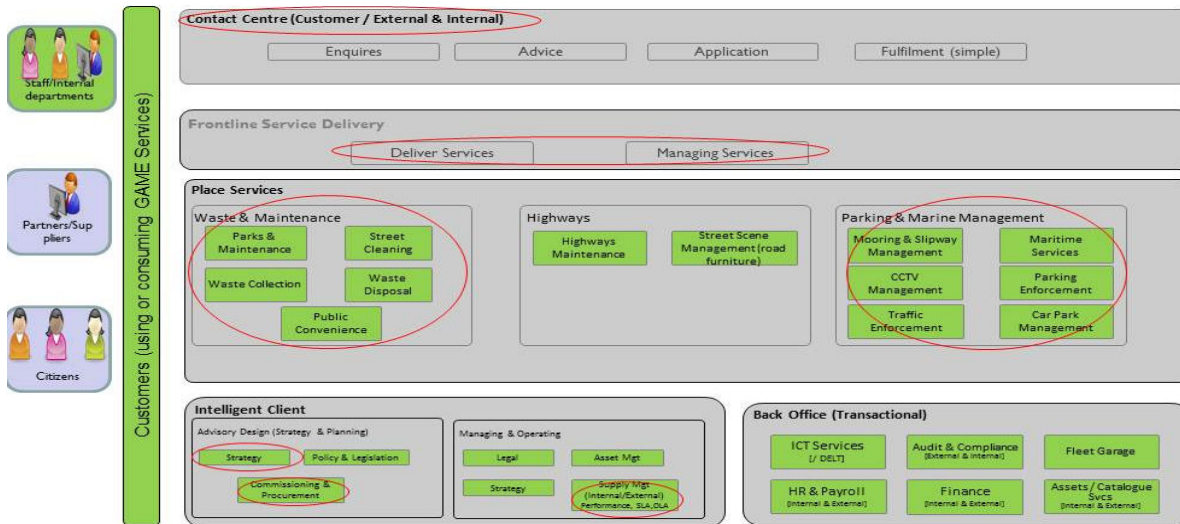
GAPS



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Blueprint

Impacted areas highlighted in red



As shown on the Enterprise Architecture Service model above, there are a number of areas that will be impacted by the capability gaps highlighted and will be addressed by the project. The project will address these gaps by:

- Increasing commercial awareness and capabilities across the council by:
 - Developing a commercial strategy
 - Increasing the commercial capability of staff through training
 - Increasing commercial awareness through events and workshops
 - Instilling commercial principles in management including the need to understand costs, pricing, marketing and the concept of “upselling”
 - Investigate the optimum method of delivery eg ASDV and or within service area

- Identify commercial opportunities through the use of consultants and staff
- Implement the commercial opportunities at a strategic, tactical or operational level
- Investigating the feasibility of alternative service delivery vehicles (ASDV) to provide opportunities for the Council to potentially save money and provide a better service to their customers by use of niche providers.
- The provision of the intelligent client function to manage the performance of the service via the use of service key performance indicators and service level agreements

3.2.3 Other Alignments

The project recognises and incorporates elements of the findings from the Fairness Commission. In particular the Commission's identification of Systems Leadership and the need to engage meaningfully with communities integrates with the co-operative approach we will take.

The project will ensure that all commercial opportunities will align with the Fees, Charges and Concessions policy where appropriate although it is noted that this is primarily directed at domestic customers rather than commercial ones.

3.3 Assumptions

The Project will assume the following:

- Current legislation around charges and pricing of services remains static
- That Members will support this project
- That staff and Council departments will support progress of the project
- That where changes in policy are required, they will be implemented without delay to the project
- Where capital investment is needed for improvement to services, funding will be available
- That any marketing solution will be effective
- The overhead costs remain the same for the life of the project
- That the market will stand increases in charges
- The scale of benefits identified through previous pieces of work are achievable and in the timeframes identified
- Additional specialist commercial resources can be secured to help develop commercialisation across the Council and deliver the identified opportunities

3.4 Strategic Risks

The project has a potential of three key areas of identified risk. These relate to the legality of councils generation of revenue through commercialisation of its services, the ambitious nature as to the amount of revenue generation required for the project to achieve its benefits and finally resourcing to deliver the projects aims. The project has identified these risks in finer detail (See section 8.3) and is developing mitigation strategies to enable the project to develop and begin to progress.

The Project has identified the following as strategic risks:

- *Current lack of capacity within services to engage and deliver the project objectives.* The project has identified that there are a limited number of suitable individuals within the Council to help deliver commercialisations benefits and those that are present already have work pressures; hence the project will need to find or provide suitable extra resources in order to bridge this gap.
- *There is a lack of commercial capability across the Council.* The project has identified that there is a lack of specialist skill sets within the Council to help deliver commercialisations benefits. The project has reviewed its business development options and is proposing the recruitment of a new core commercial team alongside the potential to bring in external expertise where appropriate. There is the need to link in with the P&OD workforce delivery project to develop existing staff to help fill the perceived gaps.
- *The scale of benefits may not be available to reach the projects targets in the required timeframes.* The project will have to be ambitious and constantly striving to generate new revenue streams. To achieve its targets, there will need to be a rapid initiation of work streams whilst recognising the Council has limited resources.
- *Delivery of Commercialisation initiatives could impact on core service delivery.* Commercialisation projects will need to ensure that they communicate effectively with business as usual so as not to impact on core service delivery.
- *Council in its current form may not legally be able to generate the surpluses required.* The Council will need to ensure that there is an understanding of the legal position with respect to the generation of surpluses / profit. This may involve the setting up of distinct trading entities or alternative service delivery vehicles (ASDVs).
- *The Commercialisation Project may inadvertently identify opportunities that after investigation conflict with the Council's values and policies affecting implementation.* There is a need to ensure that the Commercialisation project aligns to the strategic vision and cooperative values of the Council and its policies to ensure that no commercial opportunities are taken that are in conflict of those aims

3.5 Constraints and dependencies

- There is a dependency with the **Creating a Brilliant Co-operative Street Services** as this includes a restructure which could impact on all departments, therefore impacting on the running of services.
- A dependency exists with the **Creating a Brilliant Co-operative Street Services & Category Management - Fleet Services** Projects as they could have an impact on the number of vehicles & crews, and could alter the practices around best use of vehicles, resources and operating procedures.

- A further dependency is the need for political buy in for the project as some areas may be politically sensitive especially around decisions regarding fees & charges for example: a proposed plan could suggest charging for services that a currently are not charged for, would generate high political interest.
- The project is dependent on the **Workforce Delivery** project to assist in developing better commercial attitudes and deliver training within the workforce.
- The project is dependent upon the expansion of internal market within the Council and partners. This also creates a dependency on the effectiveness of the marketing solution from the project, unless changes in policy can be implemented. In this case any delay in implementing policy change would delay the potential benefits.
- A dependency exists with the **Customer Service Transformation programme** around the ability of the project to more effectively market and sell services to the wider public and business community through new and existing customer service channels.
- There is a need and dependency with Enterprise Architecture to develop the blueprint and shape services to enable new and existing commercial activity to be efficiently delivered

4 Options Appraisal

4.1 Option I- Do Nothing

Option I	
<p>Do nothing continue as we are The organisation would continue working within the current confines of its commercial approach.</p>	
<p>Key Benefits</p> <ul style="list-style-type: none"> • Services would continue to operate within the commercial envelope to date without any disruption • Project costs would be avoided • Additional resource costs required as a consequence of increasing commerciality within the council would be avoided 	<p>Key Risks</p> <ul style="list-style-type: none"> • The Council faces a £64.5 million funding gap over the next 3 years and contribution from commercial arrangement would be limited • Rates, fees and charges may need to increase • Opportunities to bring in more revenue for the Council would be missed.
<p>Outcome of options appraisal: It was decided that this option is not viable and increased commercialisation must take place in order to deliver the required outcomes</p>	

4.2 Option 2 – Services commercialise themselves

Option 2	
<p>Services commercialise themselves Each business service area would look to commercialise themselves in a siloed approach.</p>	
<p>Key Benefits</p> <ul style="list-style-type: none"> • Services would solely be reliant on building their own commercial portfolio • Commercial increase within the council • Contribution towards the funding gap 	<p>Key Risks</p> <ul style="list-style-type: none"> • There would not be a co-ordinated approach to commercialisation, therefore opportunities would be missed, and especially the opportunities to cross sell services. • Limited commercial development of staff • Services may not have the full resource required to implement commercial opportunities • Generating new opportunities may not materialise • Limited contribution towards the funding gap
<p>Outcome of options appraisal: It was decided that this option is not viable as it is inadequate in providing commercial solutions to the Council</p>	

4.3 Option 3 – Co-ordinated Commercialisation

Option 3	
<p>Co-ordinated Commercialisation The set-up of a co-ordinated and holistic approach for Commercialisation underpinned by a commercial strategy</p>	
<p>Key Benefits</p> <ul style="list-style-type: none"> • Council would benefit from a commercial strategy • A key aim would be to fully leverage all potential commercial ideas and make maximum contribution towards funding gap • Increasing commercial awareness through events and workshops • Instilling commercial principles in management including the need to understand costs, pricing, marketing and the concept of “upselling” • Investigate the optimum method of delivery i.e. ASDV and or within service area • Identify commercial opportunities through the use of consultants and staff • Implement the commercial opportunities at a strategic, tactical or operational level 	<p>Key Risks</p> <p>Risk are fairly limited and low level and need to be managed but would include:</p> <ul style="list-style-type: none"> • Some commercial ventures may not bring in the required return of investment anticipated • Some initial set-up costs and investment required • Lack of existing capacity and capability • Delivery might impact on core service delivery • Commercialisation may present some conflicts with Council values and policies • Council in its current form might need to set up ASDVs
<p>Outcome of options appraisal: It was decided that this option is viable because of its co-ordinated approach and will help to address the capability gaps identified in blueprint and deliver the required outcomes</p>	

5. Recommendation

It is the opinion of the GAME programme that Option 3 – Co-ordinated Commercialisation is the preferred option.

Option(s)	Rationale
Option 3	<ul style="list-style-type: none">• Provides an holistic approach centred around a commercial strategy, whilst putting in place the required building blocks to sustain commerciality within the Council• Provides the potential to make an considerable contribution towards bridging the funding gap• Opportunities to put in place mechanisms to measure performance around existing & new contract management <ul style="list-style-type: none">• Increased commercial awareness within Council• Development of a Sales & Marketing function with the Council

6. Strategic principles and method of delivery

This business case intends to set out the high-level principles for commercialisation and present a delivery methodology as to how commercialisation can be developed. This business case does not provide a specific breakdown of exactly how and where the commercialisation income target will be achieved at this stage as this detailed work will follow on across a diverse range of activities as part of the project.

6.1 Principles

At a strategic level the Commercialisation project will:

- Develop a commercial strategy with principles guidelines, controls and protocols including how benefits are to be captured and used (refer to 7.3)
- Increase the commercial capability of the Council
- Increase commercial awareness throughout the Council thereby increasing opportunities
- Instil commercial principles in management
- Consider and decide the optimum method of delivery eg an alternative service delivery vehicle (ASDV) and/or delivery within service area
- Ensure services are able to compete commercially by considering and understanding the market and costs
- Identify commercial opportunities potentially through the use of consultants and staff
- Implement the commercial opportunities at a strategic, tactical or operational level

The commercial strategy is currently being devised and when complete will ensure that there is alignment with Plymouth City Council's values, principles and policies. The strategy will ensure that commercial activities are not undertaken at the expense of resident service provision thereby maintaining accountability and public service ethics. All activities will work within the Council's financial, constitutional and legal frameworks.

6.2 Method of delivery

All the activities and Workstreams of the project will fall within the following categories:

Strategic – These will be high level activities that will assist the Council in operating more commercially. These could include commercial awareness workshops, staff training, and the development of commercial directories.

Work has initially started in this area with the running of two commercial awareness workshops in May and June. These workshops were used to gather ideas for commercial opportunities, and also to identify any commercial skills within the participants for further utilisation.

Tactical – These would be large scale activities with a large financial benefit, or commercial opportunities that require a fair amount of resource to implement. Where there is a common theme of opportunities, they will be grouped into Workstreams and implemented together. Examples of this would be expanding the trade waste collection service, renewable energy generation and investigations into the potential income stream from advertising.

Previous work has proposed the expansion of trade waste service, suggesting ways to improve the service and subsequently increase benefit. It is believed that there is the potential to double the turnover within three years. A large amount of work has been done to fully understand the operations of this service, including costs, pricing structures, current profit margins and potential capacities of the service. Marketing plans are being drafted and new pricing structures are being considered in response to lower future disposal costs from the Council's forthcoming Energy from Waste treatment contract. This Workstream is the first to be initiated and the processes that are being devised to fully understand the service will be applied where appropriate to other Workstreams.

Operational – The operational activities are opportunities that can be implemented by the service with little or no resource from the project, or are small ticket items, this includes re-opening the Chelson Meadow HWRC to commercial customers.

The potential Workstreams will be implemented sequentially when appropriate to resource. The expansion of the trade waste service is in flight, with the ambitious aim of doubling turnover within three years. There are investigations underway to ascertain the viability of three sites for solar farms and a soft market test for advertising and sponsorship income has just concluded. These three Workstreams will be the focus for the coming months, with opportunities around Parking and Marine services the next to be initiated. These Workstreams will contribute to the benefit target for 2014/15 with other Workstreams being initiated to contribute to the targets for future years.

See Appendix 9.3 – Workstream Summary Document - for examples of Workstreams in development

Delivery Team – It is proposed that the Commercialisation effort is led by the Head of Commercial Services, a post that sits within Finance and has as yet to be filled. Once appointed the Head of Commercial Services will be responsible for prioritising existing and identifying new Workstreams and delivering these. Any resources that he or she will identify to do this work will be financed through Transformation in the first 12 months, and from the services where the Workstreams lie thereafter.

6.3 Method of approval

This business case seeks to present the key financial principles and high-level Workstreams for approval as well as seeking formal delegation to develop and approve a Commercial Strategy via the GAME Programme Board in consultation with the portfolio holder for Finance.

Given this project is in its early stages, the project will be undertaking activities to gather commercial opportunities throughout the life of the project. Due to the evolving nature of the council throughout the life of transformation, some commercial opportunities will present themselves at later dates. The project does not wish to miss these opportunities so the Leaders Scheme of Delegation will be used to gain the necessary approvals as and when required - relevant cabinet portfolio holders will be consulted and kept informed.

7. Financial Case -

7.1 Introduction

The Councils GAME Municipal Enterprise Transformation Programme sets out a number of areas for achieving financial benefits from an increased commercial focus to review contracts, drive down costs, achieve higher net income streams and also develop new net income streams.

Commercialisation supports the whole Council with GAME Municipal Enterprise being the obvious location to capture the Councils financial benefits arising from Commercial activity. Through the Transformation programme we aim to encourage more creativity, entrepreneurial behaviours, appropriate managed risk in addressing the challenges the Council faces as a whole, irrespective of which services these opportunities arise in.

7.2 Commercialisation in the context of Council services

Commercialisation covers both expenditure and income and may arise as a result of Council working alone or with partners.

Expenditure:

- Contract Reviews or renegotiations
- Demand Management

Income:

- Increased turnover (net surplus/profit), through volume or changes to pricing/charging:
- New income streams

Areas of activity will include advertising, sales of goods and services, sponsorship, rentals (from existing assets or new capital acquisitions).

Commercialisation would exclude contributions, grants, donations, ring-fenced income e.g. S106/CIL, social care income/contributions from service users.

Commercialisation and entrepreneurial spirit managed in the right way is an extremely positive and rewarding thing for staff and the Council as a whole.

7.3 Principles

The following general and specific principles will be adopted:

A general financial principle

Unplanned and unforeseen 'windfalls' or 'one offs' relating to increased income or cost reductions, irrespective of whether they come about from commercial activity or business as usual must be declared in the monitoring for CMT to discuss along with any proposals to utilise the windfalls in the context of the Councils overall financial position (in year budget, reserves and balances, future medium term pressures).

1. Corporate Management Team (CMT)/Transformation Programme Board (TPB) will agree and own these corporate commercial principles.
2. Commercialisation may be achieved by cost reductions or increased income in commercial activities or a combination of both in order to improve net position.
3. Net commercialisation gains, over and above existing approved budgets and agreed budget actions, will be captured towards the Council's GAME Municipal Enterprise target. This includes new activities, expansion of and charging for existing activities.
4. Staff generating ideas that result in tangible gains will be recognised
5. Commercialisation may occur as an ongoing benefit or a one off event
6. Any existing and agreed budget action plans to reduce cost or increase net income contained in current budget delivery plans will not be captured in GAME Municipal Enterprise Commercialisation. This will avoid double counting.
7. Commercialisation will apply to revenue, capital and external accounts where applicable
8. Any exceptions to the capturing commercialisation benefits within GAME Municipal Enterprise must be agreed by CMT/TPB with a clear rationale

Ref: appendix 9.1 Financial paper

7.4 Targets

The Commercialisation project has been targeted with delivering financial benefit of £3.744m by year three. The table below details the net gain per year and the also the cumulative position for information. By the end of the three year programme the Commercialisation project will have achieved financial benefit of £6.666m

	2014/15	2015/16	2016/17
	£m	£m	£m
Annual additional Financial Target	0.700	1.522	1.522
Cumulative Financial Target (in year requirement)	0.700	2.222	3.744

7.5 Meeting the targets

There has been some recent commercial activity that will contribute to the 2014/15 targets using the financial principles set out in section 7.3:

Activity	Net Benefit identified for 2014/15
Landfill gas contract renewal	Estimated £100k (£200k pa in a full year)
Solar Photovoltaic installations	Estimated £50k
Total	Estimated £150k

Note: Landfill gas is estimated due to the fact the contract has just been agreed, but the benefit is still being calculated. There will be fluctuations in energy generation from solar PV, hence the estimate.

Commercialisation Workstreams are being implemented to add to this current total and are mentioned in section 6.2 and listed in appendix 9.3. The expected incomes are estimated as a detailed cost/benefit analysis is not yet complete

Activity	Estimated further net benefit 2014/15
Advertising	£50k (£100-200k pa in a full year)
Opening Chelson Meadow to commercial customers	£30k
Total	Estimated £80k

7.6 Delivery costs

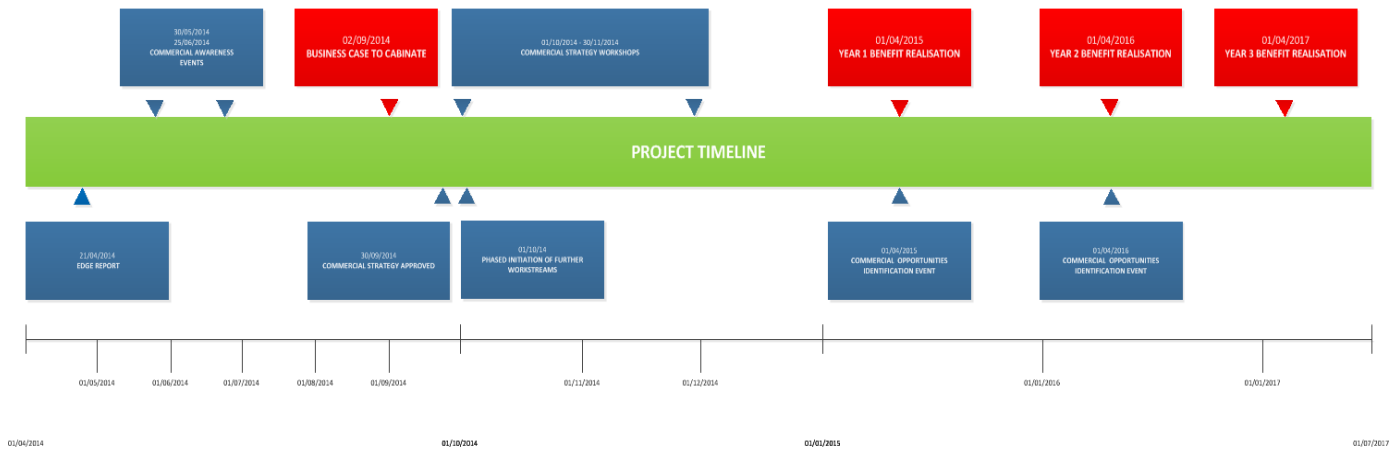
A step change is required in the Council's drive on commercialisation. The Council does not have commercial capability within its current workforce except for a few members of staff. Therefore it is necessary for the Council to resource this area. It is proposed that the approach to Commercialisation is led by the Strategic Commercial Manager under the Head of Commercial Services, a post that sits within Finance and has as yet to be filled. This will be recruited to forthwith and once appointed the Strategic Commercial Manager will be responsible for prioritising existing and identifying new Workstreams and delivering these. Any resources that he or she will identify to do this work will be financed through Transformation in the first 12 months, and offset against income gains from the services where the Workstreams lie, thereafter. Additional resources likely to be identified by the Head of Commercial Services as the Council currently lacks are: commercial finance, market research, business development, sales and marketing.

8. Management Case

8.1 Project Plan

Please note a full version of the project plan is located S:\Transformation\Programme and Project Folders\4. Growth Asset and Municipal Enterprise Programme\23. GAME_07 Commercialisation Project\03. GAME_07 Com Project Plan\01. Commercialisation Project Plans\20140703 v0.01 Commercialisation.mpp

The figure belows shows the key milestones of the document



8.2 Key Milestones and Dependencies

Ensure both intra and inter dependencies are covered (both within and outside the project/programme).

Key Milestones	Description	Dependencies
21/4/14	Identification of Street Services commercial opportunities from review	Completed successfully
30/5/14	Commercial awareness event 1	Completed successfully
25/6/14	Commercial awareness event 2	Completed successfully
2/9/14	Submission of case to cabinet	Completion of strategic business case
30/9/14 provisional subject to specialist input	Draft Commercial strategy	Inputs from all levels of staff and specialist input
1/10/14 – Life of project	Phased initiation of Workstreams and actions	Project resource
Across October/November	Commercial strategy workshops	Inputs from staff to get commercialisation message across
1/4/15	Commercial opportunities identification events	Inputs from staff of all levels
1/4/16	Commercial opportunities identification events	Inputs from staff of all levels

8.3 Key Risk Analysis and Risk Management

Risk Reference	Description	Likelihood	Impact	Mitigation
GAME_07_RSK_29	Potential lack of opportunity due to large companies nationalising contracts	2	3	Deal with brokers and national companies not operating in Plymouth to sub contract work
GAME_07_RSK_72	There is the current lack of capacity within the service to engage and deliver the project objectives	4	4	The Project will be resourced adequately through recruitment
GAME_07_RSK_73	there is a lack of commercial capability across the council	4	4	The project is considering the Business development options alongside bringing in other external expertise to assist with certain work streams. Long term training through the POD programme will assist as well
GAME_07_RSK_74	The scale of benefits may not be available to reach project targets	5	4	Continuous acceptance of new commercial ideas and initiating as many new work streams as possible with the resource available will narrow the gap between the possible income and the target income
GAME_07_RSK_75	Delivery of commercialisation initiatives could impact on core service delivery	3	3	Communication between project and BAU to ensure that core service delivery is not affected. Needs to be dealt with at a planning stage.
GAME_07_RSK_77	Council in its current form may not legally be able to generate surpluses required	4	5	Ensure there is an understanding of legal position with respect to generation of surplus/profit, and pursue the ways to work within the legislation.
GAME_07_RSK_78	The ambitions of the commercialisation project may conflict with the Councils values and policies affecting income	4	3	Gain a greater understanding of the Councils policies and values to ensure no commercial opportunity is taken that could be in conflict

8.4 Quality Assurance

Quality Responsibilities	Responsibilities are shared between: Lee Pundsack – Project Manager Mark Turner – Project Executive Alex Hurth – Programme Manager Anthony Payne – Senior Responsible Officer Additional governance will be provided at various levels, including the project board, programme board and by Councillors		
Quality Criteria	Quality Tolerance	Quality Method	Quality Check Skills Required
The project must be implemented within the parameters of Plymouth City Council. Criteria for assessment will include: -The level of net income uplift -ability of staff to implement changes -the ability of staff to own the project's products -The increase in customers/sales	Quality tolerance for this product is low. It is essential that effective sustainable commercial solutions are implemented	The following methods will be used ensure quality: -Analysis of financial data -Review of the changes a maximum of six months after initiation of each new service/product to: <ul style="list-style-type: none"> • Ensure that the service is running the product as intended • Ensure that the sales and marketing plans are effective • Fine tune the product if needed -engagement and feedback with stakeholders	Quality checks will need to be undertaken by management, finance and frontline staff who have the required skills to identify potential problems and provide solutions

8.5 Change Management

A cooperative approach steps for change will be followed throughout the move towards new commercial activities:

1. Preparing for change Understand the current situation, the case for change, the future vision, consider what needs to be different
2. Designing the change involving others, working cooperatively, using co-design principles with stakeholders
3. Making the change Use of change agents, monitoring progress, listening to feedback, use lessons learned, sharing success
4. Embedding the change ensuring the change is sustained and does not revert back to previous state, develop and use ongoing measurements

The following will be applied within the change process:

- Strong positive leadership through change from outside the project team
- Robust stakeholder analysis
- Regular feedback and review e.g. engagement levels, workshop feedback, customer panels, change readiness survey etc.
- Relevant and tailored communications and engagement activity using the most appropriate mechanisms
- Consideration of co-design for change options
- Maximising opportunities for joined up and collaborative working between services, colleagues and partners

8.6 Communications and Engagement

This project will incorporate Plymouth City Council's co-operative values, with the project being very much dependant on staff engagement and design. Commercialisation will communicate and engage with a variety of stakeholders as appropriate to ensure that any designs for commercialisation activities are fit for purpose and complement the council's cooperative values right for the council.

Staff Engagement

Operating commercially is a new concept for many employees within the Council and as such, staff will be invited to co-design many elements of this project, specifically giving input with the commercial strategy and the generation and collation of commercial ideas. Workshops involving staff from across the organisation have already been held and engagement will continue throughout the project. As each Workstream develops it will become apparent which services will be affected by each commercial opportunity developed. Therefore service-specific staff engagement activities will also take place to gain input, feedback and suggestions on the commercial approach.

Stakeholder Type	Stakeholder	Responsible	Accountable	Consulted	Informed
Affected Staff	CMT		X		
	SMT			X	
	Trade Unions			X	
	Service management			X	
	Service staff			X	
Non-affected Staff	Council Wide Staff			X	
	Transformation Programme		X		

Member Engagement

The project will need to utilise the democratic decision making processes available, and be aware of the importance of elected member/political engagement throughout the transformation process. This will involve existing opportunities for member engagement and information sharing. Furthermore elected members, where appropriate, will receive feedback from other engagement strands to aide broader understanding of how we are using a co-operative approach to engagement throughout the Transformation Programme. This list of elected member stakeholders may change to reflect the scope of the relevant project.

The relevant portfolio holders will be consulted of any commercial changes within their portfolio

Stakeholder Type	Stakeholder	Responsible	Accountable	Consulted	Informed
Elected Members	Cabinet			X	
	Shadow Cabinet				X
	Member Transformation Board		X	X	
	Council's Scrutiny Function			X	
	Transformation Advisory Group			X	
	MPs				X

Community Engagement

The main community that needs engagement from this project is the business community. The project will be forging links with businesses and business groups for exchanges of information and to ensure the services we wish to provide are appropriate albeit recognising the commercial nature of this project and the potential need for confidentiality.

Stakeholder Type	Stakeholder	Responsible	Accountable	Consulted	Informed
Communities and Customers	Communities of Identity			X	X
	Communities of Interest			X	X
	Communities of Geography			X	X
	Customers			X	X

Partner Engagement

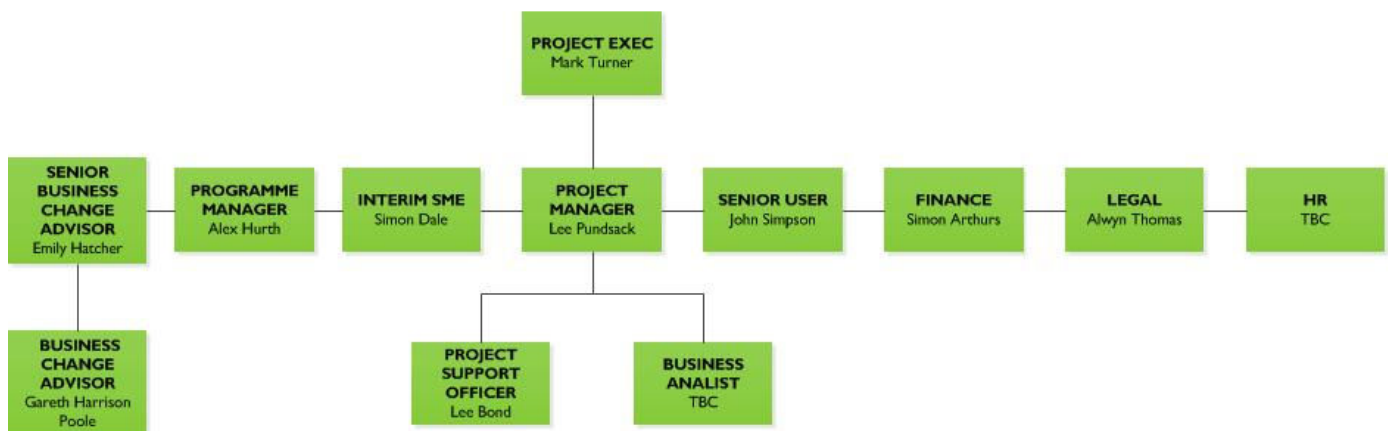
The Commercialisation Project carries the potential to directly and indirectly influence partner agencies. Therefore the project will need to ensure partners are informed of potential changes where relevant and appropriate. In specific cases partner agencies may be able to feed into decisions within the project, and therefore opportunities should be provided to canvas feedback on proposed changes. Several partners have already been identified as follows although recognising the commercial nature of this project there may be a need for some confidentiality.

Stakeholder Type	Stakeholder	Responsible	Accountable	Consulted	Informed
Municipal Enterprise Related Partners	Plymouth Community Homes			X	
	South West Devon Waste Partnership			X	
	AMEY			X	
	VCS			X	
	Alpha-Logic				X

Note: as the project develops the amount of partner stakeholders are likely to increase.

8.7 Framework and Methodologies

Commercialisation project structure:



This project employs Prince 2 project management methodologies.

Other tools / methodologies / processes / standards / assurance

1. Plymouth City Council Transformation Portfolio Lifecycle has been developed to assure the safe delivery of the projects and programmes in the Transformation Portfolio.
2. Governance is applied across the Projects and Programmes in accordance with the Transformation Start-up pack and subsequent documentation found in the Portfolio Office. See S:\Transformation\Portfolio Office
3. All documents pertaining to the standards, processes, tools, methodologies and assurance to be applied to all Programmes and Projects in the Transformation Portfolio will be found in the Portfolio Office Folder as shown above.

All files for specific Programmes and Projects will be filed by Programme and Project. See S:\Transformation\Programme and Project Folders

9 Appendices

9.1 Commercialisation Financial Principles

FINANCIAL PAPER COMMERCIALISATION

Growth Assets & Municipal Enterprise 28/5/14

Introduction

The Councils GAME Municipal Enterprise Transformation Programme sets out a number of areas for achieving financial benefits from an increased commercial focus to review contracts, drive down costs, achieve higher net income streams and also develop new net income streams.

Commercialisation supports the whole Council with GAME Municipal Enterprise being the obvious location to capture the Councils financial benefits arising from Commercial activity. Through the Transformation programme we hope to encourage more creativity, entrepreneurial behaviours, appropriate managed risk in addressing the challenges the Council faces as a whole, irrespective of which services these opportunities arise in.

It is certainly not the intention of these principles to disincentivise positive, entrepreneurial behaviours in addressing the challenges the Council faces as a whole

The purpose of this document is to define commercial activity and to set out the key principles for capturing financial benefits from commercialisation.

What is Commercialisation in the context of Council Services (existing and new services)?

Commercialisation covers both expenditure and income and may arise as a result of Council working alone or with partners.

Expenditure

- Contract Review
- Demand Management

Income

- Increased turnover (net surplus/profit), through volume or changes to pricing/charging
- New income streams

Areas of activity include advertising, sales of goods and services, sponsorship, rentals (from existing assets or new capital acquisitions),

Commercialisation would exclude contributions, grants, donations, ring-fenced income e.g. S106/CIL, social care income/contributions from service users

Commercialisation and entrepreneurial spirit managed in the right way is an extremely positive and rewarding thing for staff and the Council as a whole.

Principles

1. Corporate Management Team (CMT) and Transformation Programme Board (TPB) will agree and own these corporate principles.
2. Commercialisation may be achieved by cost reductions or increased income in commercial activities or a combination of both in order to improve net position.
3. Net commercialisation gains, over and above existing budget, will be captured towards the Council's GAME Municipal Enterprise target. This includes new activities, expansion of and charging for existing activities.
4. Staff generating ideas that result in tangible gains will be recognised and rewarded.
5. Commercialisation may occur as an ongoing benefit or a one off event
6. Any existing and agreed budget action plans to reduce cost or increase net income contained in current budget delivery plans will not be captured in GAME Municipal Enterprise Commercialisation. This will avoid double counting.
7. Commercialisation will apply to revenue, capital and external accounts where applicable
8. Any exceptions to the capturing commercialisation benefits within GAME Municipal Enterprise must be agreed by CMT with a clear rationale

A general financial principle

Unplanned and unforeseen 'windfalls' or 'one offs' relating to increased income or cost reductions, irrespective of whether they come about from commercial activity or business as usual must be declared in the monitoring for CMT to discuss along with any proposals to utilise the windfalls in the context of the Councils overall financial position (in year budget, reserves and balances, future medium term pressures).

9.2 Equality Impact Assessment

Commercialisation Project



STAGE I: What is being assessed and by whom?

What is being assessed - including a brief description of aims and objectives?

GAME _07 Commercialisation Project :

The Commercialisation project is working towards achieving Plymouths 'Brilliant Co-operative Council' agenda, driving forward its values of being Pioneering Growing Confident and Caring, supporting the city in its growth.

The Councils desire to commercialise has been undertaken to try and help bridge the expected funding gap in 2015 as well as supporting and driving forward continual service improvements and money saving benefiting not only the Council but the people of Plymouth. The project aims to do this by creating a series of work streams that will develop a variety of services and schemes that will generate reliable revenue on a yearly basis. The project will continue to search out commercial opportunities in order to develop and deliver monetary and reputational gains to Plymouth City Council.

The project will operate to these core principles.

- Ensure that service structures are in place to enable a more commercial way of working, or if required to restructure accordingly.
- Review the services offered to our customers and diversify where possible and appropriate
- Review existing fees and charges for services provided to customers
- Consider alternative structures for business areas including the potential development of Local Authority Trading Companies (LATC), outsourcing or partnership working

Responsible Officer

Mark Turner

Department and Service

Transformation

Date of Assessment

21/07/2014

STAGE 2: Evidence and Impact

Protected Characteristics (Equality Act)	Evidence and information (e.g. data and feedback)	Any adverse impact?	Actions	Timescale and who is responsible?
Age	<p>Age represents a significant issue in the provision of a universal waste collection service. In 2011/12 data, 33.1% of people were Plymouth are over 50, with 7.7% over 75.</p> <p>Over 75's are predicted to rise faster than any other group (19,000 in 2008 to 31,000 in 2028).</p> <p>While the attainment of a certain age does not provide de-facto access to the</p> <p>This project will not impact on young people unless they have other needs.</p>	<p>No</p> <p>Positive steps will be taken throughout involving service users, partner agencies and Members to ensure that policy documents are fit for purpose.</p> <p>We will aim to provide improvement to existing services as well as offering new services that can support elderly residents.</p> <p>Improved customer services and marketing, enabled by more effective and efficient services may enable more customers to access services.</p>	N/A	N/A
Disability	<p>Data for 2011 shows that 49,545 (20.6%) of people have declared themselves as having a limiting long term illness, against a national average of 18.2%.</p> <p>11,655 (6.7%) of people consider themselves</p>	<p>No</p> <p>We will contact partners to produce intelligence identifying legitimate service users; this will limit the number of households we contact asking them to reapply.</p> <p>Positive steps will be taken</p>	N/A	N/A

STAGE 2: Evidence and Impact				
Protected Characteristics (Equality Act)	Evidence and information (e.g. data and feedback)	Any adverse impact?	Actions	Timescale and who is responsible?
	<p>permanently sick or disabled against a national average of 5.5%.</p> <p>Around 30,000 people have a diagnosed mental health issue.</p> <p>The above average level of disability in Plymouth suggests that our assisted collection service will be placed under greater pressure than the majority of other Council schemes.</p>	<p>throughout involving service users, partner agencies and Members to ensure that policy documents are fit for purpose.</p> <p>We will build in positive links with partner agencies to add value to our communications and promote the welfare of service users</p>		
Faith, Religion or Belief	<p>As of 2011 Plymouth's breakdown in relation to religion was:</p> <p>No faith: 30%</p> <p>Hindu, Buddhist and Jewish combined less than 1%.</p> <p>Christian 68%</p> <p>Muslim/Islam 1.7%</p>	<p>No</p> <p>Commercialisation will support people irrespective of their faith, religion or belief.</p>	N/A	N/A
Gender - including marriage, pregnancy and maternity	<p>There were 3216 births in 2008/9. 7.4% homes are headed by a lone parent.</p>	<p>No</p> <p>Commercialisation will support people irrespective of their Gender or Marital status</p>	N/A	N/A

STAGE 2: Evidence and Impact				
Protected Characteristics (Equality Act)	Evidence and information (e.g. data and feedback)	Any adverse impact?	Actions	Timescale and who is responsible?
Gender Reassignment	Data for this area is limited. It is estimated that there are 10,000 transgender people in the UK. In Plymouth as of 2011 23 transgender people were registered with Plymouth Pride.	No Commercialisation will support people irrespective of their Gender	N/A	N/A
Race	As of 2011 Plymouth's BME community accounted for 7.1% of the overall population, significantly below the national average.	No Commercialisation will support people irrespective of their Race	N/A	N/A
Sexual Orientation -including Civil Partnership	No accurate data exists regarding the LGB community in Plymouth, but nationally the population is estimated at between 5 to 7 %. This would mean that around 12,500 people aged over 16 in Plymouth are LGB.	No Commercialisation will support people irrespective of their Sexual Orientation	N/A	N/A

STAGE 3: Are there any implications for the following? If so, please record 'Actions' to be taken		
Local Priorities	Implications	Timescale and who is responsible?
Reduce the inequality gap, particularly in health between communities.	Commercialisation has no negative impact on the inequality gap between different communities.	N/A
Good relations between different communities (community cohesion).	We aim to support the creation of community capital by promoting cleaner, more attractive environments. However this priority will be primarily supported through the GAME Programme's	N/A
Human Rights	There are no implications for Human Rights. The service will remain universal, ensuring that all residents receive equitable and effective provision.	N/A

STAGE 4: Publication			
Director, Assistant Director/Head of Service approving EIA.		Date	

9.3 Commercialisation Workstreams SUMMARY

Introduction

The gathering of commercial ideas across Plymouth City Council has been undertaken utilising methods including consultant reviews, management meetings and staff workshops. All ideas have been collated, giving a total of 120 commercial ideas. These ideas have been skimmed through to remove any obviously unfeasible actions and have been grouped into possible Workstreams and single actions. This document proposes the Workstreams, based on criteria including:

- Ease of implementation
- The size of possible net income
- The amount of data collected at this point
- The necessity of implementation due to future actions
- Where the action entails organic growth so the quicker the implementation, the greater the overall net income

Potential Workstreams:

Commercial Directories

This Workstream will explore all of our services that can be offered to external customers. It will not create any new services or develop current ones.

The intension is to create and market a series of service directories compiled from the created list. These directories will be tailored towards:

- Schools
- NHS
- Emergency services
- Local businesses
- Care homes
- Other local authorities
- VCS /Third Sector

There currently exists a schools directory compiled by ELAFS, so the plan is to investigate and utilise their data gathering method, improve and inform if needed, and then utilise the method to produce the other directories.

The Expansion of Trade Waste

This Workstream is dealing with all aspects of waste from trade waste collections and waste disposal. The commercial opportunities are:

- To increase the sales of trade waste collections
- To investigate and move into different waste collection streams
- Accept commercial customers at the HWRC
- Renegotiate the landfill gas contract
- Charge domestic customers for stone and soil
- Charge domestic customers for asbestos

Advertising

This Workstream is investigating the possibilities of new income from advertising across the council's assets.

An expression of interest soft market test is underway, with one company already interested in providing internet advertising.

The suggestions for advertising are too many to list here, but at the present no idea is off the table. The only advertising/sponsorship currently being undertaken is the sponsorship of flowerbeds, roundabouts and occasional events.

Renewable Energy Generation

This Workstream will look at the possibilities of installing PV and wind turbines across the council's portfolio of land and commercial property. A desktop survey is currently being undertaken to identify possible sites for PV. Once this has been completed a surveyor will be brought in to ascertain the viability of these sites so procurement, planning and installation may begin.

Three forms of funding may be used for this Workstream:

- Upfront capital investment – Greater liabilities (maintenance etc.) and payback period of approx. 8 years.
- Loan – this could give an income each year but again the same liabilities.
- Rent the land – no liabilities but lesser income.

Weddings and celebration events

This Workstream is looking into weddings and celebration ceremonies and is looking to implement the following:

- To centralise the booking and marketing of all PCCs wedding premises
- To gain links to other premises

This will not be solely for weddings but for all forms of celebrations and ceremonies.

Cemeteries and Crematoria

This Workstream will be looking at the following:

- Creating a pet cemetery
- Creating a woodland burial site
- Memorialisation opportunities

A small piece of work has been done on this with the identification of potential sites. The Senior Manager has identified land suitable for woodland burials however this land would need to be purchased.

Online Shops and Trading

This Workstream will look at the setting up of an online shop to sell:

- Museum shop items
- Tourist information centre (TIC) items

Discussions have taken place with the museum around this,

Street Services

This Workstream will look at all the commercial opportunities around street services. All current possible commercial activities will be included in the commercial directory, but there is a large range of operations that could be improved and adapted for commercial customers.

Catering Services

This current Workstream will look at all catering opportunities within the council with the mind to improve and create new income streams. The schools catering company has just been set up and this could be adapted or resources used for other catering work providing it did not affect the schools arrangement.

Security Services

This Workstream will be looking at all security type services across the council from stewarding, CCTV , alarm monitoring and home call, to see if they can be offered to other customers or adapted to gain more from the assets.

Commercial transport opportunities

The introduction to category management – fleet services project will identify commercial opportunities within our transport and garage services. The Commercialisation project will assist in the implementation of these opportunities when appropriate.

There will be more commercial ideas gathering exercises in the future so this list will grow.

9.4 Commercialisation CASE STUDIES

OXFORD CITY COUNCIL

“Oxford City Council could definitely be described as an enterprising, commercially astute council. But, rather than going down the route of outsourcing or setting up an arm’s length company, we have chosen to develop a commercial culture among our own in-house employees in order to retain the benefits of direct service delivery.”

- Jo Gardener jgardener@oxford.gov.uk

BACKGROUND

- OCC facing a potential short fall in budget. In 2011 a transformation / commercialisation project was undertaken to reduce expenditure by 20% and increase performance by 20 %

The project aimed to keep as much as possible in house providing training and development for its staff.

“A partnership has been forged based on providing cost efficient services in return for investment and increased job security”

OBJECTIVES

- Reduce Expenditure of services by 20% (baseline not included in report)
- Increase Performance of Services by 20%
- Maximise Value from buildings and assets.
- Introduce modern working practises
- Raise income by producing in house “commercial packages” establishing Oxford Direct Services

AREAS OF FOCUS

Establishing a portfolio of marketable skills

- Building maintenance
- Commercial Waste
- Grounds & environment
- Street scene
- Fleet & Workshop
- Highways and Engineering

A marketing strategy to the following areas

- Charities
- businesses
- Council residents
- health and voluntary sector bodies
- Landlords and letting agencies
- Housing associations

BENEFITS

By September 2012 turnover from new customers was £330k with a total increase in volumes for the full year of £1.24 million

10 apse direct news

In-house proud of Oxford's commercial culture

Business Improvement Manager, Jo Gardner, explains how Oxford City Council has created a commercial culture among its integrated in-house team, which is on target to generate £6m turnover while improving front-line services

Oxford City Council could definitely be described as an enterprising, commercially astute council. But, rather than going down the route of outsourcing or setting up an arm's length company, we have chosen to develop a commercial culture among our own in-house employees in order to retain the benefits of direct service delivery.

Like other authorities, Oxford had to make dramatic changes in response to reductions in central government funding. For us, this resulted in a choice in 2011 to introduce a programme of maximising resources as opposed to cutting jobs and services. An overall objective of reducing expenditure by 20% and also increasing performance by 20% was set. To achieve this target, we are taking a holistic council-wide approach, pursuing maximum value from buildings and assets, simplifying and automating processes and introducing effective modern, working practices.

While recognising that business benefits could be gained from establishing a separate arm's length company, the council was also keen to retain the benefits of in-house services. Keeping front line services is an integral part of the council while also creating a commercial culture has therefore been a vital strand of our transformation. Oxford Direct Services was established to bring in-house building maintenance, commercial waste, grounds and environment, streetscene, fleet and workshop, highways and engineering services together to effectively deliver front line services and to raise income by actively marketing these services to businesses, council residents and tenants, charities, health and voluntary sector bodies, landlords and letting agents as well as other councils and housing associations.

This additional emphasis on income generation meant an intensive period of outward facing activities, such as professional sales and marketing, communications, design and setting up a dedicated website as well as internal business process development, cost base analysis, tendering documentation and accessing transformation funding.

By September 2012, turnover from new customers alone was £330k, which supported an increase in volumes for the full year of £1.24m. Direct Services has maintained and improved its core provision for local people while its external business continues to grow and projected turnover for the current financial year is £6m. We are also planning to offer back office functions such as procurement and legal services to businesses on a commercial basis, which will be a further boon to income. Changes were achieved without

additional resources as capacity to provide commercial services came from increasing efficiency among existing front-line staff, with additional staff recruited only to meet demand for income-generating services – and thus paying for themselves.

This success is due to both the capability and vision of the authority's management and the co-operation of staff. A partnership has been forged based on providing cost efficient services in return for investment and increased job security. There have been no job losses, the number of high quality modern apprenticeships has been increased and the council believes in paying a 'living wage' to employees, which is good for the local economy. Because it has been possible to maintain or improve services and bring in income, this has supported investment, boosted morale and improved efficiency further – creating a virtuous circle of continuous improvement.

Direct Services' frontline employees have been trained in new skills to improve the council's offer to customers and this is helping empower both staff and citizens. Our new decentralised approach to customer interaction is not just on a commercial level, but aims to maintain and improve residents services overall, despite the tough financial climate in which we operate. Evidence that this is working is found in a very low level of customer complaints. Our front-line staff's dedication to the communities in which they work was most evident during their round the clock support during adverse weather events.

Overall, we believe our change programme is contributing powerfully to delivering Oxford City Council's vision, of 'Building a World Class City for Everyone'. The quality and level of services to residents and tenants has not just been maintained, but increased and we have managed to commit to infrastructure development, as witnessed by the council's ambitious house building programme and leadership on recycling and carbon reduction measures.

As we move forward, commercial activity is becoming increasingly the 'norm', rather than an add-on to Oxford's Direct Services. Commercial mindedness is becoming embedded in our management processes and systems and supports our medium term financial plan. We are proud to say that business acumen, marketing skills and competitiveness, which were once associated with commercial companies, are now part of the thinking among our in-house managers and staff and that residents are benefitting as a result.

Contact: jjgardner@oxford.gov.uk

NORTH LINCOLNSHIRE

BACKGROUND

Facing budget reductions from Central Government North Lincolnshire has started on an Entrepreneurial Journey to make its services commercially available to other organisations. They have introduced a service that supports their cooperate blueprint similarly to Plymouth City Council.

OBJECTIVES

North Lincolnshire Council state in their strategic marketing plan that they endeavour to be a responsible

NEIGHBOUR: - *We manage the risks associated with our activities and protect the environment. We focus on the needs of the community: one council putting our customers first*

SERVICE PROVIDER: - *We aim to satisfy our customers by meeting and exceeding their requirements. We closely consult all stakeholders, and fully comply with our regulatory, legislative, contractual and other obligations.*

EMPLOYER: - *We actively encourage and support our employees to gain skills and qualifications that will meet our needs. We safeguard our employees, subcontractors and premises, and develop highly motivated and skilled teams through strong leadership and effective training*

- Maximise Value from buildings and assets.
- Introduce modern working practises
- Raise income by producing in house “commercial packages

AREAS OF FOCUS

Establishing a portfolio of marketable skills

- Building Cleaning services
- Building Project Management and Design
- Arboriculture & Hard & Soft Landscaping
- IT and Digital Services
- Building Maintenance Management
- Vehicle Repair and Maintenance
- Waste and Recycling Services
- Pest Control Services
- Carbon & Energy management
- Procurement Consultancy Services
- Human Resources
- Legal Services
- Media Relations And Graphic Design
- Emergency and Temporary Support for the Clerking of Meetings
- Healthy Workplace Award scheme
- Venue Hire and Catering
- Marketing and Advertising Opportunities

Aylesbury Vale District Council

Thinking commercially to tackle budget pressures

Archived press release

Date Published: 09/12/13

Aylesbury Vale District Council is becoming smarter, leaner and more efficient as it aims to save £2.4 million next year.

Members of the council’s cabinet will be looking at initial budget proposals put forward to meet the big savings required for 2014/15 and the following years.

The council faces the challenge of balancing the books in a year that will see central government funding reduce significantly.

By April 2015, the government grant settlement will have reduced by almost half meaning a cut of more than £5.5 million since 2010. This means that the council will only have £219 to deliver services to each home, compared to £310 in 2010. That’s a drop of around 30 per cent.

Despite the financial challenges the council remains ambitious and is working hard to protect key services. Every service is currently being reviewed to see where money can be saved and new income generated.

By thinking commercially to balance its reduced budget in 2014/15, the council has identified a number of key savings including:

- Additional rental income from NHS and GP Clinical Commissioning Group in 66 High Street and the Gateway, together with reduced energy and cleaning costs, will save £274,200
- Restructuring of the Development Management service, including the introduction of the Householder Extension Local Development Order, will save £250,000
- Restructuring of the senior management team will save £100,000

Councillor Neil Blake, Leader of the Council, said: “We have to build on what we’re doing – becoming a more commercial council. I believe that operating as a business is the only way we can survive and evolve. We need to do things because they make business sense – not just because that’s the way we’ve always done things. This might mean dropping services that aren’t widely used and charging for others. There’s no doubt that we’ll have to make major changes in the New Year.”

The income the council receives from its residents – the average Band D property owner pays £133.69 a year, that’s £2.62 every week – is spent on a range of services including recycling and waste, parks and open spaces, street cleansing, planning, leisure and community safety.

The government has offered a grant to councils that freeze their council tax and is worth the equivalent of a one per cent increase. Cabinet members will be asked to consider whether to accept this grant or increase council tax by 1.99 per cent (5p per week) from 1 April 2014.

WEST LINDSEY DISTRICT COUNCIL

The Entrepreneurial Council. West Lindsey Council facing increased demand on its service provision in increasingly challenging financial circumstances realised that its current operational model was unsustainable.

Their new model is based upon the following core principles being / undertaking.

- Entrepreneurial - looking creatively at all resources
- Commercial (sits under entrepreneurial) - how do we become more cost conscious in the solutions we propose and the way we use that money
- Co-production – Less hand outs, different approaches, different relationship with our communities

West Lindsay in order to step forward and alleviate the financial pressures that it faced had to undergo a radical rebrand in order to realise its objectives. It exploited commercial opportunities to bridge its funding gap and increase its quality of service provision. Delivering 20 % reduction in Net Expenditure over the last three years.

This breaks down to approximately 98% from efficiencies and rationalisation the remaining 2% being generated from income from the commercialised services. The transformation programme at WLDC forecasts that a further 23% can be saved from services with a breakdown of savings swinging from a majority off efficiency driven savings to increased revenue generation. Approximately 37% from further efficiencies approximately 63% from income achieved while delivering social outcomes.

WLDC has had successes in other key areas outside of increased revenue to date it claims to have

- Increased Entrepreneurialism
- Increased commercial Awareness
- No compulsory redundancies to date
- No significant reductions in service to our customers

- High satisfaction with our approach to community Engagement/Localism
- Improved outcomes for the community
- No use of reserves or New Homes Bonus to set a balanced and sustainable budget

BACKGROUND

- One of 7 districts within Lincolnshire
- Lincolnshire County Council
- 440 Square miles
- 90,000 residents
- 42,000 properties
- 16th most sparsely populated council in England
- 37 Councillors – Conservative controlled

West Lindsey District Council through its prior to its transformation programme operated upon the following

1. The base Revenue Account and budget - approximately £43.8 million gross expenditure
2. A Capital Programme - spend for 2012-13 of approximately £3 million
3. Earmarked Reserves - approximately £6 million
4. General Fund Balance - approximately £6 million
5. Physical assets on the assets register – £14.4 million (2010 valuations)
6. Section 106, Community Infrastructure Levy – (funds available to be confirmed)
7. New Homes Bonus – estimated at £1.2m earmarked for empty homes project.
8. No borrowing

OUTCOMES

WLDC Has achieved the following successes over the period of the programmes existence.

- 20 % reduction in Net Expenditure over the last three year
- Approximately 98% from efficiencies and rationalisation, 2% income
- A further 23% reduction in the pipeline
- Approximately 37% from further efficiencies
 - Approximately 63% from income achieved while delivering social outcomes
 - Increased Entrepreneurialism
 - Increased commercial Awareness
 - No compulsory redundancies to date
 - No significant reductions in service to our customers
 - High satisfaction with our approach to community engagement/Localism
 - Improved outcomes for the community
 - No use of reserves or New Homes Bonus to set a balanced and sustainable budget