

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	21 November 2018
Subject:	Commercialisation Strategy
Report of:	Deputy Chief Executive
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	One

Executive Summary

The Council's Corporate Plan for the period from 2016 to 2020 was approved in April 2016 and sets out the following objectives for the adopted priority of Finance and Resources:

- Start on the path to being financially independent of the government's core grants.
- Maintain a low Council Tax.
- Investigate and take appropriate commercial opportunities.
- Use our assets to provide maximum financial return.

In 2014 the Executive Committee approved a Business Transformation Strategy, designed to assist the Council and its partnerships to fit the resources available and prepare for the changing agenda around public sector reform and the re-thinking of the relationship between public services, people, place and economy.

The Business Transformation Strategy has five key strands:



Partnerships and commissioning.



Use of buildings and assets.



Using technology and sustaining improvement.



People and culture.



Commercialisation.

The Business Transformation Strategy encourages the Council to adopt a commercial approach in order to provide additional income or service efficiency to safeguard ongoing service provision.

The commercialisation strategy, attached at Appendix 1 to this report, (which adopts the principles of a 'plan on a page') sets out the Council's 'statement of intent' and the basis for identifying, exploring and, where a sound business case exists, focussing upon implementing practices that can generate income. The strategy makes reference to some of the cultural and process changes that will be required to maximise delivery and importantly the engagement of staff.

The strategy is deliberately concise, setting out only the broad framework that will allow service areas to define more specifically what commercial opportunities exist in their areas. It seeks to create a mechanism for the exploration of business cases for entering markets not traditionally associated with local authorities, as well as building opportunities around existing service offerings.

A key part of the strategy will be to empower staff to feel comfortable suggesting more innovative ways of working, and to explore with their Line Managers the business cases that could work in their areas. Like any strategy, staff are key to helping shape and develop opportunities, as those responsible for delivering the services day to day are best placed to identify what could be done differently. Providing staff with flexibility to operate in different ways, through the roll out of digital and channel shift processes, to free up Officer time, will assist them in being able to explore income generation projects and ideas.

The Council has already developed commercial awareness and realised some of the benefits that this can bring. The creation of a Commercialisation Strategy will build upon this foundation and honour one of the key strands of the Business Transformation Programme.

Recommendation:

The Committee is asked to:

- 1. APPROVE the Commercialisation Strategy.**
- 2. NOTE that the governance arrangements, previously agreed as part of the Business Transformation (Transform) Strategy and Working Group, will be adopted to oversee projects developed as part of the strategy.**
- 3. NOTE that the Transform Working Group will support Officers in the development of a detailed 12-month action plan.**

Reasons for Recommendation:

A strategy for exploring commercial opportunities is essential as part of the suite of measures available to support the achievement of the Council's strategic objectives.

Resource Implications:

Exploring commercial opportunities as part of the Council's business transformation agenda will assist the Council in responding to key financial imperatives namely:

- allow the Council to remain viable as an independent organisation;
- ensure financial sustainability
- continue the focus on achieving savings and allowing choices about how services are delivered; and
- enable the organisation to remain fit for purpose in light of 21st century challenges.

£50,000 per annum has been identified in 19/20 and 20/21 and £25,000 per annum for the three years thereafter has been set aside in order to help deliver some of the Council's aims and objectives with regards to business transformation. These funds could be used to assist in the development or delivery of viable business cases for commercial opportunities.

However, potentially substantial sums may be required to deliver further transformation over the next few years.

Legal Implications:

There are various powers upon which the Council could rely and Officers should seek legal advice at an early stage when considering specific proposals. Generally charging for the provision of a service is limited to cost recovery unless the service is provided through a separate trading company.

Risk Management Implications:

This report recommends the adoption of a Commercialisation Strategy, as part of the overarching business transformation agenda. As part of the business transformation agenda, previously agreed, the mechanisms to ensure good governance, direction, control and measurement, both corporately and within service areas, were established. The Transform Working Group, will continue to play a key role in the oversight and governance of projects undertaken in accordance with the new Commercialisation Strategy. These mechanisms will continue to be utilised for governing the Commercial Strategy to provide a robust framework to minimise the risks to success.

Performance Management Follow-up:

Delivery of key projects will be monitored against delivery plans by Members through the Performance Framework.

Environmental Implications:

None directly arising from this report but potential indirect benefits of the implemented strategy will result from an increased use of automation and electronic access channels reducing the need to travel and the use of paper, printing and postage thereby reducing environmental impacts.

1.0 INTRODUCTION/BACKGROUND

1.1 The Council began the work to reshape itself in 2013, via the recognition and subsequent implementation of the Business Transformation Programme. This programme, with significant input at the time from the Transform Working Group assisted the Council and its partnerships to fit the resources available and prepare for the changing agenda around public sector reform and the re-thinking of the relationship between public services, people, place and economy. The Business Transformation Strategy was approved by Executive Committee in 2014. Since this time, transform successes include:

- Creation of 35 online forms across all departments of the Council Report a problem (abandoned vehicles, grass cutting/hedges, fly tipping, street cleansing, dead animals etc.).
- Report a missed bin.
- Talk to us (any feedback from residents – positive or negative).
- Make a formal complaint.
- Make an FOI request.
- Council Tax forms.
- Citizens panel signup.

- Report a planning infringement.
- A new online payment system from Adelante that provides direct payment for Council Tax and non-domestic business rates.

This year, 35,000 forms have been submitted by residents.

- 1.2** The Council's latest Medium Term Financial Strategy shows that, for the financial years between 2017 and 2022, the Council is facing a deficit of £3.5m. To help address the shortfall, the Council has adopted a Business Transformation Strategy which has five key strands:
- Partnerships and commissioning.
 - Use of buildings and assets.
 - Using technology and sustaining improvement.
 - People and culture.
 - Commercialisation.
- 1.3** Being 'commercial', 'adopting a commercial approach to service delivery' or 'developing a commercial strategy', seem to be buzzwords of the moment for many Councils, but what exactly does being 'commercial' mean? Well it means different things to different Councils, but for Tewkesbury Borough, being commercial can be summarised as looking to explore all opportunities to generate alternative income streams to help plug the financial deficit and using new technology and approaches to service delivery that reflect a business-like approach.
- 1.4** The Council already has a highly successful commercial investment plan, with a portfolio of approximately £40m invested in offices, industrial estates and business premises across the country, which generates a net return of approximately £1.2m, which is then used to support the base budget.
- 1.5** This strategy has helped significantly in terms of reducing the Medium Term Financial Strategy deficit, but still leaves the Council with a gap of £3.5m over 5 years. As such, it makes sense to create a culture and awareness at all levels of the organisation, to explore how adopting a commercial approach to generate income streams can help to reduce the deficit. It is this approach that will form the basis of what will become known as the 'Commercialisation Strategy' as set out in this report. This can be done both in the context of maximising existing work streams that can be charged for but also new work streams that can be charged for if a business case evidences the benefits.
- 1.6** The Council is already being commercially minded in many ways; through the leasing of the ground and upper floors of the public service centre; the creation of a highly successful garden waste collection scheme, which generated a budgeted surplus of £261,291 and the creation of One Legal, a shared service with Cheltenham Borough Council and Gloucester City Council which has generated surpluses for each Council. The planning partnership with Gloucester has allowed the sharing of two posts which are beginning to create efficiencies in the service upon which a commercial strategy can develop.
- 1.7** However, with tough financial times ahead, it makes sense to consider what else could be done to drive our commercial agenda. In short, if the Council can grow or invest to offset a deficit position, that is always going to be preferable to looking at cuts to services or staff.

1.8 The Business Transformation Strategy sets out the five key strands reflecting where and how Tewkesbury Borough Council will recognise, respond, adapt and implement changes in light of financial challenges and the changing dynamic of culture and technology. One of these strands is the adoption of a commercial approach in order to provide additional income or service efficiency to safeguard ongoing service provision.

1.9 In addition to generating income, the adoption of more commercial ways of working can provide organisational benefits including:

- Utilisation of staff skills and abilities in new ways to provide job satisfaction, development opportunities and new ways of working.
- Developing more efficient ways of working, reducing costs, duplication and silo working.
- Ability to learn from the private sector in terms of customer engagement and feedback.
- Enhanced customer experience and reduced response times via new technologies.

1.10 The strategy on a page deliberately sets out only the broad framework that would allow service areas to define more specifically what commercial opportunities existed for their areas. It would create the mechanism for the exploration of business cases for entering markets not traditionally associated with local authorities, as well as building opportunities around existing service offerings. An example of new territory could be assessing the business case for creating a local authority training company, recognising that many Councils spend large amounts on training and development of their staff and with a highly experienced and skilled staff base, this could be a service Tewkesbury Borough Council provided to others.

1.11 Adopting a commercial approach does not always need to reflect entering new markets, it can be as much about doing what we do now, but doing it more efficiently and effectively. For example, a business case could be developed to suggest that through the greater implementation of digital technologies to deal with more straightforward customer enquiries, existing Revenues and Benefits staff could have additional capacity to report new dwellings and businesses to the Valuation Office Agency. Councils do not receive income associated with new dwellings or businesses rates until the VOA have made an assessment. So, a realignment of how services are delivered could allow both a higher financial recovery rate and quicker receipt of income.

1.12 One Legal reflects a very successful example of how a support service area can provide efficiency savings for partner Councils and there could be opportunities to explore whether this model could work for other areas of the organisation.

1.13 A key part of delivering the strategy will be to empower and support staff to feel comfortable suggesting more innovative ways of working, and to explore the business cases that could work in their areas. Like any strategy, staff are key to helping shape and develop opportunities, as those responsible for delivering the services day to day are best placed to identify what could be done differently. Providing staff with flexibility to operate in different ways, to free up officer time, will assist them in being able to explore income generation projects and ideas.

2.0 NEXT STEPS

2.1 The strategy sets out the Council's statement of intent, and a broad framework to assist service areas in developing commercial business cases. It is proposed that the Transform Working Group now works closely with Officers to develop a 12-month action plan, setting out the key areas across each service where savings could be made via more efficient operating models, or where additional income could be generated.

3.0 OTHER OPTIONS CONSIDERED

- 3.1 The Council could decide against exploring commercial opportunities and rely on other sources of income and savings to meet the budget deficit of the Council. It is not clear whether such a plan will be sufficient to meet the financial requirements of the Council.

4.0 RELEVANT COUNCIL POLICIES/STRATEGIES

- 4.1 The Business Transformation Strategy encourages the Council to adopt a commercial approach in order to provide additional income or service efficiency in order to safeguard its ongoing service provision.

5.0 RELEVANT GOVERNMENT POLICIES

- 5.1 The Government's desire to reduce public expenditure and produce a budget surplus by 2019-2020 has resulted in substantial decreases in the level of core grant received by the Council. This has led the Council to adopt a more commercial approach to generating income to cover the shortfall in government financing.

6.0 RESOURCE IMPLICATIONS (Human/Property)

- 6.1 None.

7.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

- 7.1 The adoption of commercial opportunities to increase income generation and/or reduce costs associated with service provision could support or sustain the social, community and economic development of the Borough.

8.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

- 8.1 Any new income streams could help the Council to set a balanced budget in the medium term whilst retaining a Council Tax level in the lowest quartile for districts in England. This, by definition, would prove value for money.

9.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

- 9.1 Executive approval of the Business Transformation Strategy (April 2014) and Transform Working Group Terms of reference (April 2014)

Background Papers: None.

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Appendices: 1 - Commercial Investment Strategy.