

Commercialisation Strategy

Context

In recent years, the Council has faced the largest reductions in funding from Central Government in living memory and we expect even more to come. Over the period 2011/12 to 2015/16 we faced government grant reductions (Including the New Homes Bonus) of £1.9 million with a further grant reduction of £3.5 million expected over the period 2016/17 to 2019/20. The grant reductions have occurred at a time of increasing demand for our services, so the Council is faced with the need to do more with less. A commercial approach presents an opportunity to meet this challenge by optimising returns from new and existing income generation activities which will protect the delivery of frontline services.

Where are we now?

Over the last 5 years, through a combination of budget cuts, service reviews and restructures the Council has significantly reduced its expenditure whilst protecting frontline services. As the challenging financial climate continues, further innovation is required and this strategy sets out the Council's ambitions to adopt a commercial ethos, develop and grow business initiatives, and maximise the return from our chargeable / discretionary services.

The Council is ambitious to grow in this area but recognises achieving a commercial return is not easy, and appropriate skills, capacity and internal development will be required to deliver it.

So far, the Council has entered into limited shared service arrangements, but in the main most service areas adopt a traditional local authority approach to operations.

What are our drivers for change?

- Requirement to explore all options to address the significant reductions in funding and deliver a sustainable Medium Term Financial Plan.
- Political aspiration to increase innovation and entrepreneurialism.
- Improving customer service and meeting customer need through advances in technology and channel shift.
- Linkages to the other key strategic Council themes of digitalisation, agile working and demand management.
- Other Councils are doing it, and doing it well.

What is our vision?

We want to stimulate innovation, grow existing services and develop new business, and develop a commercial approach which generates a greater financial and social return that assists the Council's financial resilience and sustainability. This will enable the Council to safeguard and improve services, and more effectively deliver its corporate aims and objectives.

How will we do this?

The Localism Act 2011 provided a catalyst for councils to become more enterprising and commercial in their activities, subject to some constraints. A key consideration for any business is which markets to enter, what products and services to take to market, and how to position them. The Council recognises the need to be both bold and innovative in any new ventures, but wishes to ensure a social dimension is retained in any commercial activities. Accordingly, the following will be considered more favourably when evaluating what activities to pursue:

- Where investments assist in both regenerating the area and delivering a financial return.
- Where there is a gap in the market unfilled by the private sector.
- Where the impact on local businesses within Gedling would be minimised.
- Where our reputation with residents, local businesses, our colleagues, local government sector, and our partners would be enhanced.

To achieve our commercial ambitions the Council will focus on four key areas of activity:

1. Strengthening the Council's commercial culture and capability.
2. Increasing income from Council services through trading, charging and investment.
3. Increasing external funding to the Council.
4. Increasing capital and revenue income through housing development and economic / employment growth.

1. Strengthening the Council's Commercial Culture and Capability

The Council will:

- Identify a lead Member for Commercialisation and hold Commercial Plan workshops with Members, if required.
- Hold money saving / income generation sessions with officers.
- Develop a clear governance framework that is proportionate and fit for purpose and includes the adoption of a project / programme management approach, overseen by a Corporate Programme Board that includes Member representation.
- Refresh the approach to risk management by reviewing the existing policies, procedures and strategy to focus on corporate, directorate, team and project risks and mitigation measures.
- Implement a framework for the development of new business proposals which ensures robust business cases and business plans.
- Adopt a robust approach to contract management by identifying agreed performance criteria and associated penalty clauses.
- Explore options for appropriate branding of trading services.
- Develop the commercial skills of the workforce through appropriate training and development.
- Acquire specialist skills and capacity to support the implementation of new service delivery models, as appropriate.
- Seek to collect income in advance wherever possible.

2. Increasing Income from Council Services through Trading, Charging and Investment

The Council will:

- Review the trading and income potential of all services.
- Deliver a prioritised programme of business case development for commercial projects and initiatives.
- Develop a systematic approach to customer insight, market analysis and horizon scanning for business opportunities.
- Establish effective financial systems to help manage the direct and indirect costs of alternative service delivery models, as appropriate.
- Establish appropriate charging policies that balance the need for full-cost recovery against market sensitivity and customers' ability to pay, whilst remaining within the legal framework.
- Market its services to both domestic and business customers.

3. Increasing External Funding to the Council

The Council will:

- Develop a number of strategic projects that can secure external funding.
- Establish an approach for encouraging and approving external funding bids which align with the priorities of the Council.
- Develop and influence networks to maximise opportunities and success in securing external funding.
- Maximise the leverage from the Council's external funding activities.
- Seek sponsorship for and advertising on Council-owned assets.
- Explore alternative capital financing options.

4. Increasing Capital and Revenue Income through Housing Development and Economic / Employment Growth

The Council will:

- Develop and deliver a land and property programme to add value and diversify the Council's property portfolio to generate financial and social returns.
- Strengthen the Council's approach to estate management by utilising a consistent approach to maximising rental income and returns on investment.
- Identify small plots of land that have a maintenance liability for the Council and actively seek disposal or alternative uses.
- Review options for housing development and returning empty properties back into use.
- Stimulate business growth and investment by adopting an economic growth strategy for the borough which will optimise business rates income for the Council.

Through our Fees and Charges Group we will:

- Achieve an increased income target of £420k by 2020/21.
- Review all discretionary fees and charges for suitability.
- Assess cost drivers i.e. should a service be subsidised, recover costs, or make a profit.

- Identify where and how we can increase volumes and take-up of service.
- Put in place mechanisms to collect payments in advance wherever possible.
- Consider benchmarking information.
- Develop and secure adoption of a corporate charging policy, which includes clear direction on the use of concessions and discounts.

Through our Asset Management Group we will:

- Identify small surplus assets and determine whether to invest, partner or dispose.
- Assess large areas of land in council ownership and determine future use/sale programme.
- Engage in property development by identifying areas of land in council ownership that are suitable for development for commercial return.
- Identify land and/or buildings in private ownership that can be brought into the Council's ownership and built upon/refurbished for commercial return.
- Achieve a financial sales target of £xxx by 2020/21.

Through our Contract / Partnerships Management Group we will:

- Identify major contracts across the Council and determine any performance criteria and penalty clauses that the service needs to monitor on a regular basis.
- Develop the electronic contract register, which includes the information to be published in compliance with the Local Government Transparency Code, in conjunction with the procurement team and determine the most appropriate methodology for keeping it up to date.
- Review the partnerships register and determine any performance criteria and/or governance issues that need to be addressed.
- Identify the outcomes, risks and value to the Council from any partnership arrangements and determine whether the Council should continue with those arrangements and if so who is the most appropriate officer/member to represent the Council at those meetings.
- Review the payments made to 3rd /voluntary sector and determine the value of those arrangements to the Council.

Through our Sponsorship and Marketing Group we will:

- Develop and secure the adoption of a marketing strategy, which outlines the Council's position on advertising and sponsorship.
- Identify an appropriate corporate brand for traded services.
- Identify internal capacity and determine which services to market.
- Determine the Council's 'USP' for each service area and identify the most appropriate markets to be targeted.
- Produce a sales/marketing brochure for both domestic and business customers.

- Identify appropriate partners that we engage with to sponsor or advertise on council assets e.g. car parks, vehicles, etc
- In accordance with the agreed Fees and Charges Policy, develop pricing strategies and determine discounts, offers etc in respect of specific services that will generate additional business for the council.

Through our Leisure Management Group we will:

- Determine the most appropriate supply of leisure facilities and the investment required.
- Gain a good understanding of and ensure that consideration is given to contractual arrangements with current sites e.g. joint use agreements.
- Determine the most appropriate operating model moving forward.
- Achieve a financial target of £550k by 2020/21 i.e. a break-even position as a minimum.

Through our Housing Development Group we will:

- Determine options for housing development and delivery in terms of what outcomes the Council is aiming for e.g. affordable housing, build for rent, build for sale, mixture etc.
- Develop an internal housing strategy.
- Identify linkages, if any, with homelessness/social care provision.
- Engage with landlords to determine housing supply.
- Engage with developers to determine options for partnership and/or delivery of new housing.
- Determine the most appropriate operating model moving forward.
- Achieve a financial target of £200k by 2020/21.
- Gain an understanding of any barriers to development.

Through our Parks and Street Care Group we will:

- Consider alternative delivery models and prepare an appropriate options appraisal and business case.
- Determine the most appropriate operating model moving forward.
- If the favoured option is a local authority trading company:
 - o Determine which of the current services to include.
 - o Consider alternatives to staffing terms and conditions e.g. annualised hours, profit share etc.
 - o Achieve a financial target of £xxx by 2020/21.
 - o Determine the viability of new service offerings e.g. tarmac drives, kerb dropping, tree work, pest control, drain jetting, treating Japanese knotweed etc.
- Prepare a business case for the introduction of a pet cremation and ashes burial service.

What benefits do we expect to see?

The Council has a wealth of highly skilled and committed employees, and they will be a source of numerous good ideas to support this agenda. It is important that these are considered and harnessed appropriately.

The benefits attributable to a move to commercialisation are:

- A tangible contribution to the delivery of a sustainable Medium Term Financial Plan.
- A change in emphasis within the Council in terms of commercialism and entrepreneurship.
- A different approach to risk i.e. awareness not avoidance.
- Adopting a new approach to marketing and flexible pricing strategies.
- Being open to all ideas from everyone, and recognising not every idea will work.
- Pursuing a return on investment, rather than simply turnover.
- Being prepared to invest now for a return in the future.
- Services that know their market, and where they and their competitors are within that market.
- A commercially skilled workforce.
- Acquisition of specialist skills and capacity, providing the opportunity to learn for our own staff.
- Development of new and existing income streams.
- Gaining an appreciation of our customers through improved customer service processes and building proactive and sustainable relationships.
- A focus on delivery, reputation and outcomes.