

Agenda Item No: 9

Report To: Cabinet

Date of Meeting: 30 July 2020

Report Title: Commercial Services Strategy

Report Author & Job Title: Mrs Tracey Butler
Head of Environment and Land Management

Portfolio Holder Cllr. Nell Bell
Portfolio Holder for: Head of Finance and IT

Summary: This commercial service delivery strategy is required to assist in addressing the financial challenges currently facing the council, which have intensified as a result of the Coronavirus pandemic.

This strategy is intended to provide a consistent approach and approved guidance for Councillors and Officers to work within and will be supported by an annual delivery plan, detailing the specific work programmes and projects that will help achieve our commercial service ambitions. These ambitions are designed to support the overall service delivery of the council and are an integral part of the Councils wider recovery plan.

Key Decision: NO

Significantly Affected Wards: None specifically

Recommendations: **The Cabinet is recommended to:-**

- I. Note the contents of the report**
- II. Adopt the Commercial services delivery strategy.**

Policy Overview: As detailed in the Summary

Financial Implications: The strategy promotes commercial services development (income generation and cost reduction) as a means to support service delivery across the council.

Legal Implications: Each proposed project will be examined on its merits and have appropriate legal advice provided for the proposal including alternative delivery models where they are proposed.

Equalities Impact Assessment:	Not appropriate at this stage, individual commercial initiatives will need to be assessed for their impacts
Data Protection Impact Assessment:	Not appropriate at this stage, individual commercial initiatives will need to be assessed for their impacts.
Risk Assessment (Risk Appetite Statement):	Each project uses the corporately agreed risk assessment and management process, will be tracked and monitored on our project management system and will be reported to Members through TEB and on to Cabinet.
Sustainability Implications:	The delivery plan for commercial services will include tracking of carbon reduction objectives.
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Report Title: Commercial Services Strategy

Introduction and Background

1. The commercial services strategy is a strand of Ashford Borough Councils recovery plan. The strategy is intended to live beyond recovery and into the support of future service provision for Ashford Borough Council.
2. This commercial service delivery strategy is required to assist in addressing the financial challenges currently facing the council, which have intensified as a result of the Coronavirus pandemic.
3. Now, more than ever, it is important that the Council reviews the way it performs its statutory and discretionary functions by investigating and implementing new ways of working to improve the Council's financial position, ensuring continued services provision.
4. The Council has always been keen to be self-sufficient and manage its finances prudently; this is ever more critical. Other future changes to central government funding, offers increased risks to the Councils budget but also potential opportunities arising from the localisation of business rates. However, with a delay in the Governments Fair Funding review (2021/22) and the financial future uncertain, we will need to do everything we can to support our finances ourselves.
5. Ashford Borough Council acknowledges the challenges that it faces, but also views the current funding picture as an opportunity to affect fundamental changes to how we do business; with improvements to services we deliver as a result.
6. An exercise has been carried out in each service area, described as a sprint, to look at the opportunities for income generation and cost reduction both in those services and with multi service support.
7. That review has helped to identify the greatest opportunities for income generation or cost reduction in the short, medium and longer term.

Proposal

8. To adopt the attached Commercial services strategy as a template for driving innovation and capturing income generation and cost savings to support service delivery across the Council.
9. To use the areas identified in the strategy as a catalyst for commercial services development to expand and grow. Under the guidance of the Trading and Enterprise Board, the strategy will allow those staff participating in the first

tranche of projects highlighted to develop their knowledge in a range of business skills. This will enable them to not only develop their own projects but to go on to mentor and empower other staff to do the same in the future.

10. This strategy, under the guidance of Members, will have the opportunity to explore service opportunities, developing market penetration in the services we currently offer but will also consider diversification opportunities for those and other services.
11. It is anticipated that each project's starting point will be the service being offered in house but ventures with third parties will be explored when considering market diversification and developing future opportunities for commercial delivery.

Equalities Impact Assessment

12. Not necessary at this stage but assessments may be required to assess individual activities to identify and where appropriate mitigate any impacts.

Consultation Planned or Undertaken

13. A stakeholder workshop has been undertaken with Members on commercialisation.
14. Workshops have been held with Management Team on commercialisation and how to add value to ventures being explored.
15. Workshops have been undertaken with staff on the first tranche of projects and a marketing working group has been set up to work around the development of a plan, as an exemplar, for two of the project areas.

Other Options Considered

16. We could do nothing. Members could choose to offer services "as they are" and not consider further income generating opportunities or cost savings. However, we have a fiduciary duty to offer services at the best value for public money. When we have a Medium Term Financial Plan (MTFP) that indicates we need to further income generate and cost save, we must act to ensure we can continue to offer services that our residents value and need.

Reasons for Supporting Option Recommended

17. To date we have some service areas that generate a modest income for the Council, delivering services to our residents. This income is used to support the base budget of the Council, providing quality services our residents want and need (based on the results of our residents' survey).

18. To ensure we continue to meet the expectations of our residents, we need to explore all opportunities to deliver services efficiently and effectively, reducing unnecessary expenditure. Income generation is not designed to be at the expense of services provided, rather a tool that allows us to ensure we continue to meet the needs of our residents.

Next Steps in Process

19. With the workshops having been undertaken and e-learning in place, a governance structure has been proposed for each project with the relevant tools to assist in setting objectives and delivery timetables.
20. Projects leads will come together at the first delivery hub meeting to finalise proposed stretch objectives. A meeting of TEB will review objectives and provide guidance on the projects moving forward to populate and develop the delivery plan that will go from TEB to Cabinet with recommendations for work being undertaken and proposed.

Conclusion

21. The proposed strategy will form a part of the Councils response to the budget deficits identified in the MTFP and will form part of the recovery strategy from the impacts on the councils' finances of the Coronavirus Pandemic.

Portfolio Holder's Views

22. As a council we have always been pro-active in the management of our finances. We have explored our commercial investment and development opportunities to enable us be a dynamic and entrepreneurial council.
23. This strategy sets out our approach to further develop commercial opportunities through our services, investigating market penetration for current offers and diversifying where further opportunities become available. This strategy will support us in our continued delivery of the quality services our residents need.

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APPENDIX

DRAFT COMMERCIAL SERVICES STRATEGY – ASHFORD BOROUGH COUNCIL

Background

- 1.1 This commercial service delivery strategy is required to assist in addressing the financial challenges currently facing the council, which have intensified as a result of the Coronavirus pandemic. It is important that the Council reviews the way it performs its statutory and discretionary functions by investigating and implementing new ways of working to improve the Council's financial position, which is part of business as usual. However, we are now in the position that we have implemented different ways of working due to the current circumstances and this presents an opportunity to capitalise on those and push forward our commercial approach.
- 1.2 This strategy is intended to provide a consistent approach and approved guidance for Councillors and Officers to work within and will be supported by an annual delivery plan detailing the specific work programmes and projects that will help achieve our commercial ambitions. A Commercial Delivery Hub will draw together the annual delivery plan and TEB (Trading and Enterprise Board) will have oversight of this, reporting on to Cabinet.
- 1.3 Other future changes to central government funding, offers increased risks to the Councils budget but also potential opportunities arising from the localisation of business rates. However, with a delay in the Governments Fair Funding review (2021 / 22) and the financial future uncertain, we will need to do everything we can to support our finances ourselves.
- 1.4 Ashford Borough Council acknowledges the challenges that it faces, but also views the current funding picture as an opportunity to affect fundamental changes to how we do business; with improvements to services we deliver as a result.
- 1.5 The success of the delivery of the Commercial Strategy will be measured by a series of Key Deliverables and Performance Indicators as part of our Performance Management Framework.
- 1.6 To increase and expand the Council's commercial vision we will require a shift in the core back office services to enable increased commercial skills and approaches within the systems and operations.

- 1.7 For those Council service areas that have not previously looked at the opportunities a more commercial approach can offer, particularly to improve and expand their services, there will be active challenge under the new strategy to explore these opportunities.
- 1.8 In some areas of the Council commercial activity is nothing new. In these areas we will look to further develop commercial activity within these services to enhance this already successful provision.
- 1.9 This strategy will highlight priority areas to focus key resources on in the short term in order to accelerate the commercial development process as part of the organisation's recovery from the coronavirus pandemic.
- 1.10 This strategy will also look to consolidate the Council's existing commercial activity and provide a framework, with defined objectives, for new commercial services projects and for the delivery of future commercial services activity.

2.0 What Commercialisation means to Ashford Borough Council

- 2.1 Commercialism is a broad subject and can apply to many different areas. The Capita report, *'Creating council commercialism – A conversation'* November 2013, notes how it can be difficult to precisely define what commercialism means for Council's:

'Commercialism means different things to different people, and is being implemented in different ways all over the country. This is a good thing – local government is enjoying a flowering of diverse approaches to problems as well as more freedom to act than previously. There is not – and there shouldn't be – one right approach to commercialism, nor just one useful definition.'

- 2.2 Our strategy looks to formalise the Council's commercial activity through two main work streams. These work streams which will help to realise the ambition of commercialisation set out in this strategy:

Commercial acumen - Enhancing the Council's commercial acumen and capability.

We are setting this vision to foster innovation through collaborative working across the departments of the council in a non-hierarchical Commercial Delivery Hub. We will use expertise from across the council and advisory partners to leverage opportunities. We will advise Members of and mitigate risks against the agreed corporate framework, assessing the potential of business opportunities inclusively and realistically but moving swiftly to ensure we seize market opportunities as they present themselves. We will take the

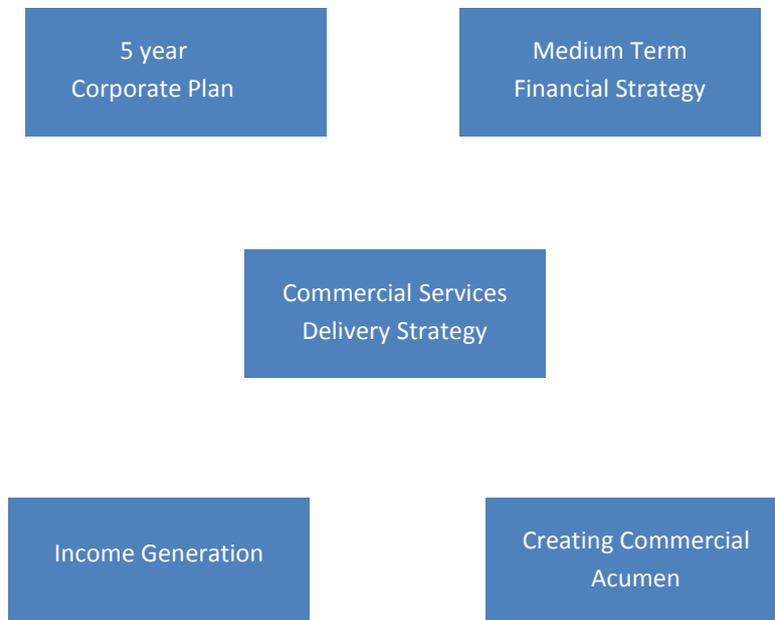
opportunity to set demanding but realistic performance targets, unleashing the untapped potential of staff who do the work to drive the innovation. Today's project leads will use their experience to mentor leads of the future.

Improving net revenue – Improving the financial position of the council through a combination of income generation, capturing internal savings and savings from third party suppliers

- 2.3 The success of the delivery of these work streams will be measured by a series of Key Deliverables and Performance Indicators. These specific, measurable goals are both financial and operational.
- 2.4 The delivery of these work streams will be supported by the introduction of an approved commercial framework. This will be used to evaluate existing commercial services and new ideas to ensure the right things are done in the right way and at the right time.

3.0 Strategic links

3.1 The interdependence and delivery of the Commercial Strategy is shown below:



4.0 Key aims and objectives

4.1 The overarching aim of this strategy is to deliver a financial return which contributes to the Council's efficiencies and income targets, helping to safeguard frontline services that the Council currently provides.

- 4.2 Given the scale of funding cuts efficiencies and additional income required (4.3million) it is anticipated that a cashable saving / income generation of £1million over the next two years should be aimed for.
- 4.3 The successful delivery of the Commercial Strategy will mitigate some of the savings that the Council will have to make. We will look to carefully manage and control any risks associated with the implementation of this strategy. Funding is required for the successful implementation of this strategy however it is expected to be self-financing in its own right.
- 4.4 It is important to note that the benefits of pursuing the Commercial Strategy are not purely financial. Becoming a commercially focused organisation means putting the customer at the heart of everything we do, using service design principles to inform service planning decisions and transformation. We will actively encourage creative thinking to develop more effective ways to deliver our services.
- 4.5 Under this framework, staff will be trained and encouraged to take business-like decisions, manage risk and seize new opportunities, using methodologies approved by our Members and with the membership in the Commercial Delivery Hub of a lead from our audit partnership, checking, challenging and providing best practice insight. Members will have oversight and guidance of this work through the Trading and Enterprise Board (TEB). This will help to improve the quality and speed of decision making, thereby improving the services we deliver to customers. An empowered workforce means more engagement, higher customer satisfaction, increased productivity and also better business intelligence. The result of this is that the Council's ability to attract and retain top talent is enhanced.
- 4.6 Through growing the commercial activity of the Council we are looking to benefit the people of Ashford, ensuring that wealth generated in the borough stays in the borough. In turn this will help to attract businesses, professionals and entrepreneurs to the area. It is anticipated that increased prosperity within the borough will positively affect the household income of residents, helping to reduce the barriers to social inclusion.
- 4.7 The key aims of the strategy are broken down as follows:

Short Term Goals (2020)	Medium Term Goals (2021-2023)	Long Term Goals (2023 onwards)
General		
Commercial Strategy to be adopted by Ashford Borough Council	Continue to develop commercial and investment opportunities to impact on annual targets	<p>Generate £1million inside 2 years and set a target going forwards</p> <p>Brought together the structure and function of the top 20 contracts for the Council, providing oversight and contract mentoring for the organisation as a whole</p> <p>Completed initial contract category segmentation management, aligning all future procurement in segments, preventing deviation other than in exceptional circumstance</p>
Net Revenue		
Commercial Framework to be adopted by Ashford Borough Council	Continue to develop commercial opportunities in line with this strategy	
Short term commercial priority areas identified in route map are implemented	Develop business cases for other commercial initiatives and opportunities	Reinvest income generated to improve the services we deliver
Develop marketing plan to use for priority areas to achieve greater market share	Continue to promote existing services whilst bring online new income generating services	Increased awareness throughout the borough of the services the Council can provide
Develop business cases for longer term commercial opportunities	Continue to develop and explore commercial opportunities	Establish successful delivery mechanism that contributes profits annually to be reinvested in Council services
Creating Commercial Acumen		
Identify Council's current level of knowledge and	Implement plan using organisational change	Council to have adopted appropriate positive

Short Term Goals (2020)	Medium Term Goals (2021-2023)	Long Term Goals (2023 onwards)
develop plan on how we can achieve desired future informed state	model to align resources behind achieving a common goal	attitudes and behaviours associated with commercial organisations
Complete back-office service reviews to assess if current delivery model used is most effective and cost-efficient	Review services periodically to ensure assertions in service reviews are still applicable	To become a commercially focused organisation with a national reputation for high quality services

5.0 How we will deliver the strategy

- 5.1 The Council is already exploring a number of commercial opportunities. Where new opportunities are developed, their merits will be assessed, and a robust business case brought to the Commercial Services Delivery Hub for initial approval. The hub will have HoS representation as the Chair for decisions for implementation to follow directly from the hub meeting. The Chair of the Commercial Services Delivery Hub will update the Leader and Chief Executive as appropriate on any matters arising with a formal quarterly report to TEB.
- 5.2 Where services are already trading commercially, we will look to generate additional income by improving their effectiveness and promoting the service further through sales and marketing.
- 5.3 The following are the initial priority areas identified that are seen as the activities that will have the biggest net impact on our budget over the next 18 months. Not all of these will be brought to a successful financial conclusion but they would have been fully evaluated and progressed where the need and market allows. It may be that 50% come to financial fruition but progression of this work will develop staff who will then have the skills required to mentor the next generation of staff and projects as they emerge:
- CCTV Service – Selling to other LAs, businesses and selling to monitoring centre to other LAs to provide monitoring for their Lifeline Services.
 - Lifeline Service – active marketing of the service to increase users
 - Parking – using Parking 360 to offer savings to KCC and other district councils by taking over the service other districts currently provide for KCC
 - Garden Waste – increase users following improvements to online ordering and payment system and proactive marketing
 - Category Management and contract management consolidation – drive work to consolidate contracts for efficient procurement and bring

contract management across the organisation into a consolidated structure.

- 5.4 The following steps have been identified as the building blocks needed to efficiently and effectively deliver, not only the short term priorities listed above, but to also create the right environment for commercial development into the future:

Step 1 -Development of a Commercial Delivery Hub

- 5.5 A Commercial Services Delivery Hub should be set up to drive commercial activity and monitor progress against performance targets. The hub will be given delegated authority to act in the best interests of the Council. Membership of the rest of the hub will include Service Managers who have responsibility for the services listed above: CCTV, Lifeline, Parking, Garden Waste and Property. A senior representative from Finance should also be in the hub as will a senior representative from the Mid Kent audit partnership.

Suggested Terms of Reference for the hub can be found in Appendix 1.

Step 2 - Resources to Deliver

- 5.6 The projects highlighted at 5.3 should be understood by Service Managers and the hub to determine how to ensure the required resources are put towards the commercial area. This could be through re-prioritising existing service plans or by bringing in additional external resources for a time-specific period, to be agreed with the Leader and Chief Executive.

Step 3 – Development of Performance Indicators

- 5.7 The hub will monitor the overall performance of the commercial programme through a set of Key Performance Indicators that are updated quarterly. Individual projects should report against these indicators, but they may also have additional project specific indicators.

It is suggested the following indicators are used by the hub team to manage the commercial programme:

- Income generated
- Savings made
- New customers
- Qualified leads
- Savings identified
- Environmental Impact
- Digital transformation

- 5.8 These indicators enable the hub team to measure and monitor both the outcome of the programme (income generated, and savings made) together

with activity that will lead to the outcomes (new customers, qualified leads, savings identified) and the impact of the programme (environmental impact and the way in which our customers interact with us [digital transformation]).

- 5.9 The indicators should be used to set programme targets with milestone targets also used at three and six month intervals.
- 5.10 The development of a Commercial Framework will also look to create a culture and coherent structure which allows new commercial ideas to develop and commercial projects to be implemented, giving them every chance of becoming successful commercial ventures.

The diagram below highlights the stages of the approved Commercial Framework.



If the risk matrix is sound, take “business ready” proposal to TEB for approval.

6.0 The role of the Commercial Services Delivery Hub within the Council

6.1 As the Council is looking to operate more commercially it is vital that adequate resources are in place to support service managers to undertake this. The role of the Commercial Delivery Hub is as follows:

- To develop and maintain the approved Commercial Framework which provides the basis for all of the Council's commercial activity
- Oversee all commercial projects proposed here and that emerge through the progression of the hub team.
- Provide advice to Service Managers on the development of commercial opportunities
- To assist with commercial business plan writing and financial modelling
- To hold the commercial projects register
- To provide analysis of the performance and impact of projects and the contribution towards efficiencies and additional income targets
- To provide recommendations and advice to Members on the approval of commercial business plans
- Highlight any potential commercial conflicts of interest to the Senior Management Team and Members for direction
- To implement Key Performance Indicators (KPI's) and measure success of commercial projects

7.0 How we will develop existing commercial services

7.1 The Council will look to enhance existing commercial services by providing support in areas such as sales, marketing and business development to ensure that we are able to maximise market share within the borough (and in some cases more widely) in that particular service area.

7.2 The decision on whether to charge or trade would need to be reviewed should the service achieve market saturation within the borough or an opportunity to trade outside of the borough was presented which could be potentially be beneficial for the Council. The model for business growth within a public sector environment is as follows:

Internal provision

7.3.1 This involves providing a service that the Council already provides and marketing it towards an existing customer (i.e. Ashford residents) in order to achieve business growth.

7.3.2 This is the least risky growth strategy as the Council already has processes in place to provide this service. It is however targeted towards a limited market and could result in market saturation.

Other public sector

7.4.1 This involves providing the service to other public sector organisations outside of the borough boundaries. The General Power of Competence allows the Council to trade in the same way any other business would within the borough.

7.4.2 The Council can, in some circumstances, carry out work outside of the borough without the need for a trading vehicle on behalf of other public sector organisations. This is only the case when a shared service arrangement has been entered into or the Council has been appointed as an agent to carry out the work by the neighbouring authority.

Direct to public

7.5.1 This involves trading either through existing council structures or through Local Alternative Delivery Models (ADM) to provide a service to the residents of Ashford. There are various reasons why Council's look to deliver services through an ADMs such as being able to compete in a wider area or to make them more efficient. This does however increase the level of risk as it involves an entirely new way of operating. ADMs are only legally required if significant profits will be made (or operating with an external partner) and before then other internal structures maybe quicker and easier to get off the ground.

Trading with private sector

7.6.1 Trading through existing council structures or ADMs in the open market is another option which could be considered.

7.6.2 Any new commercial proposals will be backed up by robust business cases to allow the Council to reduce or mitigate any risks and ensure there is every possibility of success in all commercial ventures.

8.0 How we will develop new ideas

8.1 When potential commercial opportunities are identified, a proposal will be put to the Commercial Services Delivery Hub through an approved completed Commercial Framework document. From this initial idea, the hub will assess the idea and, if appropriate, prepare for action. This will usually involve a more

detailed completion of the Commercial Framework following on from market and cost analysis.

- 8.2 Commercial initiatives will be given the correct level of autonomy, enabling them to effectively compete in their markets. Service managers will be able to set prices, develop marketing campaigns within brand guidelines and enter into contractual relationships with customers with the correct support from internal support services. They will be supported at the hub to ensure the correct balance between strong governance and swift commercial decision making and ultimately report on to TEB.
- 8.3 Once the initial financial hurdle is overcome the hub will look to reinvest around 25% of any surplus generated in the commercial scheme to ensure sustainability through competitiveness is maintained.

9.0 Communications

- 9.1 The Council is extending its commercial approach by developing services at our disposal. The Human Resources and Communications Team will ensure internal and external stakeholders understand this approach.

10.0 How we will manage risks

- 10.1 Risk management is embedded in all of the decision-making processes within the Council. Effective risk management requires an informed understanding of relevant risks, an assessment of their relative priority and rigorous approach to monitoring and controlling them. All risks associated with any commercial activity will be managed through the Council's Risk Management Framework and become part of the quarterly performance management report to Cabinet and full Council.
- 10.2 A key part of the Council's Risk Management Framework is the Strategic Risk Register which contains all risks that may have an impact on core services and both strategic and operational objectives. As such, commercialisation will be added to the Strategic Risk Register.
- 10.3 In any commercial venture there will always be an inherent element of risk. The presence of risk is not always entirely negative as it can be a driver of innovation and a motivator to staff.
- 10.4 Given the potential risks involved it would be easy to take a risk averse approach, however this approach would hinder potentially highly beneficial opportunities or innovation. We will look to identify risks early in the strategic planning phase and implement approaches to mitigate or manage these risks where possible. Conflicts of interest on any proposals will be reported to Members by the Councils Monitoring Officer.

Appendix 1

Commercial Services Delivery Hub structure

Ashford Borough Council – Commercial Services Delivery Hub

Terms of Reference

1. Constitution

The Commercial Services Delivery Hub is an officer led group comprising of Commercial lead for ABC (Tracey Butler), managers from the main commercial initiatives of ABC and managers from support services. It is supported by a senior member of the finance team and by a lead officer from the Mid Kent Audit partnership and by specialist management assistance.

The Chair of the Commercial Services Delivery Hub will review these Terms of Reference on an annual basis and make recommendations for changes, in consultation with the Leader and Chief Executive and where agreed on to TEB.

2. Authority

The Commercial Services Delivery Hub is directly accountable to the Leader and Chief Executive.

The Commercial Services Delivery Hub is authorised by the Council to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Service.

As projects become finalised “business ready” proposals they will be reported to, discussed and approved or otherwise by TEB.

3. Aim

The aim of the Commercial Services Delivery Hub is to facilitate the delivery of commercial services activities of the Council and provide Members with assurance that income generation initiatives are in line with Ashford Borough Council's Strategy.

4. Objectives

Specific duties of the Commercial Delivery Hub include:

- To ensure proposed commercial services activities are in line with the approved Commercial Framework
- Facilitates the delivery of all commercial services projects
- Providing advice to Service Managers on the development of commercial opportunities
- Assisting with commercial business plan writing and financial modelling
- Holding the commercial projects register
- Providing analysis of the performance and impact of projects and the contribution towards efficiencies and additional income targets
- Providing recommendations and advice to the Council on the approval of commercial business plans
- Highlighting any potential commercial conflicts of interest to the monitoring officer for guidance and advice
- To implement Key Performance indicators (KPI's) and measure success of commercial projects

5. Method of working

A standard agenda as follows will be used by the Commercial Service Delivery Hub:

1. Apologies for absence
2. Minutes of the previous meeting
3. Action Log

4. Review of commercial performance
5. Problem solving
6. Ideas for commercial development
7. Action setting
8. Any Other Business
9. Date of next meeting

All meetings will receive an action log (detailing progress against actions agreed at the previous meeting) for the purposes of review and follow-up to update project plans

6. Membership

6.1 Service Membership

The members of the Commercial Delivery Hub shall comprise, Ashford Borough Council Commercial Services Lead, Service Managers of the main commercial priority services, a senior manager from Finance plus a Mid Kent audit representative. The membership of this hub will vary from time to time where specialist advice is required (see below attendees).

6.2 Service Chair

The Chair for the Commercial Services lead for Ashford Borough Council, Tracey Butler.

6.3 Attendees

Only members of the Commercial Services Delivery Hub have the right to attend meetings. However, other individuals, including external advisors, may be invited to attend all or part of any meeting, as and when appropriate.

7. Frequency of Meetings

The Commercial Delivery Hub will hold monthly meetings.

Extraordinary meetings of the Hub may be called at short notice with the agreement of the Chair.