

## Report of the Cabinet Member for Performance and Transformation

Cabinet – 12 May 2015

### COMMERCIALISM IN THE COUNCIL

|                                    |   |
|------------------------------------|---|
| <b>Purpose:</b>                    | To agree a corporate framework for the Council's future approach to Commercialism.  |
| <b>Policy Framework:</b>           | <i>Sustainable Swansea – fit for the future.</i>  |
| <b>Reason for Decision:</b>        | The Council has an ambitious agenda for transformation within <i>Sustainable Swansea – fit for the future</i> , a key feature of which is the need to adopt a more commercial approach to everything that we do, so that we can protect services and jobs. An overarching strategy for commercialism is required to provide a corporate framework for this.   |
| <b>Consultation:</b>               | Legal, Finance and Access to Services.  |
| <b>Recommendation(s):</b>          | That Cabinet: <ol style="list-style-type: none"><li>1) Approves the Strategic Aim, Objectives and key actions for Commercialism in the Council, as set out in section 4 of this report and Appendix A;</li><li>2) Agree a small number of candidate commercial projects for early development and learning, as set out in paragraph 4.5;</li><li>3) Authorise the appointment of a Head of Commercial Services.</li></ol> |
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## **1.0 Introduction**

1.1 The Council has an ambitious agenda for transformation, as well as responding to the significant financial challenge we face, within *Sustainable Swansea – fit for the future*. A key feature of our future, long term approach is the need to adopt a more commercial approach to everything that we do.

1.2 Recent discussions and reports to Cabinet and Council, including the Medium Term Financial Plan have made clear that commercialism is the direction of travel. An overarching strategy for commercialism is now required to provide a framework for this

1.3 This paper outlines:

- *what commercialism means for Swansea*
- *why the Council needs to develop its commercial approach*
- *a proposed Strategic Aim and Objectives for commercialism*
- *the top actions required to achieve this*
- *some initial pathfinder projects to enable us to develop and learn from this approach*

## **2.0 Commercialism**

2.1 The term “commercialism” is increasingly being used in public services, despite the obvious cultural and philosophical differences between the private and public sector.

2.2 In reality, local government has always had a spirit of enterprise and a tradition of innovation, but the time has come when that needs to be our default position.

2.3 The objective is to find the right balance between a public service ethos and commercial good practice, so that we can achieve better outcomes for our residents, as well as increased income.

2.4 In this context, the key attributes of commercialism for Swansea are:

- *Focus on true costs and achieving return on investment*
- *A focus on generating additional income where ever possible*
- *Business acumen*
- *Market awareness*
- *Maximising the value of our assets (in the widest sense)*
- *Incentivising employees to be more commercial*

2.5 Achieving a commercial approach is a long term aim, recognising in particular:

- *Not everything we do is capable of, or appropriate for, a commercial approach... and we need to be aware of “ethical considerations”, but we should first look at everything as if it is*

- *There will be cultural challenges to overcome...* the view that we are here to provide services (which of course we are) not to make a profit, which needs to be countered by the point that every £ we gain in income can be used to protect services
- *We will need to skill, incentivise and support staff to be more commercial...* there are already some good examples, but commercialism will need to be built into our organisational development programme so that we can identify the “entrepreneurs” in the organisation and ensure that staff are empowered and enabled to explore commercial solutions. We will also need to work closely with Trade Unions on our approach, including any changes to working practices as a result
- *We will make mistakes and there may be criticism of a more commercial approach...* the lessons from elsewhere are to “be brave” and that you can only learn by doing; our approach needs to be “risk aware, not risk averse”

### 3.0 The Case for Commercialism in the Council

3.1 There is a strong argument that all public sector bodies should always strive to be more commercial:

- To protect the public purse and achieve value for money for residents
- To foster a business like, efficient and innovative approach to service delivery

3.2 These reasons are part of the case for commercialism in the Council, but austerity, the significant reduction in grant and the increasing pressure on our services makes it imperative that we are more commercial in everything that we do.

3.3 In summary, a sustainable and whole Council approach to commercialism is required to:

- *Exploit every opportunity to increase income to offset the loss of grant*
- *Protect services and jobs*

3.4 In addition to these overriding reasons, there a number of local drivers for change that we have already agreed:

- **Sustainable Swansea:** delivery strands on third party spend and income, charging and trading
- **Innovation programme:** a key aim of which is the need to be more creative and to reduce costs
- **Peer Review:** this was one of the recommendations from the Review, which we have also followed up as part of the recent visit to Nottingham City Council

- **Member expectations:** Cabinet have signalled that they are expecting this approach and are prepared to support the change of culture required to achieve this

#### 4.0 Our Commercial Objectives

- 4.1 It is proposed that we define an overall **Strategic Aim** for commercialism as well as a number of supporting **Strategic Objectives**, with an **Action Plan** across 4 key themes.
- 4.2 Cabinet is invited to approve the following Corporate Framework for our work on commercialism:

| <b>CITY AND COUNTY OF SWANSEA<br/>COMMERCIALISM</b> |  |
|---|--|
| <i>Our Strategic Aim</i>                            | <p>By adopting a commercial approach across the Council we will:</p> <ul style="list-style-type: none"> <li>§ Support the delivery of the Council's Corporate Plan priorities</li> <li>§ Help to achieve sustainable services</li> </ul>   |
| <i>Our Strategic Objectives</i>                     | <p>To develop commercialism across the Council we will:</p> <ol style="list-style-type: none"> <li>1. Reduce costs and increase efficiency</li> <li>2. Maximise income and cover our costs</li> <li>3. Maximise the return on all our assets</li> <li>4. Realise our potential for trading</li> <li>5. Use our buying power to help deliver corporate priorities and to create jobs</li> <li>6. Seek innovation via our commissioning and procurement activity</li> <li>7. Empower, incentivise and support our staff</li> <li>8. Increase commercial skills and capacity</li> </ol> |
| <i>Our Actions to Achieve This</i>                  | <p>We will implement an action Plan to achieve commercialism across four key themes:</p> <ol style="list-style-type: none"> <li>1. Commercial Culture</li> <li>2. Commercial Strategy</li> <li>3. Commercial Capability</li> <li>4. Commercial Return</li> </ol>   |

- 4.3 The top actions to achieve Commercialism within the four key themes are set out in **Appendix A**. Following agreement by Cabinet, a detailed action plan will be developed with the Innovation Community, Heads of Service, with engagement from others, including Trade Unions.
- 4.4 Finally, it is proposed that we identify some **candidate “pathfinder” projects** for early development and learning. There is already a range of ideas across Services and the recent visit to Nottingham City Council has provided additional evidence of what works.
- 4.5 Cabinet is invited to agree the following projects as the first phase (other projects can of course be added) of the Commercialism agenda:
1. **Energy**: community energy scheme eg: solar power
  2. **Vehicle maintenance**: servicing of other public sector fleets
  3. **Catering**: expanding into other markets as part of the current commissioning review
  4. **Joint Equipment Store**: proving a better and cheaper service to clients
  5. **Design/Print**: increasing the customer base as part of the current budget review
  6. **Waste Management**: commercial waste and recyclables
  7. **Housing**: council house building programme

## 5.0 Delivery of the Commercialism Strategy

5.1 Delivery of the Commercialism Strategy will be overseen as follows:

|                      |  |
|----------------------|--|
| Cabinet Lead         | Cabinet Member for Performance & Transformation                    |
| Executive Board Lead | Director of Corporate Services                                     |
| Member Oversight     | Budget Review Steering Group (with reports to Cabinet as required) |
| Officer Oversight    | Commercial Panel (with reports to Executive Board as required)     |

- 5.2 Progress with the Commercialism Strategy will be reviewed annually with a report to Cabinet.
- 5.3 We also need to ensure we have the senior capacity and skills required to support the Council to achieve its objectives.
- 5.4 This will require the support and contribution from all Service Areas, with a truly corporate approach based on putting the right resource on the

right projects. To provide corporate support and capacity for the programme as a whole we have brought together existing staff in Procurement and the Commercial Team to create a new Commercial and Commissioning Support Unit.

5.5 In summary, the role of the Unit is as follows:

1. Provide strategic direction for commissioning and commercial support in the Council
2. Develop advice, guidance and toolkits for commissioning reviews
3. Advise and support the Category Hubs to identify and deliver their saving plans
4. Develop and oversee delivery of the Third Party spend and income, charging and trading savings programmes
5. Ensure a coherent and consistent approach to maximising opportunities through sponsorship, advertising, sales and promotions
6. Develop a market development plan for the Council, working with commissioning leads
7. Promote a consistent approach to contract management and supplier relationship management to secure on-going cost savings and improvements
8. Identify opportunities for trading services and exploiting the Council's assets and support Services to achieve this
9. Develop the Council's commissioning and commercial capability and awareness through training, toolkits and guidance

5.5 The Executive Board have reviewed options for the leadership of commercialism agenda and the management of the Unit. The Board propose that the Council establishes a new post of Head of Commercial Services. The case for a new Head of Service post is as follows:

- Dedicated and specialist capacity to deliver our commercialism objectives
- Sends out a positive message to the organisation about the importance of this agenda
- Likely to help us to achieve savings in excess of current plans
- Will help to build skills and transfer knowledge
- Will bring different thinking and support services to realise their own plans for trading, income etc
- Additional capacity for one off and innovative projects
- Potential to take on other work that would benefit from better cross council co-ordination eg: external funding
- Sits at the Leadership Team table

- 5.6 Cabinet is asked to authorise the appointment of a Head of Commercial Services.

## **6.0 Equality and Engagement Implications**

- 6.1 As part of progressing pieces of work in the Commercialism action plan, the EIA process will be applied where appropriate, including any requirements for engagement.

## **7.0 Financial Implications**

- 7.1 Commercialism and the appointment of a Head of Service is a key spend to save initiative for the Council. Delivery of the Commercialism Action Plan will assist the Council to achieve efficiency savings and significant additional income. The extent of this will be fully assessed once the Action Plan is agreed and the necessary resources are in place.

- 7.2 The cost of the new post will be met from the existing budget for the Commercial Services Manager, supplemented in the interim by funding from the Transformation Fund, to be repaid from additional income generated, over and above that already set out in the current medium term financial plan.

- 7.3 The position will be kept under review to ensure return on investment.

## **8.0 Legal Implications**

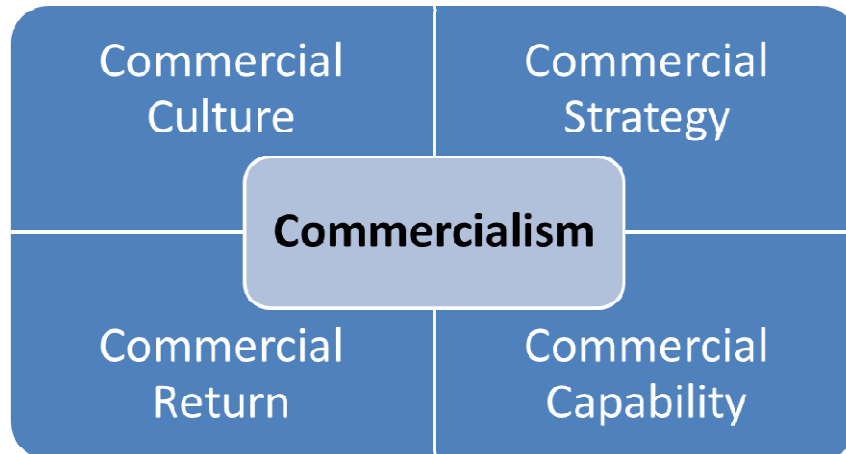
- 8.1 The Council has wide powers to charge for services and also, in certain circumstances, to trade. This may require different delivery models, Specific commercial projects will be examined to ensure that they are within the Council's powers.

**Background Papers:** None

**Appendices:** Appendix A – Commercialism Action Plan

## CITY AND COUNTY OF SWANSEA COMMERCIALISM ACTION PLAN

The actions required to deliver the Council’s Strategic Aim and Strategic Objectives for commercialism fall under four key themes:



The top actions under each theme are set out below:

| THEME   | TOP ACTIONS   |
|---|---|
| <b>Commercial Culture...</b><br>creating the mind set and the right environment for success         | § Leadership – setting expectations about commercial behaviour and supporting an entrepreneurial approach |
|   | § Changing our culture ie: risk aware not risk averse; learning by doing, incentivising staff             |
|   | § Applying a “commercial lens” to all parts of the business   |
|   | § Tackling barriers – supporting change and innovation  |
| <b>Commercial Strategy...</b><br>setting out a clear plan of action and the structure to deliver it | § 3 year Pipeline of action, with targets for third party spend, income and trading                       |
|   | § Commercial and commissioning support unit to drive the strategy and be a business partner to Services   |
|   | § Hub and spoke network, sharing skills & knowledge   |



|   |  |
|---|--|
|   | <ul style="list-style-type: none"> <li>§ Moving resources from across the Council to deliver our priorities</li> </ul>                               |
|   | <ul style="list-style-type: none"> <li>§ Agreeing Service level commercial plans</li> </ul>  |
| <p><b>Commercial Capability...</b><br/>challenging, equipping and supporting the organisation to deliver its objectives</p> | <ul style="list-style-type: none"> <li>§ Self-assessment: identifying strengths and opportunities to maximise our assets</li> </ul>                  |
|   | <ul style="list-style-type: none"> <li>§ Training and awareness in commercialism</li> </ul>  |
|   | <ul style="list-style-type: none"> <li>§ Sharing internal learning and innovation</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>§ Learning from and collaborating with others</li> </ul>  |
| <p><b>Commercial Return...</b><br/>actions that increase our income, exploit our assets and sustain future delivery</p>     | <ul style="list-style-type: none"> <li>§ Prioritising the best opportunities based on return on investment and delivery of our priorities</li> </ul> |
|   | <ul style="list-style-type: none"> <li>§ Developing and exploiting market knowledge</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>§ Promoting trading opportunities and new ways or working</li> </ul>  |
|   | <ul style="list-style-type: none"> <li>§ Maximising income from advertising and sponsorship</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>§ Full cost recovery for Council services</li> </ul>  |