

NORTH LINCOLNSHIRE COUNCIL

POLICY AND FINANCE CABINET MEMBER

COMMERCIAL STRATEGY 2015-19

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To approve the Commercial Strategy 2015-19

1.2 The key points in this report are:

- A new strategy has been developed to set out the council's vision and future ambitions for further commercial development and growth over the next four years
- This strategy brings together the previously separate commercial policy and service priorities into a single document to improve clarity and focus.
- It is supported by a position statement on commercial development together with an action plan for 2015-16

2. BACKGROUND INFORMATION

2.1 The council's commercial policy was approved by Cabinet in October 2012. It set out the vision, principles and plans supporting the achievement of the following organisational aims:

- maintain and grow employment opportunities in North Lincolnshire
- optimise costs to help sustain council services and provide a return for reinvestment in core service delivery
- proactively respond to the changing environment for local authorities including providing new sources of income
- drive development of a dynamic, high performing and entrepreneurial council committed to providing excellent services to local people
- enhance the skills and capabilities of our workforce

2.2 The policy was given further support through the approval of a set of commercial priorities in July 2013 which were refined in July 2014. These priorities translated the aspirations and objectives of the commercial policy into an initial series of defined commercial deliverable offers which would collectively enable the council to achieve its commercial income targets.

2.3 Over the last three years the council has steadily increased its commercial trading and income, which in 2014-15 was 138% above the target set in its

Medium Term Financial Plan. The target for new commercial income in 2015-16 is £200,000 (net budget benefit) and performance is currently on-track for this to be realised.

2.4 Services to schools income has increased from £6.3m in 2012-13 to £6.6m in 2014-15. The estimated out-turn for 2015-16 is £7m. Other highlights and recent notable achievements include:

- Provision of an increasing range of services to out of area schools, academies and colleges and other public sector bodies including:
 - HR service provision to William Farr School
 - Managing procurement for transport at John Leggott College
 - Storage of records from early years providers in the corporate records store
 - Catering provision at the University Technical College (UTC)
 - Mechanical services provision to Bradford City Council
 - Electrical service provision to Bradford City Council
 - Complete IT refurbishment at Sir John Nelthorpe and St Martin's C of E Primary School
- Commercial unit established comprising a principal business development officer and senior customer support officer supported by internal accountancy and legal specialists
- Improved customer satisfaction with commercial processes following implementation of the TopDesk system for quotations and SLA renewals supported by a dedicated account manager for resolving customer queries
- Increased number of customers subscribing to 3 year SLAs rather than 12 months as a result of improved satisfaction
- Successful hosting of the third services to schools, academies and colleges exhibition with 100% of attendees rating the event as good or higher and 63% stating they would like the event to be held annually.

2.5 The new Commercial Strategy 2015-19 (appendix a) brings together the previously separate commercial policy and priorities into a single document to improve clarity and focus. It sets out a vision for the council:

“a culture of efficient excellence, generating income that enhances our ability to provide services for local residents”

2.6 This vision is underpinned by five strategic ambitions:

- Build on our strengths
- Retain existing business
- Expand existing business
- Expand geographically
- Pursue competitive tenders on an exceptions basis

2.7 In developing the new strategy consideration has been given to the range of services that the council currently delivers commercially through a scorecard self assessment evaluation process. This helps to translate the

vision and ambitions into specific deliverables enabling improved focus and ultimately success. Services that have been rated as either 'amber' or 'green' through this process - detailed on pages 8 and 9 of the strategy – will be actively pursued for commercial development.

2.8 The new strategy also sets out our aspirations for future growth and this includes the pursuit of:

- Exploration of the benefits offered by establishing a commercial trading company
- Wider income generating opportunities e.g. sponsorship and advertising
- Opportunities associated with assets and infrastructure
- Opportunities associated with partnership and collaborative working
- Wider marketing of commercial offers

2.9 The strategy includes an action plan for 2015-16. This will be updated annually.

3. OPTIONS FOR CONSIDERATION

The following options are suggested for consideration

3.1. Option 1 – The cabinet member approves the Commercial Strategy 2015-19

3.2 Option 2 – The cabinet member does not approve the Commercial Strategy 2015-19 and requests changes.

4. ANALYSIS OF OPTIONS

4.1 Option 1 - Approving the Commercial Strategy 2015-19 is the preferred option and will help drive forward the council's vision by providing the council with valuable income and help sustain services at viable levels.

4.2 Option 2 - Deferring approval of the Commercial Strategy 2015-19 could lead to a loss of operational focus.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 In February 2015 Full Council approved the council's budget and spending priorities for the next four years. The financial plan recognises the positive contribution of commercial income as traditional funding sources reduce. The commercial strategy provides for the staffing and organisation to support the achievement of these positive financial contributions.

6. OUTCOME OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 An impact assessment has been undertaken and indicated no adverse impacts arising from this report.

6.2 Decisions and actions taken in the delivery of the commercial strategy will be subject to further impact assessments as appropriate.

7. OUTCOMES OF CONSULTATION & CONFLICTS OF INTEREST

7.1 Extensive council wide consultation via the Commercial Programme Board, CMT and directorate senior leadership teams has taken place and there is full support for the Commercial Strategy 2015-19.

8. RECOMMENDATIONS

8.1 The Commercial Strategy 2015-19 is approved.

DIRECTOR OF POLICY AND RESOURCES

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB

Author: Rachel Johnson/Jason Whaler

Date: 22 September 2015

Background Papers used in the preparation of this report:

Commercial Policy and Priorities (2014-15)

Commercial Policy (October 2012)

Commercial Priorities (July 2013)



Commercial Strategy

2015-19



Version 1.0 (September 2015)

Contents

Foreword	3
Where we are now	4
Our vision	6
Our service & customer priorities	7
Our commercial principles	10
Future scope for growth	11
Responsibilities and performance monitoring	12
Appendix A – Action Plan	13

Where we are now

The council has a long history of successfully trading services to both residents and businesses in North Lincolnshire. However, in 2012 the council made a policy decision to increase its focus on commercial activity with a view to achieving the following benefits:

- Help sustain existing services at an optimum level through economies of scale;
- Enhance customer service capabilities;
- Enhance the skills and capabilities of the workforce;
- Maintain service viability and avoid loss of skills;
- Provide new income streams as traditional funding sources reduce;
- Optimise fixed running costs, thereby reducing overall costs of delivering council services;
- Maintain, grow, or limit the loss of, employment opportunities in North Lincolnshire;
- Increase resources available to deliver core services to local people;

To facilitate the required shift change a new commercial policy and priorities were developed along with the establishment of a commercial unit to co-ordinate commercial activity across the council. Over the last three years the council's journey to become more commercial has included:

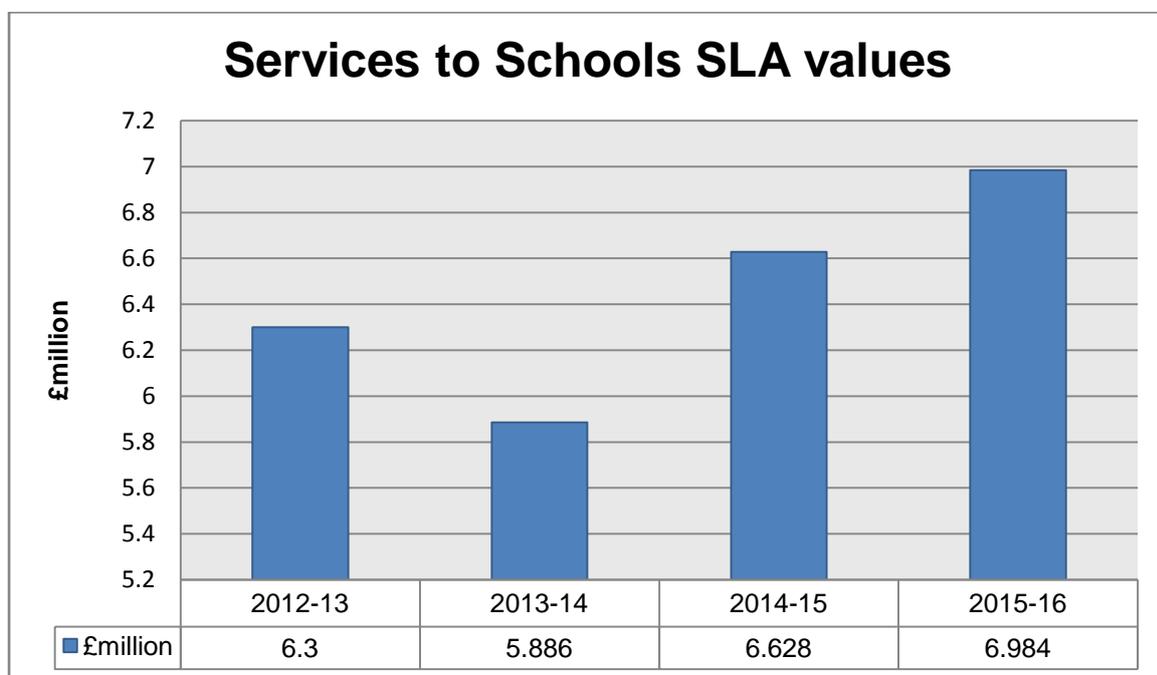
- Establishment of a services to schools support function to retain schools business through improved customer service and transformation;
- Enhancing the council's commercial capability and awareness through training and development;
- Increased commercial intelligence to identify potential trading opportunities;
- Development of a core capability to co-ordinate bidding for commercial trading opportunities.

Commercialisation is expected to be a continuing priority for the foreseeable future. It is expected that traditional central government grant funding for local authorities will continue to reduce and that the pathway from funding to user will be increasingly

direct; personal budgets now put users in control of care funding and the increase in schools converting to academies have seen a shift in control of schools budgets.

To respond to the evolving environment the council recognises the importance of becoming increasingly more commercial and entrepreneurial in its thinking and therefore plans to continue to generate additional income through the sale of goods and services.

The majority of the council's commercial trading is with the areas schools, academies and colleges of which we remain the largest provider of services. The chart below shows the annual value of service level agreements with the areas education providers.



In addition to the above services to schools service level agreements each directorate has commercial income targets they are expected to achieve. The council has increased commercial trading in other areas with a net new commercial income, which in 2014-15 was 138% above target.

Our Vision

The council's commercial vision is to develop a:

“Culture of efficient excellence, generating income that enhances our ability to provide services for local residents”

To deliver this vision we will pro-actively explore and consider potential and lawful income generating opportunities that do not compromise our primary functions. We aim to retain business across our traded services portfolio and to consistently grow commercial income year on year. To achieve this we will focus on what we do well, where we can satisfy customer needs, outperform competition and lever efficiencies from our existing operations. This approach will be driven by our strategic ambitions:

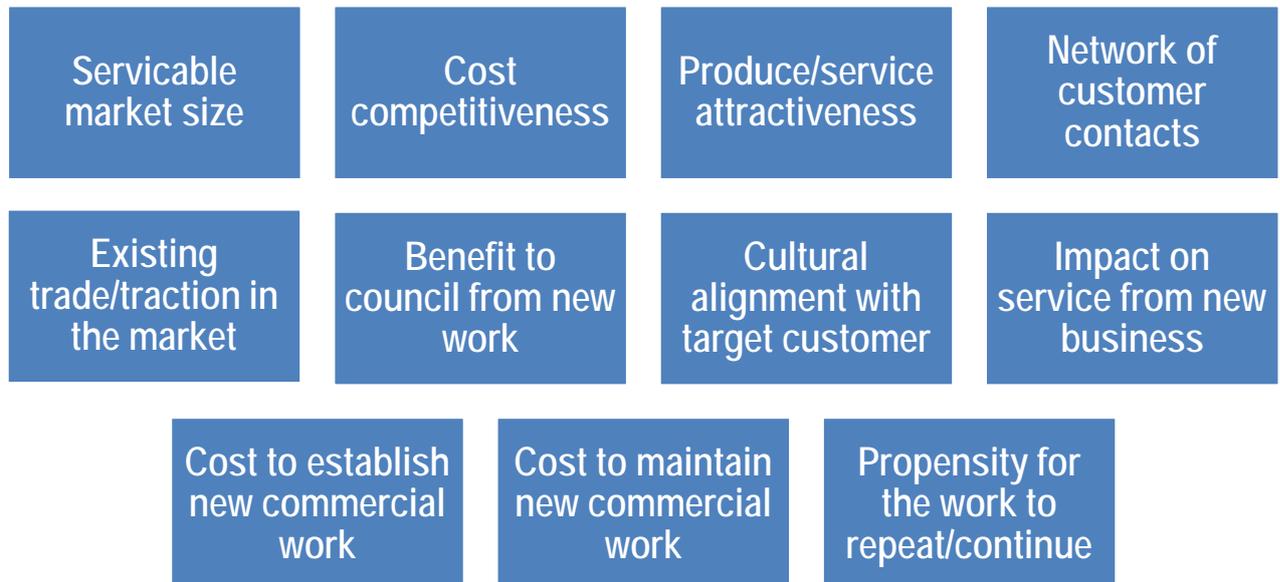
- | | |
|---|---|
| 1. Build on our strengths | <ul style="list-style-type: none">• We will develop commercially in areas where we have recognised strengths and a proven track record of performance and excellence |
| 2. Retain existing business | <ul style="list-style-type: none">• We will ensure relationships are strong, communication is clear and customers remain of the mind that the council is their supplier of choice |
| 3. Expand existing business | <ul style="list-style-type: none">• We will ensure customer relationships are maximised so that they take all their service needs from the council. The council's business development activity will have a cross-selling focus |
| 4. Pursue competitive tenders on an exceptions basis | <ul style="list-style-type: none">• We will apply great scrutiny to opportunities and invest bidding time into those where the likelihood of winning and subsequent beneficial delivery is high |
| 5. Expand geographically | <ul style="list-style-type: none">• We will where opportunities can be economically served, ensure they be considered regardless of North Lincolnshire's boundaries |

Our service and customer priorities

Consideration has been given to the range of services the council currently deliver through a scorecard self assessment evaluation. The scorecard rates services on 11 different aspects (shown below) in relation to three customer groups.

Schools, Academies, Colleges	Public Sector Bodies	Private Sector Bodies
<ul style="list-style-type: none"> This sector forms the majority of our existing customer base. Our services are well developed to suit their needs. Trading powers provide potential for surplus generation. 	<ul style="list-style-type: none"> The council has a good trading history with this customer group, They value the intrinsic values of a local authority service. Trading powers provide potential for surplus generation. 	<ul style="list-style-type: none"> The council has some trading history with this customer group. Existing services may require more variation to suit the needs of this group. Trading with this group is on a cost recovery basis

The scorecard rates the commercial potential of our services when measure against the following dimensions:



The use of the scorecard evaluation enables greater segmentation and focus. The scorecard analysis shows that sales of the following services (those rated as green or amber) should be actively pursued as they are most likely to result in commercial success:

Schools, Academies & Colleges	
Leadership & Management	
<ul style="list-style-type: none"> ✓ Governors development services ✓ NQT service ✓ Learning and development centre hire & training 	<ul style="list-style-type: none"> ✓ Governing body clerking ✓ Initial teacher training ✓ School Improvement ✓ Education Service – professional standards
Curriculum enrichment	
<ul style="list-style-type: none"> ✓ Study Parks ✓ Educational visits ✓ Sport , leisure and culture 	<ul style="list-style-type: none"> ✓ Education library service ✓ Music Support Service ✓ Museum service
Behaviour and Inclusion	
<ul style="list-style-type: none"> ✓ Information, advice & guidance ✓ Ethnic Minority & Traveller Service (EMTAS) ✓ Records storage 	<ul style="list-style-type: none"> ✓ Education psychology ✓ Education welfare ✓ Primary behaviour and support
Business Management	
<ul style="list-style-type: none"> ✓ Information Governance ✓ Internal audit services ✓ Human Resources ✓ Health and Safety services ✓ Procurement ✓ IT facilities and IT support including curriculum support ✓ ICT schools broadband ✓ Data centre hosting ✓ Communications and printing 	<ul style="list-style-type: none"> ✓ Free schools meals eligibility assessment ✓ Financial services ✓ HR employee development ✓ Procurement consultancy ✓ MASS partnership IT support ✓ IT consultancy ✓ Schools admissions ✓ Legal services ✓ Food hygiene training
Facilities Management	
<ul style="list-style-type: none"> ✓ Building cleaning and caretaking ✓ Catering ✓ Alarm monitoring ✓ ICT support MIS ✓ Construction and Highways Framework access ✓ Portable Appliance Testing (PAT) ✓ Building project management and design 	<ul style="list-style-type: none"> ✓ Waste and recycling ✓ Grounds maintenance/soft landscaping ✓ Fleet maintenance, management and MOTs ✓ Asset and estate management ✓ Building maintenance management

Public Sector Bodies

Business Management

- | | |
|---------------------------------------|-------------------------------|
| ✓ Procurement | ✓ Communications and printing |
| ✓ Records storage | ✓ Human Resources |
| ✓ Employee development programmes | ✓ Health & Safety |
| ✓ Food hygiene training | ✓ Sport, leisure and culture |
| ✓ Procurement consultancy and support | ✓ Golf society events |
| ✓ Adult community learning | ✓ Customer contact centre |
| ✓ Internal audit | ✓ IT facilities and support |
| ✓ Town & Parish council support | ✓ MASS partnership IT support |
| | ✓ IT consultancy |
| | ✓ Catered events |

Facilities Management

- | | |
|-------------------------------------|--|
| ✓ Grounds maintenance | ✓ Waste and recycling |
| ✓ Construction & Highways Framework | ✓ Fleet maintenance, management and MOTs |
| ✓ Catering | ✓ Alarm monitoring |
| ✓ Asset & estate management | ✓ Building cleaning |
| ✓ Building maintenance management | |

Private Sector Bodies

Business Management

- | | |
|----------------------------|-------------------------------|
| ✓ Records storage | ✓ Sport, leisure & culture |
| ✓ Human Resources | ✓ Golf society events |
| ✓ Health & Safety | ✓ Product launches |
| ✓ Food hygiene training | ✓ MASS partnership IT support |
| ✓ Adult community learning | ✓ Employee development |
| ✓ Catered events | |

Facilities Management

- | | |
|------------------------------------|--|
| ✓ Alarm monitoring | ✓ Grounds maintenance |
| ✓ Waste and recycling | ✓ Fleet maintenance, management and MOTs |
| ✓ Fleet maintenance | ✓ Alarm monitoring |
| ✓ Building cleaning and caretaking | |

Our commercial principles

In support of the vision and the five strategic ambitions the following principles have been adopted to guide our commercial development activity. We will

- Comply with relevant legal requirements and existing council policies and strategies
- Take a risk based approach to new business development
- Maintain a positive reputation and relationship with customers and the wider local business and public sector
- At all times remain agile and responsive to market opportunities
- Have due regard to the competitive impact of our activities on the wider market as part of our social, economic and environmental well being duties
- Ensure that we preserve our reputation and only pursue trading activities that maximise the benefits to the tax payers of North Lincolnshire
- We will not pursue any commercial activity where the risk of failure is considered to be unacceptably high so as to potentially cause reputational damage, financial loss and/or potential detriment to maintaining service standards to our core customer base.

In line with the priorities set out in this strategy all economically serviceable customers shall be considered, within North Lincolnshire and beyond; giving consideration to logistical, practical and competitive issues. There are a number of major towns and cities within a 30 minute drive of North Lincolnshire's borders, thus an 'economically serviceable' market approach is likely to see the council competing for work in several neighbouring authorities including:

- | | |
|----------------------------------|-----------------------------------|
| ✓ North East Lincolnshire | ✓ Hull |
| ✓ Doncaster | ✓ East Riding or Yorkshire |
| ✓ Lincolnshire | ✓ Nottinghamshire |

However, a collaborative approach shall be taken with neighbouring authorities, first exploring opportunities to trade services in association rather than necessarily in competition with these authorities.

Future scope for growth

The legislative environment in which the council operates favours commercial trading with schools, academies, colleges and other public bodies as the council is able to go beyond cost recovery and make a profit; something which is not possible when trading with private sector bodies without the council establishing a separate legal entity. Although the above list represents the councils focus, other opportunities will be considered on a case by case basis.

Services will continue to actively consider developing their service where there is a clear gap in a package. Improving success in a commercial market may be achieved by aligning offerings more closely with what the market wishes to purchase. Our approach to commercial development will therefore need to be dynamic and to be successful services will need to develop their offerings accordingly. Similarly services may look at expanding their service into closely allied areas. Expansion into new services and markets will proceed where commercial intelligence proves there are beneficial opportunities that can be secured on prices and terms acceptable to the council.

Our future ambitions for commercial development include the pursuit of:

- ✓ Wider income generating opportunities
- ✓ Sponsorship and advertising opportunities
- ✓ Opportunities associated with assets and infrastructure
- ✓ Opportunities associated with partnership and collaborative working
- ✓ Wider marketing of commercial offers
- ✓ Benefits offered via various legal/trading vehicles

Responsibilities and Monitoring

The implementation of this strategy is led by the council's Commercial Unit under the direction of the Commercial Programme Board. The commercial unit undertake the following activities:

- ✓ Proactively identifying commercial opportunities;
- ✓ Consult and engage with directorates responsible for the provision of services;
- ✓ Co-ordinate and provide support in developing competitive bids aimed at securing future service contracts etc;
- ✓ Proactive marketing of the council as a service provider of 'first choice';
- ✓ Solicit clients' feedback on successes and failures including developing a clear debriefing framework in order to support the development of commercial intelligence capability, in particular the strengths and weaknesses of the council's tender compared to other bids in respect of cost and quality;
- ✓ Support services in challenging clients' tender award decisions if it is evident that they are unfair, lack transparency or are unlawful;
- ✓ Initiate improvement action to ensure that learning from feedback is implemented;
- ✓ Account manage schools and academies including administration of service contract renewal and billing administration.

In addition:

- A Commercial Programme Board meets regularly in order to ensure the successful implementation of this policy. This board comprises members from all directorates and the commercial portfolio holding cabinet member.
- Commercial trading income is forecast annually (for four years) in the council's financial plan.
- New income generated and commercial income retained are monitored and reported through the council's performance management framework.

Commercial Action Plan 2015-16

Priority Action	Owner	Target Date
Build on our strengths		
Introduce a training programme to improve sales skills and competencies	Roger Hage	January 2016
Pro-actively seek advertising and sponsorship opportunities	Chris Skinner	September 2015
Review private sector commercial activity and consider whether there is a need to establish a commercial trading company	Roger Hage	April 2016
Review commercial income targets	Roger Hage	October 2015
Review commercial charging framework	Roger Hage	October 2015
Review current charging practices across the identified priority services	Rachel Cottingham-Smith & Julie Toplass	January 2016
Retain existing business		
Review and streamline services to schools SLA renewals process to improve customer satisfaction	Roger Hage & Julie Toplass	December 2015
Seek to increase profitability on public sector work to test market responsiveness	Roger Hage	April 2016
Develop a new billing system to simplify existing processes	Rachel Cottingham-Smith & Julie Toplass	April 2016
Expand existing business		
Develop programme of account management visits to existing customers to	Roger Hage &	September 2015

maintain effective relationships	Julie Toplass	
Enhance the use of customer data to drive cross selling tactics	Roger Hage	November 2015
Pro-actively engage with prospective customers to secure contracts through offer and negotiation	Roger Hage	September 2015
Pursue competitive tenders on an exceptions basis		
Utilise customer intelligence and engagement techniques to build a pipeline of potential future commercial trading opportunities	Darren Hepworth	October 2015
Develop commercial assessment template to support early appraisal of the viability of commercial opportunities	Roger Hage	October 2015
Undertaken competitor analysis in identified priority commercial service areas, taking into consideration our value for money profile	Darren Hepworth	October 2015
Expand geographically		
Organise a programme of marketing events to showcase commercial offerings	Roger Hage & Julie Toplass	January 2016
Enhance customer intelligence data to drive marketing of priority services to identified customer groups within a geographically viable radius	Darren Hepworth	October 2015