

Commercial Strategy

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Background

Commercial activity by Councils is not a new concept, however, exploring new ways of generating sustainable income streams in order to ensure continued financial viability is becoming common place within the sector as the grant funding system is withdrawn. This document outlines Pendle Borough Council's approach to commercialisation for 2019/20. The strategy will be reviewed and updated and after the outcomes of The Fair Funding Review are known, or as and when new Government initiatives are released such as the alternative arrangements for New Homes Bonus.

There are many examples of net cost savings initiatives being successfully carried out within Pendle Borough Council. These include joint venture development projects and the optional garden waste collection service. Whilst excellent progress has been made, there is recognition that additional measures will need to be implemented to meet the funding pressures facing the Council.

This Commercial Strategy aims to put in place measures designed to offset the reductions in core funding that Pendle has experienced and further envisages in the coming years.

Pendle Borough Council's Commercial Strategy aims to take a broad view of commercialisation to include many aspects of service reviews and redesign. This may include areas such as asset investment, shared services, full cost recovery, new opportunities for revenue generation and charging and pricing policy.

Aims and Objectives

Aims

The key overall aims of the strategy are to deliver a financial return or full cost recovery which contributes to the Council's Medium Term Financial Plan. This will entail developing a programme of work including a process for identifying potential opportunities to make current services more efficient by reducing costs and/or increasing income.

The strategy seeks to only include commercial options that are appropriate for the Borough of Pendle being mindful of factors such as economic characteristics, infrastructure and corporate priorities.

Objectives

- Provide quality chargeable services that meet the needs of the customer and whereby full costs are recovered by the Council.
- Maximise current and new income sources that are stable over the medium to longer term.
- Ensure good customer relationships are maintained to achieve loyal customers.
- Identify new opportunities, avoiding negative impact on our local business communities.
- Maximise upon our Unique Selling Point(s) (USP).
- Develop commercial thinking within the workforce.

Statutory Requirements – The Legal Framework

Councils have the powers to charge for a wide range of services. Many of these powers are derived from legislation that is applicable to specific services areas. The Local Government Act 2003 has enabled local authorities to charge as they chose to for discretionary services provided that they are not prohibited by other legislation.

The Localism Act 2011 offers scope to Councils to identify innovative ways in which they can generate income as long as they are not prohibited by other legislation.

Scope

Commercialisation for Pendle Borough Council has been defined as including the following areas:-

- Pricing, fees and charges policy;
- Shared services;
- Selling services;
- Property investments;
- Contract management;
- Consideration of subsidised services.

This strategy advocates that it is open to all services.

Strategic Approach and Benefits

Strategic Approach

Adopting a commercial approach is not a one off exercise but a principle to be proactively and continually applied as well as assessing the appropriateness of best practice being developed elsewhere in the public sector.

Benefits

Taking the approach outlined within this strategy is believed to be the most appropriate for Pendle Borough Council as it offers a number of key benefits such as the following:-

- Providing a tangible opportunity to make a recurring and reliable contribution to the Medium Term Financial Plan.
- Staff involvement developing new skills within the organisation. These can be transferred to other opportunities and continuously applied proactively to services as new opportunities arise.
- Providing opportunities for the continuation of non-statutory services that may otherwise need to be stopped due to lack of funding.

Governance and Managing Risk

All proposals to be considered as part of the Commercial Strategy will be presented within a Business case to the Management Team in the first instance, including an assessment of the potential risk exposure for the Council. Options that are feasible will be added into departmental Service Plans.

All selected proposals will therefore enter into the Council's decision making process and be reported to the Policy and Resources Committee for approval and to full Council if appropriate.

Implementation will follow the Council's project management framework which includes risk management and subject to quarterly performance reporting.

Governance arrangements exist in current strategies and policy e.g. Capital Strategy and Treasury Management.

Links to other strategies and policies

This Commercialisation Strategy has been derived to be aligned with and support other key documents. In particular:

- Corporate Plan 2018/19 to 2020/21.
- Medium Term Financial Plan 2018/19 to 2020/21.
- Digital by Default.
- Capital Strategy.
- Treasury Management Strategy.

Priorities and Next Steps

Priorities

The following are the current commercial priorities for the Council:-

1	Selling Services outside the sector	Review all areas where services are currently sold to seek maximising the market share and improve trading performance. Review all other service areas to assess if existing models of selling services could be replicated elsewhere.
2	Selling Services inside the sector	Review all areas where services could be sold to other public sector organisations. This may include front-line services and support services. Examples: Grounds Maintenance. Staff Training.
3	Cost Recovery - introducing new charges	Review subsidies provided by the Council to all non-statutory services to ascertain whether it warrants amendments to the pricing policy if full cost recovery is the agreed goal. Including review of non-statutory services that are provided free of charge and testing if a charging mechanism can be adopted. This will include the legal framework, affordability and potential impact on other Council services. E.g. contact centre.

4	Increasing current fees and charges	An exercise to review a centralised register of all current fees and charges. Adopt an annual increase policy to ensure all current fees and charges are uplifted taking into account affordability and market resistance.
5	Investment	Investment property portfolio that delivers a financial return and where possible facilitates other benefits for the residents and business communities of Pendle e.g. town centre regeneration, job creation, business set up.
6	System and Process Efficiency Review	Systems and processes to be reviewed to identify common component parts across the organisation to eliminate unnecessary duplication and makes the best use of information technology (linked to digital by default).
7	Inter-borough arrangements	Enter into collaborative and joint arrangements with other local government authorities when the opportunity arises to maximise income. For example, the current Business Rates Retention Pooling Agreement.
8	Service Delivery Models - Shared Services	Sharing Services with other Councils is a way to reduce the cost of providing a service, predominantly by reducing overhead costs.
9	Contract Specifications	Review all high value opportunities for challenging specification levels on contracts especially in the light of what the council will look like in future years due to changes to population and digital by default strategy, for example.
10	Grants and Bidding	Review opportunities to bid for external funding. Enter into activities that maximise the benefits from grants that are based on growth. For example, maximising housing development to access core funding incentivisation schemes e.g. focus on the reduction of Empty Homes.
11	Culture review	Review the Council's culture with regard to commercialisation and provide training to raise awareness to achieve the maximum benefits from a Council-wide commercialisation programme. This may include the review of job descriptions to embed a commercial approach to service delivery and identify new commercial opportunities as they arise in the future.

Next Steps

The Authority is already involved in many commercial projects, however the following next steps are intended to promote and raise the profile of applying a commercial approach within, and across, Council service areas:

- Member approval of the Commercial Strategy.
- Staff training to be provided on Commercialism and Business Case Best Practice as appropriate.
- Officer proposals will be submitted to the Management Team via the relevant Head of Service for feedback and initial financial, legal and specialist advice.
- If feasible, and not duplication of current business, the proposal will enter into the Service Plan business improvement project management framework.
- Resulting Business Cases will follow the Council's decision making process and be reported to members for approval.
- Commercialisation projects will be included within the performance management process and reported on a quarterly basis.