

## CABINET – 15TH OCTOBER 2020

### Report of the Strategic Director - Commercial Development Lead Member: Councillor Jonathan Morgan, Leader of the Council

#### Part A

#### ITEM            COMMERCIALISM POSITION STATEMENT

##### Purpose of Report

The report contains the Council's Position Statement on Commercialism and how it is intended to realise the initiative.

##### Recommendation

That Cabinet note and approve the Commercialism Position Statement.

##### Reason

To provide clarity to Members and Officers on the meaning and rationale underpinning Charnwood's commercialism aims.

##### Policy Justification and Previous Decisions

To date, the Council has lacked a Position Statement which outlines the definition and direction of Commercialism. In March 2020, the Strategic Director – Corporate Services brought a paper entitled "Approach to Commercialism" paper to both Scrutiny Commission and Cabinet, noting that a Commercialism Strategy / Position would follow in due course; what follows in Part B is that Statement. The Position Statement also takes into account the work done by the recent Scrutiny Panel on Commercialisation.

##### Implementation Timetable including Future Decisions and Scrutiny

The report is available for Scrutiny Commission to consider, and if approved, adoption will take effect immediately, subject to call-in.

##### Report Implications

The following implications have been identified for this report.

##### *Financial Implications*

None

##### *Risk Management*

There are no specific risks associated with this decision.

##### *Equality and Diversity*

None

*Crime and Disorder*

None

*Sustainability*

None

Key Decision: No

Background Papers: None

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## Part B

### Charnwood Borough Council Position Statement on Commercialism

As a result of the very significant, sustained financial reductions in Central Government funding, as well as increased Budget pressures resulting from COVID19 and inflationary pressures Charnwood Borough Council finds its Budget facing more challenges than ever before.

Adopting commercial behaviours, principles and approaches is the best possible option in the Council's control to sustain its budget and maintain as many services for residents as possible. The adoption of these elements will be supported directly by various strategies and policies coming forward. This document aims to address the specific elements required of Councillors and Officers to move the Council forward.

#### I. The Council's definition of Commercialism

The Council's accepted definition of commercialism has 3 broad aspects:

1. Generating surplus and reducing subsidy: whether a surplus is generated from new income or the Council reduces its operating costs, the end result is the same – pressure will be eased on the Medium Term Financial Strategy and the General Fund Revenue Account.
2. Commissioning: the Council already commissions several of its services and there is potentially scope to improve this, whether by sourcing alternative providers, commissioning new services, and/or improving the contractually agreed terms and outputs.
3. Behaving Commercially: Fundamental to the previous two aspects, adopting more “commercial” behaviours is essential. The forthcoming People Strategy will address this aspect.

#### II. The Council's Position

The Council recognises the need to balance bold, innovative action with social value creation when considering any commercial venture. In addition, the Council also recognises the need for achieving best value and efficiency in both service delivery and commercial activity. As such, the following areas will be considered more favourably when evaluating which activities should be pursued:

- Investment in regeneration activity that supports strategic development aims and generates a financial return.
- Where the impact on local business is minimised.
- Where Charnwood's reputation, locally and nationally, would be enhanced.

This position statement does not seek to serve as an action plan; the projects/actions listed later in this document are/will be managed via independent projects and progress will be reported using their respective channels.

In March 2020, Scrutiny Commission and Cabinet received, noted and approved the recommendations set out in a report from the Strategic Director – Corporate Services (the S151 Officer) on the Council’s approach to commercialism. In the report, the S151 officer outlined the Criteria for considering any commercial venture:

*“Criteria for considering the range of commercial opportunities*

1. Can income be generated at scale?
2. Can income streams be developed (at scale) within the next financial year?
3. Can the income streams be delivered with relative certainty?
4. Are there significant financial risks associated with the opportunity?
5. Is there a track record within the Council – or other local authorities – which demonstrate the opportunity is viable?
6. Does the Council have any commercial advantage in addressing an opportunity compared to the private sector (or – potentially – neighbouring local authorities or other public bodies)?
7. (Conversely) is the Council at a commercial disadvantage compared to existing players in the market who may have existing brands, infrastructure or track record of service delivery?
8. Could the private sector respond to the Council entering the market by competing aggressively – e.g. through price competition - such that an initial or extended period of trading losses might ensue?
9. Does the Commercial opportunity come with significant legal or regulatory risk?
10. Does the Council have skills and capacity within the existing workforce that enable the delivery of the commercial opportunity?
11. Could the Council easily access skills and capacity from the employment / interim / consultancy markets that that enable the delivery of the commercial opportunity?
12. Are there political or ethical reasons which may constrain the Council’s ability to provide services on a commercial basis? “

Therefore, any potential commercial aspect will be graded against these criteria and assessed independently. Given the complex and many faceted aspects of any opportunity, there is no strict level for pass/fail; opportunities will be assessed on their merits.

It should be noted that not all ‘commercial ventures’ attempted by Local Authorities have been successful, nor have they delivered all of the benefits envisaged. From the most recent high-profile failure of a Council owned energy company (Robin Hood Energy) to smaller efforts such as commercial trade waste services, not all ventures are successful or will even survive. Indeed the Office for National Statistics maintains data on business births and deaths across the UK and states that the 5 year survival rate for businesses born in

2013 was 42.4%<sup>1</sup>, meaning that out of every 10 business ventures started, only 4 will last more than 5 years.

This sobering statistic highlights the reality that no matter how viable a business may appear in the initial planning stage, the odds are not in favour of the business surviving longer term, though some clearly do succeed. Furthermore, forecasted net margins must be sufficient to warrant the undertaking, as it is only the net margin that will bolster the Council's bottom line, not turnover. Should the Council wish to undertake commercial ventures as 'small businesses', stringent planning and viability must be undertaken in the first instance. Furthermore, in an environment where Officers are being asked to do more with less time and money, the additional efforts in terms of net margin must be sufficiently realised to warrant the additional effort and pressure placed on employees.

### **III. Necessary behaviours**

The Strategic Direction document that accompanies the Corporate Strategy 2020-24 and sets out the key operating principles the Council will adopt to achieve its objectives and deliver outstanding services for residents. The direction laid out that relates to our people states, "The Council will...

- develop and encourage leadership at all levels of the Council
- empower employees to take responsibility for the work they do and focus on achieving outcome
- create an agile and flexible workforce which is focused on improving the lives of residents and achieving outcomes..."

The forthcoming People Strategy (Jan 2021) will reference a Management Charter to be developed which will summarise the future role of managers within the organisation, together with a more detailed leadership and management competencies framework. The management development programme will expand and adapt to provide appropriate learning and development opportunities at all levels of the organisation. These development opportunities will include a mixture of e-learning, online and face-to-face events and we will look for varied and greater opportunities to share good practice

The adoption of a commercial approach is key to this upcoming People Strategy and will necessarily bring cultural challenge to the organisation. The key commercial behaviours that should be developed within the Council are:

- Making quick, sound decisions that are evidence based
- Accepting and embracing change
- Being risk aware, not risk averse
- Allowing failure and viewing it as a growth experience
- Changing opinions/approaches swiftly when evidence supports
- Maintaining focus on robust business cases and on Return on Investment

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<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2018#business-births-and-deaths-rates-2013-to-2018>

#### IV. Areas of Focus

Several key projects of activity have been identified (and in some cases, have already started) which fall into the Council’s definition of Commercialism. Those listed below will form the first tranche of activity. New projects may be introduced, where they will be put under analysis and scrutiny at the relevant project board prior to being implemented.

Area	Commencement Date
<p>1. <u>Commercial focus and analysis</u>: The Council will adopt a commercial approach to analysis and execution, focusing on robust business cases, delivery of Return on Investment and evidence-based assessment of need and value. This will include an analysis of all options available. This delivery is supported by the Strategic Director – Commercial Development, who will provide guidance and facilitate training for employees who require it.</p>	<p>Ongoing</p>
<p>2. <u>Service Reviews</u>: The Council will evaluate current services to ensure that services are delivered in an efficient manner and that income opportunities are captured.</p>	<p>Ongoing</p>
<p>3. <u>Reconfiguring procurement and contracts</u>: The Council commissions a significant level of service and supply in delivering services. This level of spend, as well as the management of contracts currently in place will be reviewed and where able will be reconfigured. Further, further support in this area will be delivered as well as enhanced Contract Procedure Rules, enhancing accountability and responsibility.</p>	<p>Cabinet paper for approval of proposed changes 15 Oct 2020</p>
<p>4. <u>Asset Restructuring</u>: The Council owns significant numbers of assets in the Borough. Some of these assets deliver much needed income to the Council; opportunities to increase the revenue generating capability of these assets will be pursued. Conversely, several Council assets carry heavy costs of occupation in relation to the level of income, if any, that they deliver. Where limited opportunity for net income generation exists, the Council will seek</p>	<p>Ongoing</p>

Area	Commencement Date
to potentially redevelop these opportunities to minimise costs and ensure that the asset is fit for purpose.	
5. <u>Investment</u> : The Council will in parallel look to invest capital in regeneration and commercial opportunities to deliver net benefits in growth and income to the Council in line with the Council's Capital and Investment Strategies.	Ongoing
6. <u>Energy and Carbon Neutrality</u> : The Council will look to invest in energy saving measures as well as renewable energy sources where credible business cases exist and deliver net benefits to the Council.	Ongoing