

Commercialisation and Financial Strategy

Bromsgrove District Council
2017 – 2020

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1. Commercialisation in Context

1.1 Overview

This document outlines Bromsgrove District Councils (BDC) approach to commercialisation and should be considered as an extension of our existing transformation programme.

There have been some excellent examples within our Council of shared services, transformation and cost saving initiatives being successfully carried out. These initiatives include; comprehensive sharing of services, redesigning services using a systems thinking approach, re-letting and re-negotiating contracts and consideration of other operating models.

Whilst excellent progress has been made there is a recognition that these measures alone will not be enough offset the significant funding pressures that BDC has experienced and further envisage in the coming years.

This strategy adopts a broad view of commercialisation, including all aspects of our ongoing transformation programme. This programme includes service reviews and redesign, shared services, revenue generation, pricing and maximising the value of our assets. All without compromising our corporate principles (see below) or our commitment to customer care.

Our Corporate Principles

- Design all of our services from the customer's perspective to ensure we respond to the needs of our communities.
- Help people to help themselves where appropriate.
- Be corporately responsible by ensuring we meet our ethical, environmental and social responsibilities, and that services support our communities to develop.
- Constantly innovate, to make the best use of our resources to ensure we deliver efficient, quality services and eliminate waste.
- Make decisions and provide challenge based on data, evidence and learning.
- Use the Council's unique position in the community to encourage and support change amongst partners and other agencies.
- Put the customer at the heart of what we do, treating people and issues fairly, with respect and honesty.
- Identify the best way to work, to satisfy customers' needs, by pushing departmental and organisational boundaries.

1.2 Commercialisation Strategy Drivers

The following key drivers have informed the development of this strategy:

- The Council has an ambition to be more financially sustainable in order to continue to deliver quality services to our residents;
- The Councils need to reduce waste in all services is forcing it to look at operating costs, methods of service delivery and operating models;
- The Council needs to ensure that the chosen methods of service delivery always make most effective use of resources;
- The Council needs to support services for local people as well as raise money to invest in the strategic purposes and priorities detailed in the Council Plan.
- The Council will need to make significant additional income and make better use of assets to offset the ongoing reduction in budgets

1.3 Commercialisation Vision

Our vision is for Bromsgrove District Council to become a systems thinking organisation that is efficient, effective, innovative and entrepreneurial.

This will be achieved by exploiting service transformation and commercial opportunities through trading, to ensure services are put onto a more sustainable long term footing.

1.4 What do we mean by commercialisation

Commercialisation for BDC has been defined as encompassing the following areas:

Shared services;
Transformation and efficiency;
Investments;
Marketing and selling of services and income generation opportunities;
Pricing analysis (fees and charges);
Consideration of concessions;
Better use of Council assets;
Better contract management;
Continuous improvement in procurement;
Digital and online options.

There will increasingly be a culture of services actively looking for additional opportunities without losing focus upon our ongoing transformation programme, existing customer base and the quality and ethos of public service delivery.

Services making positive financial contributions, either through commercial activity or internal efficiency, shall increasingly be considered as the norm. In line with our systems thinking principles our staff will be involved in identifying and developing opportunities to transform and commercialise our services.

This strategy advocates that the commercialisation approach is open to all services (or elements of services). The approach initially is to pick a number of key opportunities. This will ensure organisational learning is built up, services and processes are transformed and redesigned, and projects resourced in the longer term without the need for extensive support.

1.5 Our Commercialisation Principles

- We will ensure that there is a culture within our organisation that embraces change and that the work force has the appropriate skills to deliver successful commercial activities.
- All business cases will use the approved business case template and will include a robust options appraisal, market analysis, business modelling and full costings.
- We will challenge individuals or services that do not follow the approved transformation and business case frameworks.
- We will explore and exploit as many options for alternative methods of service delivery as possible.
- We will create an environment where people are encouraged and able to take considered risks and accept that some ideas may fail.
- Ensure that services will be fit for purpose and fit to compete in the market place.
- Be honest about current performance and accept that not all current services are ready for market.
- Be prepared to invest now for a return in the future.
- Carefully consider any requirement for a concession and understand why a concession is being offered.
- We will continually measure and review of our portfolio of external service offerings to ensure that they are delivering good financial returns and value to our residents and customers.
- Act in a socially responsible way and consider the impact of our business plans on the wider market place.
- To consider and risk assess who will be affected by stopping, changing or charging for any of our services.
- Whatever we do should contribute to the delivery of our strategic purposes.
- Consider opportunities to work with or facilitate the work of community partners to improve the efficiency and/or quality of service provision.

1.6 Links to Council strategies and policies

In devising the Commercialisation and Financial Strategy we have been mindful of the need for it to align with and complement other key documents that contribute towards the overall success of the Council. In particular, this strategy has been aligned to:

- Council Plan 2017-20220;
- Medium Term Financial Strategy
- Investment and Acquisitions Strategy
- Risk Strategy
- Equalities Strategy
- Engagement Strategy
- Branding and Marketing Guidelines
- Approved business case model

2. Key aims & objectives

- The overarching aim of the strategy is to deliver a financial return which contributes to the councils spending plans and helps deliver services and council plan priorities for the local community.
- To deliver this aim we will develop a programme of work that identifies potential commercial opportunities, ensuring that the agreed commercial principles are applied.
- We will ensure that the commercialisation programme is properly resourced and managed to successfully deliver the aims of the strategy.
- We will develop a structure to ensure fledgling commercial opportunities are nurtured and supported.
- We will seek to strengthen our reputation with residents, local businesses, the Local Government sector, staff, other customers, partners, and stakeholders in general.
- We will ensure that strategic and operational transformation programmes are undertaken across all major service areas, to enable us to seek more innovative approaches to delivery, drive out waste and challenge existing approaches to best meet the needs of our communities.
- We will support non-statutory services to reduce their subsidy including reducing overheads and increasing income in order to reduce risk of closure or reduction in service.
- Actively engage in market development and market shaping where no such market currently exists and using customer insight and data to manage specification and demand.
- Explore alternative investment models to support service delivery e.g. through social investment.
- Invest and use our financial strengths to deliver a financial return.

- Become a services provider to new and existing customers both from within the local authority environment and beyond, particularly where we are uniquely placed to do so.
- Use the commercial knowledge acquired through this programme to gain a competitive advantage.

3. Creating the right environment

Careful consideration will be given to creating the right environment within the organisation to nurture innovative ideas and develop them into robust project proposals. This will involve the following activities:

- Carryout a culture and skills review to establish if we have the culture and skills that will enable commercialisation to thrive. This review will also determine whether new governance arrangements and ways of working are required to achieve the maximum benefits from our commercialisation programme;
- Continue the communications campaign to draw in ideas from staff and generate new ideas;
- Use a framework for development of new propositions to be taken forward to outline business case stage;
- Ensuring that staff have the correct skills to successfully deliver our programme;
- Procure external support and expertise when necessary;
- Adopting a project management approach for the implementation of the programme;
- Ensuring new proposals have the right support from the Commercialisation Board, Councillors and stakeholders.

4. Priority opportunities

The Council is already exploring a number of priority commercial opportunities. A Commercialism Programme Board has also been established and has identified and prioritised three work streams that provide the greatest opportunities in terms of the council becoming more commercial. These are:

- Use of land and assets
- Contracts
- Income including fees and charges

In addition, the Council is currently investigating setting up a trading arm or arms to support the delivery of new revenue streams and have secured Local Government Association productivity expert funding to support this work.

Commercial opportunities resulting from these three work streams will be developed and assessed during 2017/18 and other opportunities will also be considered and developed by the Commercialisation Programme Board and brought to Cabinet where appropriate.

In view of the potential opportunities, the intention is to move at pace with the implementation of this strategy. The programme to support this, together with key dates, will be detailed in a commercialisation project plan monitored through the Commercialisation Programme Board.

5. Outcomes

Taking the approach outlined within this strategy is believed to be the most appropriate for Bromsgrove District Council, as it offers a number of key benefits, many of which have already been covered elsewhere within this strategy, including:

- Providing a real, tangible opportunity to make a contribution to the Medium Term Financial Strategy;
- Staff development – new skills will be acquired and can be transferred to other opportunities internally;
- Taking an approach of raising standards and generating revenue at the same time;
- Helping to provide a competitive advantage in key markets;
- Giving BDC an enhanced reputation as an innovative and forward thinking organisation;
- Transforming the organisation into an innovative workplace;
- Bringing benefits to the local economy;
- Ensuring the sustainability of non-statutory services that would otherwise be stopped due to lack of funding.

Financial Strategy 2017 - 2020

6. The Financial Strategy

The Financial Strategy sets out the Council's strategic approach to the management of its finances and provides a framework to enable the Medium Term Financial Plan to be developed to include indicative budgets and Council Tax levels over a four year period.

The overarching strategy informs the medium term financial planning of the Council which will deliver detailed plans of the respective budgets for the General Fund and Capital Programme. The objective of these plans is to deliver a sustainable budget over the medium term.

As referred to in the Commercialisation Strategy as the Council looks towards its financial challenges for 2018/19 onwards it is likely that this shift towards behaving more commercially and considering new funding models will continue. Increasing income generation is key to ensuring that the Council has a core funding stream to support our future service delivery whilst Government funding is reducing. However, we must also ensure focus is given to how we take advantage of new forms of local government finance, for example, through business rates growth.

A robust financial strategy and planning mechanism is essential to turn the Council Plan and strategic purposes into action within the communities of Bromsgrove. The priorities are set out in the Council's Plan for 2017-2020. The Financial Strategy also informs the Council's capital strategy, treasury management strategy and the preparation of annual budgets. These financial plans support the Council Plan in defining the funding available to deliver the councils services.

The Financial Strategy draws on the strength of the Council's corporate governance and control environment as set out in the latest Annual Governance Statement. This provides assurance that the Council's governance and financial arrangements can be relied upon to achieve its plans and policies.

There are a number of ways that the Council will ensure that it achieves financial sustainability. The assumptions and the detailed estimates for the savings realised / income achieved will be addressed within the Medium Term Financial Plan over the four year period. Whilst referred to in the commercialisation strategy the financial strategy framework presents how consideration of these themes can be progressed into tangible savings and additional income for the Council.

7. Generating income from Council services through charging, trading and investment

- Cost recovery – assess the ratio of income to expenditure across all services with the aim to improve recovery of cost to 100% depending on nature of

service, ability to recover income and impact on the delivery of the strategic purposes. Consider increasing fees to cover expenditure whilst managing the impact on those suffering hardship.

- Fees and Charges – review any areas where the Council is not currently charging and consider appropriate fee levels that balance the need for income generation and hardship.
- Identify areas of expertise and explore opportunities for trading with other Councils and organisations within the legislative boundaries.
- Review Council assets to ensure they support the delivery of the strategic purposes.
- In all cases where service redesign required or additional income realised , clear business cases are to be developed using the approved ‘5 case model’ to ensure a consistent approach to reporting is undertaken and appropriate information is provided for the decision making body.
- Generate new marketing opportunities to ensure all opportunities are explored for generating income.
- Regularly review grant opportunities that may be available for the Council to support new initiatives.
- Ensure the Council Tax and Business Rates base are accurate to ensure all income can be recovered from residents and businesses.
- Work with community partners to explore efficiencies through joint and/or community led service delivery models.

8. Reducing costs by improving efficiency and removing waste from the system

- Regularly review contract arrangements (including shared services) with the aim to reduce cost or improve service delivery.
- Develop digital access to reduce costs and improve choice of access method for the community.
- Explore different payment methods to reduce costs and provide greater customer choice. For example, reduce the use of cash and cheques and encourage more direct debits and online payments.

9. Increasing Capital and Revenue returns by delivering housing and economic growth

- The Investment and Acquisition Strategy gives a structured approach to assess schemes based on robust criteria to enable a revenue rate of return to be secured for future projects. Assets will be reviewed to identify those with

the greatest potential for delivering enhanced capital value and/or revenue income.

- Review asset base to identify any areas of vacant land that may be used for investment opportunities to generate income, increase employment, skills and business rate growth.

10. Exploring the impact of changes in Government funding for the Council

- Review the impact of the Business Rate Legislation, impact on the Council and potential changes to pool arrangements.
- New Homes Bonus – assess the impact of future changes to methodology and ensure that all housing developments are included.
- Provide greater financial modelling of funding streams to enable informed decisions to be made across a number of scenarios.

This overarching financial strategy will ensure that the Council has a framework in place to address the future challenges and will inform the detailed Medium Term Financial Plan over the next four years.