

APPENDIX D

Commercialisation Strategy

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1 Background

1.1 Overview

1.11 This document outlines the Council's approach to commercialisation.

1.12 "Commercialisation" is an increasingly important concept in local government driven by the hope that a more commercial approach will help manage the acute financial difficulties being experienced by many local authorities and help them manage to achieve key service objectives.

1.13 There is no single approach to commercialisation. It is for each Council to identify what commercialisation means to it and how to pursue it. That will be dependent on a number of local factors including political buy-in, the financial climate, capacity, opportunity, skills and capability and attitude to and appetite for risk.

1.14 There have been some excellent examples within the Council of cost saving initiatives being successfully carried out, such as re-commissioning services, re-letting contracts, re-negotiating arrangements, and reviewing specifications. Further, demonstration of efficient and effective operational activity has been recognised across the Council and this recognition has resulted in additional funding. Whilst good progress has been made, there is also recognition that these measures alone will not be enough to meet the significant future funding pressures.

1.15 The Council's Commercialisation Strategy aims to take a broad view of commercialisation, to include all aspects of service reviews and redesign including the potential for digitalisation (the use of digital technologies to change a business model to deliver savings and/or increased value), the commissioning cycle, shared services, new opportunities for revenue generation to include investment opportunities and the selling of services, and pricing.

1.2 Strategic Drivers

1.21 Our starting point is always to remember that we are a local authority. We have statutory obligations that we must fulfil including to support and safeguard our most vulnerable residents. In terms of powers we can do anything that an individual can do but we exercise those powers always to benefit our area and the people who live and work in it and those who visit it. This is why we (members and officers) came into public service to deliver outstanding customer service. It is our core function and our key strategic driver. All commercial opportunities should be considered in this light. It is for this reason that in the absence of any particular benefit to the people of Lincolnshire we are unlikely to invest in opportunities out of Greater Lincolnshire. This is the first principle of commercialisation, that there is a public service ethic at the heart of everything we do.

1.22 The more money we have the more we can do with it and risk is necessary to release the benefits of commercialisation. However, we are not the private sector. Our customers sometimes have no choice other than to use our services. We are managing public money that has been entrusted to us and we must do so wisely. We are often no more than custodians of the assets we own. These factors limit the level of risk we can take in the pursuit of income. This is the second principle of commercialisation, whilst willing to take risk, we will manage that risk so as not to jeopardise the services and opportunities we offer to Lincolnshire citizens. Risk management will be proportionate to the magnitude of the risk and the adverse impact should it materialise.

1.23 Important drivers for commercialisation are;

- To improve the service offer to new and existing customers within Greater Lincolnshire;
- To deliver a financial return to enable investment in sustainable services/outcomes;
- Actively to engage in market development, market shaping to improve services and increase capacity;
- Enhance the Council's reputation which will itself tend to attract additional funding;

- Improve the skill set of staff and managers so as to get the best out of dealings with our partners;
- Market intervention where the current market is unaffordable or putting Council service at risk;
- Attract alternative investment/funding models to support service delivery;
- Invest and use the Council's financial base/infrastructure to deliver a financial return.

1.3 Vision

1.31 *To become an innovative and resourceful council that continuously drives positive annual contributions by generating extra revenue and delivering cost reductions through commercial activity thereby supporting the continued delivery of front line services.*

1.32 There will increasingly be a culture of services actively looking for additional commercial opportunities as part of the development of their Commissioning Strategies which will continue to review alternative ways of delivering services to achieve the best outcomes. At the same time the service offer and outcomes will be maintained or where possible improved.

1.33 Our staff will have a reputation for being aware, willing, flexible and able.

1.34 We will have an understanding of our abilities, knowing what we can deliver and what we cannot, supported with a clear understanding of where it is desirable to be able to increase our capabilities and where we do not wish to. We will have an understanding of our portfolio of external service offerings, investments and joint ventures which will be set out in a register. Over time we will understand not only which ones offer a greater financial return than others, but also what the public service return is and how we continue to manage risk effectively.

1.4 Scope of commercialisation

1.41 Our approach is to see commercialisation as a range of possible approaches and activities arranged on a continuum depending on the degree of risk attached as follows;

- Adopting a commercial mindset and displaying commercial skills, business acumen and discipline
- Being productive in everything we do for ourselves including a digital by design approach where possible ;
- Increased focus on how we buy goods and services including procurement, contract management, shared service arrangements;
- Maximising the return on our assets;
- Covering our costs through charging;
- Trading our services;
- Investing.

1.42 Examples of these approaches are set out in the attached Appendix A. There are many other examples that could be given and many other commercial opportunities waiting to be fulfilled which have to be prioritised. The examples provided demonstrate a reasonably mature approach to commercialisation within the Council which at the lower end of the continuum, adopting a commercial mindset, being efficient and effective and increased focus on buying goods and services, is also sufficiently aligned to the work being done on the Commissioning Strategies and Plans so as to be seen as business as usual. These activities for ease of reference are referred to as "Ongoing Commercial Activity".

1.43 It is those other approaches later on the continuum exploiting our assets; covering our costs through charging; trading our services and investing which are less well understood and arguably offer the greatest risk and reward. These activities for ease of reference are referred to as "Project Based Commercial Activity".

1.44 It is for the Project Based Commercial Activity along with digitalisation that a Commercial Strategy has the most to offer by;

- ensuring a corporate approach to delivering public service and managing risk;
- enabling the Council to prioritise commercial activity and focus its resources on the areas with greatest benefit;
- enabling a consistent approach to be taken learning from the experiences elsewhere in the Council.

2 Delivery of commercialisation

2.1 Ongoing commercial activity

2.11 The expectation is that the services will continue to work on Ongoing Commercial Activity as part of the continuous improvement obligations that we are all familiar with. Recent activity to strengthen the Council's approach to commissioning and the introduction of the Commissioning Board will support this. We will investigate ways of disseminating good practice and lessons learnt across the Council and will seek to remove barriers to progress - see Creating the Right Environment below.

2.2 Ongoing commercial activity

2.21 In terms of the Project Based Commercial Activity the initial approach under this Strategy is to first identify and then focus on delivering a small number of key opportunities to ensure organisational learning is built up, processes are refined, projects can be properly resourced and to maximize the prospects of successful delivery. These projects will recognise that the Council is risk aware not risk averse and is prepared to invest now for a return in the future.

2.22 The Project Based Commercial Activity will be built on robust business cases which set out:

- The Project
- Aims and Objectives
- Measures of Success
- Project Sponsor
- Project Manager
- Relevant Commissioning Strategy
- The Target Market
- Delivery Costs and Cash Flow Considerations
- Pricing Strategy
- Competitors
- Regulatory Environment
- Project risks
- Tax considerations
- Delivery Vehicle
- Time Line
- Project Resourcing

2.23 We will develop a programme of Project Based Commercial Activity work by prioritising activity from the possible projects within the Council. The Corporate Management Board will determine the priority Project Based Commercial Activity which will proceed to a Business Case in discussion with the Commissioning and Commercial Board. The Council's existing project categorisation tool has been amended to assist with that exercise see Table 1. It will be developed over time as we use it.

Table 1 Project Scoring Tool

	Score: 1	Score: 2	Score: 3	Score: 4
Contribution to Council Business Plan (CBP) objectives and outcomes/Strategic Risk management	No link to our CBP/Strategic Risk	Contributing to other work linked to our CBP/Strategic Risks	Direct contribution to a single objective or outcome in our CBP/single Strategic Risk	Direct contribution to more than one objective or outcome in our CBP/Strategic Risk
Whole life total project cost including internal and/or external professional support	< £2.5million	£1 million-£2.5 million	£250k - £1 million	£1- £250k
Timescale for delivery	> 18 months	12 - 18 months	6 - 12 months	< 6 months
Expected life of the outcome/asset/income generation	0-2.5 years	2.5-5 years	5-10 years	>10 years
Return on Investment (pay-back period)	>10 years	5-10 years	2.5-5 years	0-2.5 years
Transformative impact on the Council and or its partners e.g. health	None or minimal change	A change affecting a single unit or team	A change affecting all teams within a single directorate	Significant change with a high impact on staff across LCC
Track record/experience	We have not done anything like this before	We have done similar before, but not the same	We have done this before once or twice	We have done this before many times
Risk	High Risk across more than one risk area – e.g. technical, legal, financial,	Medium risk across one or more risk areas	High risk in relation to one risk area	Low risk across all risk areas
Our capacity and capability	No existing capacity and capability	Limited capacity and capability which will need to be supplemented by significant expensive external resource	Limited capacity and capability that can relatively easily be supplemented by acceptable levels of external resource	Capacity and capability fully available in-house
Total Score:				

2.3 Links to other Council strategies and policies

2.31 The Strategy aligns with and complements other key documents that contribute towards the overall success of the Council. In particular, this strategy has been aligned to:

- Commissioning Strategies
- Medium term financial plan
- LCC strategic risk register
- Focus on areas of existing Council business and high cost, e.g. waste and Adult Care

2.4 Creating the right environment

2.41 It is essential that the right culture and environment is created within the Council to encourage innovation and resourcefulness. This will involve the following activities:

- Undertaking a skills audit;
- Develop a register of existing activity and identify centres of knowledge and learning;
- Design a commercial network to draw in and develop new ideas;
- Produce a framework for development of new propositions;
- Capturing and disseminating lessons learned;
- Adopting a project management approach for the implementation of the Project Based Commercial Activity.

2.5 Governance

2.51 Existing governance arrangements will be used so that early review and feedback will be received from CMB and the Commissioning and Commercial Board prior to the Council's formal decision making being invoked.

2.6 Benefits

2.61 Taking the approach outlined within this strategy is believed to be the most appropriate for Council as it offers a number of key benefits, including:

- Providing a real opportunity to make a contribution to the Medium Term Financial Strategy;
- Improving and sustaining the public service offer in Greater Lincolnshire;
- Staff development – new skills will be acquired;
- Helping to transform the organisation into a more innovative and resourceful workplace;
- Bringing benefits to the local economy.

APPENDIX A

Approach	Examples
Commercial mindset	<ul style="list-style-type: none"> • Movement from grant-based approaches to a service contract-based approaches • Greater appreciation of commercial terms and how they can be used to drive value for money and contract and performance management • Commercial awareness is a core competency within the Council's Competency Framework • Effective negotiating skills resulting in additional BCF funding being made available to the Council • The Council being chosen as a pilot authority for example to test the impact of the Care Act attracting additional funding
Efficient and effective in LCC activity	<ul style="list-style-type: none"> • Using all of the Energy from Waste capacity rather than landfill • Reductions in assets to match reduced workforce e.g. MFDs • Improved commissioning e.g. libraries where much of the operating model is delivered by the community • Introduction of Commissioning and Commercial Board
Improved buying	<ul style="list-style-type: none"> • Smarter contracts with more robust performance management frameworks tied to outcomes and price-performance mechanisms • More robust contract management to realise the benefits driven out by competition and contract conditions • Increased competition • Procurement network • Competence in more complex procurement methodologies
Exploiting assets	<ul style="list-style-type: none"> • Charge Serco for using the Council's network • Allow partners to use Council recruitment channels
Charging	<ul style="list-style-type: none"> • Take a consistent approach to charging for services including the treatment of overhead • Charging for the use of Council procurement frameworks • Charging for use of Council assets for advertising e.g. web, vehicles, buildings
Trading	<ul style="list-style-type: none"> • Transport through the Teckal • Legal Services • Procurement Lincolnshire • Secure Accommodation
Investing	<ul style="list-style-type: none"> • Invest in infrastructure and find a market for the heat produced by Energy from Waste • Invest in Adult Care property to maintain capacity and leverage in the market • Invest in Proving Limited for financial return / Development opportunities

Key: Achieved

Mixed approach/work in progress

Yet to be achieved