



*Proud of our past. Energised for our future.*

## **2016 – 2020 Commercial Strategy**

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## Contents

1	Background .....	2
2	2016 – 2020 Medium Term Financial Strategy .....	3
3	Efficiencies and additional income .....	4
4	What Commercialism means to the Council .....	4
5	Strategic links.....	6
6	Key aims and objectives .....	7
7	Where we will look to generate income .....	9
8	Where we will look for efficiencies .....	10
9	How we will deliver the strategy .....	11
10	The role of the Commercial Service within the Council.....	11
11	How we will develop existing income generating services.....	12
12	How we will develop new ideas .....	14
13	How we will communicate the strategy.....	15
14	How we will manage risks .....	15
	Appendix 1 – Commercial Framework Project workstreams diagram.....	17
	Appendix 2 – Commercial Risk Register .....	18

- 1 Background
  - 1.1 The impact of changes to central government funding offers increased risks but also potential opportunities arising from the localisation of business rates and an expectation that Council Tax will not significantly change. The challenges of the reduction in funding to the Council are those faced by local government across the country.
  - 1.2 Copeland Borough Council acknowledges the challenges that it faces, but also views the current funding picture as an opportunity to affect fundamental changes to how we do business; with improvements to services we deliver as a result.
  - 1.3 The Mayor has since taking office set out a vision for the Council: *“Copeland Borough Council is a commercially-focused organisation with a national reputation for high quality services”*.
  - 1.4 The vision is achieved through a series of four Ambitions:
    1. Town Centre Regeneration
    2. Commercialisation
    3. Employment, Skills and Social Wellbeing
    4. Strengthen the Way We Operate
  - 1.5 We will deliver these ambitions by focusing on the delivery of five Strategic Outcomes, each of which contributes to each ambition:

SO1 - Four our towns, villages and streets to reflect the prosperity of the area

SO2 - Grow the commercial activity of the Council to benefit the people of Copeland, ensuring that the wealth generated in Copeland stays in Copeland

SO3 - Attract businesses, professionals and entrepreneurs to Copeland and retain our talented young people. Working with partners to support the most vulnerable in our borough

SO4 - Continually review our services to ensure they meet the needs of the people of Copeland and ensure that they are efficient and effective

SO5 - Maximising our opportunities for growth, within the Council and with our strategic partners

- 1.6 The Commercial Strategy is in support of each of the Council's Strategic Outcomes and will be delivered through a high level delivery plan. The success of the delivery of the Commercial Strategy will be measured by a series of Key Deliverables and Performance Indicators as part of our Performance Management Framework.
- 1.7 To increase and expand the Council's commercial vision we will require a shift in the core back office services to enable increased commercial skills and approaches within the systems and operations.
- 1.8 For those Council service areas that have not previously looked at the opportunities a more commercial approach can offer, particularly to improve and expand their services, there will be active challenge under the new strategy to explore these opportunities.
- 1.9 In some areas of the Council commercial activity is nothing new, particularly within our Parks and Waste Services. In 2014/15 both services were ranked number one in the UK by APSE for value-for-money in terms of the cost per household to deliver the service. This is something as a Council we are extremely proud of and will look to further develop commercial activity within these services to enhance this already successful provision.
- 1.10 This strategy will look to consolidate the Council's existing commercial activity and provide a framework, with defined objectives, for new commercial projects and for the delivery of future commercial activity.

## 2 2016 – 2020 Medium Term Financial Strategy

- 2.1 The financial environment that local government, and the public sector more generally finds itself in demands financial flexibility, financial and commercial awareness, effective risk management and the effective use of new technologies.
- 2.2 These are the key principles applied to both the Council's Corporate Strategy and the Medium Term Financial Strategy (MTFS). Commercialism forms a cornerstone of the MTFS and the underlying financial principles are as follows:
  - Move towards becoming a financially self-sufficient Council by 2021 through an active commercial agenda
  - Consider any appropriate trading opportunities supported by robust business plans and financial risk assessments and developed in the context of the wider Council MTFS

- Establish a trading company to develop the commercial opportunities for Copeland
- Encourage a climate where trading and charging powers of the authority are maximised
- Review the Income Collection Policy so that payments are made in advance of Council services being provided where possible

### 3 Efficiencies and additional income

3.1 The MTFS sets out targets which are required to ensure the delivery of balanced budgets from 2016/17 to 2019/20. Efficiencies and additional income totalling £4.3 million will be required in order to achieve this (£1.046m in 2016/17, £1.349m in 2017/18, £0.615m in 2018/19 and £1.289m in 2019/20).

3.2 This will be delivered through the Council's Delivering Differently Programme which is the name for the Council's major change programme. Whilst plans are in place for the 2016/17 year, future years will be planned as soon as possible in the upcoming year.

3.3 The contribution that the Council's increased commercial activity makes towards achieving these targets will be the benchmark against which the success of this strategy is measured. Efficiencies and additional income generated will help to minimise the use of unallocated reserves to support the net budget requirement.

### 4 What Commercialism means to the Council

4.1 Commercialism is a broad subject and can apply to many different areas. The Capita report, *'Creating council commercialism – A conversation'* November 2013, notes how it can be difficult to precisely define what commercialism means for Council's:

*'Commercialism means different things to different people, and is being implemented in different ways all over the country. This is a good thing – local government is enjoying a flowering of diverse approaches to problems as well as more freedom to act than previously. There is not – and there shouldn't be – one right approach to commercialism, nor just one useful definition.'*

4.2 Our strategy looks to formalise the Council’s commercial activity within a Commercial Framework. The Commercial Framework Project will deliver the Council’s commercial agenda. It is made up of four work streams which will help to realise the ambition of Commercialisation set out in 2016 – 2020 Corporate Strategy:

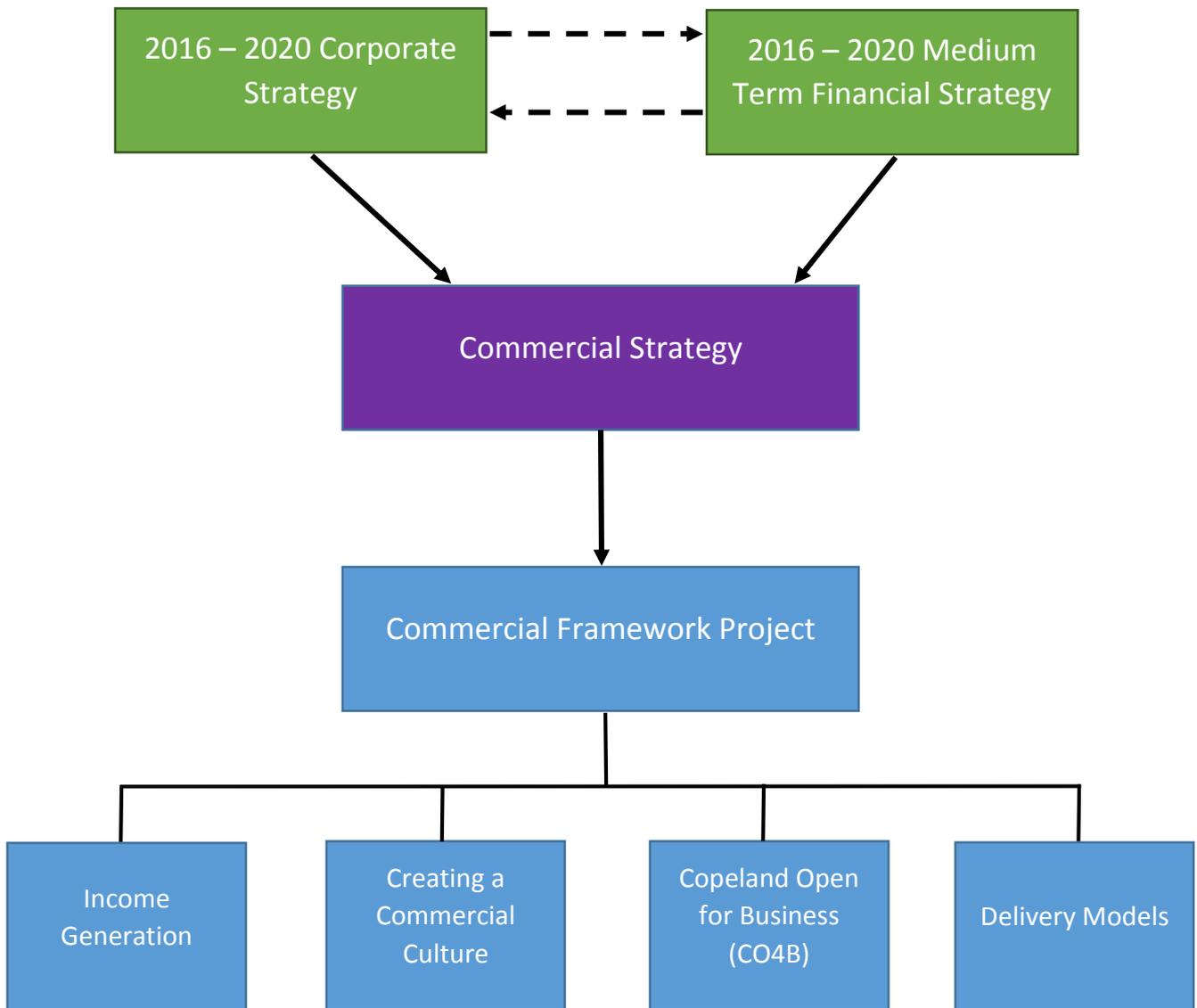
1. Income Generation – Making money by providing a service which can be charged for, generating revenue that can be reinvested in Council services.
2. Creating a Commercial Culture – Behaving in a more business-like way and ensuring staff are equipped with the right skills to enable us to adopt some of the positive culture and behaviours that are associated with commercial organisations.
3. Copeland Open for Business – Building on our successful existing brand to not only support local economic growth and prosperity but also promote the services the council can offer.
4. Delivery Models – Looking at how we operate to ensure our current and potential services are delivered in the most efficient and effective manner.

4.3 A full workstream diagram of planned work can be found at Appendix 1.

4.4 The success of the delivery of these workstreams will be measured by a series of Key Deliverables and Performance Indicators. These specific, measurable and attainable goals are both financial and operational, and include desired outcomes such as meeting financial targets, officer engagement and positive public perception.

5 Strategic links

5.1 The hierarchy, interdependence and delivery of the Commercialisation Strategy is shown below:



- 6 Key aims and objectives
- 6.1 The overarching aim of this strategy is to deliver a financial return which contributes to the Council's efficiencies and additional income targets, helping to safeguard frontline services that the Council currently provides.
- 6.2 Given the scale of funding cuts it is considered that doing nothing is not an option. Efficiencies and additional income of £4.3 million *will* need to be made through the Delivering Differently programme by 2019/20.
- 6.3 The successful delivery of the Commercial Strategy will mitigate some of the savings that the Council will have to make. We will look to carefully manage and control any risks associated with the implementation of this strategy. Funding is required for the successful implementation of this strategy as set out in the MTFS however it is expected to be self-financing in its own right by 1 April 2018.
- 6.4 It is important to note that the benefits of pursuing the Commercial Strategy are not purely financial. Becoming a commercially focused organisation means putting the customer at the heart of everything we do. We will actively encourage creative thinking to develop more effective ways to deliver our services.
- 6.5 We will empower our staff to take business-like decisions, manage risk and seize new opportunities. This will help to improve the quality and speed of decision making, thereby improving the services we deliver to customers. An empowered workforce means more engagement, higher customer satisfaction, increased productivity and also better business intelligence. The result of this is that the Council's ability to attract and retain top talent is enhanced.
- 6.6 Through growing the commercial activity of the Council we are looking to benefit the people of Copeland, ensuring that wealth generated in Copeland stays in Copeland. In turn this will help to attract businesses, professionals and entrepreneurs to the area. It is anticipated that increased prosperity within the borough will positively affect the household income of residents, helping to reduce the barriers to social inclusion.
- 6.7 The key aims of the strategy as represented in the Corporate Delivery Plan are broken down as follows:

<b>Short term goals (2016)</b>	<b>Medium term goals (2017 – 2019/20)</b>	<b>Long term goals (2020 onwards)</b>
<b>GENERAL</b>		
Commercial Strategy to be adopted by Copeland Borough Council	Continue to develop commercial and investment opportunities to impact on annual efficiency targets	Financially self-sufficient by 2021.
<b>INCOME GENERATION</b>		
Income Generation Strategy to be adopted by Copeland Borough Council	Continue to develop commercial opportunities in line with this strategy	
Business cases to be developed around all existing and potential income generating services	Attempt to exceed increased income generation targets as part of Delivering Differently programme whilst still delivering efficient, effective services	Reinvest income generated to improve the services we deliver
Develop Advertising and Sponsorship Policy along with standard terms and conditions	Contribute towards efficiency targets through advertising and sponsorship	Increase Advertising and Sponsorship income year on year
<b>CREATING A COMMERCIAL CULTURE</b>		
Identify Council's current cultural state and develop plan on how we can achieve desired future cultural state	Implement plan using organisational change model to align resources behind achieving a common goal	Council to have adopted appropriate positive culture aspects and behaviours associated with commercial organisations
<b>COPELAND OPEN FOR BUSINESS</b>		
Develop marketing plan to use existing CO4B channel to promote existing services, achieving greater market share	Continue to promote existing services whilst bring online new income generating services	Increased awareness throughout the borough of the services the Council can provide
Develop plan to utilise CO4B channel to help attract investment, industry and jobs to the area	Review plan periodically to ensure it is fit for purpose and achieving targets set through KPIs	Ensure wealth generated in Copeland stays in Copeland
Develop plan to provide business support and advice through CO4B channel	Review plan periodically to ensure it is fit for purpose and achieving targets set through KPIs	

## DELIVERY MODELS

Develop a robust business case for an energy company	Commence trading through the energy company	Provide low cost energy to businesses and residents of Copeland whilst driving income generation within the Council
Establish a trading company to develop commercial opportunities for Copeland	Continue to develop and explore commercial opportunities	Establish successful external trading company that contributes profits annually to be reinvested in Council services
Complete back-office service reviews to assess if current delivery model used is most effective and cost-efficient	Review services to periodically to ensure assertions in service reviews are still applicable	To become a commercially focused organisation with a national reputation for high quality services

7 Where we will look to generate income

7.1 The Council is already exploring a number of commercial opportunities. Where new opportunities are developed, their merits will be assessed and a robust business case brought before the Delivering Differently Business Theme Board for initial approval. Depending on the level of investment required, the approved business case will be taken to either Council's Executive Committee or Full Council before a decision is made to go ahead.

7.2 Where services are already trading commercially we will look to generate additional income by improving their effectiveness and promoting the service further through sales and marketing.

7.3 This is by no means an exhaustive list, however as things stand the Council's income generation priorities are as follows:

1. Energy Company – Develop an Energy Company to provide affordable energy to residents and businesses in Copeland and drive income generation in the Council. Proposals currently being considered are district heating, energy brokerage and collective switching.
2. Trade Waste – There has been a steady increase in the trade waste service since 2012 and income for 2014/15 was 16% more than the previous year with an annual turnover of £248k. This growth has been achieved without sales and marketing support or a highly visible web presence.

3. Advertising and Sponsorship – Through our Copeland Open for Business channel we will look to help promote local businesses whilst maximising revenue from advertising and sponsorship.
4. Parks – As with Trade Waste, the Parks service is already operating commercially. In 2015/16 there were 30 contracts active through Parishes and Small Works with a total value of around £80k. Once again this is with no proactive selling of this service. There is also an opportunity to offer additional services at the crematorium such as memorial plaques.
5. Markets – There is an opportunity to build up markets in town centres throughout the borough to attract visitors into the town centres and making the markets a real hub of commercial activity.
6. Car parks – A new car parking strategy will look to maximise income generated from car parks and continue to provide a car parking infrastructure across the borough that is designed to complement and support the towns and villages in Copeland.

8 Where we will look for efficiencies

8.1 We cannot look to meet the efficiencies and additional income targets through income generation alone. Operating commercially means working efficiently and adopting some of the positive traits, where possible, that you would associate with a commercial organisation.

8.2 The Council will look to produce efficiency savings in the following areas:

1. Procurement – The 2016 – 2020 Procurement Strategy and the implementation of the Procurement Framework will look to ensure the Council gains value-for-money for every pound of public money it spends.
2. Contract Management – Effective Contract management will ensure we achieve savings and continuous improvement throughout the life of our contracts.
3. Service Level Agreements – A review of the cost of support services is to be undertaken to ensure excessive costs do not prohibit any potential commercial opportunities.

4. Energy Consumption – An evaluation of the Council’s asset base and subsequent energy demand will be undertaken to ascertain if savings can be made through Crown Commercial Service framework agreements.
5. Service reviews – Continue with a programme of service reviews to ensure the Council is operating as efficiently as possible.
6. Recycling – There has been a downward trend in the number of people recycling within Copeland. In 2013/14 the national average of recyclable materials collected was 41% compared to 33% in Copeland. A push to increase recycling in the borough would not only generate a return from these recyclable materials but would also provide environmental benefits.
7. Purchase-to-pay (P2P) – A review of the Councils P2P processes will be carried out via process mapping to ensure we are operating in the most cost effective manner.

9 How we will deliver the strategy

9.1 The strategy will be delivered through a high level delivery plan which will look to formalise and set defined objectives for commercial activities already being carried out.

9.2 The development of a Commercial Framework will also look to create a culture and coherent structure which allows new commercial ideas to develop and commercial projects to be implemented, giving them every chance of becoming successful commercial ventures.

10 The role of the Commercial Service within the Council

10.1 As the Council is looking to operate more commercially it is vital that adequate resources are in place to support service managers to do so. The role of the Commercial Service is as follows:

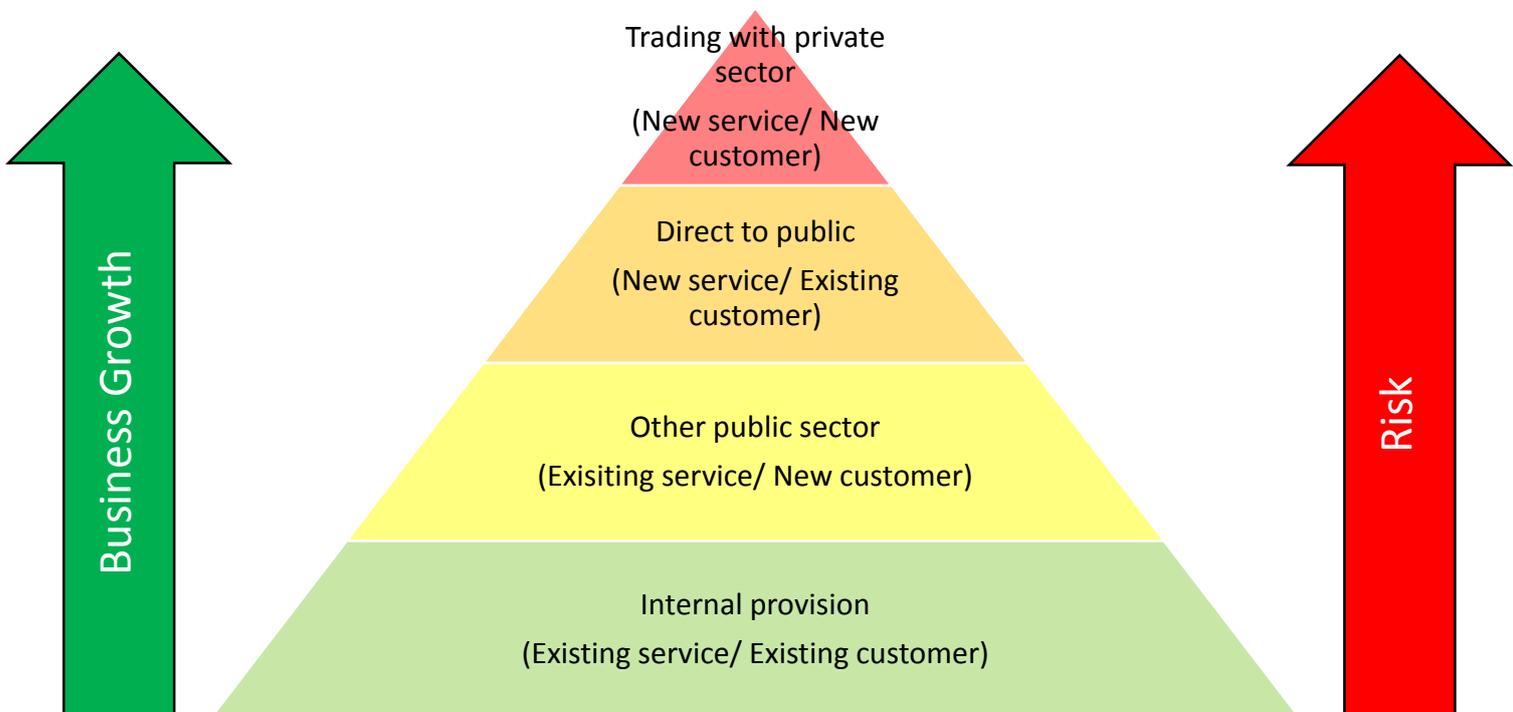
- To develop and maintain the Commercial Framework which provides the basis for all of the Council’s commercial activity
- Manage all commercial projects
- Provide advice to Service Managers on the development of commercial opportunities
- To assist with commercial business plan writing and financial modelling
- To hold the commercial projects register
- To provide analysis of the performance and impact of projects and the contribution towards efficiencies and additional income targets

- To provide recommendations and advice to Members and the Delivering Differently Business Theme Board on the approval of commercial business plans
- Highlight any potential commercial conflicts of interest to the Delivering Differently Business Theme Board for direction
- To implement KPI's and measure success of commercial projects
- Provide procurement guidance to officers to ensure compliance and contribute to delivery of Council objectives

11 How we will develop existing income generating services

11.1 The Council will look to enhance existing income generating services by providing commercial support in areas such as sales, marketing and business development to ensure that we are able to maximise market share within the borough in that particular service area.

11.2 The decision on whether to charge or trade would need to be reviewed should the service achieve market saturation within the borough or an opportunity to trade outside of the borough was presented which could be potentially be beneficial for the Council. The model for business growth within a public sector environment is as follows<sup>1</sup>:

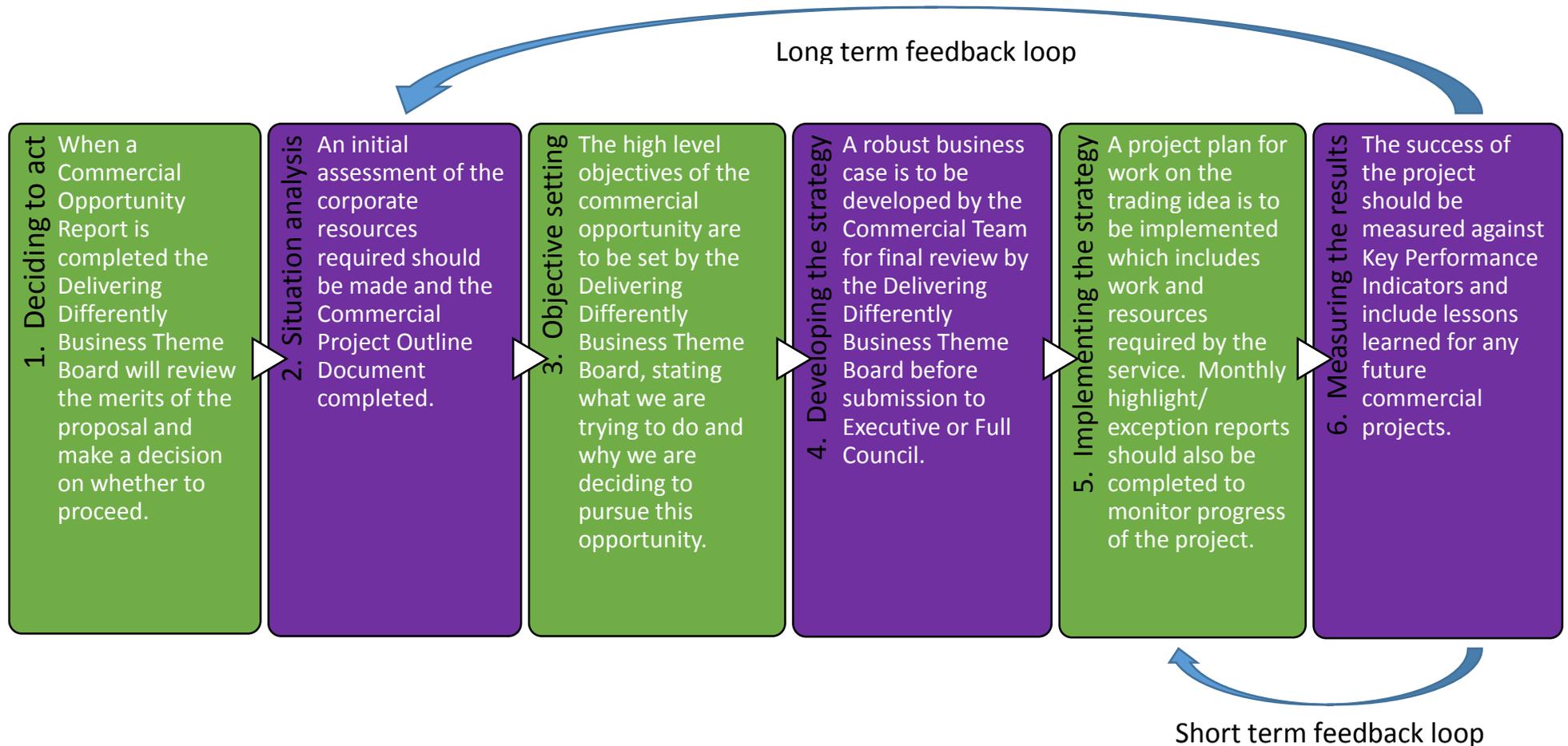


<sup>1</sup> Diagram provided courtesy of Andy Mudd – APSE Head of Solutions

- 11.3 Internal provision
  - 11.3.1 This involves providing a service that the Council already provides (i.e. trade waste) and marketing it towards an existing customer (i.e. Copeland residents) in order to achieve business growth.
  - 11.3.2 This is the least risky growth strategy as the Council already has processes in place to provide this service. It is however targeted towards a limited market and could result in market saturation.
- 11.4 Other public sector
  - 11.4.1 This involves providing the service to other public sector organisations outside of the borough boundaries. The General Power of Competence allows the Council to trade in the same way any other business would within the borough.
  - 11.4.2 The Council can, in some circumstances, carry out work outside of the borough without the need for a trading vehicle on behalf of other public sector organisations. This is only the case when a shared service arrangement has been entered into or the Council has been appointed as an agent to carry out the work by the neighbouring authority.
- 11.5 Direct to public
  - 11.5.1 This involves trading through a Local Authority Trading Company (LATC) to provide a service to the residents of Copeland. There are various reasons why Council's look to deliver services through an LATC such as being able to compete in a wider area or to make them more efficient. This does however increase the level of risk as it involves an entirely new way of operating.
- 11.6 Trading with private sector
  - 11.6.1 Trading through a LATC in the open market involves the highest level of risk because the level of competition is much greater. This model does however give the greatest opportunity for rewards.
  - 11.6.2 Any new commercial proposals will be backed up by robust business cases to allow the Council to reduce or mitigate any risks and ensure there is every possibility of success in all commercial ventures.

12 How we will develop new ideas

12.1 When potential commercial opportunities are identified a proposal will be put to the Delivering Differently Business Theme Board. From this initial idea, the Council will adopt a strategic planning model<sup>2</sup> in order to implement new commercial ideas and approaches:

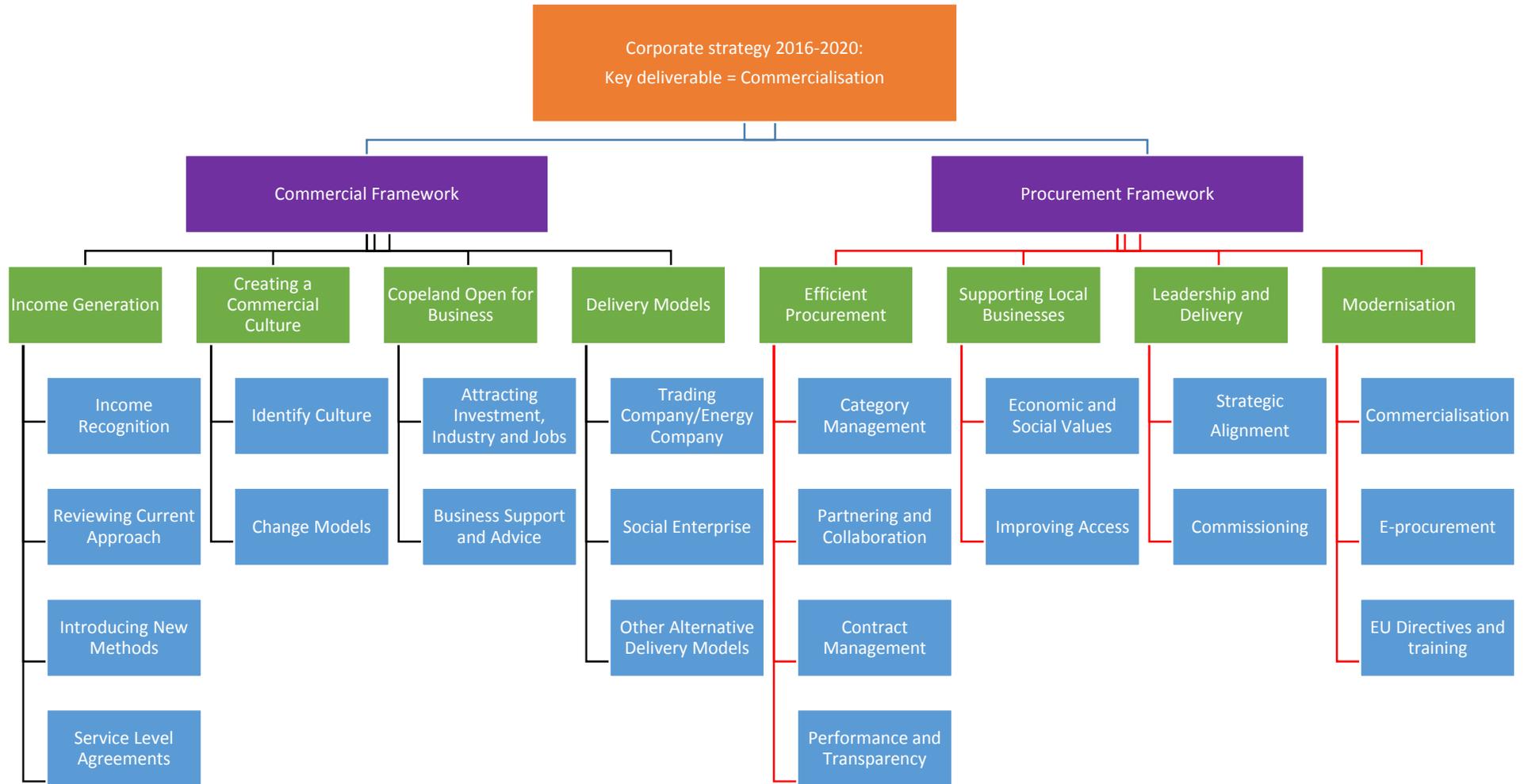


<sup>2</sup> Diagram provided courtesy of Andy Mudd – APSE Head of Solutions

- 13 How we will communicate the strategy
- 13.1 The Council is launching a new way of doing business which, it is anticipated has scope to be misinterpreted with consequent damage to corporate reputation. The Communications Team will develop a plan to mitigate this risk which:
- Informs the electorate about this strategy, and why it is being implemented.
  - Informs the elected members, officers and key partners about this strategy and why it is being implemented.
  - Sets out criteria which can be applied during the planning of a particular commercial project in order to measure the impact on the electorate's perception of the Council.
  - Includes a communications strategy to highlight any commercial successes to promote achievements both internally and externally.
  - Includes a communications strategy to deal with any commercial failures, or sudden interest in the Commercialisation Strategy from the press or any other interested party.
- 14 How we will manage risks
- 14.1 Risk management is embedded in all of the decision making processes within the Council. Effective risk management requires an informed understanding of relevant risks, an assessment of their relative priority and rigorous approach to monitoring and controlling them. All risks associated with any commercial activity will be managed through the Council's Risk Management Framework.
- 14.2 A key part of the Council's Risk Management Framework is the Strategic Risk Register which contains all risks that may have an impact on core services and both strategic and operational objectives. As such, commercialisation has been added to the Strategic Risk Register which is monitored by the Central Leadership Team and the Audit and Governance Committee.
- 14.3 In any commercial venture there will always be an inherent element of risk. The presence of risk is not always entirely negative as it can be a driver of innovation and a motivator to staff.
- 14.4 Given the potential risks involved it would be easy to take a risk averse approach, however this approach would hinder potentially highly beneficial opportunities or innovation. We will look to identify risks early in the strategic planning phase and

implement approaches to mitigate or manage these risks where possible. A risk register can be found at Appendix 2

Appendix 1 – Commercial Framework Project workstreams diagram



Appendix 2 – Commercial Risk Register

<b>Risk Ref</b>	<b>Description and consequence</b>	<b>Impact</b>	<b>L'hood</b>	<b>Total</b>	<b>Mitigation strategy</b>	<b>Control measures</b>
CO01	Opposition from staff towards commercial way of operating	3	4	12	Reduce	Develop commercial culture throughout CBC
CO02	Local Authority Trading Company is not profitable	4	2	8	Reduce	Develop a robust business case around any potential Local Authority Trading Company
CO03	Local businesses affected by CBC trading in same market	2	1	2	Accept	Highlight positives of council operating commercial by developing 'trading with the council' guide
CO04	Negative public perception from council operating commercially	1	1	1	Accept	Highlight positives of council operating commercial by developing 'trading with the council' guide
CO05	CBC not financially self-sufficient by 2021	4	4	16	Reduce	Ensure close alignment with medium term financial strategy
CO06	Damage to corporate reputation caused by insufficient and/or incorrect external communication of the strategy	2	3	6	Reduce	Develop robust Commercialisation Marketing Strategy & Communications Plan
CO07	Council systems, processes and working practices prohibitive to operating commercially	3	4	12	Reduce	Work with service managers and develop robust business plans to ensure commercial projects are achievable