

The Commercial Imperative

Summary of Joint Report by CIPFA and Civica – June 2019

“The preservation of core services the principal priority”

Six Steps to creating a sustainable commercial model

1. Get to know your market

- Understand your citizens, their behaviour, interactions and channels of choice
- Gain insight into local community dynamics through data segmentation and analysis
- Review relevant projected demographics for the next decade
- Collaborate with other data holders to get both the bigger picture and granularity

2. Develop a clear commercial value proposition

- Consider what makes your proposition unique
Review proposed offering against obvious and potential competitors
- Ensure your offering is saleable, defensible and has a competitive cost base
- Build everything around a full financial picture, ensuring you balance the projected income of a service against the cost to deliver it
- Don't forget to consider how it may be affected by State Aid rules

3. Send staff on a commercial masterclass

- Put your designated team on a business management training course to ensure they're able to understand, implement and manage: business cases, financial management, sales and marketing
- The Solace Group and CIPFA run a full range of learning and development courses in this area

4. Agree the rules of the game – whichever revenue generating path you choose, ensure that you agree:

- Outcomes – clear measures of commercial success – what does good look like?
- Process – what operating framework will be most appropriate?
- Management of risk – who is accountable and how much commercial freedom should they have?

5. Set the ball rolling, review against the rules

- Regularly monitor progress against the pre-agreed targets and business case
- Make sure the proper process is being followed
- Ensure that the management team are accountable for their progress
- Learn when to intervene – if any of the rules are being broken or things go wrong

6. Stay on track with a sustainable commercial taskforce

- Remind yourself why you're doing this – to drive revenue back into the authority and help minimise the funding gap
- Engage appropriately skilled and experienced commercial staff
- Evolve new commercial models in line with successes and lessons learnt
- Continuously collaborate and knowledge-share across commercial operations
- Regularly review progress against the councils transformational roadmap

Using digital for commercial gain

Digital strategy “should be part of a much wider strategy than just moving services online”. Local authorities can leverage their digital platforms and business intelligence to obtain further efficiencies and also to access new revenue streams.

Successful commercial operation requires:

- Moving systems to the cloud
- Automating workflows
- Exploiting big data
- Data analytics
- Business intelligence

Cultural Change is crucial

No one answer for all – you need to do big things and small things – but can't be done in isolation; there needs to be a culture change in the organisation to think more commercially.

There needs to be strong political leadership to help overcome barriers but also strong management and effective support from officers.

Commercialisation should be seen as similar to the other challenges facing local authorities.

With a strategy in place and shared ambition which runs throughout the organisation – local authorities can move into the commercial world with confidence.

Summary points:

- While commercialised approaches and options are plentiful, finding the right strategy that will deliver genuine and reliable returns while supporting community priorities is a task that few local authorities have found easy
- A council can make genuine progress by analysing its assets, skills, resources and the population it serves
- Commercial model must be supported by the appropriate organisational culture
- Efficiency should be a precursor to income generation

- Organisations make the mistake of thinking the small stuff doesn't matter – if you ignore small opportunities and then don't exploit them, that is a missed opportunity
- Expand the workforce selectively to develop revenue generating projects
- If you do more things that are paid for, you can grow and deliver economies of scale and deliver corresponding improved benefits for the community also
- Look at innovative delivery models that enable the council to transfer staff to a private sector partner and grow the service while protecting jobs and even developing further employment opportunities for local residents
- Councils need to gradually change the perception that every service is free
- UK councils are most likely to share and sell resources amongst peers and trade service directly with community in order to generate revenues – they are least likely to make the most of existing assets to do so.