



ANGUS COUNCIL  
COMMERCIALISATION STRATEGY

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## Section 1: Context - Where are we now?

All local authorities continue to work in very challenging times, with mounting financial pressures as a result of the real terms reduction in core local government funding, increased demand and rising costs. This has resulted in many local authorities identifying ways of generating income to keep delivering the best services for their area.

Angus Council faces a potential funding shortfall over the period 2020/21 to 2022/23 as shown below based on the latest Medium Term Budget Strategy:

	Funding Shortfall		
	Base Projection £m	Optimistic View £m	Pessimistic View £m
<b>2020/21</b>	14.3	12.7	15.7
<b>2021/22</b>	11.2	7.7	15.6
<b>2022/23</b>	9.5	6.3	13.0
<b>Total</b>	<b>35.0</b>	<b>26.7</b>	<b>44.3</b>
<b>% Savings required</b>	<b>15.1%</b>	<b>11.6%</b>	<b>19.2%</b>

The challenge faced by the Council is to remain financially sustainable whilst limiting the impact on delivery of services to the people of Angus.

As a result there is now a requirement for Angus Council to become a more commercially focussed organisation. This means embracing a more commercial culture in terms of how we think and act to ensure that we can continue to deliver high quality services as efficiently and effectively as possible to those who need them.

This can be achieved by driving innovation and continuously seeking out new opportunities to cost recover and where possible generate income for the Council; investing in projects which provide a good return on investment; driving better value from our suppliers; delivering our services in a different way; investing in our people and utilising our assets to their full potential.

Over recent years, through a combination of budget cuts, service reviews and restructures the Council has sought to reduce expenditure whilst protecting frontline services. As this challenging financial climate continues, innovation is required and this strategy sets out the Council's ambition to adopt a commercial ethos, develop and grow business initiatives, and to maximise the return from our chargeable/discretionary services.

However, commercial activity should not distract the Council from fulfilling its commitments to local people and we need to ensure that the Council continues to recognise our ethical, moral and social responsibilities.

Whilst the ambition is clear, the Council also recognises that achieving a commercial return is not easy, and appropriate skills, capacity and internal development will be required in order to deliver it.

## Section 2: What is Commercialisation?

The commercialisation of public services is not a new thing, but recent years have seen the public sector (mainly in England and Wales) becoming more entrepreneurial and inventive in the ways in which it delivers and funds services.

The term commercialisation is not easily definable. On one level it is simply about commerce or trading – the buying and selling of goods and services for a financial return. However, for the purposes of this strategy “commercialisation” is defined as the delivery of services in a way which results in the Council making a surplus to re-invest in public services; making efficiencies and reducing costs to deliver services and utilising our key assets to their full potential.

There are a number of key deliverables on our route to being a more “commercial” organisation which are explored further in [Section 6](#).

### Section 3: What are our key drivers for change?

- A requirement to explore all options to address the funding gap and deliver a sustainable Medium Term Budget Strategy;
- Safeguarding the provision of essential services by delivering them through new model(s) which reduces costs or generates surpluses for reinvestment;
- A requirement to balance the Council's budget whilst still supporting local economic growth, vulnerable communities and protecting our environment all as described in our Council Plan;
- Improving customer service and meeting customer service needs through advances in technology and channel shift;
- The aspiration to increase innovation both in the funding and delivery of services;
- Retaining jobs and expertise within the organisation;
- Other Councils are doing it, and doing it well.

## Section 4: What is our Commercial vision?

As a more commercially focused organisation, we will seek to stimulate innovation; grow existing paid for services and develop new business; and develop a commercial approach which will generate a greater financial and social return that assists the Council's financial resilience and sustainability.

At Angus Council, our vision is to make "Angus a great, place for people to live, work and visit." Our [Council Plan 2017-2022](#) and [Local Outcomes Improvement Plan 2017-2030](#) sets out how we will seek to achieve this.

This Commercial Strategy seeks to align closely with other key Council strategies and plans which support the Council Plan including but not limited to:

- [Medium Term Budget Strategy 2020/21 to 2022/2023](#)
- [Finance & Change Programme](#)
- [Digital Strategy](#)
- [Workforce Strategy](#)

Any commercial activity which we undertake must underpin the priorities and outcomes set out in these plans.

Our commercial vision is:

*"To become a more innovative and commercially focussed council which people are proud to work for and others want to work with. A Council which uses the assets, resources and skills at our disposal to help deliver sustainable public services for the people of Angus whilst generating new income streams to assist in meeting our projected funding gap."*

## Section 5: How will we do this?

We will aim to:

- Strengthen the Council's commercial culture and capability whilst maintaining [Angus Council](#) values.
- Ensure that commercial aspirations are aligned to the Council's priorities and outcome-based performance;
- Ensure that governance, management and the performance of any new commercial enterprises, partnerships and contracts are robust to ensure that the Council continues to meet its statutory obligations and to ensure that public money continues to be properly used and accounted for.
- Develop a better understanding of our key strengths as an organisation and how we can use these to improve and potentially market our services;
- Develop a better understanding of the cost of our operations e.g. how each service compares to peers in terms of net income and cost recovery
- Adopt an approach to generating income which supports the delivery of our corporate priorities and which is aligned to our core business activities and skills;
- Explore all opportunities to partner and collaborate with others who share our ethos and values to deliver high quality, cost effective services.
- Explore ways to use our assets, skills and infrastructure to generate additional income.
- Be consistently innovative, resourceful and efficient at all times.
- Invest in schemes and projects that improve productivity and reduce costs associated with poorly utilised land and buildings.
- Adopt an approach which allows everybody to share their ideas and for these to be evaluated swiftly using a robust business case and project management methodology. Stimulate and actively encourage ideas and innovation, removing any perceived or real barriers;



- Seek to ensure that our people feel valued and involved in our new enterprising and commercial approach by providing them with the skills and training which we will see as adding value to the organisation and not as an additional burden on our budget.
- Learn from other local authorities, especially those who have been able to fund more of their services through income generation.

## Section 6: How will we deliver our commercial objectives?

In becoming a more commercially minded organisation; and supporting commercial and income generation activities will require investment. The development and co-ordination of focussed activity will be essential to the success of delivering an effective income strategy to contribute to the future viability of the Council. Development, training, active promotion and communication will be essential to drive and deliver successful outcomes. The required level of change should not be underestimated.

To ensure appropriate challenge and to deliver the required transition to a new culture and approach, **a Commercialisation Excellence (Enterprising Angus) Board will be established.** The Board in addition to providing governance over existing commercialisation projects will establish a number of supporting work streams to provide specific focus and attention on key areas.

To achieve our commercial objectives the Council will focus on the following key areas of activity:

### 1. Governance Arrangements

- Develop and implement a robust governance and performance management framework that is proportionate and fit for purpose, including the adoption of good project/programme management principles for all commercial projects;
- Develop and implement a decision making framework which will guide opportunities and approval routes for new commercial projects/initiatives;
- Develop a structured and managed approach to the delivery of the commercial approach;
- Oversee existing commercial projects in the Council's Change Programme;
- Engage with Elected Members on a regular basis to secure political buy in for the programme and to keep Members updated regarding the status of existing commercial projects or the initiation of new commercial opportunities.

- Develop and implement a clear and robust approach to commercial risk management focusing on corporate, directorate and project risks and mitigation measures.
- Implement a framework for the development of new business proposals which ensures robust business cases and business plans are completed for all commercial projects;

## 2. Policy and Strategy

- Develop and implement the commercial strategy, risk register and action plan;
- Develop a “commercial toolkit” providing guidance on key areas of commercialisation e.g. business case development, alternative service delivery models (ADSM's), legal framework, risk management etc.
- Develop a greater understanding of the pros and cons of alternative delivery models e.g. trading companies including financial, legal and HR aspects.
- Ensure a robust approach to financial due diligence for commercial projects is followed e.g. the analysis and validation for all financial assumptions being made;
- Ensure a robust approach to legal due diligence for commercial projects is followed;
- Acquire external specialist skills and capacity to support the implementation of commercial projects, where appropriate;
- Develop sound business models, policies and procedures for our commercial activities;
- Deliver a prioritised programme of business case development for commercial projects and initiatives over a 1, 3 and 5 year period;

## 3. Income and Funding Streams

- Review all income generated by fees and charges across all service areas to establish a directory of fees and charges which identifies both statutory and discretionary charges, the basis for charging and any subsidies which apply;
- Explore the trading, charging and investment potential of all services;

- Develop an approach to the pursuit of the new income opportunities;
- Work with service areas which are already carrying out commercial functions to identify and share good practice;
- Develop a basic cost accounting model which can be applied to all service areas;
- Review the Council's approach to Debt Management;
- Explore the potential to collect income in advance, wherever possible;
- Establish effective financial systems to help manage direct and indirect costs of alternative service delivery models, where appropriate;
- Establish appropriate charging policies that balance the need for full-cost recovery against market sensitivity and our customers' ability to pay, within our legal framework;
- Use the information gathered during the Organisational Design / Zero Based Budgeting (OD/ZBB) process to inform the content of our commercialisation programme;
- Review of the Council's property assets as a precursor to identifying property portfolio investment opportunities
- Explore all new and innovative funding opportunities.

#### **4. Stakeholder Engagement**

- Develop a strategy for consulting effectively with our stakeholders when proposing changes to or the introduction/increase in charges;
- Develop a clear and simple communication plan to bring both internal and external stakeholders along on the path to being a more commercial organisation.

#### **5. Strategic Commissioning and Contract Management**

- Develop better commercial relationships with partners and suppliers (private, third and public sector) undertaking major functions on behalf of Angus Council;
- Ensure that partners and suppliers (private, third and public sector) are contributing to the priorities and outcomes expressed in the Council's

Corporate Plan and the Partnership’s Local Outcome Improvement Plans;

- Where necessary improve our tender specifications to more clearly scope the core service(s) to be delivered;
- Adopt more robust contract administration procedures to ensure that day to day activities are delivered according to the contract specification;
- Adopt a more robust approach to contract management across all contracts by identifying agreed performance criteria and associated penalty clauses (this may require investment);
- Adopt a more robust approach to monitoring contract relationships, addressing problems, incorporating necessary changes or modifications in contract terms.

## 6. Cost of Operations

- Develop a better understanding of support service costs and breakdown of these and how these impact on the cost of front line provision and our relative competitiveness;
- Compare our net income and cost recovery for services against our peers.

## 7. Workforce Learning & Development

- Undertake a commercial skills assessment to identify development needs across the organisation;
- Develop and hold income generation opportunity workshops with officers at all levels of the organisation;
- Develop the commercial skills of the workforce through appropriate training and development:
  - in-house training programmes/e-learning packages, where appropriate
  - Use external trainers to deliver key learning to supplement in-house training

## 8. Innovation Hub

- Develop a forum to invite ideas for new income generation streams and other option which will drive best value;
- Identify those ideas worthy of further development and work with innovation owner to develop the idea for submission to the Commercial Board for consideration;
- Encourage and support innovation and entrepreneurial behaviours;
- Develop criteria for new ideas to be assessed by the Commercial Board.

## 9. Marketing

- Understand the Council's strengths and weaknesses in the market place.
- Appreciate and emphasise our "Unique Selling Point" (USP) to customers (both domestic and business users);
- Develop a marketing strategy to help communicate the value of our services and brand to customers;
- Undertake market analysis studies, where appropriate;
- Explore options for the branding of the Council's commercial trading activities;
- Use existing information assets to market council services to members of the public and local businesses;
- Explore the use of behavioural economics in developing our commercial activities.

## Section 7: What are the expected benefits?

- A tangible contribution to the delivery of a sustainable Medium Term Budget Strategy;
- A change in emphasis within the Council in terms of commercialisation and entrepreneurship;
- A more mature approach to risk i.e. awareness not avoidance;
- A new approach to marketing and flexible pricing strategies;
- New opportunities identified which seek to avoid any negative impact on our business communities;
- Being open to new ideas from anyone in the organisation, whilst recognising that not every idea will work;
- New income streams developed;
- Current income stream sources maximised that are sustainable in the longer term;
- Provision of quality chargeable services that meet the needs of our customers, and where full costs are recovered by the Council where deemed appropriate;
- Pursuing a return investment, rather than just turnover;
- Being prepared to invest now for a return in the future;
- Services know their market, and where they and their competitors are within that market;
- Improved customer service and building proactive and sustainable relationships;
- A focus on delivery, reputation and outcomes;
- A focus on customer relationship management to achieve loyal customers;
- A commercially skilled and knowledgeable workforce, providing opportunity for development for our own staff but recognising where specialist skills are required from outside the organisation;
- Maximise upon our “Unique Selling Point(s)”;

Year 1 & 2 Action Plan – Specific Activities

**KEY: SRO – Senior Responsible Officer; CEB – Commercial Excellence Board; MC – Manager – Commercialisation; CTF- Commercialisation Taskforce; SPSC – Senior Practitioner, Strategic Commissioning, MP – Manager – Procurement & Commissioning**

	<b>Action</b>	<b>Responsible Officer</b>	<b>Note</b>
<b>Governance Arrangements</b>			
	Review the membership, remit and governance of Commercial Excellence Board	SRO/MC	Confirmation of projects in the Change Programme to be overseen by the Board
	Identify and agree membership of new Commercialisation Task Force	CEB	Key project leads and officers from across the Council
	Develop and implement a decision making framework to shortlist and assess new income opportunities	CEB	e.g. rate of return, payback period, ease of implementation, risk, social value.
	Establish Member/Officer Group	SRO/MC	Scrutiny role overseeing commercial activities
	Develop an approach to commercial risk	RISK TEAM/CM	
	Review/redesign the current project documentation for commercial ventures.	CHANGE TEAM/CM	Review use of HM Treasury Green Book
	Agree arrangements for engaging and updating Elected Members	CEB	Regular reporting to Policy & Resources and Scrutiny & Audit



	<b>Action</b>	<b>Responsible Officer</b>	<b>Note</b>
			Committee
<b>Policy and Strategy</b>			
	Draft Commercial Strategy for approval by CLT/Elected Members	MC	Presentation/paper
	Develop a full commercial toolkit covering key areas of commercialisation	MC/CTF	
	Review current approaches to financial and legal due diligence and revise as necessary to suit our commercial activity	FIN/LEG	Support from these key support services will be essential – especially in relation to large ventures
	Develop a prioritised programme of small scale commercial projects.	MC/CEB	Projects which can be delivered quickly and within current resources – approved at officer level
	Develop a prioritised programme of medium to large scale commercial projects.	MC/CEB	Projects which require full scale business cases to be prepared and council approval to be sought
	Conduct research into previous projects undertaken by local authorities and identify critical success factors for successful projects and lessons learned from unsuccessful projects	MC	Lessons learned to be fed back into our own programme of work
	Review previous projects undertaken in-house to identify lessons learned	MC	

	<b>Action</b>	<b>Responsible Officer</b>	<b>Note</b>
	Review CIPFA Prudential Code and Treasury Management Code to assist with development of commercial projects	MC	
	Develop key relationships with Commercialisation Officers in other local authorities	MC	Improvement Service Change Management Knowledge Hub
	Attend meetings of key groups whose focus is on delivering commercialisation to local authorities.	MC	APSE
<b>Income and Funding Streams</b>			
	Review the current income streams of all service areas – the review will look at fee type, basis for fee, calculation of breakeven etc. and apply a basic cost model which can be applied to all service areas	MC/ FINANCE	This will provide us with a baseline of our current fees and charges
	Develop a cost/recovery model	FINANCE	
	Develop thinking for the collection of income in advance of service delivery.	MC/ FINANCE/ SERVICE LEADS	
	Review and update where required charging policies and procedures	CEB	

	<b>Action</b>	<b>Responsible Officer</b>	<b>Note</b>
	Support the review of the council's property estate and rationalisation programme	PROPERTY/ EC DEV/MC	
	Continually monitor and advise CEB/services on new funding opportunities available	FUNDING TEAM/MC	
	Hold income generation opportunity workshops	CEB/MC	A baseline of projects ideas has been developed for consideration but should not limit scope of activities
	Work with key service experts to develop our commercial approach.	MC/PARKS/W ASTE	There are centres of excellence in our Parks and Waste services. Their commercial approach and successes must be investigated further
<b>Stakeholder Engagement</b>			
	Develop a strategy for effectively engaging with stakeholders	COMMS/ CEB/MC	CEB to discuss strategy for engaging with Elected Members around potentially contentious commercial projects
	Develop a structured approach to managing customer expectations and monitoring customer satisfaction	CHANGE TEAM	

	<b>Action</b>	<b>Responsible Officer</b>	<b>Note</b>
<b>Contract Management</b>			
	Establish and manage relationships with key partners and suppliers	SPSC/MP	Including reviews ASDM's, performance and continued VFM
	Review procedures for developing robust contract specifications	MP	Engage with services to ensure that contract specifications are drafted in accordance with policy and procedures
	Review procedures for administration of day to day delivery of contracts	SERVICES/ MP	
	Develop robust performance management arrangements to oversee and monitor contractor performance	SERVICES/ MP	
<b>Cost of Operations</b>			
	Complete ZBB/OD exercise for all service areas including phase 2 work	CHANGE TEAM/ FINANCE	Services should be able to use this information going forward when considering options for future service delivery models
	Develop a better understanding of support services costs and how this impacts on cost of delivery	FINANCE/ CM	As above

	Action	Responsible Officer	Note
<b>Workforce Learning &amp; Development</b>			
	Undertake a commercial skills assessment	OD/SDC	
	Develop and hold a series of savings/income generation workshops	CM/CTF	
<b>Innovation Hub</b>			
	Introduce a forum for innovation including new income generation/savings proposals	CM	
	Develop a way to recognise those who have submitted proposals which lead to project initiation	CB/CM	
	Develop criteria for new proposals to be assessed by the Commercial Board	CM	
<b>Marketing</b>			
	Develop a marketing strategy to communicate the value of our services and brand		
	Explore options for branding the Council's commercial activities	CEB	
	Develop an approach to the use of behaviour economics in our commercial activities	CM	
	Develop an understanding of council wide databases and how these can be used to market services		