
Commercialisation – Supporting Information

1. Introduction/Background

- 1.1 The Commercialisation Group was originally set up to formalise arrangements for officers and members to work together to increase and enhance the commercial activity of the authority. As a part of this approach there was also an intention to seek to create and grow a more business minded culture in the way income generating ideas were progressed.
- 1.2 The Group met on a monthly basis between August 2018 and May 2019 and during this period the basic building blocks of good governance were established alongside initial discussions around the purpose and direction of the Group, which led to the production of a Commercialisation Plan (most recent version at Appendix D).
- 1.3 As well as developing the infrastructure and work programme of the Group presentations on the approach and purpose were provided at two Member development sessions to begin the process of improving awareness across the organisation (A copy of the slides is included for reference at Appendix E).
- 1.4 A series of documents were drafted to embed a process into the Council which will aide future decisions – specifically in relation to capital and/or revenue investments into ideas which suggest income generation is a possibility.

2. Supporting Information

- 2.1 In order to create an environment that allowed ideas to be generated from across the organisation the Group agreed to undertake an internal promotion and awareness campaign that began in January 2019. This approach focussed on encouraging ideas and concepts from staff using the 'Lions Lair'. This model allowed staff to present their thoughts and ideas and for these to be filtered using a formalised approach to the development of a business case to support and direct any investment decision or recommendations for budget board.
- 2.2 By quarter three of the 2018/19 financial year the £169k budget allocated for Commercialisation through Budget Board had been committed by the Group. A report to Corporate Board in February 2019 identified the following allocation of resources:
 - (1) £10k on Business Development Project Manager (casual on grade I rates)
 - (2) £52k Marketing Officer (grade J 1yr fixed term beginning Feb 2019)
 - (3) Of the remaining £107k the following had been allocated:
 - (a) £10k Business Development Project Manager
 - (b) £20k organisational learning and development
 - (4) £77k remained unallocated.

2.3 At this stage the following projects were being directly supported:

- (1) Commercialisation templates (30%)
- (2) Emotional Health Academy (25%)
- (3) West Berkshire Wellbeing (25%)
- (4) Franchise research (10%)
- (5) Routeguard App (<5%)
- (6) Safeguarding in Academies (<5%)
- (7) Schools Trading
- (8) West Berkshire Lottery
- (9) Energy production, distribution and storage
- (10) Shaw House weddings
- (11) Building Control

2.4 By quarter four of the financial year 2018/19 a further report was submitted to Corporate Board identifying options for the allocation of the remaining £77k:

- (1) £30k Business Development Project Manager (grade I part time casual).
- (2) £40k Service Accountant (grade I part time)

2.5 An area of activity for the Group related to the creation of a better understanding of existing commercial and traded arrangements across the organisation and as part of this over £7.5M of income from 54 different trading activities had been identified. The largest area of existing income from traded or commercial activity being car parks (£4M) followed by schools trading (£2.5M). It was also reported that it was not known how much it costs the Council to generate this level of income i.e. the Council's Net position is unknown.

2.6 The MTFs required the Group to identify projects which would generate an additional £100k or 1.3% of total identified income in 2019-20. This was on top of any service specific savings/income targets set for the same period. This expectation proved challenging from both the perspective of the need to ensure that income is not double counted and the priority for services to address their own specific financial targets as a priority over a more corporate approach.

2.7 The main areas of progress delivered by the Commercial Group has been summarised previously in reports to Corporate Board as:

- (1) Small scale (<£50k per annum) ideas for generating trading surplus have been processed.
- (2) Staff have volunteered to take part in workshops to progress these ideas and feedback has been positive.

- (3) The Group have established a clear process for filtering business ideas and have positively engaged with a wide variety of Council officers in the pursuit of income generation.
- (4) There is a better general understanding within the organisation of how much traded activity exists across the Council.
- (5) The Group have successfully recruited a Marketing Officer to build capacity for the Council.
- (6) The Group have successfully built on expertise, with the assistance of a Project Manager (Casual appointment), in business case development and financial forecasting of start-up arrangements.
- (7) Members who are engaged in the trading activity of the Council and have seen an improvement in the co-ordination of officers' workloads.
- (8) Corporate Board have received regular updates on the progress of the Group.
- (9) The scrutiny of pre-existing income targets and the associated projects has improved the overall financial governance of the Council and aided the risk management process of the MTFS.
- (10) Overall communication between senior managers on traded activity has improved.
- (11) Clarity over future traded activity objectives is improved.
- (12) Start-up costs are now better understood across the Council and future projects will be better governed.

2.8 Key risks were identified as follows:

- (1) Failure to meet the £100k target in 2019-20.
- (2) Failure to retain suitable skills in commercialisation.
- (3) Inability to monitor the financial impact of the Commercialisation Group.

2.9 General observations resulting from the risk assessment include:

- (1) Over reliance on a small number of staff to co-ordinate activity (Corporate Programme Manager, Marketing Officer, Group Chairman and casual Project Manager).
- (2) No dedicated revenue resources to support the projects.
- (3) Capacity in Finance to support the need for cost centre analysis and trading activity through Agresso.
- (4) Conflicts between supporting new ideas and supporting those previously agreed through financial challenge where existing income targets have been set.

- (5) The Marketing Officer post will only be able to continue through to next financial year if a permanent funding stream can be identified.
- (6) Resources may be being allocated to new projects which should be allocated to reduce risks to existing income streams.
- (7) The governance of various boards and groups has to date made it difficult to track which projects/ideas have received financial support e.g. direct fund award from budget board without reference to the Group's recommendations. This is however being addressed as part of a review of the organisations governance arrangements being undertaken by the Chief Executive.
- (8) Services may be investing resources in projects that are at a net cost to the Council due to a mixed understanding of the financial arrangements and drivers behind commercialisation.
- (9) The level of financial risk associated with existing income targets is not sufficiently communicated.

2.10 A set of proposals for the future direction and operating model for the commercialisation group as a result of learning from the work undertaken to date were put forward to Corporate Board in February:

- (1) No income targets are agreed to be included in the Council's 2019-20 or 2020-21 savings proposals unless they have been recommended by Commercialisation Group.
- (2) A further bid for resources to address these issues was made:
 - (a) Marketing Officer (from Feb 2020 to Feb 2021) £52k.
 - (b) Business Development Project Manager (Casual on Grade I) £36k.
 - (c) Service Accountant (Part Time) £40k.
- (3) No Marketing or Business Development resource should be allocated to any traded activity unless it has been recommended by Commercialisation Group.
- (4) Finance set up a Business Development Fund (methodology to be agreed) which monitors all traded activity and captures all start-up costs, revenue performance and ensures clarity on the Group's ability to contribute to the Council's savings targets.

2.11 However as an outcome from the discussions at Corporate Board it was agreed that the role and work of the board would require further consideration as part of the wider development of the organisational governance framework. Specifically Corporate Board highlighted (summary extracts from the minutes) that:

- (1) *'The group's purpose had become blurred and it had been difficult for the group to realise savings'.*

- (2) *‘There was a risk of generating more red tape around income activity which was business as usual rather than part of the Council’s commercialisation programme’.*
- (3) *‘Traded services and commercial activities were different and would require different levels of in-service, corporate and/or external support depending on which they were.’*
- (4) *‘There was a need to delineate areas of the Head of Service’s responsibility and other activities such as the Joint Venture with Sovereign’.*
- (5) *‘Heads of Service were responsible for finding savings to offset any income not achieved via the savings programme’.*
- (6) *‘Concluded that no more commitments would be made until the work programme and an indicative work programme had been agreed’.*

3. Options for Consideration

- 3.1 As a result of this feedback it was agreed that the future direction of the commercialisation group would be subject to a light touch review to identify the most appropriate way forward. This review was undertaken by the Executive Director, People and resulted in a set of proposals for the future of the Group that were discussed with the Chief Executive as part of the organisational governance review.

4. Proposals

- 4.1 The agreed way forward for the commercialisation group is to implement a revised and more focused terms of reference which splits the role of the group into three key component parts:
 - (1) To identify and lead strategically significant commercialisation programmes
 - (2) To provide guidance, advice and support to cross organisational commercialisation projects
 - (3) To take oversight of the traded services arrangements within the organisation
- 4.2 As part of the approach to implement this revised focus the terms of reference and membership of the Group have been amended and this is reflected for information at appendix F.
- 4.3 The Group will now be chaired by the Executive Director, People and will contain strategic representation from across the organisation. The group will meet for the first time in its revised format in November 2019 and a revised work programme for the Group will be created and disseminated following this meeting.

5. Conclusion

- 5.1 The work of the commercialisation group has to date allowed for the development of an infrastructure and framework to support commercial activity as well as creating a

shift in the organisational understanding of commercialisation and trading. The progress made to date has been largely positive but has been limited by the ability of the Group to maintain oversight and control of projects and programmes that have been generated through and with the Group.

- 5.2 In addition, although short-term resources were allocated to support the work of the Group, clarity around how this would be supported in the longer term and the relationship between income generated and the MTFS from a service / corporate perspective has led to an inability to effectively mainstream the work.
- 5.3 These challenges are neither unique to West Berkshire nor insurmountable and the work undertaken to date provides solid foundations from which future arrangements can be built and developed linked to changes in the organisational governance arrangements and MTFS processes being led by the Chief Executive and Executive Director, Resources respectively.

6. Consultation and Engagement

Paul Anstey, Head of Public Protection & Culture (Former Chair of the Group)

Nick Carter, Chief Executive

Jeff Cant, Executive Member, Finance

Dominic Boeck, Executive Member, Children, Education & Young People

Background Papers:

*(add text)

Papers containing facts or material you have relied on to prepare your report. The public can access these background papers.

NOTE: The section below does not need to be completed if your report will not progress beyond Corporate or Operations Board.

Subject to Call-In:

Yes: ☐ No: ☒

If not subject to call-in please put a cross in the appropriate box by double-clicking on the box and selecting 'Checked':

- | | |
|---|-------------------------------------|
| The item is due to be referred to Council for final approval | <input type="checkbox"/> |
| Delays in implementation could have serious financial implications for the Council | <input type="checkbox"/> |
| Delays in implementation could compromise the Council's position | <input type="checkbox"/> |
| Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months | <input type="checkbox"/> |
| Item is Urgent Key Decision | <input type="checkbox"/> |
| Report is to note only | <input checked="" type="checkbox"/> |

Wards affected: West Berkshire wide activity

Please put a cross in the appropriate box(es) by double-clicking on the box and selecting 'Checked':

Strategic Priorities Supported:

The proposals contained in this report will help to achieve the following Council Strategy priority(ies):

- ☐ **PC1: Ensure our vulnerable children and adults achieve better outcomes**

-
- ☐ **PC2: Support everyone to reach their full potential**
 - ☐ **OFB1: Support businesses to start, develop and thrive in West Berkshire**
 - ☐ **GP1: Develop local infrastructure to support and grow the local economy**
 - ☐ **GP2: Maintain a green district**
 - ☒ **SIT1: Ensure sustainable services through innovation and partnerships**

The proposals contained in this report will help to achieve the above Council Strategy priorities by *(add text)

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Appendix D

Group Action Plan

No.	Outcome		Proposed action	Due date	Lead	Status	Notes
Enhancing the Council's commercial culture and capability							
	Establishing a development programme for staff and councillors that underpins the Council's commercial ambitions	a	Training course designed for managers	May-19	LNB	G	Draft with PA - need to circulate to the group.
		b	Arrange provider for training	May-19	PA	G	Agreed that LNB can deliver this.
		c	Identify delegates	Jun-19	DL	G	
		d	Arrange courses	Jun-19	SP	G	Liaise with LNB for availability.
		e	Deliver courses	Jul-19	LNB	G	Once delegates agreed.
		f	Evaluation process back to CG	Aug-19	CBG	G	
		g	Establish support network for those working in income generating roles.	Apr-19	PA	G	CG agreed that this is needed. PA and DL to contact members of the group for nominations.
		h	Effective monitoring of the schools trading group	Jun-19	Donna Fox (DF)	G	Need to get an update following last meeting in April.
		i	Effective monitoring of the EHA/WBW trading group	Jun-19	April Peberdy (AP)	G	Need to get an update following last meeting in April.
		j	Establish support requirements for managers across the Council who work in traded services.	Jun-19	CBG	G	Use the information provided by HoS to make contact and ask the question.
2	Developing a communications and engagement plan to involve all staff and councillors in the Council's commercial approach	a	Briefings to all on the Council's aspirations through Reporter and CEO briefings	Jan-19	MD	G	PR ready for intranet launch
		b	Establish key communications from CG activity/agenda and include in the routine Reporter and Intranet coverage/pages	Jun-19	MD	G	Based on CG feedback
		c	Feedback from CMT - standing agenda item	May-19	PA	G	Discussions about the way future savings from traded services are handled and how it will operate with the new CEL process through Directors.
		d	Ensure all new members are engaged in work of the CG, include in induction and training programme for future months/years	Jun-19	PA	G	Being arranged.
3	Strengthening corporate systems and processes to support the Council's commercial activities	a	Report to Corporate Board	May-19	PA	G	Q4 final report due in May.
		b	Report back to CG on the implications of CEx governance papers.	Jun-19	DL	G	

Commercialisation – Supporting Information

		c	Meet with auditors to review all trading arrangements and cross reference with Capital Strategy and Risk Strategy	May-19	AW	G	AW has agreed that this can progress, but we need to be careful not to ask too much because it has billing issues. Quarterley meetings exist and commercial work is on the radar.
		d	Complete a risk register of CG activities	May-19	PA	G	
4	Ensuring that the Council's commercial activities are resourced appropriately	a	Include in the year end (Q4) report to CB the resource requirements to progress the project into 2019/20.	Mar-19	PA	G	This work needs to include the financial accounting procedures for allocating start up costs against project cost centres.
		b	Generate a new system of cost centre analysis to enable the group to monitor the overall impact of their activities.	Jun-19	PA	A	This work needs to include the financial accounting procedures for allocating start up costs against project cost centres.
		c	Identify finance lead for all governance work on savings and aghresso implications.	May-19	AW	G	Melanie Ellis is the nominated lead.
Generating greater income recovery from Council services							
5	Reviewing the trading and income potential of all services	a	Follow up on map activity - CMT standing item, to ensure that CG capture any new proects.	Jun-19	DL	G	Initial response received. This will contribute to the overabl understanding of baseline income/commercial projects.
		b	Follow up on contact with all HoS and generate an understanding of income generation across the Council and its cumulative value.	Jun-19	DL	G	Initial list compiled, but lacking detail. More time will need to be spent fine tuning and examining the returns.
		c	Identify potential franchise opportunities in the local area which have links to Council strategic objectives	May-19	LNB	G	agreed to do some initial research e.g. Go-Ape - Business case to be presented.
		d	Investigate the Castlegate business plan and establish any assistance CG can give.	Jun-19	LNB	G	Papers to be supplied by AC.
		e	Review quarterly and include in reports to CB.	Jun-19	PA	G	If there are gaps in the returns from services this will be highlighted to CB.
		f	CG evaluation of income targets which have a traded service element.	Jun-19	PA	A	This will depend on the ability to assess Aghresso with Finance.
		g	Produce recommendations where income potential has not been reached.	Jun-19	PA	A	This needs some more detailed work to acknowledge potential and where market research could unlock potential.
		h	Identify new projects which will deliver a surplus of £100k in 2019-10.	Mar-20	PA	R	There are not suitable financial controls in place for new projects at this stage.
6	Developing a systematic approach to customer insight, market analysis and environmental	a	Headline analysis of fees and charges from other LA's.	Jun-19	CBG	G	CBG to look for information that can be helpful in benchmarking.
			Analysis of the existing customer base.	Jun-19	CBG	G	

Commercialisation – Supporting Information

	scanning for business opportunities		Develop a plan that deals with customer insight, market analysis and environmental scanning.	Jun-19	CBG	G	
		b	Opensource/desktop research into charging/fee structures at other LA's.	Jun-19	CBG	G	
7	Establishing effective financial systems for trading services to help manage direct and indirect costs	a	Set up meeting to develop finance/accountancy templates and/or models to assist in business plan development	Feb-19	AW	G	Meeting set up between AW, DL and PA to discuss capacity/skills in Finance to assist with new business plans
		b	Identify all traded activity cost centres, scope defined as per CG ToR.	Jun-19	AW	A	Likely that additional resource will be required.
		c	Agree methodology for monitoring savings target.	Jun-19	AW	A	Likely that additional resource will be required.
		d	Agree methodology for future savings targets and relationship with surplus from traded activity.	Jun-19	AW	A	Likely that additional resource will be required.
8	Developing a co-ordinated training trading model	a	Bring together all training offers under one trading model	??	??	R	No resources allocated for this task. Might be a discussion with CMT.
9	Establishing appropriate charging policies (fees and charges) that balance the need for full-cost recovery with market sensitivity	a	Establish a CG approved officer hourly rate.	Jun-19	PA	G	Collate the existing stated hourly rates and need to get Finance to assist.
Increasing capital and revenue returns to the Council through delivering housing and economic growth							
10	Establishing a housing company to develop, own and manage new homes and return empty properties to use	a	Sovereign JV - set up and governance arrangements.	Jun-19	JG	G	March update received. No need for any CG involvement at this stage. Update e-mail to JG in June.
		b	Grazeley development	Mar-20	GL	G	e-mail to Gary Lugg and Bryan Lyttle to ask for an update - had a response - this is a project that won't have income implications until 2020. looking at what support might be useful.
		c	Residential investments	Jun-19	RT	G	Need to check with RT about where this has got to, has relevance in Cex governance papers...
		d	Liaison with Asset Management Group	Jun-19	PA	G	Need to speak with Richard Turner about how the two groups avoid duplicating effort. Need to consider in light of Cex governance paper
		e	Liaison with Property Investment Board	Jun-19	PA	G	Need to speak with Richard Turner about how the two groups avoid duplicating effort. Need to consider in light of Cex governance paper.

What is Commercialisation?

Why do we need it and how is it going
to be delivered?



Background Timeline

- ❑ 2015 – LGA launch ‘Commercial Councils –The rise of entrepreneurialism in local government’
- ❑ 2017 – LGA publish ‘Enterprising Councils – Supporting Councils’ income generation activity’
- ❑ 2018 – Feb MHCLG publishes statutory guidance on capital finance (on local government investments and on minimum revenue provision)
- ❑ 2018 - June - internal meeting ‘commercialisation plan implementation’
- ❑ 2018 - July - presentation to CMT to formalise internal management



What?

- Innovation process or new product development.
 - Front End (Idea Management)
 - New Product Development
 - **Commercialisation**

Front End or Idea Management

Generally acknowledged as the 'Cheap and Easy' bit, broadly five phases*

1. Opportunity Identification
2. Opportunity Analysis
3. Idea Genesis
4. Idea Selection
5. Idea and Technology Development

'Think about the Customer'

[*Koen et al. (2001)]

New Product Development

- ❑ 'Product'
 - Tangible
 - Intangible (service, experience or belief)
- ❑ Market Need
 - Are we sure we know our customers or are we assuming?
- ❑ Importance of Technology
 - What is needed? Are we able to apply it? Is it available? Or how long until it is?



Commercialisation

'the costs of developing several ideas are marginal compared to implementing any one idea'*

Managing Risk

- Take time to understand market data.
- Create a system that can handle most decision making scenarios in the Council.
- Funnel the ideas.
- Intervene early to save resources.

[*Reid, S.E. and de Brentani, U. (2004)]



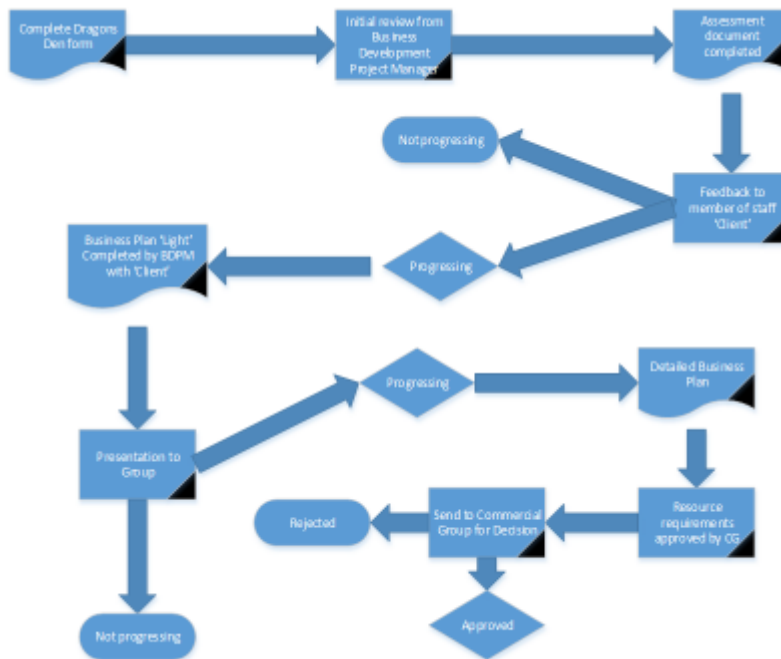
Why?

- ❑ Income targets arising from Financial Challenge process.
- ❑ Existing ideas being developed in isolation.
- ❑ Implementation of 'Dragons Den' concept.
- ❑ No structure below Budget Board in place to make decisions on income generation investments.
- ❑ No capacity to progress new product development [Commercial Group Action Plan]

How? Commercial Group is born

'To provide oversight and direction to, and coordination of, the authority's commercial activities.'

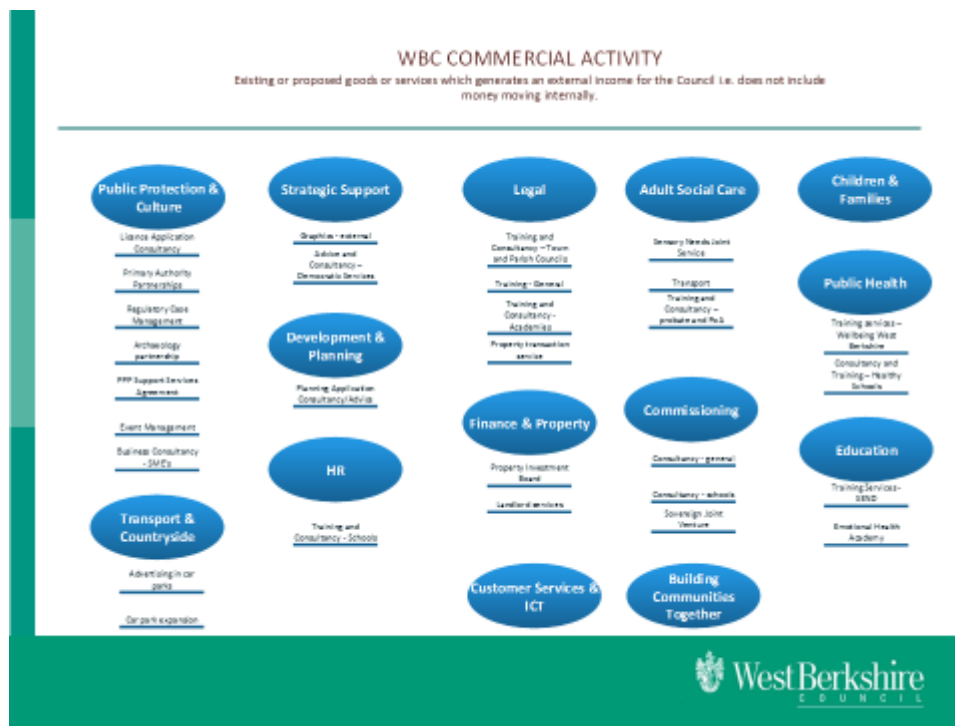
- ❑ To deliver the outcomes of the Council's Commercialisation Plan.
- ❑ Provide Corporate Board with quarterly updates on the Group's activity.
- ❑ Advise Corporate Board (and other decision making bodies as appropriate) on emerging issues that might affect the authority's ability to achieve its commercial ambition and recommend action accordingly.
- ❑ To determine the viability and desirability of proposals for commercial activity generated from within the authority.
- ❑ Provide advice and direction to commercially sound initiatives, signposting to sources of funding and other necessary resources.



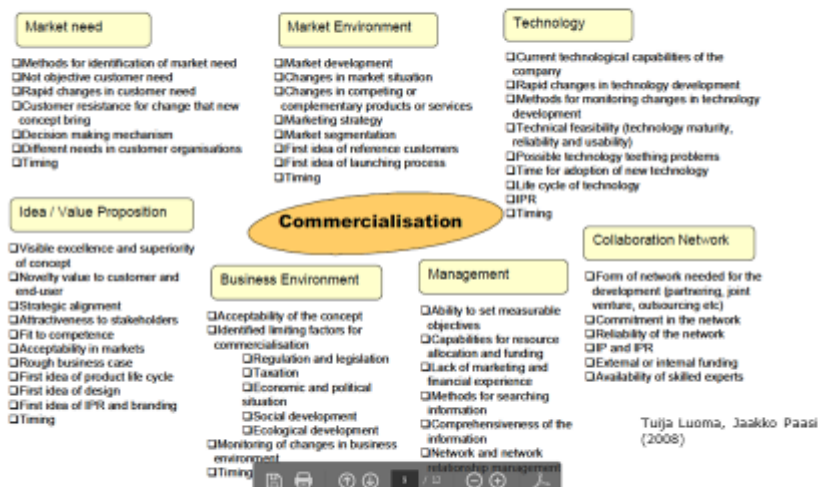
Governance arrangements

Commercial Group

- *Began 16th August 2018*
- *Meets every month*
- *Membership from across the Council (Officers and Exec)*
- *Reports to Budget Board*
- *Quarterly briefing to Corporate Board*



Risks to manage



Awareness

- ❑ LGA 'Best Practice'
- ❑ Commercial skills training – improving performance
- ❑ Internal communications – get staff thinking
- ❑ Workforce assessment – what roles do we need in the future?



Work being done.....

- | | |
|---|--|
| <ul style="list-style-type: none">❑ Supporting existing ideas:<ul style="list-style-type: none">■ Emotional Health Academy■ West Berkshire Wellbeing❑ Property Investment Board❑ Schools Trading❑ Sovereign Joint Venture | <ul style="list-style-type: none">❑ Developing new ideas 'Dragons Den' style:<ul style="list-style-type: none">■ Energy production and distribution■ Culture and Leisure expansion❑ Improving capacity:<ul style="list-style-type: none">■ Marketing and PR■ Business development |
|---|--|



Strategy considerations

- ❑ **Links within strategies being improved;**
 - Council Strategy
 - Economic Development
 - Vision 2036
 - Culture and Leisure
- ❑ Workforce planning
- ❑ PR and Marketing
- ❑ Website
- ❑ Customer First
- ❑ Capital
- ❑ Procurement
- ❑ Asset Management
- ❑ New Ways of Working

Appendix F

COMMERCIAL BOARD

Terms of Reference

Purpose	To provide leadership of the authorities strategically significant commercial activities, guidance to proposed cross service initiatives and oversight of traded activity where appropriate.
Objectives	<ol style="list-style-type: none"> 1. To create, update and oversee the commercialisation strategy and approach for WBC 2. To facilitate and ensure the delivery of the Council's Commercialisation Plan linked to the strategy of the Council 3. Provide Corporate and Operational Boards with quarterly updates on progress towards the delivery of the Commercialisation Strategy and associated Plan 4. Advise Corporate Board (and other decision making bodies as appropriate) on emerging issues that might affect the authority's ability to achieve its commercial ambition and recommend action accordingly 5. To identify and determine the viability and desirability of proposals for strategically significant commercial activity generated from within the authority 6. Provide advice and direction to commercially sound initiatives, signposting to sources of funding and other necessary resources 7. To provide administrative support, oversight and guidance to the corporate initiative to identify commercial opportunities (Lions Lair)
Reports to	Corporate Programme Board (as required)
Membership	<ol style="list-style-type: none"> 1. Executive Director (People) (chair & People Rep) 2. Head of Public Protection and Culture (vice chair & Place Rep) 3. The Monitoring Officer 4. Head of Commissioning (Resources Rep) 5. Head of Human Resources 6. Head of Customer Services and ICT 7. Executive Director, Resources 8. Executive Member for Finance 9. Executive Member for Children, Education & Young People
Budget	None
Frequency	Monthly