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Commercial Strategy 2019–2023

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1.0 Overview: Commercialisation 2016-20 - reviewed.

This document is a refresh of the outgoing strategy (2016-20) and building on the progress made, lessons learned and unforeseen challenges during the period, it outlines Copeland Council's approach to, and ambition for, commercialisation during 2019-23.

There have been some good introductory examples within Copeland Council of revenue generation projects being successfully implemented, such as the waste recycling project (including the recycling credit subsidy) and more recently launch of the pest control service in 2019. In addition, cost saving initiatives are being tackled via the procurement and contract strategy relaunch, and, there has been training given in the art of commercialisation to stimulate and embed the culture among service managers and their teams.

The concentration of effort and production in the last few years has been centred around governance with the creation of a commercial strategy 2016-20, a commercial delivery plan, an "embedding a commercial culture" paper and various ancillary supporting documentation – some of which have been adopted, others have not. Governance and aligning with the Corporate plan has played a key part, and, as could have been expected, there has been immersion in the diagnostics of commercial preparation producing some early re-engineering for efficiencies, and, success in familiar service areas.

In addition to the above, a major overhaul of the Council's staff grading and structure was carried out to produce a leaner, more efficient, appropriately skilled and modernised public sector workforce. Outside expertise and skills have been brought into the Council to strengthen a model which it needs to both adapt and adopt so that it can morph into an organisation fit for purpose, and, in an arena (notwithstanding statutory obligations) where public-private sector lines are clearly blurred. This will now provide the springboard to move the organisation forward at all levels and within envisaged future timescales.

Whilst acknowledging that a small level of commercial success has been made, there is acute recognition that progress to date is insufficient and will not be enough to meet the significant funding pressures the Council is experiencing, and, which shows no sign of abating.

This Commercialisation Strategy (2019-23) aims to put in place measures designed to offset the substantial cuts that Copeland has not only experienced, but also further envisages and expects during the coming years.

The refreshed Strategy 2019-23 acknowledges that during the last four years through much fact-finding, research, awareness, deliberation and discussion there is no "one size fits all" commercial strategy, nor off-the shelf commodity paper or model to pick up and utilise.

The lack of future commercial returns will cut existing services – to "do nothing" is a risk in itself. In simple terms, commercialisation is not an alternative – it is an "as well" and commands an imperative.

Copeland Council are not yet able to badge themselves as a commercial council, but we are determined to take proactive steps and build momentum to take a far more commercial approach and apply this to our service provision, commissioning cycle, fees and charges, procurement, opportunities, skills, mind-set and culture in order to achieve both cost rationalisation and revenue generation.

2.0 Commercialisation 2019-23: Our Vision

“Our vision is for Copeland Borough Council to be a resilient, engaged, innovative and commercially enterprising Council delivering high quality, sustainable community services, exceeding resident expectations and responsive to business needs.”

The age of austerity has been instrumental in Councils challenging themselves, and the pressures caused have not only given us “permission”, but, are a requirement to seek to do things differently.

Copeland will promote and harness:

-  a culture of services actively looking for additional opportunities without losing focus upon their existing customer base and the quality of service delivery;
-  services which will strive to be fit to compete and fit to be marketed;
-  a portfolio of external service offerings, with full financial analysis of where the greater returns lie, and the approach going forwards on how needs must be addressed.
-  exploring the many and varied opportunities of supply chain integration within existing and new services to address medium and long term issues.
-  driving income to raise revenues for services which understand the markets we are working in and apply rigorous strategy, business planning and performance management.
-  services which make positive financial contributions and which will increasingly be considered as the norm.
-  a lean back office which operates at increased levels of optimisation and efficiencies and challenges the norm of existing practices, acceptability and methodologies – a corporate resources support where mediocracy is not ‘okay’, and, which plays an integral part in the Council’s future reputation and success

Our staff are involved in actively seeking out potential for reviewing services, and will have a reputation for being aware, willing and able, together with a customer focussed performance management culture.

Collectively, as an organisation, we will have a comprehensive understanding of our abilities and aims, 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.

Copeland, in the past, current and anticipated future climate, experiences inexorable pressure on funding and an ever-growing demand for services; the Council can no longer be apologetic or defensive about the selective use of revenue generation in certain service areas.

Fast forwarding and in years to come, those services that can stand on their own two feet by generating income will be the lifeblood of the Council. To bridge the financial gap and become a sustainable Council protecting frontline services, the Council recognises incremental change will no longer suffice and wholesale change and a different model of operation is required.

3.0 Commercialisation Strategy 2019-23– The Fundamentals

This refreshed commercial strategy explores those options to become financially self-sustaining without compromise to frontline services, to adopt recognised best practice from progressive and successful commercial activities and alternative environments, and, to deliver Council ambition and aspirations by responding to public expectations and demand. This means we will:

1. Understand that our commercial aims are outcome driven and we will understand our markets and their needs led requirements.
2. Be financially aware and astute, understanding both our financial requirements and constraints, while developing a financial model seated in sustainability with long-term growth and prosperity aims.
3. Recognise the Council needs an investment strategy with a net acceptable return on investment (R.O.I.) target achievement
4. Require agreement and delegated authority to seek out and optimise investment opportunities and will need to explore and secure ethically acceptable funding sources.
5. Seek collaborative public or private sector partnerships that deliver financial benefit (revenue or capital).
6. Ensure the Council's own estate and assets are effectively and efficiently managed with a focussed priority to deliver improved net revenue, which, may in the short-term, realise a reduction in our assets prior to seeking out opportunities for suitable growth in forging a consolidated asset base.
7. Work actively with staff to strengthen our commercial culture and to look at opportunities and solutions brought forward for revenue generation.
8. Establish the appropriate commercial resource levels with required skills and expertise to deliver our aims and outcomes

Our Commercial Strategy and approach will be ethical. This means we will:

- Ensure in an area of complex legislation, that we are legally and state aid compliant.
- When evaluating the business case of projects with similar returns, in accordance with the Public Service (Social Values) Act, we will look to deliver those initiatives that provide the best social or environmental outcome, whilst paying due attention to equality, wellbeing and safeguarding.
- Ensure that our service provision and partner collaborations embody our values.
- Consider positive, and equally any foreseen negative, potential impact of our investment actions and service offerings to local businesses and the tiered supply chain.
- Recognise our role in delivering our commercial priorities, may require a separation of decision making from those made by the Council as Local Planning Authority, to prevent conflicts of interest.

Our Commercial Strategy will be risk aware – balancing risk and reward. This means we will:

- Aim for a balanced portfolio of commercial projects that cover a range of sectors e.g. returns on asset investment, increased revenue generation and reducing costs.
- Be open minded to opportunities that could be exploited outside of the Borough, which may provide greater rewards without enhanced risks.
- Work with established partners who have proven expertise in their own sector/markets.
- Recognise that some risks may materialise and small mistakes are inevitable.

4.0 Commercialisation Strategy 2019-23: Key Drivers

The following key drivers have informed the development of this strategy:

- Significant net revenue generation is required to offset reduced Government funding which is diminishing year on year and set to continue through to 2021 and beyond.
- The Council is required each year to produce a balanced revenue budget in order to meet service expectations.
- The Council has suffered financial decimation in the shape of the Sellafield business rates appeal brought about by specific legislative change, and which has had a major detrimental impact.
- Commercial activity and revenue generation underpin the strategic objectives of the Council.
- Our financial position is forcing us to look more commercially at our existing operational services and ensure optimum efficiency delivering great value for money
- The Council has an ambition to 'be' more commercial, within Copeland itself, and, in engagement with Partners and outside bodies.
- The Executive and Corporate Leadership Team recognise their significant role and motivational contribution to drive the culture of commercialism through the entire organisation.
- The groundwork that has been laid, and, early successes in commercial activities have built confidence which we can now harness to move forward at a pace.
- The organisation can no longer work within the traditional public sector "silo" confines; commercialisation will affect every service manager, team and area – the requirement for full horizontal integration for successful commercial activity is key.
- An understanding that as part of our statutory role we recognise that not all public services will have the scope for commercialisation, but efficiencies will continue to be optimised wherever possible through successful application of grant funding sources and joint working/collaborations.
- Doing nothing is an alternative – but not an option.

5.0 Commercialisation Strategy 2019-23: Key aims & objectives

The overarching aims of the strategy are to deliver a financial return that protects frontline services, contributes to the council spending plans and helps to sustain priority outcomes in the local community.

This will entail developing a programme of work that includes a process for identifying potential opportunities, applies methodologies to further develop those opportunities, has a structure in place to ensure those fledgling opportunities are nurtured and supported, and has the resources and capacity to successfully deliver the outcomes of the strategy.

It is also key to develop clearer commissioning intentions and medium term delivery strategies across all major service areas, e.g. by seeking more innovative approaches to delivery, challenging existing approaches and set a picture of what the Council will look like in 2023.

Further identified objectives will be to:

- Deliver a financial return and contribution in order to invest in services we have to run where we cannot recover either adequate or any income, or to invest in new projects;
- Help enable non-statutory services to at least cover all their costs including overheads (and potential opportunity cost) in order to reduce risk of closure and be net revenue generating where possible;
- Actively engage in market development and market shaping where no such market currently exists and using insight to manage specification and demand;
- Explore alternative investment models to support service delivery e.g. Local Authority Trading Company (LATC), Local Asset Backed Vehicle (LABV), through social investment etc.;
- Invest and use our financial means to deliver an acceptable and targeted financial return;
- Ensure that outcomes in the local community are delivered on a sustainable basis;
- Strengthen our reputation with residents, local businesses, the Local Government sector, staff, other customers, partners, and stakeholders in general;
- Become a services provider to new and existing customers both from within the local authority environment and beyond, particularly where we are uniquely placed to do so;
- Use the commercial knowledge acquired through this programme to gain a competitive advantage and take bolder steps towards possibilities/opportunities that previously would have seemed out of reach.

6.0 Boundaries & Principles of commercialisation incorporated

Commercialisation for Copeland can be corralled into the following areas:

- * Fitness of existing Trade services
- * Expansion of Trade Services – client growth through both the public and businesses.
- * New Trade service offerings
- * Increasing market share
- * Shared services
- * Financial Portfolio Investments
- * Pricing analysis – full recovery and outcomes-based
- * Fees and charges
- * Consideration of concessions – effective subsidisation
- * Improved contract & relationship management
- * Continuous improvement in procurement
- * Cost rationalising through efficiencies and productivity
- * Opportunities for Joint Ventures and Partnership projects e.g. property investment and use of Copeland assets.
- * Commercial Brand recognition & Digitisation
- * Recognition, respect and trust of Copeland residents and businesses

This strategy advocates that the commercialisation approach is open to all services (or permissible elements of services).

The approach initially will be to focus and centre on a small number of key and/or already identified opportunities.

This will enable Copeland to ensure organisational learning is built up, processes are refined, and projects can be resourced without the need for extensive/expensive external support.

The principles of commercialisation include:

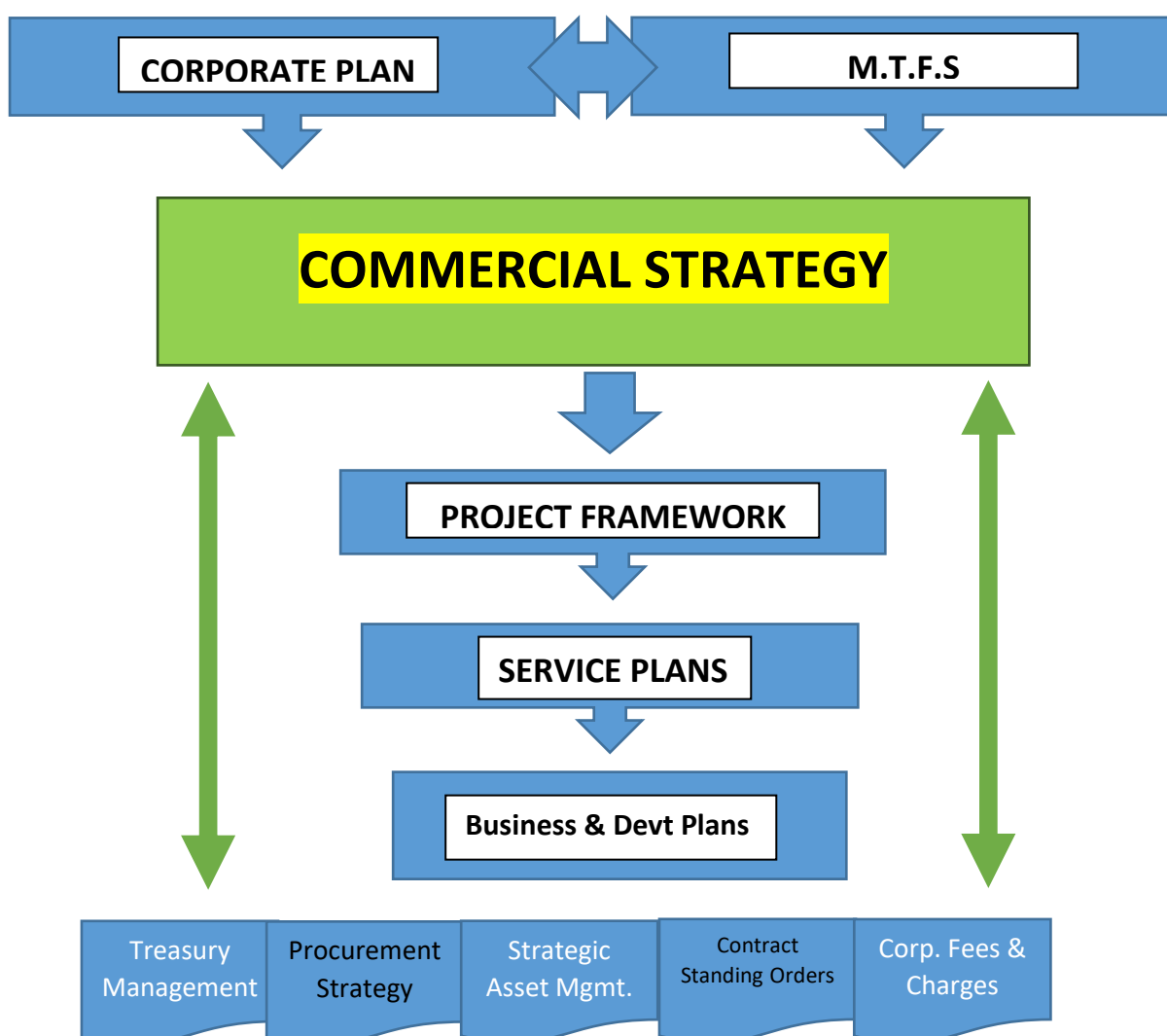
- Appetite for risk – being risk aware and understanding risks being taken, scale of risk and how it fits into overall strategy
- Preparedness to invest now for a return in the future
- Willingness still to take risks understanding some ideas may fail
- Agreement that a commercial investment fund is required to capitalise on opportunities requiring quick turnaround of delegated decision making
- Receptive to all options for service delivery
- Commercial understanding, skill set and behaviours
- Measuring success factors and learning from mistakes
- Honesty about current service performance levels
- A requirement for concessions to be carefully considered

7.0 Strategic Links

This Commercialisation Strategy does not stand-alone but is intrinsically linked and complements other key documents that contribute towards the overall success of Copeland Council. In particular, this strategy has been aligned to:

- Copeland Corporate Plan;
- Medium Term Financial Strategy;
- Commercial Framework Project;
- Copeland Procurement and Contract Management Strategy;
- Strategic Asset Management Plan.

It impacts across the whole Council; there is a 'golden thread' that links our Corporate Plan, Medium Term Financial Strategy and the Commercial Strategy to each Service Plan and our day-to-day working priorities.



8.0 Creating the right environment – ‘being’ commercial

Commercialisation is not purely about income generation and growing the organisation’s revenue; it is not about ‘doing’ commercial, but it is about ‘being’ commercial:

“Everyone has a part to play – ‘commercial’ must be the DNA in the fabric of the Council”

Copeland leadership will facilitate cultural shift based on consensus that can enable a flexible, dynamic and commercially aware culture to flourish. It will explore opportunities and generate income without sacrificing the primary function of the Council, to meet residents’ needs

Careful consideration will be given to creating, feeding and encouraging the right environment within the organisation to be cooperative in nature, nurture innovative ideas, develop them into robust project proposals and bring forward solutions.

Creating the Environment:

- ✓ Have a clear understanding of the Council’s risk for appetite; the Council has in the past exhibited a risk averse approach. This should now be viewed as a risk aware approach – opportunities assessed in terms of proportionality and fit to our Council status i.e. a small rural district Council with clear challenges but also unique opportunities.
- ✓ Having a clear structured governance that flows from a focussed strategy, adding value to community needs as well as generating income; this means sound management of funding and risks while allowing innovation and staff creativity.
- ✓ Utilise Copeland’s already adopted Project Management Framework (PMF) and therefore adopt a project management approach for the implementation of the programme
- ✓ Exploring a Countywide commercial network to exchange positive outcomes, best practice, business/market intelligence and develop shared future opportunities

Actions Identified:

- ✓ Embedding a commercial culture throughout the organisation – understanding and acting with a commercial mind-set. This will be undertaken through further training workshops, engagement, forward momentum and constant reinforcement.
- ✓ Design and launch a Communications campaign to draw in ideas from staff and have a flow of new ideas generation; to encourage a solutions engaged, as opposed to a suggestions orientated, workforce.
- ✓ Establishing a Commercial Enterprise Group (CEG) drawing from identified commercial enabling officers, Executive, CLT and Members to meet regularly in order to promote horizontal integration and thinking, chart progress, identify needs, and perpetuate momentum and to formulate business plans for new and alternative commercial opportunities. This group will feed the commercial pipeline and ensure commercial strategy can be translated operationally, and, projects will be successfully delivered.

- ✓ Set up a Commercial Board (CB) drawing from a small Executive and CLT pool to oversee the work of the Commercial Enterprise Group, ensure governance and procedural rigour and to monitor and report on commercial projects, progress and aims. The Board will also ensure new proposals submitted are robustly and consistently assessed and provide the needed support and encouragement.
- ✓ Identify the appropriate level of commercial resources required within the overall corporate structure. The Council's commercial strategy will deliver the commercialisation ambition, this cannot happen until there are appropriate skilled and dedicated officers with proven capabilities from both within public and private sector, and the option to draw upon additional specialised consultancy and advice.
- ✓ Capturing, feeding back and incorporating lessons learned, as and when encountered.

Creating a Commercial Culture:



9.0 Corporate Modernisation - Benefits

Taking the approach outlined within this strategy is believed to be the most appropriate for Copeland Council as it offers a number of key benefits, many of which have already been covered elsewhere within this strategy and is complementary to the steps already taken to Corporate modernisation, the aligning of which will:

- ❖ Transform service provision, reviewing the efficiency and effectiveness of services and developing a 'vision' built around sustainable delivery models and clearly linked to the current medium term financial plan and beyond.
- ❖ Carry out full service diagnostics including understanding true unit costs, demand led pressures and performance levels, each of which can be benchmarked against similar organisations.
- ❖ Conduct robust service planning to ensure outcomes, priorities and commercial objectives remain clearly aligned to core Council plans and priorities
- ❖ Ensure that rigorous commercial contract management processes are embedded within each service, including in relation to procurement, contract negotiations, and managing the ongoing supplier relationship ensuring performance matches expectations.
- ❖ Exploit skills, knowledge and expertise. Through the 'Aim High' process introduced in Jan 2019 the Council has committed to continuous personal development, training, succession planning and investment in our staff.
- ❖ Enable residents/businesses to become more independent and allow us to channel shift away from high cost transactional services, recognising that through streamlining and greater use of technologies we can create financial and non-financial benefits and efficiencies.
- ❖ Encourage the opportunity to develop shared services between Copeland and other organisations and support relationships between the Council, voluntary and community sectors.
- ❖ Allow the Head of Commercial to fully engage and support service managers and key revenue generating teams to embed a commercial culture and allow smooth horizontal integration of commercialisation.
- ❖ Acknowledge that staff will need a lot of support and time to develop an entrepreneurial mind-set. Cultural change means winning the internal hearts and minds battle that commercialisation is fundamentally a positive, directional change.
- ❖ Recognise equally that small quick commercial wins hold as much importance as bold, brave investment initiatives.

10.0 Commercial Strategy Framework

This strategy has four key, inter-related principles that will drive a focussed and “One Council” approach to delivering the Council’s commercialisation agenda. The key elements and activities of the commercial strategy are illustrated below:

COMMERCIAL STRATEGY 2019-2023			
CORPORATE MODERNISATION	REVENUE GENERATION	ECONOMY & REGENERATION	INVESTMENT OPPORTUNITIES
Commercial skills & culture Performance & Productivity Identifying markets Robust service planning Horizontal integration Benchmarking Branding & Reputation Marketing/Business Intelligence Efficiency & Effectiveness Alternative delivery models Risk Awareness	Fees & Charges Full Cost recovery Zero based budgeting Demand Management Tradeable services Digitisation Shared Services L.A. Trading Company Procurement & Contract Management eProcurement Treasury Investments	Economic Growth Development link to Local Plan Business Rates retention Employment & Skills Enabling Wellbeing Housing “Smart City” Thinking Energy investment opportunities Inward Investment Green investment Social investment funding & inclusion	Asset return & challenge Regeneration & Development focussed Ethically sourced funding Local Asset Backed Vehicles Joint Ventures & collaborative Partnerships Investment fund Targeted R.O.I.

11.0 Commercial Strategy – Core Focus

The core focus of the strategy is to bring about a new way of thinking and working that will help create and capture the opportunities and expand the ways the Council can secure income, explore new ideas and implement alternative ways to acquire and use available resources to be more effective in both meeting and delivering needs in Copeland.

This strategy impacts on all departments and services across the council but it is recognised that no one approach can be applied to all and consequently different actions and areas of improvement can be expected.



The successful adoption of the strategy will deliver multiple benefits including:

- ✓ Ensuring our resources are used sustainably to deliver the outcomes our residents need.
- ✓ Providing positive social, economic and environmental outcomes.
- ✓ Developing new, robust and measurable income streams to support services and rebalance the budget.
- ✓ Initiate an environment where staff think collaboratively and imaginatively to deliver new ideas and solutions.
- ✓ Increasing the robustness of the organisation and its collective acumen to ensure long term organisational modernisation, evolution and prosperity.
- ✓ Providing a robust and inclusive approach to support decision-making processes that will drive future council ambitions.
- ✓ Create a deeper, more effective understanding of our assets and their future applications.
- ✓ Inspire staff by embedding a forward thinking, opportunity focused mind-set that can drive wider culture shift and make a positive difference.
- ✓ Increase transparency and accountability as to how we do business.
- ✓ Forging successful and trusted relationships with external partners on successful co-investments
- ✓ Build organisational strength by investing in the skills and resilience of our own workforce to reduce costs incurred from seeking external support.

12.0 Identified potential opportunities

During 2016-19, the Council developed its first Commercial Strategy and drew up a list of aims. Extracts from the strategy can be seen in appendices 1 & 2.

Looking ahead, it is recognised that commercial activities can fit into a number of classifications:

- a) Expanded existing activity
- b) Enhanced existing activity
- c) New tradeable service
- d) Collaborations and Joint Ventures
- e) Revenue generating services
- f) Asset utilisation & investments
- g) Procurement & contract management cost saving
- h) Efficiencies & process re-engineering

In this refreshed Commercial Strategy 2019-23, the following are identified as enablers for net revenue generation and/or potential commercial opportunities.



Digitisation

Due to the 2017, cyber-attack and resources spent on recovery & rebuild, Copeland is lagging behind in the service and operational improvements available through improved digital services and technology advancements.

The “golden” resident record has already been identified as being hugely beneficial and the opportunity for self-service through online portals.

A new website will drive the commercial agenda through online facility for trade services, CBC commercial branding, growing reputation, capturing marketing data for new & improved service offering, include use of developed apps & give opportunities for advertising and sponsorship revenue.



Procurement

A new procurement and contract management strategy was approved by Council Q4 2018. Copeland’s contract register is now actively managed and published quarterly. There is no further opportunity for an automatic rollover that usually results in detrimental terms for the Council. Quality and value for money is at the heart of Copeland new tenders and contracts now; commercial awareness, challenge and negotiating on price will become the new norm. Service managers will consider each contract on it’s merit, performance and useful contribution to Council operational activities.

Recent improvements to procurement have already identified savings in excess of £120,000 with significant further opportunities to be explored.



Contract management

The Council spends £ms each year with third party organisations as part of the supply chain for either front line services or in middle and back office support. These contracts are vital to ensure a good quality service to our residents. Managing these contracts effectively is critical to ensure high quality service provision, whilst ensuring that the Council is receiving value for money in line with contractual terms.

This approach is providing insight into potential service improvements and efficiencies as well as ensuring the Council is only paying for services that it requires and that are delivered by the supplier.



Commissioning

The Council must ensure high commissioning standards whilst facing a challenging financial environment & uncompromising yield on service delivery.

The objective of commissioning is to ensure that CBC is allocating resources to outcomes that support it's strategic plan, and not wasting resources delivering unnecessary or unwanted outcomes.

It is relevant to consider the pragmatic step of shared corporate services outwith the borough and potentially further afield. Joint commissioning will deliver enhanced negotiation opportunities, broader competitive choice, economies of scale, maximum efficiencies and better contribution to covering overheads.



Traded services

The Council successfully delivers a number of traded services; applying the principles of commercialism it is intended to establish where the needs and requirements of our residents and businesses lay, and, how we can both improve and expand our service offering – this will inevitably see the introduction of new services, some of which have already been identified e.g. Handyman services and MOT offering.

Not every Service will have the opportunity to trade, but through the CEG, a review will be conducted in order to identify and develop opportunities which might exist, together with the bidding for resources if required, to implement the trading activity.

Objective of trading will be to introduce net profit into the Service revenues.



Income generating services

There are a variety of ways in which the Council can generate income by capitalising on existing assets, utilising resources more efficiently, realising opportunities readily available but overlooked for generating revenue, deploying good marketing intelligence, making time for business development, ensuring fit for purpose IT service as a corporate enabler, and, re-engineering back office process and procedures. When the Council works with empowered staff and an embedded commercial culture the pipeline for commercial innovation and activity will flourish.

Examples of where the Council could gain added value/revenue include: thorough review of all fees and charges, an aligned car parking strategy, charging of refuse bins to developers, increased revenues from The Beacon, functions/conferencing revenue at The Portal, and, utilising Copeland Direct for marketing of Council Services.



Trading companies

Local authorities' powers and responsibilities have traditionally been defined by legislation that has often led to excessive caution and Council inaction.

The Govt. ended this inertia in 2012 with the inclusion of a 'general power of competence' for local authorities in The Localism Act that gives local authorities the legal capacity to do anything that is not specifically prohibited. The Council has greater freedom to work collaboratively in new ways to drive down costs, to be creative & innovative to meet resident needs.

During 2019/22, nationally Councils forecast 61% of commercial revenue will be generated through Council owned trading companies (LATCs).

CBC will explore the opportunity of an LATC / LABV and identify Council services that can be sold to either public or private sectors.



Assets and investments

Whitehaven is undergoing the single largest regeneration scheme in decades. The Council has an opportunity to be a financial supporter and investor to demonstrate commitment and play an instrumental role in place shaping and sustainability for future generations. The borrowing of funds at attractive rates and, for example, the signing to a long term operating lease (or outright purchase) of a major piece of infrastructure would yield above average return and feed financial reserves for years to come.

The key to investment will be robust due diligence, sound commercial advice, taking account of lifetime costs and identifying a long-term strategy. A diversified portfolio is essential and does not preclude the option to invest outwith the Borough. The scope, if this is done right, is enormous and itself could provide a significant amount of the required annual finances for not only sustainability, but also Council self-sufficiency.

13.0 Governance: Compliant Delivery

This strategy spans many service areas and covers a wide range of initiatives which feed into the overall delivery of the Commercial Strategy and it will be the responsibility of the Commercial Director to co-ordinate, report and ensure the delivery of an agreed priority action plan.

Broadening the commercial culture within the Council involves empowering staff to be innovative; to embrace new flexible and agile ways of working; as well as looking for opportunities to trade or sell our services.

Opportunities will be evaluated ensuring that business cases are supported by appropriate market research and the Council develops opportunities based on expertise and knowledge that we hold.

The principle focus will be on investing in services, projects and schemes that will generate some form of financial return for the Council. Delivering efficiencies, helping communities to become more resilient and independent, managing demand and changing ways of working remain part of the solution and will be embedded as part of the commercial strategy.

Governance, management and performance of partnerships and contracts will be robust to ensure that the Council adheres to its statutory responsibilities and that public money continues to be appropriately used.

The Council will be mindful that:

“Local authority investment powers are for any purpose relevant to its functions and for the purposes of the prudent management of its financial affairs. As with all local authority powers they must be used reasonably and in accordance with the authority’s primary function as a service provider”

The Council by reference to future CIPFA guidance will ensure that the Council’s approach to investments is consistent with the requirement of fiscal sustainability, prudence and affordability.

To ensure the success of our approach it is critical that robust governance is in place that is inclusive and reflects the intrinsic value of commercialisation to the local authority.

A new Commercial Board will be created to provide oversight of strategy, commercial assessment and selection, operational delivery model and leadership working with the services.

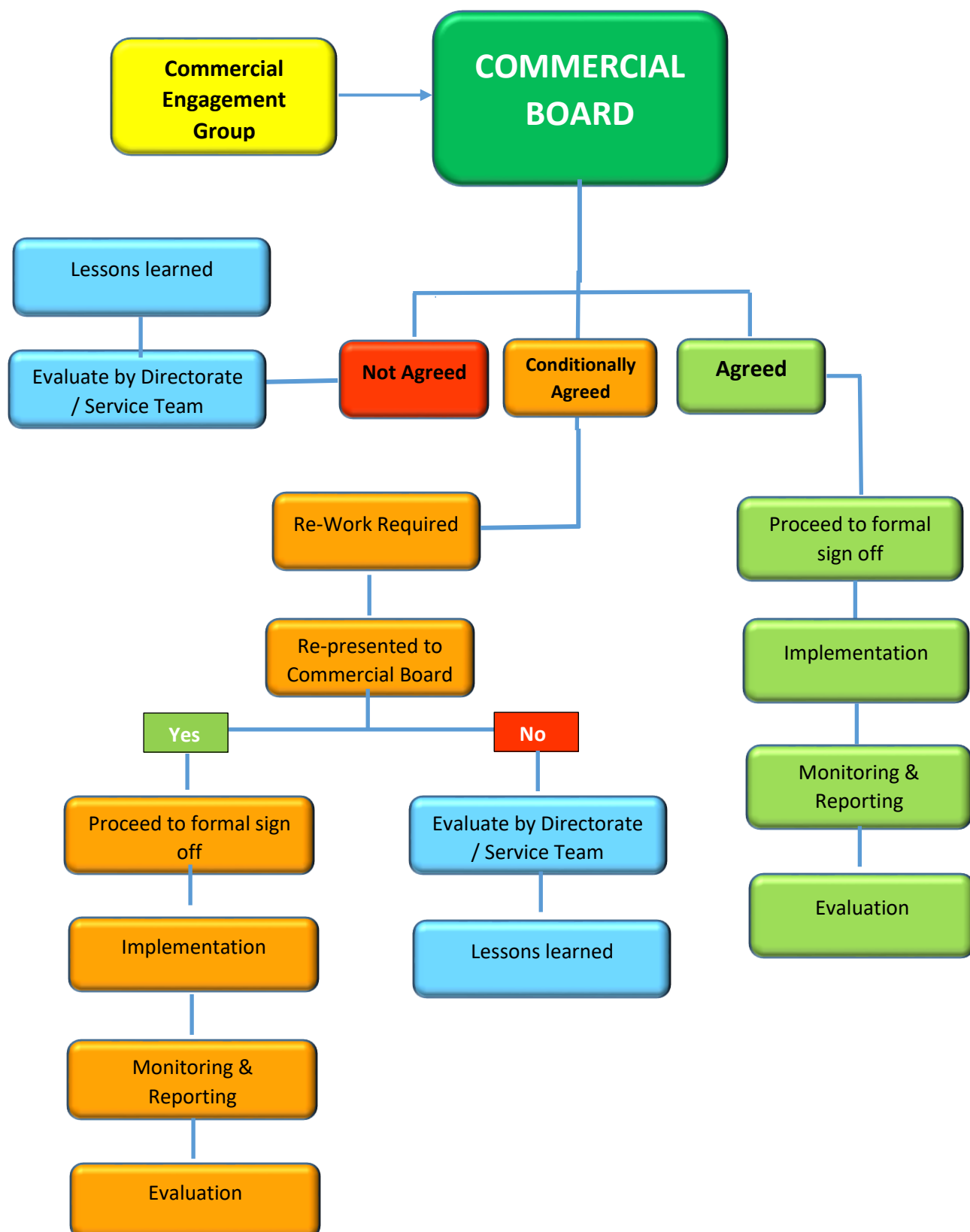
It is proposed that any identified potential opportunities, and those that are developing in the commercial pipeline, together with emerging proposals to support new approaches to service delivery will form commercial projects to span future years and be delivered via the commercial stream of the already adopted project management framework.

The Board will meet quarterly and be responsible for ensuring the strategy is delivered throughout the organisation. Updates on commercial progress will be assessed via the Commercial Board and delivered through quarterly financial reporting, scrutiny of the budget and reports to Executive and Council as appropriate.

The Board will scrutinise proposals and decide whether they are approved, referred for further development or not accepted. Where new projects are escalated to the Commercial Board, a defined project development and business case approach will have been completed.

14.0 Governance: Commercial Board Illustration

A summary of the approach to considering commercial proposals is set out below.



15.0 Risk Management.

It is established that Copeland BC needs to move from a risk averse position to an informed risk aware position; it is recognised that avoiding all risk would result in no achievement, no progress and no reward.

Risk management is the systematic process of understanding, evaluating and addressing these risks to maximise the chances of objectives being achieved and ensuring organisations, individuals and communities are sustainable. Risk management also exploits the opportunities uncertainty brings, allowing organisations to be aware of new possibilities. Essentially, effective risk management requires an informed understanding of relevant risks, an assessment of their relative priority and a rigorous approach to monitoring and controlling them.

- Operational risk – this will be assessed by the Commercial Board on a project-by-project basis and will be managed by the assigned commercial project manager through the commercial project risk register.
- Strategic risk – this will be assessed and managed by CLT when considering recommendations to Executive and Council regarding a specific commercial project.

All commercial projects will need to identify and assess associated risks, including any mitigation measures that can be implemented. The Commercial Engagement Group will maintain a strategic and project-level risk register that will be regularly reviewed by the Commercial Board.

Additionally, Copeland has a Capital Strategy that includes a number of reporting requirements specific to commercial investments that will be included in any decision-making process. This inclusion was driven through evidential commercial investments made by Local Authorities, which failed to provide Members with sufficient information on the level of risks they were entering into:

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.

16.0 “Ownership”

Developing and realising commercial propositions is a joint endeavour and requires a collaborative approach across the organisation: the commercial engagement group, the relevant operational service, multiple support services which may include property, planning, legal, procurement, finance, ICT and HR amongst others. Clarity of roles and responsibilities, and the appropriate level of ownership are however key to success.

Typically, following initial scoping a Project Implementation Document (PID) should be produced by the Commercial Engagement Group in consultation with relevant stakeholders and then formally agreed by the Commercial Director and the relevant Operational Director. This will define and articulate the way in which the project is to be run as well as ownership of key work packages and products. It will also define the handover point between the Commercial Team and the Operational Service.

17.0 Priority Opportunities & Next Steps

In view of the potential opportunities already identified, our intention is to move at pace with the implementation of this strategy. The imminent next steps can be categorised below:

Commercial Culture

- ✚ Bring forward commercial training via CIPFA for all service managers and key identified/entrepreneurial staff which will be addressed at the start with the Mayor's focus on commercial activity as a key ambition
- ✚ Promote commercial within the Council with visual aids and prompts and regular engagement and feedback sessions.
- ✚ Develop a framework for horizontal commercial integration and ensure that the Council's service plans for 2020 fully reflect agreed targets and key outcomes

Commercial Structure

- ✚ Review Commercial structure and resources required within the Council acknowledging that there is insufficient level of dedicated resource in this area and a lack of commercial experience operationally and for development purposes in order to drive the ambition.
- ✚ Set up a CBC Commercial Engagement Group (CEG) with key stakeholders to meet regularly and feed the commercial pipeline by driving the momentum of commercial ideas, agenda and ambitions.
- ✚ Set up a countywide commercial strategy board that will meet to share ideas and successes, support, explore common problems and solutions etc.

Commercial Governance

- ✚ Set up the Commercial Board and introduce the governance framework approach for strategic overview and reporting to Executive and Council.
- ✚ Identify Constitutional changes and CSO updates required for Copeland to act in an efficient and responsive manner towards longer-term investment goals. These will include delegated authority to Executive and CLT and the introduction of a capped investment fund.
- ✚ Explore availability of ethical funding through Government available options, e.g. PWLB and inward investment funding for major regeneration projects and a step up in required trading services.

Commercial Essentials

- ✚ Devise a framework for a Council wide approach to reviewing and setting fees and charges in readiness for the 2020 Budget Council
- ✚ Identify commercial opportunities and services that would be served better via a L.A. Trading Company (LATC) and explore the opportunity for setting up such a company of Copeland BC in readiness for Budget 2020.

18.0 Commercial Strategy – Local Authority Initiatives and Successes

1. *Investment in Energy Sources*



Swindon BC set up a wholly owned subsidiary “Public Power Solutions” or PPS Community Solar Farms by using Council owned unproductive former landfill sites. They did this by utilising a variety of funding models: UK’s first ISA and UK’s first Council backed solar bond. This was a community lead engagement, investment opportunity and funding projects whilst given good returns on investment.

2. *Renovation of dilapidated housing stock*



Great Yarmouth has launched a £2m scheme to buy up dilapidated flats and bed-sits and renovate them for sale or rent. The scheme will be cost neutral and address the town’s challenges of low property values, low rental income, economically unviable guesthouses and streets in conservation areas needing uplift, and where there is lack of private investment. Purchases will be on a case-by-case basis, and once renovated will be offered for sale as affordable homes or at full market rents.

3. *Councils investing in commercial property*



Councils have emerged as significant owners of commercial property with almost £4bn spent in recent years. Almost half was on the acquisition of office space, and over a quarter on retail, shopping centres and warehouses. Investment has been facilitated by access to affordable credit, but the regeneration vision or masterplan will ensure investment potential is fully utilised and deliver both long-term income and social benefits, while allowing a role in actively shaping urban environments. JVs are seen as the preferred funding models for regeneration projects.

Commercial Strategy – Local Authority Initiatives and Successes (cont)

4. *Unlocking Low Carbon Finance*



Many L.A.s are developing innovative solutions to reduce greenhouse gas emissions and help residents living in fuel poverty. Budgets may be tight but it makes good long-term economic sense; however, many are stuck in the conceptualisation or feasibility stage and need a push towards full commercialisation. **Leeds** are using their own PIPES District Heating Network which uses heat generated waste at the council's recycling and energy recovery facility. It is projected to reduce energy bills by at least 10% each year for every household connected to it.

5. *Shared Services Agenda*



A three way agreement between Wychavon, Worcester City and Malvern Councils to combine revenues and benefits departments has produced £3m+ savings over 5 year term whilst safeguarding jobs. The partnership now serves other authorities and not only generates income, but also offers improved, streamlined services. After success with Revs. & Bens., the shared services offering was expanded to also include IT and internal audit functions.

6. *Financial Management and Initiatives*



Warrington BC raised a £150m CPI indexed bond that supported:

- Loans to registered providers delivering a return via arrangement fees and margin on interest rates
- A new LA Mortgage Scheme (LAMS) which has realised over 200 loans in Warrington, lending over £5.5m
- Investment in solar farms to reduce fuel poverty but also provide a long term income
- Digitising a range of trading services, benefiting from admin efficiencies, revenue growth and winning business

Commercialisation Strategy 2016-2020

1.0 Extracts from 2016-20 strategy – scene setting

- 1.1.1 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.
 - 1.1.2 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.
 - 1.1.3 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”***.
 - 1.1.4 The vision is achieved through a series of four “Ambitions”, one being Commercial, and five “Strategies Outcomes” each of which contribute to the success of Ambitions.
 - 1.1.10 This strategy (2016 – 20) 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.
- 2.1.1 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

CBC key aims of the commercial strategy 2016-20

Short term goals (2016)	Medium term goals (2017 – 2019/20)	Long term goals (2020 onwards)
GENERAL		
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.
INCOME GENERATION		
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
CREATING A COMMERCIAL CULTURE		
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
COPELAND OPEN FOR BUSINESS		
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

The Legal Basis for Charging, Trading and Investing

This section is about the legal aspects of charging, trading and investing, what resources the council has in order to do this and other capabilities. The legal basis for charging and trading is set out in various legislation, the core of which are:

Local Authorities (Goods and Services Act 1970):

Under the **Local Authorities (Goods and Services) Act 1970** councils have the power to enter into agreements with each other and other certain other types of public bodies for the performance of certain services.

Local Government Act 2003:

The **Local Government Act 2003** added further possibilities by giving councils the power to:

1. Charge for services on a cost recovery basis. Charging:

- a. Only applies to discretionary services (that the council has the power to provide but not a duty)
- b. Cannot be used where charging is specifically prohibited by other legislation
- c. Cannot be used where another specific charging regime applies
- d. Is limited to cost recovery

The recipient of the discretionary service must have agreed to pay for the provision of such services.

2. Trade in activities related to their functions on a commercial basis. Trading:

- a. Must be exercised through a company which has a business plan for operation
- b. Can be delivered by participating in an existing private trading venture providing that this is a company within the relevant definitions (limited partnership and limited liability partnerships are not acceptable structures for local authority trading)
- c. Can be used with a view to make a profit – in a company wholly owned by a local authority, profits can be returned to the council through a dividend or service charge to hold down council tax or be reinvested

The Localism Act 2011

Local authorities' powers and responsibilities have traditionally been defined by legislation. In simple terms, we could only do what the law says we can. This has often led to excessive caution and in some cases inaction as councils are wary of doing something new - even if they think it might be a good idea - because they are not sure whether they are allowed to in law, and are concerned about the possibility of being challenged in the courts.

The Government took the view that we need to turn this situation upside down. Instead of being able to act only where the law says they can, local authorities should be free to do anything - provided they do not break other laws. The Localism Act includes a 'general power of competence' for local authorities in England and this was brought into effect when the Secretary of State signed a Commencement Order on 17 February 2012. The power of competence gives local authorities the legal capacity to do anything that an individual can do that is not specifically prohibited. They will not, for example, be able to impose new taxes as an individual has no power to tax. The new general power gives councils more freedom to work together in new ways to drive down costs. It gives increased confidence to do creative, innovative things to meet local peoples' needs.

The general power of competence does not remove any duties from local authorities – just like individuals they will continue to need to comply with duties placed on them. The Act does, however, give the Secretary of State the power to remove unnecessary restrictions and limitations where there is a good case to do so, subject to safeguards designed to protect vital services.

Other considerations

As well as this statutory framework council decision-making is also limited by certain well known principles including obligations to act rationally and fairly and to exercise powers for their proper purpose. This means that the council cannot use a power given to it for one purpose in order simply to generate income. It also means that in charging for discretionary services it will have to have due regard to the rationality of imposing the charge and its impact on individuals as well as its ability to generate income.

Supplementary Legal, Commercial and Financial Considerations

There are many other important legal, commercial and financial considerations for councils in undertaking commercial activities, particularly through trading companies.

These include:

1. Company law issues
2. Tax liability (corporation tax and VAT)
3. EU procurement law
4. Employment law (specifically TUPE and pensions)
5. The costs associated with bidding for contracts
6. State aid rules

State Aid

State aid rules are intended to ensure that market forces operate freely across Europe with no unwarranted interference through the State (national government) or an 'organ of the State' such as a local authority whilst these may be subject to change in the very near future currently these apply.

State aid rules apply to organisations involved in economic activity ('undertakings').

The organisation does not have to be profit-making if the activity carried out is one that has commercial competitors. In some instances, public and voluntary sector organisations, such as universities and charities, could be classified as undertakings, as can the State itself.

All of the following five questions must answer 'yes' in order for an activity to be classed as state aid.

If the answer to one or more of the question is no, state aid does not apply.

a. Is the activity granted by the state or through state resources? The answer here will typically be yes, as it would normally be local authority resources or support. Resources can include resources that do not belong to the council but are under state control such as certain funding.

b. Does it confer an advantage? This can include:

- (1) benefits that are provided free (such as grants and soft loans)
- (2) benefits provided on favourable (non-commercial) terms
- (3) relief from charges that an undertaking normally has to bear (such as a tax exemption)
- (4) favourable payment terms that a normal business would not tolerate

c. Is it selective, favouring certain undertakings? A general measure affecting the whole of the state's economy (e.g. nation-wide fiscal measures) is not considered as state aid, while aid that targets particular businesses, locations, types of firm (e.g. SMEs) or sectors is.

d. Is the activity tradable between member states? The Commission's interpretation of this is broad – it is sufficient that a product or service is subject to trade between member states; even if the aid beneficiary itself does not export to the EU. **Consequently, most activities are viewed as tradable.**

e. Does the measure distort or have the potential to distort competition? If it strengthens the position of the beneficiary relative to other competitors then there will probably be state aid implications. The distortion of competition does not have to be substantial or significant, and includes small amounts of aid and firms with little market share. **Most interventions have the potential to distort competition.**

The consequences of unlawful state aid are potentially serious, including damages payable by the authority to any third parties who can show they have suffered a loss as a result of the aid and recovery of the aid (plus interest) from the recipient.