



Commercialisation Strategy 2015-2018

Harrow Council

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1 Commercialisation in Context

Overview

This document outlines Harrow Council's approach to commercialisation.

There have been some excellent examples within Harrow Council of cost saving initiatives being successfully carried out, such as re-commissioning services, re-letting contracts, re-negotiating arrangements, and reviewing specifications. Whilst excellent progress has been made, there is also recognition that these measures alone will not be enough to meet the significant funding pressures we are seeing.

The Commercialisation Strategy aims to put in place measures designed to offset the substantial cuts that Harrow has experienced and further envisages in the coming years.

Harrow Council's Commercialisation Strategy aims to take a broad view of commercialisation, to include all aspects of service reviews and redesign, the commissioning cycle, shared services, multi-borough joined-up services, new opportunities for revenue generation, and pricing.

Commercialisation Strategy Drivers

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

- The Council still needs to make significant income to offset the cuts that are due through to 2019 ;
- Our financial position is forcing us to look more commercially at our methods of service delivery;
- The Council has an ambition to be more commercial, both within Harrow and also across the sector;
- Early successes in commercialisation activities at Harrow, e.g. in shared services, have built confidence;
- Commercialisation successes across the sector (see appendix A) have further built confidence;
- There is more interest in inter-Council arrangements from other Councils as financial pressures mount.

Commercialisation Vision

“ Our vision is for Harrow Council to become an innovative and entrepreneurial authority that continuously drives positive annual contributions by generating extra revenue and delivering cost reductions through trading and business improvement. Through this we will put local services into a more sustainable footing to support local people as well as raising money to invest in our priority outcomes ”

There will increasingly be a culture of services actively looking for additional opportunities without losing focus upon their existing customer base and the quality of service delivery. Services will strive to be fit to compete and fit to market, even if they do not currently provide services externally, and services making positive financial contributions shall increasingly be considered as the norm.

Our staff will be involved in actively seeking out potential for reviewing services, and will have a reputation for being aware, willing, and able.

We will have an understanding of our abilities, 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. We will have an understanding of our portfolio of external service offerings, and understand not only which ones offer a greater return than others, but also what our approach needs to be going forward to address this.

Principles & boundaries of commercialisation at Harrow Council

Commercialisation for Harrow Council has been defined as encompassing the following areas:

- Shared services;
- Investments;
- Selling services;
- Pricing analysis;
- Fitness of traded services;
- Consideration of concessions;
- Better contract management;
- Continuous improvement in procurement.

This strategy advocates that the commercialisation approach is open to all services (or elements of services). The approach initially is to pick a small number of key opportunities. This approach enables us to ensure organisational learning is built up, processes are refined, and projects can be resourced without the need for extensive support.

The principles of commercialisation include:

- Open to all options for service delivery;
- Willingness to take risks – some ideas may fail;
- Honesty about current performance – not all current traded services are market ready;
- Preparedness to invest now for a return in the future;
- A requirement for concessions to be carefully considered.

Links to other Harrow Council strategies and policies

In devising the Commercialisation Strategy we have been mindful of the need for it to align with and complement other key documents that contribute towards the overall success of Harrow Council. In particular, this strategy has been aligned to:

- Harrow Council Corporate Plan 2015-2019;
- Medium Term Financial Strategy 2015/16 to 2018/19;
- Harrow Council Core Strategy 2012;
- Harrow Council Commercial and Procurement Strategy 2014.

2 Key aims & objectives

The overarching aims of the strategy are to deliver a financial return which contributes to the council spending plans and to help 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 to successfully deliver the aim 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 making decisions around multi-borough join up, seeking more innovative approaches to delivery, challenging existing approaches and set a picture of what the Council will look like in 2020;

Some further objectives will be to:

- Deliver a financial return and contribution in order to invest in services we have to run where we cannot recover 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 profit generating where possible;
- Actively engaging in market development and market shaping where no such market currently exists and using insight to manage specification and demand;
- Attract alternative investment models to support service delivery e.g. through social investment;
- Invest and use our financial strengths to deliver a 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.

3 Creating the right environment

Careful consideration will be given to creating the right environment within the organisation to nurture innovative ideas and develop them into robust project proposals. This will involve the following activities:

- Undertaking a culture and capability review;
- Designing a communications campaign to draw in ideas from staff and generate new ideas;
- Producing a framework for development of new propositions;
- Capturing lessons learned as and when encountered;
- Adopting a project management approach for the implementation of the programme;
- Ensuring new proposals have the right support from the Commercial team and necessary stakeholders.

4 Benefits

Taking the approach outlined within this strategy is believed to be the most appropriate for Harrow Council as it offers a number of key benefits, many of which have already been covered elsewhere within this strategy, including:

- Providing a real, tangible opportunity to make a contribution to the Medium Term Financial Strategy;
- Staff development – new skills will be acquired and can be transferred to other opportunities internally;
- Taking an approach of raising standards and generating revenue at the same time;
- Helping to provide a competitive advantage in key markets;
- Giving Harrow Council an enhanced reputation as a leading-edge authority in this sphere;
- Transforming the organisation into an innovative workplace;
- Bringing benefits to the local economy;
- Ensuring the sustainability of non-statutory services that would otherwise be stopped due to lack of funding.

Alternative options considered

Doing nothing was not an option given the scale of cuts to funding we are experiencing and we are expecting in the coming years.

The council has an option to consider tendering further services to make savings, but savings from procurements alone will not be sufficient to bridge the funding gap.

The council has an option to consider further collaborative efforts but as above, savings from collaborative activities alone will not be enough.

5 Priority opportunities

The Council is already exploring a number of priority commercial opportunities. These will be developed and assessed during 2015/16 and decisions to go ahead brought to Cabinet if appropriate. There is an ongoing area of work to identify new opportunities and so this list will change during the year. However, current priorities are as follows:

1. Legal Service Expansion – Following the successful creation of HB Public Law with Harrow and Barnet Councils, work continues to expand the Legal Practice. An alternative business structure (ABS) was set up in 2014 to enable service to be sold to the private sector. The Council is developing a proposal to include Hounslow in the shared service and the Director Legal and Governance Services is currently shared with Buckinghamshire County Council. The Council will continue to explore opportunities for expanding HB Public Law.
2. Recruitment Agency - The Council spends approximately £20m per year and agency staff, who currently make up over 20% of the Council's head count. A feasibility study has been undertaken to look at the possibility and setting up an in house recruitment agency. Work has now progressed to the development of a business case and conclusions will be reported to Cabinet in the autumn.
3. Website Commercialisation – The Council through its new communications contract is looking to increase the volume of income from advertising and sponsorship, in particular through the website. Opportunities are also being explored to promote national and local deals.
4. Investment Portfolio – The Treasury Management Strategy will be reviewed to look at opportunities to achieve a higher rate of return from the Council's investments. Opportunities for investing a portfolio of commercial property will also be explored as well as other potential investment opportunities such as energy generation.
5. Procurement Services – Similar to the expansion of the Legal Practice, the Council is exploring sharing Procurement services with other Councils in order to share expertise and contribute to overheads.
6. Lettings Agency – The Council has completed a feasibility study to look at the launch of a lettings agency to provide a service to local landlords and to future Council owned housing stock. The proposal to go ahead with this proposition is also presented to June Cabinet.
7. Sexual Health Commissioning – The Council is working with boroughs across London to explore the opportunity for leading a pan London service for the commissioning and management of sexual health services.

8. My Community ePurse – Harrow has developed market leading technology in My Community ePurse as well as industry leading standards of personalisation in Adults Care Services. The Council is exploring the potential to market this capability to other councils.
9. Construction Delivery Unit – Although at a very early stage of development the opportunity to set up a Construction Delivery Unit is being looked at given the volume of construction activity underway and planned across the borough.
10. Private Rented Sector Housing – Significant regeneration is being planned across the Heart of Harrow and this development will include the building of Private Rented Sector Housing across a number of sites. This would provide a long term, source of revenue to the Council.
11. Harrow School Improvement Partnership – The Council runs a very successful School Improvement Partnership which is already providing services to other boroughs. The opportunity to expand the service to other councils is being looked into.
12. Trade Waste – Trade waste services are already provided across the borough and there is an opportunity to win back lost market share within the borough to bring income into the Council.

6 Organisation wide activity

In view of the potential opportunities, our intention is to move at pace with the implementation of this strategy. The programme to support this, together with key dates, is detailed on the next page. Three of these activities are expanded on below.

Pricing review

This activity will review our current subsidy position across all non-statutory services that we charge for to ascertain whether it warrants amendments to our pricing if full cost recovery is the agreed goal.

Trading vehicle

We are at an advanced stage of investigating the possibility and ramifications of establishing a trading vehicle to support the delivery of new revenue streams. A recommended company structure is expected to be brought to Cabinet in July 2015.

Culture and capability review

A review of the Council's culture and workforce to determine whether a new governance approach and mind-set shift is required to achieve the maximum benefits from a Council-wide commercialisation programme. Training, objective setting, revision of job descriptions, and resources are some of the measures being considered within this activity.

Programme Timescales – Year 1 Timetable

Date	Activity	Description
Ongoing, commencing April 2015	Proposition Development	Develop high level business cases / feasibility studies for priority opportunities.
July 2015	Pricing	<p>Initial review of subsidy position.</p> <p>Review income vs cost position across major traded services.</p> <p>Amendments if required to our pricing policy.</p> <p>Plans to be developed to move to full cost recovery or profitability on all traded non statutory services with quantification of financial impact.</p>
July 2015 onwards	Contract Specifications	<p>Revisit high value opportunities for challenging specification levels on major contracts – especially in light of work on what Council will look like in 4yrs time.</p> <p>As part of the Re-commissioning work stream (below), each directorate, by division, to look at which of their contracts could be amended to contribute towards the Strategy.</p>
July 2015	Commercial Awareness Training	Investigate training options and pricing.

July 2015	New Propositions	Develop a framework and campaign for development of new propositions in order to create a short list of new opportunities.
July 2015	Selling Current	Identify priority services that are traded where a business improvement methodology (e.g. Canvas) could be used to develop stronger commercial performance (Amateur to Professional to Commercially Fit) in order to expand market share and improve trading performance.
July 2015	Trading Vehicle	Establish a trading vehicle for new revenue streams and agree as part of Cabinet / Council decision making.
September 2015	Capability & Culture Review	Review our current culture and approach using the framework identified to identify how effectively we are set up to be more commercial.
October 2015	Re-commissioning	Aim for all major services areas to have conducted a commissioning / service review, along side the budget process for a view of what the service will look like by 2020. Each directorate, by division, to report on how they will contribute towards the Commercialisation Strategy, by taking full account of in-house skills, knowledge, contracts and assets (i.e. buildings, land, etc.).
October 2015	Grants and Bidding	Review opportunities to bid for external funding.

7 Appendix A: Summary of case studies

Basingstoke Council – Have a commercial property portfolio which delivers an income. A proportion of its portfolio is on long leases. They are not expanding the portfolio and have owned it for many years. Identifying commercial partners to re-develop a major business park and leisure park. Have earmarked further money to invest and looking for competitive return. Early look at PRS but must be balanced with affordable housing.

Oxford City Council – Employ a large manual workforce and are actively in the markets of transport, grounds maintenance, construction and highways providing services to other local organisations, institutions and residents. Achieving an income stream that makes a contribution to overheads.

Cherwell Council – Set up a confederated model across 3 councils to separate who delivers what and to identify what to put under separate vehicles, following a series of service reviews. Have created a I-Lab incubation unit to identify what new services they could sell and to help them prepare business plans and launch.

Luton Borough Council – Single trading company selling a range of Council services including safeguarding training, road planning etc. Directors comprised of Council officers. Trading Building Technical Services as a trading account within Council. Luton Trading Services also operates as a trading account and provides debt collection to other LAs.

Runnymede – A loan from the Public Works Loan Board secured for the regeneration of Addlestone Town Centre (previously been debt-free). The scheme includes a multi storey car park, hotel, cinema complex, 24 hour gym, small supermarket and numerous food and beverage outlets. The development also provides homes, some of which will be rented at affordable rents or shared ownership (part rent, part buy). Contributes to the regeneration of the town centre and also a significant source of income for the Council.

Aylesbury Vale – Have developed new business models for how their services will be delivered using a ‘business canvas’ planning tool. Aim is for services to come as close as possible to cost neutral by focusing on both cost (service design) and income.

