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# Ashfield's Commercial Enterprise Strategy



# BACKGROUND

## **Strategic Context**

In response to the sustained funding reductions over the last 5 years, Ashfield District Council has reduced its operating expenditure from £21m to £14m, whilst minimising the impact on frontline service provision. This achievement has largely been delivered through cost saving initiatives including service reviews, restructures, and better procurement and sharing services. Whilst the progress made has been excellent it is also recognised that efficiency measures alone will not be sufficient to resolve the continuing funding pressures the Council faces.

Adopting a more commercial approach is an additional mechanism by which the Council can reduce the impact of the funding reductions that will likely be felt over the next few years. Accordingly the establishment of a more entrepreneurial culture is something which will be enshrined in the developing Corporate Plan and will create a lens through which all Council decisions will be considered in future.

## **Key strategic drivers**

- Requirement to explore all avenues to address the significant reductions in funding.
- Political aspiration to increase innovation and entrepreneurialism.
- Initial success in initial efforts building confidence e.g. growing income through price and margin management, introducing shared services.
- Other Councils are doing it and doing it well.

## **Strategic Aim**

"To stimulate innovation, grow existing business and develop a commercial approach which generates a greater return and assists the Council's financial resilience, enabling it to safeguard services and more effectively deliver its Corporate aims and objectives."

# DELIVERING SOCIAL ENTREPRENEURIALISM

A key consideration for any business is which markets to enter, what products and services to take to market and how to position them. The Council recognises the need to be both bold and innovative in any new ventures but wishes to ensure a social dimension is retained in any commercial activities. Accordingly, the following will be considered more favourably when evaluating what activities to pursue:

- Where investments assist in both regenerating the area and delivering a financial return
- Where there is a gap in the market unfilled by the private sector
- Where the impact on local businesses within Ashfield would be minimised.
- Where our reputation with residents, local businesses, our colleagues, Local Government sector, and our partners would be enhanced.



# AREA OF INITIAL FOCUS

It is important not to limit what might be possible and crucial to success will be the organisation's ability to remain adaptable and respond to new opportunities. Having said that, it is helpful to set out some broad themes for where the Council will initially focus its efforts:

## BUSINESS GROWTH

### 1) Supporting Economic Growth:

The Council is in the process of developing an updated Local Plan and is on track to meet the government deadline within 2017. The Local Plan will set out aspirations for sustainable business and housing growth within Ashfield and through that, will facilitate an increase in retained Business Rates and New Homes Bonus; both of which are significant funding streams to the Council's General Fund. It should be noted that both these sources of income are subject to government reviews but with a Local Plan in place these sources of income and Council Tax have the potential to increase and therefore narrow our budget gap in the future.

### Planned activity:

- Completion of the Local Plan.
- Application to adopt Summit Park as an Enterprise Zone (subject to the Spending Review decision in November 2015).
- Leadership within the Combined Authority and Devolution discussions.

## **2) Commercialising existing services: Maximising Return On Investment, not Turnover**

Responding to the Commercial Enterprise Strategy will require all parts of the organisation to release their creative energy, become more empowered and less constrained by bureaucratic process. It will also be imperative for all services to have greater visibility of their true costs, and where appropriate, explore the potential for new or enhanced income streams. It is however recognised that while the principles of social entrepreneurialism should be embedded across the Council, not all areas should pursue a full commercial approach. For some areas, although income generation should be a consideration, the emphasis must remain on social and service value, however certain parts of the Council, particularly trading services, should adopt a more commercial approach. This will include ensuring that their turnover exceeds their costs and they at least break even. Taking a much more proactive approach to selling and cross-selling will also be necessary to attract larger market share.

### **Those services adopting a full commercial approach would adopt the following principles:**

- Utilisation of trading accounts to properly understand costs, income, margin and return on investment.
- Target to achieve breakeven or better within two years (self-financing).
- Permission to enter new geographic territory, including that of neighbouring Councils.
- Permission to compete with other public and private sector providers.
- Local autonomy to set pricing, promotion and marketing strategy from within the service and discretion to negotiate bespoke commercial deals.

### **Planned activity**

- Identify those services which should pursue a full commercial approach and initiate changes as per above.
- Review the potential for the creation of a Council Trading Company, to see whether it would better facilitate delivery of the above approach.
- Win new business: explore any and all opportunities to reduce net cost of individual services through income generation (e.g. pursuing commercial sweeper contracts, selling legal services to other local authorities).
- Review effectiveness of dedicated Business to Business proactive sales resource.
- Explore potential for implementing a Technology Project Development team that achieves self-cost recovery and net Council wide savings through productivity and efficiency gains in service areas (internal/external) through project management delivery of technology projects.

### **3) Sponsorship of assets**

The Council owns a number of assets including public space, vehicles and the Council's website. These assets represent potential marketable opportunities which could generate an income for the Council. Selling of advertising space could be undertaken in conjunction with a dedicated agency who already have expertise in sales, and contacts with appropriate buyers. While this is something that should be considered further it will be important to remain discerning about the most appropriate locations to place sponsorship and advertising.

#### **Planned activity**

- Explore the potential for marketing Council assets in conjunction with an appropriate marketing agency.

### **4) Reconfiguring high spend with contractors**

The Council delivers many services in-house, but also engages a wide variety of contractors to support its service offer. By reviewing areas of high spend with contractors, it may be possible to consider alternate ways of obtaining services. This might enable the Council to explore new business opportunities or possibly consider a different type of business partnership.

#### **Planned activity**

- Review areas of external high spend and consider alternate delivery mechanisms.

### **5) Maximising Charging Powers**

The Council has a number of specific powers which enable it to charge for services or raise additional income through local levies (e.g. Late Night Levy). Whilst there are specific rules governing how these can be implemented, it is important to ensure that the Council is making use of all available income generating powers.

#### **Planned activity**

- Review the utilization of all available charging powers and consider whether any gaps exist.

## **6) Critical Asset Review**

The Council has already made positive strides in better utilising its assets; with a number of agencies already sharing Council offices and buildings. This work will continue and opportunities for more agile working which will further release space within existing buildings should be considered. Consideration should also be given to redundant assets, or those which are low value/high maintenance and which could be liquidated and resource reinvested into more profitable options.

### **Planned activity**

- Continue to pursue opportunities for co-location with public, private and voluntary partners.
- Review opportunities for more agile working to release further office space.
- Review assets for both public value and maintenance liability impacts and establish which should be liquidated to release funds for reinvestment elsewhere.

## **7) New Business Ventures**

Utilising the General Power of Competence, so long as there is no legislation preventing it from doing so, the Council is able to enter new markets and develop new business propositions. To trade privately, the Council would need to establish a separate trading company and would need to ensure it fully understood the local market and any potential gaps within it.

### **Planned activity**

- Explore the most appropriate method to gather local market intelligence.
- Linking back to section 2; review the feasibility of setting up a Local Authority Trading Company (Limited by share).



# INVESTMENTS

## 8) In Property:

The Council has the ability to utilise public funding to create long term assets within the community, meeting both its commercial aspiration and its economic and social regeneration goals. Mansfield District Council have invested capital receipts in a number of facilities across the country and are now seeing a better return than would have been achieved through more traditional banking. Thinking more locally, Manchester City Council invested in the City of Manchester stadium and is reaping the rewards of that bold investment as the local football team prosper; with further ancillary benefits through enhanced profile and tourism.

### Planned activity

- Develop a Capital Acquisition & Disposal Strategy to extend and diversify the Council's property portfolio

## 9) In Business:

The Council is an attractive partner for business. As a public sector partner, its brand brings credibility, trustworthiness and integrity. These are sellable assets to a commercial organisation looking to grow. Accordingly, the Council should actively promote its desire to partner with local businesses, both to further its own objectives but also to deliver a commercial return. Alongside exploring the potential for joint ventures, the Council could also explore opportunities to invest in local businesses subject to any legal constraints, plugging a gap in liquidity still not fully filled by the private sector following the credit crunch a number of years ago.

### Planned activity

- Pursue opportunities to leverage Council brand through business partnerships and joint ventures
- Explore the potential to develop an Investment Fund – to support local SMEs.
- Work with developers and funders to bring forward sites or premises for productive use.

## 10) In Energy:

Not only does the Council wish to become more commercial, it also wishes to make a positive contribution to environmental sustainability. To facilitate this the Council will actively explore opportunities to invest in or stimulate development in renewable and sustainable energy provision, both as a Council and in partnership. Potential options include wind, solar and as well as the potential for energy from biomass. A number of Councils have partnered with private providers in this area and Nottingham City Council have recently launched the first Council-run Energy Company in the country.

### Planned activity

- Continue to explore feasibility of investment in renewable energy schemes.
- Continue to implement energy efficiency schemes
- Review impact of Nottingham City Energy Company.

# HOW TO MAKE THIS HAPPEN?

The Council is setting out a bold commercial enterprise agenda and to support this change a number of internal developments are required:

## 1) Internal cultural development

The Council has a wealth of highly skilled and committed employees; and they will be a source of numerous good ideas to support this agenda. It is important that these are given room to be considered and harnessed where appropriate. Clearly the adoption of a more enterprising and entrepreneurial approach will represent a change in emphasis within the organisation. Accordingly, as with any culture change, it will be necessary to provide appropriate support and leadership by example. Commercial organisations need to be agile not bureaucratic and require a different approach to risk. Marketing decisions regarding pricing and promotion need to happen quickly and regularly and not wait for an annual review.

The culture change will be underpinned by the corporate values within the revised Corporate Plan, namely; Achieving, Enterprising, Collaborative and People Focused and these will help to drive required behaviours including:

- Being risk aware, not risk averse.
- Permission to fail, learn and innovate.
- Being open to all ideas from everyone and recognising not every idea will work.
- Pursuing a return on investment, rather than simply turnover.
- Being prepared to invest now, for a return in the future.
- Empowering services to make marketing and trading decisions locally and quickly.
- Ensuring services know their market and where they and their competitors are within it.
- Ensuring services proactively sell and pursue opportunities for cross-selling.

## Planned activity

- Review the Council's Constitution to ensure the appropriate delegations are in place to facilitate a more commercial approach.
- Establish a Commercial Enterprise Group to co-ordinate, appraise and drive the Council's commercial activity. This group to include motivated individuals from across the organisation, at all levels.
- Developing a cultural change programme including an approach to capture and generate interest and ideas from Council employees. Explore the potential to incentivise good ideas through the use of honorarium.

## **2) Acquisition of specialist skills and capacity**

To support the Council's aspirations and to ensure sufficient speed in delivery, it will be necessary to bring in specialist commercial skills and resources. The exact nature of these is to be determined and accordingly it is proposed that the Service Director – Environment be requested to develop a proposal and to seek approval to access the Corporate Improvement Fund using delegated powers already in place for the Portfolio Holder for Corporate Services in conjunction with the Deputy Chief Executive (Resources).

## **3) Brand Development**

The Council brand is synonymous with good public services and is clearly an asset. It will however also be associated with the more general connotations of public sector bureaucracy and as such may not match the change in culture and approach being proposed. It would therefore be useful to differentiate the Council's more commercial aspirations from the more traditional service offer by developing a new logo and brand to support this area of work. Consideration will need to be given as to how this new brand should be utilised on existing assets including vehicles and buildings.

### **Planned activity**

- Develop a new trading brand and logo for Ashfield District Council.