

# REPORT FOR: **CABINET**

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<b>Date of Meeting:</b>	17 June 2015
<b>Subject:</b>	Commercialisation Strategy
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Tom Whiting, Corporate Director of Resources
<b>Portfolio Holder:</b>	Councillor Keith Ferry, Deputy Leader and Portfolio Holder for Business, Planning and Regeneration  Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Commercialisation Strategy 2015-2018

## **Section 1 – Summary and Recommendations**

This report sets out a Commercialisation Strategy for the Council.

### **Recommendations:**

Cabinet is requested to approve the Commercialisation Strategy.

### **Reason: (For recommendations)**

To ensure that the commercialisation agenda supports the Council Priorities.

## **Section 2 – Report**

### **Introductory paragraph**

In response to the significant cuts to Government funding that the Council has already experienced and is going to continue to experience over the coming years, the challenge to the Council is how to address this funding gap. There is no doubt that it is going to require a radically different approach.

Through being more commercially-driven, the Council has the opportunity to put local services onto a more sustainable footing and to bring in new revenue streams which can also be invested in priority outcomes, supporting the commitment to be an efficient and well run borough.

Commercialisation is an exciting and positive agenda for Harrow Council. It is an opportunity to reassess how we fund services, become more self-sufficient and less reliant on central Government funding, whilst at the same time building on the Council's strengths for the benefit of local people, local organisations and local communities.

### **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 been developing its work on Commercialisation for several months. This has involved significant research into developments in the local Government sector. A number of case studies have been looked at and are summarised in the attached strategy.

The Local Government Association (LGA) has also developed a set of Commercialisation Case Studies and these have been heavily drawn up on in developing our approach. The case studies looked at and the research undertaken has highlighted a number of options that Councils are pursuing in an ambition to be more commercial. These options include:

- Improving the trading performance of services that are currently provided to improve revenue and reduce costs.
- Reviewing the prices charged for traded services.

- Fundamentally looking at the commissioning strategy for major service areas.
- Improving contract management and ongoing better procurement.
- Investing in portfolios of assets that generate a rate of return that is greater than the cost of borrowing.
- Launching new business ideas that capitalise on unique strengths the Council brings.
- Achieving new revenue streams through regeneration.

In pursuing different types of commercial opportunity the Council also has to consider what it can do within current legal powers and where it might need to establish specific new trading arrangements to support its ambitions. Options are also being considered in this area.

## **Reasons for commercialisation**

The Council still needs to make significant difficult decisions in the face of the funding gap which is forcing it to look more commercially at existing methods of service delivery.

The funding gap is significant and existing approaches alone are not going to be sufficient to offset this. To continue to deliver priority outcomes on a sustainable basis, becoming more commercially minded in all areas is going to become increasingly necessary.

The coming funding cuts are likely going to result in a significant reduction in standard of services provided to customers, and potential increased pressure to sell assets which may reduce available facilities for local communities. Commercialisation is one way to offset some of these cuts.

In some areas, such as Legal Services, the Council has had early successes so this has built confidence in this approach.

Examples from across the Local Government sector have also built confidence in the role that commercialisation can play in bringing money in to the Council and helping put local services onto a more sustainable footing.

## **Implications of the Recommendation**

The vision is for Harrow Council to become an innovative and entrepreneurial authority that continuously drives positive annual contributions to the council by generating extra revenue and delivering cost reductions through trading and business improvement.

Through this, local services will be put into a more sustainable footing to support local people as well as raising money to invest in our priority outcomes.

The strategy aims to deliver a substantive culture change where staff actively look for additional opportunities without losing focus on 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.

The Council will have a clearer understanding of its portfolio of external service offerings, and understand not only which ones offer a greater return than others, but also what changes are needed to address any shortcomings.

## **Legal Implications**

The Commercialisation Strategy includes a stream of work to establish the trading arrangements that will be required to support the Council's commercial ambitions. External advice is being sought on this and a recommendation on trading arrangements and structures will be brought to Cabinet in due course.

## **Financial Implications**

The Commercialisation Strategy is designed to make a contribution to the Council's medium term funding gaps.

## **Equalities implications/Public Sector Equality Duty**

There are no direct equalities impacts arising from the decisions within this report but the Commercialisation Strategy will be an important tool in ensuring that the Council's commercial activities deliver services equitably to all members of the community.

## **Council Priorities**

The Commercialisation Strategy will fully support the delivery of the Council Priorities.

## **Working Together to Make a Difference for Harrow**

The Council Priorities are as follows:

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference for families

The Commercialisation Strategy supports these priorities by:

- Enabling Harrow Council to offset the significant funding gaps being experienced through Government cuts.
- Becoming more commercially-focused in all areas of the commissioning cycle to help sustain priority outcomes in the local community.

### Section 3 - Statutory Officer Clearance

Name: Steve Tingle	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 5 June 2015		
Name: Hugh Peart	<input checked="" type="checkbox"/>	Monitoring Officer
Date: 5 June 2015		

<b>Ward Councillors notified:</b>	<b>NO</b>
<b>EqIA carried out:</b>	<b>YES</b>
<b>EqIA cleared by:</b>	Alex Dewsnap, Chair DETG

### Section 4 - Contact Details and Background Papers

**Contact:** Terry Brewer, Divisional Director Commercial, Procurement and Contracts

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**Background Papers:** Commercialisation Strategy 2015-2018 (as per the enclosure)

**Call-In Waived by the  
Chairman of Overview  
and Scrutiny  
Committee**

**NOT APPLICABLE**

*[Call-in applies]*