

**REPORT FOR: PERFORMANCE AND
FINANCE SCRUTINY
COMMITTEE**

Date of Meeting: 20 September 2017

Subject: Commercialisation Strategy

Responsible Officer: Tom Whiting, Corporate Director,
Resources & Commercial

**Scrutiny Lead
Member area:** Policy Lead Member – Councillor
Stephen Wright
Performance Lead Member –
Councillor Phillip O’Dell

Exempt: No

Wards affected: All

Enclosures: Appendix A – Financial Implications
Appendix B - Commercialisation
Strategy 2015-2018

Section 1 – Summary and Recommendations

This report provides an update on the Commercialisation Strategy that was approved by Cabinet in June 2015.

Recommendations:

Members are asked to note the report and the continuing implementation of the Commercialisation Strategy as it continues to support the council's priorities and aims to deliver a significant financial return.

Section 2 – Report

Introductory paragraph

In response to significant reductions in the council budget in recent years and faced with continued cuts in the future, Cabinet approved a Commercialisation Strategy in June 2015. Commercialisation provides a means to use the council's capability, experience, assets and reputation to drive forward income-generating initiatives across all directorates and help address the challenging funding gap.

By taking a more commercial approach, the council can ensure local services are financially sustainable and can establish new revenue streams to re-invest in priority services and outcomes.

Commercialisation is a positive agenda for Harrow Council. It provides the opportunity to build on the council's strengths to generate income for the benefit of local people.

The Commercialisation Strategy was a new approach for Harrow Council, although built on the foundations of running traded services for a number of years and early successes with shared services. It is inherently risky and this needs to be considered alongside alternative options and with risk mitigation through the budget planning cycle.

Context and reasons for commercialisation

As the council's budget continues to shrink, all directorates are required to make significant contributions to the Medium Term Financial Strategy. Existing approaches, however, were not sufficient to meet these targets while maintaining the council's vital and statutory services. Cabinet therefore approved the Commercialisation Strategy in June 2015.

Confidence in taking a more commercial approach to the delivery of existing services, while also looking to pursue new income streams, was bolstered by some early successes. In particular, the expansion of Harrow's Legal Services in 2012 – trading as HB Public Law – was an early indication of the potential for commercialisation.

The success of commercial initiatives across local government has also served to reinforce Harrow's commitment to commercialisation. Faced with a predicted £5.8 billion funding gap by 2020, other local authorities have increasingly looked to commercial activity as the means to support essential services and ensure long term financial sustainability. In 2015 when the Commercialisation Strategy was developed it was evident that a body of best practice was emerging across the sector that Harrow could benefit from.

Access to best practice in the sector has come via the Local Government Association (LGA) who provided peer support and case studies. The council has also joined the LGA's Advanced Commercialisation Group.

Warrington Borough Council is one of the numerous councils that instituted a Commercial Strategy before Harrow. Warrington's strategy was approved in 2012 and includes a commercial property acquisition programme, a Local Authority Mortgage Scheme and an improved traded services offer to schools.

Many of the commercial initiatives that Harrow is pursuing have been shown to be successful income generating opportunities by other councils. These include the following:

- From 2010, Nottingham City Council began developing its commercial waste services, selling to business directly and through sub-contractual arrangements. It has also developed its catering business to trade externally.
- Oxford City Council has developed arrangements to trade repairs, MOTs, highways and grounds services.
- Basingstoke Council and Portsmouth City Council have both developed significant commercial property portfolios.
- Durham County Council has invested in, and manages, a portfolio of business and commercial properties.
- Over 140 local authorities use the Council Advertising Network (CAN) to generate income from adverts on council web pages and intranets.
- East Northamptonshire Council rents council assets to third parties to generate an income in excess of £100k.
- Northumberland County Council has developed a portfolio of affordable housing properties that are rented to local residents and generate an income return.
- Councils also generate income through sponsorship and advertising on assets and the sale of facilities services.

Shared services with other local authorities are a common way that councils make savings. A 2013 Localis survey of local authorities showed that nearly all councils (94%) share at least one service. Shared services are typically for back office functions, such as management teams, transactional services, and commissioning, but have also been used for frontline services.

The creation of new council-owned companies has also become increasingly popular. The same Localis study revealed that more than half of councils (58%) operated a local authority trading company in 2013 – a figure that has risen further over the last few years. Other delivery models that councils are choosing to use are joint ventures with private sector organisations, public service mutuals and trusts.

Harrow Council draws on the growing commercial expertise in the public sector through membership of a number of groups and forums. The Cross Council Revenue Generation Group, APSE's Commercialisation Network and the LGA have proved particularly useful.

Since the publication of the Commercialisation Strategy, Harrow has pursued a variety of income-generating initiatives, has moved quickly to exploit many of the opportunities that have been pursued by others and is now leading in some areas.

Implications of the Recommendation

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

The Commercialisation Strategy aims to deliver substantive culture change in the council, whereby colleagues are proactive in identifying commercial opportunities without losing focus on their existing customer base and the quality of service delivery. Services will need to be fit to compete in order to win and maintain market share.

The management and reporting of the commercial portfolio is becoming increasingly embedded. This will facilitate a more sophisticated understanding of the Commercialisation Strategy, as well as the respective merits and viability of individual commercial initiatives.

Scope and objectives

The Commercialisation Strategy makes it clear that the commercial approach is open to all service delivery options, and is intended to encompass all service areas (or elements of service areas) within the council.

Key objectives of the Commercialisation Strategy are 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 surplus-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;
- 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; and
- Use the commercial knowledge acquired through this programme to gain a competitive advantage.

Current Situation

The Commercialisation Strategy was approved in June 2015. It was one of the themes looked at during the Corporate Peer Review, which was conducted in June 2016.

In particular, the report writers praised the way in which staff have enthusiastically embraced commercialisation and noted that there are a number of major projects underway that have the potential to make a meaningful financial contribution. Some challenges were, however, identified. These include developing the workforce over time to realise commercial objectives, improving customer access and response, and contingency planning.

Projects identified in Commercialisation Strategy

Within the Commercialisation Strategy, a number of commercial opportunities were identified as priorities for development. In June 2015, these projects were at various stages of implementation, ranging from early stage concepts to draft business cases. An update on the progress of these initiatives is outlined below and is followed by a review of whether they are delivering the expected financial returns.

- **Legal Service Expansion**

Harrow embarked on the expansion of its Legal Practice when it entered a shared arrangement with LB Barnet and created a shared identity of HB Public Law. This involved the full TUPE transfer of the legal staff to Harrow as well as them physically moving to Harrow's offices.

With the service to Barnet successfully running, the shared service was expanded to include LB Hounslow. This again involved the TUPE transfer of Hounslow's legal staff to Harrow and their move to Harrow Civic Centre.

The service further expanded to include Aylesbury Vale. This involved taking on their legal work but did not involve the transfer of staff.

In 2016 the service expanded again with the transfer of staff from Buckinghamshire County Council. This again involved a TUPE transfer; however, the staff remain located in Aylesbury. This arrangement was entered into alongside the shared arrangements with Buckinghamshire for Human Resources and Payroll.

Currently Harrow is providing support to Slough Borough Council, although they have not formally entered the shared service at this stage.

- **Communications services (previously Web Commercialisation)**

Harrow has partnered with the Council Advertising Network (CAN) in order to sell advertising space on the 'harrow.gov.uk' website and the 'harrowhub' intranet. Advertising went live in June 2015 and the majority of income is shared equally with the CAN. Harrow does, however, sell a proportion (200 'clicks') of its advertising space directly to local business, which generates income solely for the council.

The Harrow People magazine also generates commercial income through advertising. Almost 100,000 copies are distributed five times a year and a wide variety of local businesses use the magazine to promote their services.

External sponsorship and advertising is currently used to support core council events, including Harrow's Heroes, the Staff Awards, and the Harrow Business Den. The continued viability of these events is dependent on commercial income.

The Communications team are exploring a partnership with the Environment and Enterprise directorate to offer local advertising on all council assets, including vehicles and land assets. The intention is to implement this initiative during 2017.

- **Investment Portfolio**

In December 2015, Cabinet approved an Investment Property Strategy with the intention to build a portfolio of commercial property. Cabinet agreed the maximum purchase commitment of the council to be £20m and that no single purchase would exceed £5m. To ensure a viable income stream after accounting for capital financing costs, a gross yield of 7.5% was stipulated as

a requirement for any property. For logistical reasons, it was decided that any investment opportunity must be within a commutable distance of Harrow. Investment criteria also include the length of unexpired lease, quality of property and quality of tenant.

In October 2016, the council purchased the leasehold on a warehouse in Manchester for £5m. Since October 2016, Harrow has let this property to Fluorocarbon Company Limited. The contract is 10 years in duration and is providing a gross yield of 7.6%.

The council continues to explore opportunities for further investment and is looking to acquire a second property in the North West of England.

- **Procurement Services**

In September 2016 a Shared Procurement Service was established between Harrow and Brent Councils. The decision was taken in response to the latest rounds of budget cuts and associated resource pressures, which threatened the continued provision of effective procurement activity. The shared service – named HuB Procurement Services – is led by Harrow and has helped generate significant savings for both councils through a newly integrated staff structure.

The appointment of a new Divisional Director for the service in June 2017 and the continued consolidation of the staff structure will facilitate collaboration on future procurements across both boroughs.

The shared service also generates commercial income through the provision of procurement support and advice to a number of other local authorities and public sector organisations. These include the London Grid for Learning, Haringey Council, the LGA and the West London Waste Authority.

Harrow's procurement team also operates two commercial framework agreements – Small Cells and Digital Advertising – that other councils and public sector bodies can use to expedite tenders. Harrow receives a 0.75% rebate on total supplier income. In August 2017, Harrow agreed a Memorandum of Understanding with the Yorkshire Purchasing Organisation (YPO). The YPO will promote the frameworks using their high-profile website and UK-wide networks for a split of the rebate. Significant returns are anticipated over the coming years.

- **Letting Agency**

Cabinet approved the Lettings Agency project in June 2015 with the objective of generating profit from the letting and managing of property. These are expected from three sources: private landlords; the council's acquired 150 homes through the Property Purchase Initiative (PPI); and the council's build to rent units from the regeneration programme.

In July 2015, Cabinet approved the setting up of Concilium Group Ltd as the holding company for the council's profit-generating commercial activities. The sole remit of the company is to balance the returns from its subsidiaries and pass any surpluses to the shareholder (Harrow Council).

Currently, only one trading subsidiary exists – Concilium Business Services Ltd, trading as Smart Lettings. Since then, Smart Lettings has focussed on establishing a presence in the market through advertising. Challenges attracting landlords and slower than envisaged availability of properties from the PPI have, however, adversely affected income generation. A revised business plan was subsequently approved in May 2017.

- **Sexual Health Commissioning**

This was a proposal to establish a pan-London clearing centre for the management and processing of invoices from out-of-borough attendance at sexual health clinics. There was no appetite amongst London boroughs to proceed with this service and the proposal was subsequently dropped.

- **Project Infinity (previously My Community ePurse)**

Project Infinity is a suite of bold technology solutions created by adult social services at Harrow Council. It aims to empower citizens to improve their well-being; anticipate integrated health and social care services; and reduce costs by encouraging more competition among service providers. Project Infinity comprises three solutions:

- My Community ePurse (MCeP): a digital marketplace enabling eligible citizens to have more control and choice in their care solutions and to use their personal budgets safely and securely online;
- Our Community ePurse (OCeP): will expand upon MCeP by enabling all citizens, family and friends to buy care services and products independently; and
- Total Community ePurse (TCeP): will enable eligible citizens to manage their health and social care online in one place and give service providers and health and social care professionals more actionable information.

In September 2016, Harrow signed a 10-year partnership agreement with IBM, who will integrate Infinity into its existing Watson Care Manager (WCM) platform. This will enable system improvements, scalability and interoperability.

The MCeP minimum viable product is expected to be available within WCM by 31 March 2018. The delivery dates for OCeP and TCeP are respectively the second quarter of 2018 and 2018/19.

- **Construction Delivery Unit**

A Construction Delivery Unit (CDU) is being developed with the aim of managing the council's major capital investment programme – expected to increase from £15m in 2017 to several hundred million by 2025. In particular, the CDU will support the council's extensive regeneration schemes that are progressing through planning in the summer and autumn of 2017.

The CDU was established as part of the Regeneration Unit in 2016. A new staff structure of permanent staff – supported by consultants – will provide the depth of experience and knowledge required to ensure the delivery of its objectives. The Schools Capital team is in the process of integrating into the CDU, which will strengthen its capability and capacity. The intention is that this will be completed by March 2018. A rigorous learning and development programme will also help the CDU to become less reliant on consultants, ensuring cost reductions for the council.

The CDU is currently providing project management support for the delivery of the Gayton Road housing development. It is also in the process of recruiting new project managers and support staff for the delivery of future projects, including the Vaughan, Haslam, Byron and Poets housing schemes, and the New Civic Centre development.

In the medium to longer-term, there is potential to generate commercial income for the council by offering the expertise and services of the CDU to other local authorities and other social housing providers on a consultancy basis.

- **Private Rented Sector Housing**

The Private Rented Sector (PRS) Housing project refers to the construction of new homes on council assets as part of the regeneration plan for the borough. It aims to generate commercial income by the letting of these new homes to private tenants.

A proportion of the properties will be offered to tenants at discounted rates to help alleviate housing shortages in the borough. Debt generated by construction costs will be repaid through the income the council will receive from land receipts, development profits and rent. In the medium to longer term, the council will hold an investment portfolio that should increase in value if rental and property prices continue to rise across London.

The council has identified six sites that it owns that can support approximately 700 PRS units. On two of these sites, a total of 80 PRS units are under construction. Planning for a third site containing 35 units will be submitted over summer 2017.

- **Harrow School Improvement Partnership**

The Harrow School Improvement Partnership (HSIP) was created in 2011 to ensure that the council fulfils its statutory duties to schools and continues to raise education standards. Council funding was used to establish HSIP, with an agreement that the service would become financially self-sufficient in the longer-term.

A new financially sustainable operating model will be implemented from September 2017. This will entail greater distinction between effective schools and those in need of additional support. All schools – with the exception of one primary school – have bought into the service for the upcoming academic year (2017/18). A more streamlined resource structure is also now in place.

The savings generated from the new model are intended to eliminate the service's deficit and ensure a balanced budget from September 2018.

- **Recruitment Agency**

In 2015, the council explored the options for setting up an in-house recruitment agency to supply Harrow's contingent labour needs. A council owned service and a joint venture partnership were both regarded as commercially marginal and risky due to the high set up costs, tight margins involved and high level of volume risk.

It was decided that the most tenable option was to give a single provider exclusivity on all vacancies for a period of time in return for a reduced mark-up. The council awarded a contract to Pertemps – valued at £88m over three years from 1 January 2017 – for the recruitment of contingent labour. This was awarded through a Yorkshire Purchasing Organisation (YPO) framework, meaning, as an associate member of the YPO, Harrow receives a rebate.

The YPO rebate, savings negotiated on tenure discounts and reduction of rates, means that savings of £370k are projected annually.

- **Project Phoenix**

The Project Phoenix team in the Community Directorate lead and manage a significant commercialisation programme. Project Phoenix has created a Harrow Commercial Services website, enabling customers to view and enquire about service offers. The commercial services that Harrow's residents, businesses and schools can purchase include:

- Commercial Waste Services – the collection of large household items, trade waste, and confidential waste;
- Gardening & Grounds Maintenance – ranging from residential and business garden maintenance to full estate management, including schools and outdoor building maintenance;
- Catering – a Harrow Cookery School opened recently, and joins the existing school meals service, a hospitality team that offers catering for events and meetings, a meals on wheels delivery service, and the hire of fully equipped pop-up kitchens. A number of new cafes have also been opened in the borough;
- Pest Control Service – the identification, treatment and prevention of a variety of pests;
- Training Academy – a wide range of accredited classroom training and e-Learning to enhance skills, knowledge and business performance. This includes training related to Food Safety, Health & Safety, Personal License Training and Landlord Advice;
- Transport & Vehicle Services – includes Mini Bus Hire, Valet Services, Driver Assessments, Fleet Management on behalf of other local

authorities, and Vehicle Servicing & Repairs. A new MOT bay with MOT testing is also available;

- Special Needs Transport – in September 2016 Harrow entered into a shared service arrangement to manage the Special Needs Transport operations for Brent Council;
- Events – over 20 parks and open spaces can be booked for commercial functions, including weddings, private parties, entertainment events and attractions. A professional party planning service is also available, as well as conference and meeting room hire at the Civic Centre. In addition, a Harrow Film Service generates income through professional filming and photography; and
- Advertising & Marketing – marketing opportunities on council assets in the borough, including roundabouts, billboards and vehicles.

Projects identified post Commercialisation Strategy

Further opportunities have been identified since the Commercialisation Strategy was agreed. These are also at various stages of implementation and are summarised below.

- **Harrow Careline (formerly Helpline)**

Harrow Careline provides a personal alarm service to elderly and vulnerable people in the boroughs of Harrow and Brent. The service is provided free of charge to clients referred through Adult Services and Re-ablement, causing the service to run £250k over budget by the end of the 2015/16 financial year. To close this gap in the budget, Cabinet approved a business case in February 2017 to grow the self-funder user population.

The Harrow Careline service subsequently established a marketing strategy that included the more effective deployment of digital channels, such as the council website. The integration of Careline with Access Harrow has also generated savings, as it enables staff to 'flex' their time in order to handle calls during periods of high demand.

The Careline service team continues to aim to increase the number of self-funders and is also assessing the viability of using new technology to expand the type of service offered. This could include working with a new supplier to provide a wider range of internet-connected devices to help vulnerable people live more independently in their own homes.

- **HR Shared Service**

In April 2017, the council agreed to enter into an HR Shared Services arrangement with Buckinghamshire County Council (BCC). After considering a range of options, including the outsourcing of shared services and a jointly managed shared service, it was decided that a BCC hosted shared service had the highest potential for savings.

An Inter Authority Agreement was therefore developed and implemented. This delegated authority to BCC for the delivery of HR Shared Services on behalf of Harrow Council. The agreement will last four years until March 2021 and is projected to deliver significant savings for the council.

- **Adult Services – Wiseworks & Shared Lives**

Wiseworks is a community service that supports people with enduring mental health problems to build sustainable coping strategies and break social isolation through meaningful activities and training. Most users pay for the service through their personal budgets and are referred by the Central and North West London (CNWL) NHS Trust.

To reduce budgetary pressures, Wiseworks generates commercial income from some paying clients and the personal budgets of a small number of users from other boroughs. A number of other commercial income streams have been developed over the last few years, including a printing service, plant sales and premises hire. In 2015, a garden maintenance service was established and in 2016, the restoration and sale of furniture and tools was launched.

Increasing the number of clients from outside of Harrow through a focussed marketing strategy is a necessary next step for generating more income. There is also the potential to expand the service to include clients with, for example, learning difficulties and/ or physical disabilities.

Shared Lives looks for ordinary members of the public to share their lives with a vulnerable adult. Over the last 18 months, the service has been working in partnership with the London Borough of Barnet and has recruited 12 new carers. The service currently accommodates one Long Term Placement and rolling respite to four service users.

- **Property Purchase Initiative**

Cabinet approved the Property Purchase Initiative in July 2015. The objective was to acquire 100 properties for use as temporary housing, providing an alternative to expensive and less suitable bed and breakfast accommodation.

The original budget of £30m was reduced to £27m and includes purchase price, initial refurbishment works, professional and legal fees. In August 2016, a bid was submitted for internal capital funding of a further £15m for the purchase of up to 50 more properties. The purchase of the additional properties is pending final approval.

The first 100 properties have been identified and secured with vendors. As of July 2017, 74 properties have been purchased and 56 let. They are a mixture of one, two and three bed properties. The purchased properties are held in the General Fund and will be managed by the council's new lettings agency, Smart Lettings.

So far, the council has purchased the majority of its properties in Aylesbury and Watford due to the relatively high value of properties in Harrow. Homelessness legislation, however, means the council is restricted in its

capacity to relocate families to homes outside the borough. The higher value of properties in Harrow will therefore limit the number of properties that the council can purchase within the budget, should it be approved.

In July 2017, less than 150 families remained temporarily housed in bed and breakfast accommodation, falling from over 300 at the start of 2016. This has led to a significant reduction in temporary accommodation costs for the council.

- **Handyperson Service**

The Harrow Handyperson commercial paid service was established in November 2015 and has carried out over 200 jobs (the majority for our Resident Service's team Sheltered Housing schemes). These include basic plumbing, carpentry, electrics and gardening services. Some larger jobs have also been undertaken.

The paid service is currently being reviewed, as the volumes of jobs required to make it commercially viable are challenging given marketing constraints, contractor capacity and the current margins. Other local authorities that have attempted to commercialise handyperson services in the past agree that the low margins are a barrier to financial self-sufficiency.

A further update can be provided after a defined approach on the future of the paid Handyperson service is agreed in the autumn.

- **Harrow Deals**

Harrow Deals was launched by the council in November 2015. The Harrow Deals website promotes exclusive discounts for Harrow residents and comprises products and services that can be found in local business or purchased online. It also includes local job opportunities.

The council receives a percentage commission on all customer spend through the website and local businesses pay a monthly fee to advertise their deals. As of July 2017, over 90 businesses and more than 7500 users have registered to Harrow Deals.

- **Early Payments Initiative**

There is an opportunity for the council to negotiate savings from suppliers in return for paying them earlier than their contracted terms. To increase the likelihood of early payment rebates, it is necessary to align existing SAP terms to the contractual terms agreed with suppliers.

In early 2016, the council engaged the services of Oxygen Finance – a firm operating in this sector – to provide an assessment of the income opportunity available to Harrow. Implementing early payments with Oxygen is anticipated to deliver between £0.6m and £0.8m over a five year period.

In June 2017, Harrow signed a contract with Oxygen, and it was agreed that implementation of the initiative will begin in October. Sopra Steria will help embed Oxygen's technology into Harrow's SAP system, with the cost to the council capped at £45k. It is anticipated that the council will start to generate income from this initiative in October 2018.

- **Sancroft Hall**

This project is being led by Project Phoenix. Sancroft Hall is a purpose built residential care home with 50 single bedrooms and a large two-storey Day Centre with a separate entrance and facilities. In 1999, Harrow entered into a pilot PFI arrangement with private firm Catalyst for the provision of 45 beds and two 25 place Day Centres until 2024 (25 year term).

In April 2017, Cabinet approved the purchase of Sancroft Hall and the continued provision of a regulated residential care service from the property and transfer of the day care service to our in-house provided services. The purpose of the project is to trade successfully in the social care market and make a net profit over the first five years of business. In July 2017, the council completed the purchase and carried out a successful transfer of Day Care Services to Kenmore NRC. The council will need to set up a further subsidiary to Concilium Group to achieve this objective.

Programme activities

Pricing

A review of the council's subsidy position on fees and charges was conducted and where costs were not being recovered, discussions held to ensure options for doing so were being explored. Amendments were built into the Fees and Charges report that went to Cabinet last year.

Contract specifications

The council's standard terms and conditions have been revised to include stronger provisions for continuous improvement. A new Commissioning & Commercial Board has been established, where senior council officers across all service areas will challenge and scrutinise new contract proposals. The contracts register is being regularly reviewed and revisions to specifications are now built in to a business as usual approach.

Commercial awareness training

Training options have been reviewed and the council has held training sessions in 2016.

Capability and culture review

A managers' conference was held and feedback from that event was incorporated into a new values and behaviours framework, and into staff objectives being more business-like.

Lessons Learned

The council is in the process of reviewing the budget for February 2018 with the draft budget due in December 2017. Any amendments to the financial targets for individual projects will be included in these reports.

Overall, improved commercialisation has made a significant contribution to the council's financial position, which means that the objective of developing income streams to support the delivery of council services is being achieved. This is preferable to the alternative option of only cutting services.

Shared services have made a significant contribution and the council has demonstrated flexibility in its approach. Arrangements are in place with County Councils, District Councils and Unitary Authorities. These are within and outside London and are multi political party. The council both provides and receives services, delivering a financial return in each direction.

The trading of existing services, improving their performance to win custom and the development of related offers has also been successful. Project Phoenix has been particularly successful in this area and has also been a positive agenda for staff to engage in as well as providing new services to residents.

As per the one of the principles outlined in the Commercialisation Strategy, the council has shown a willingness and ability to take on risks as is necessary for any commercial initiative, with an appreciation that not every initiative will be successful. A number of ideas were looked into and then stopped. The recruitment business is a good example of the evaluation of an idea and a decision not to pursue.

Project Infinity represents an example of showing significant ambition and entering an innovative arrangement with a partner who will bring a reach to markets the council would not otherwise access. However it also represents a significant risk with the product requiring further development, a fast moving market and a significant expected return built into the budget.

Regeneration also represents a major commercial project for the council, the financial next steps for which were reported to Cabinet on 14th September.

The majority of the commercialisation of services has seen the council trading as Harrow Council. Consideration has been given on each occasion to the legal powers the council has to trade and make a surplus/profit. One service has been traded through a Local Authority Trading Company (LATCO) for housing lettings as the council did not have the legal powers to do so otherwise. The council therefore now has experience of LATCO formation and

when it is required and has drawn on this experience for the development of the Sancroft project. The council going forward has the option to look at the greater role that LATCOs may play in the future.

These initiatives demonstrate an ability to be innovative through embarking on ventures where prior experience is limited, but where analysis has shown that positive returns can be achieved.

Further lessons came to light following a Peer Review in June 2016 mentioned earlier in this report. The peer review team was asked to explore if the council was doing the right things, with the right skills and capacity on commercialisation, and whether risk was appropriately understood and managed.

The report specifically made reference to commercialisation being clearly defined, understood and accepted throughout the organisation, however did make suggestions on building commercialisation capacity, reviewing governance arrangements, and ensuring there is an understanding of the synergies between the commercialisation, regeneration and economic development programmes and ensuring an alignment of plans.

Financial Implications

The council has built commercial objectives into its MTFS worth £15m. Some of this is already captured in the MTFS, with the remainder predicted to be delivered over the next three financial years. This is shown in the table attached at **Appendix A**.

Performance Issues

Performance issues are covered for all individual services in the body of the report (above).

Environmental Impact

There is no environmental impact associated with this report though there are energy initiatives being considered.

Risk Management Implications

Risk included on Directorate risk register? Yes

The council is facing significant funding gaps over the coming years and therefore adopting the Commercialisation Strategy was a necessary step to begin to make positive contributions to the MTFS. There is a greater risk of the council not pursuing this approach.

The risk for commercialisation initiatives is captured in the council's Corporate Risk Register.

For any initiatives requiring substantive funding or resources, initiative owners will be required to carry out suitable feasibility studies and put together business cases where appropriate, before any significant investments are made.

The council's budgets in future years will increasingly see highly valued local outcomes being deliverable and affordable and linked to the success of its commercial operations. There is significant evidence that this is the direction of the local government sector. The success of the council in supporting and benefiting from its commercial activities will be crucial for the continuing delivery of local services.

A key recommendation from the Peer Review was that the council needed to identify its Plan B if commercialisation initiatives do not make the contribution that was targeted. Equally, the returns from commercialisation initiatives can be volatile. This risk is mitigated through the council's budget process. Commercialisation projects represent a direction of travel, however if they are not delivering the returns targeted this is handled through the budget refresh exercise which results in a revised draft budget each year. If projects are not delivering in year then this would be expected to be handled through in year budget management.

Equalities implications

There are no decisions related to this report.

Council Priorities

The Commercialisation Strategy supports the following corporate priorities

- Be more Business-like and Business Friendly

Section 3 - Statutory Officer Clearance

Name: Sharon Daniels



on behalf of the
Director of Finance

Date: 17/08/2017

Ward Councillors notified:

NO

Section 4 - Contact Details and Background Papers

Contact: Anand Pajpani

Background Papers: Commercialisation Strategy 2015-2018