

Exeter City Council Commercial Strategy Appendices



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Our corporate plan focuses on five strategic priorities that address current major challenges facing the city:

Tackling congestion and accessibility

- We will work with our partners to make Exeter a city where active travel is promoted and where transport is not a barrier to accessing education, jobs, services or social activities and where sustainable means of travel are safer, cheaper, quicker and more convenient than private car ownership

Promoting active and healthy lifestyles

- We will strive to make Exeter the most active city in England with a high-quality and accessible built environment and green spaces that encourage active and healthy lifestyles in communities that support wellbeing and reduce social isolation

Building great neighbourhoods

- We will strive to ensure that every resident has a home that is secure, affordable and healthy in a neighbourhood where local services support wellbeing and promote community cohesion

Provide value-for-money services

- We will continue to improve the way we deliver services to meet residents' day-to-day needs recognising that financial constraints are placing a premium on efficient and customer-focused services.

Leading a well-run council

- To run the council well and deliver our strategy we will ensure effective governance, accountable decision making and good management of our business, assets and people. We will continue to seek opportunities to add value by working in partnership with others

The 2040 Vision for Exeter states:

“By the time they are an adult, a child born in Exeter today will live in a city that is inclusive, healthy and sustainable - a city where the opportunities and benefits of prosperity are shared and all citizens are able to participate fully in the city’s economic, social, cultural and civic life.”

The vision has a number of themes of work, with priorities for each yet to be determined:

- Innovative and analytical city
- Healthy & inclusive
- The most active city in the UK
- Accessible world class education
- Liveable and connected
- A leading sustainable city

Appendix A • Links to local strategies

To deliver the vision and the Corporate Plan 2018 – 21 we will require sustainable financial resources. As we expand commercial activity, we will deliver appropriate programmes that will achieve an income to fund priorities and actions from the two documents above. Successful commercial activity may enable us to match fund external funding bids and increase the level of funding available to deliver the priorities of our community strategy.

To enable Exeter to meet its housing needs, **“Liveable Exeter - a transformational housing delivery programme”** was launched Spring 2019. This delivery programme has gained interest from central government, with support and guidance provided.

This programme highlights 8 transformational projects will be delivered across the city:

This delivery plan is about ensuring that, as Exeter grows, its success is sustained. It highlights how a transformational housing delivery programme can be the means to bring major investment into the city and renew its infrastructure for the 21st century with the aim of improving people’s lives and wellbeing. It demonstrates the capacity for urban renewal and densification to also relieve pressures on the infrastructure and communities of the surrounding more rural districts and protect the setting of Exeter.

This context is important in that commercial opportunities to service new businesses and provide services to new residents will arise.

This commercial strategy will be delivered within the context of an exciting and ambitious Greater Exeter Industrial Strategy – the engine for regional growth. This strategy has been adopted by Exeter City Council, East Devon District Council, Mid Devon District Council and Teignbridge District Council.

	Homes	Shops / Leisure / Sport (sqm)	Workspace (sqm)	Other / Educational (sqm)
Red Cow Village	664	1,638	3,966	-
Water Lane	1,567	4,115	6,397	-
Marsh Barton	5,544	-	-	-
East Gate	962	2,875	18,557	-
West Gate	617	2,341	33,110	-
South Gate	300	565	3,310	-
North Gate	308	11,993	-	-
Sandy Gate	1,050	17,000	59,000	54,000

Appendix B • A summary of service commercial audits

In order to set out the council's strategic approach for the next five years, it is important to understand where we currently are in relation to commercial activity.

Independent audits have been completed for the following areas:

- Trade Waste and recycling (including green waste)
- The MRF facility (Recycling facility)
- Cemeteries
- In sourcing potential for housing repairs and maintenance and the assisted gardens scheme
- Maintenance of hard surfaces (car parks etc.)
- Grounds maintenance and integrated estate management
- Pest control

These high level audits looked at:

- Whether current operations generate a true surplus
- Customer needs and the stability of the customer base
- Customer satisfaction, market advantages and the council's Unique selling points (USP)
- Efficiency of the operation and potential capacity
- The potential to extend commercial activity

The following audits are in progress:

- Electronic advertising
- Memorialisation
- Energy

General observations from all audits

- With most operations it was not possible to determine the surplus as trading accounts were not set up. In one case however (Commercial Waste, the trading account demonstrated that the operation generated a surplus).
- Comprehensive allocation of costs was not available in all service areas audited.
- Some areas of operation could not compete on price with the private sector and there was no evidence that there were sufficient market advantages and/or USP's that would make it likely potential customers would pay higher charges.
- Significant sums of money are being spent externally by the council, subject to efficiencies there is potential to retain this expenditure within the council, as such Procurement may play a key role.
- There is limited current capacity in most cases for commercial activity and as such business cases will need to identify the cost of additional resources.
- The council needs to concentrate on areas that are likely to generate the best level of surplus. In general terms blue collar services generate a lower surplus and often have higher risks associated with them.
- Some areas in order to commercialise need significant capital investment.
- Often customer satisfaction data was unavailable and there is no one point of call for commercial customers.
- The council has a number of market advantages/USP's in some areas.
- There is an absence of pricing strategies and marketing.

Appendix B • A summary of service commercial audits

Trade Waste	Trade Waste	Trade Waste
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
Commercial waste and recycling collections	<p>Existing service with good levels of satisfaction Costs are understood and identified within the service Current surplus/margin that is sustainable Capacity to expand exists in the service Market is expanding and current market share is relatively low No current marketing strategy Very limited capacity to market service and gain new customers Income target achievable if marketing is resourced</p>	Yes
The MRF facility	The MRF facility	The MRF facility
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
Recycling services to other local authorities and commercial customers	<p>Aging plant and equipment Increased levels of contamination Fluctuating recycle market (generally reducing values) Significant cost of fire protection measures required Excellent reputation Capacity exists to increase recycling activity Market exists for expansion</p>	<p>Not at this stage Potential after refurbishment of the plant is completed</p>

Appendix B • A summary of service commercial audits

Cemeteries	Cemeteries	Cemeteries
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
<p>Memorialisation Woodland scattering of ashes Provision of associated services, i.e. Funeral Director, Florist, Stone Mason, Wake facilities</p>	<p>Buildings in very poor condition Space is limited Recent memorialisation activity has increased income Unable to establish profit element Limited staff capacity exists Innovative memorialisation options in the industry exist, some requiring little space Significant USP with location Reputation is solid within the sector Burials market is likely to contract Opportunities may exist to purchase a Funeral Director</p>	<p>Yes - however only for Memorialisation and potential purchase of an associated business</p>

Appendix B • A summary of service commercial audits

In sourcing potential for housing repairs and maintenance and the assisted gardens scheme	In sourcing potential for housing repairs and maintenance and the assisted gardens scheme	In sourcing potential for housing repairs and maintenance and the assisted gardens scheme
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
<p>Housing repairs and maintenance including voids</p> <p>Delivery of an assisted gardens scheme</p> <p>Maintenance of housing estates</p>	<p>Service currently provided externally, contract due to conclude</p> <p>Unable to identify all unit costs</p> <p>Significant spend in excess of £15m over a 5 year period</p> <p>TUPE would apply to any in sourcing</p> <p>Potential to compile an in house bid when the contract terminates, or to have a soft market test to identify the level of efficiencies the council would require in order to compete</p> <p>The council current costs would not be competitive and as such efficiencies would need to be found</p> <p>Satisfaction and performance of the current contractor is variable</p>	<p>Yes however after a service review to identify efficiencies and a soft market test when the current contract concludes</p> <p>Need to consider contract management costs</p>

Appendix B • A summary of service commercial audits

Maintenance of hard surfaces (car parks etc.)	Maintenance of hard surfaces (car parks etc.)	Maintenance of hard surfaces (car parks etc.)
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
Cleaning and weed control of car parks and commercial premises	<p>Significant and expanding market</p> <p>Current very low market share</p> <p>Competitive market-relatively low wages in the sector</p> <p>Council costs are not currently competitive enough to compete within this market</p> <p>No customer satisfaction data was available</p> <p>No current capacity exists- new resources would be required</p>	No
Grounds maintenance and integrated estate management	Grounds maintenance and integrated estate management	Grounds maintenance and integrated estate management
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
<p>Assisted gardens</p> <p>Grounds maintenance</p> <p>Landscaping hard and soft</p> <p>Arboriculture</p> <p>Noxious and other weed control</p> <p>Development of site maintenance specifications and management plans</p>	<p>Competitive market</p> <p>Low rates of pay in the sector-relatively low value work, except landscaping and arboriculture and noxious weed control</p> <p>Anticipated capacity unavailable</p> <p>Potential to up-sell and expand the service in particular to commercial sites</p> <p>Initial projections demonstrate that efficiencies would be required for this proposal to be competitive and return a surplus</p>	Yes - however a holistic approach would be required in terms of attracting the higher profit margin elements of the service to generate a profit and efficiencies would be required

Appendix B • A summary of service commercial audits

Pest Control	Pest Control	Pest Control
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
<p>Expansion of the service to Housing</p> <p>Expansion of commercial offering, offices, shops, food establishments etc.</p> <p>Provision of commercially priced services to private individuals</p>	<p>Strong reputation</p> <p>Staff ability and commitment</p> <p>Stable customer base</p> <p>Affordable, reliable</p> <p>Ecological practices</p> <p>Concessions affect margins</p> <p>Marketing capacity</p> <p>Staff vacancies, No customer feedback</p> <p>No single point of call</p> <p>Increasing commercial activity</p> <p>Implementation of new IT</p> <p>Expanding Housing Services</p> <p>Fluctuating income</p> <p>Changes to legislation</p>	<p>That a business case is developed and further market research undertaken</p>

Effectiveness and efficiency

The first building block of successful commercialisation is ensuring that we operate effectively and efficiently. Without this in place we will be unable to compete within commercial markets. As such where required we will review services prior to embarking on commercial activity.

Flexibility

Successful commercial organisations demonstrate a high level of flexibility in the way they operate and in particular their ability to maximise opportunities and minimise risk by expanding and contracting as the market dictates.

Flexibility in terms of how they manage and what they expect from their staff is also key to success. We will review our HR policies and procedures and look at how we may be able to expand and contract whilst at the same time providing quality employment and stability to our workforce.

Skills

Successful commercial organisations range from those that specialise in specific areas to those that provide a wide range of supplies and services. The skill levels required are diverse; however the following skills are particularly important to enable success in the commercial environment:

- Financial skills and in particular in relation to understanding fully costs, forecasting, tipping points and the management of trading accounts, an understanding of fixed and variable costs, marginal costs and cash flow. These skills are in some cases different than those required currently by the council and as such we will develop a further programme of developing commercially focussed financial skills.

- Marketing skills and in particular those required to undertake commercial research and fully understand how the market within which the council intends to operate works, how best to enter that market and what would differentiate them from other competitors within the market. Also key will be to fully understand how potential customers behave and make their purchasing decisions and how best to communicate with them. We will implement a further programme of developing commercially focussed marketing skills.

Capacity

We will assess the capacity that we have to develop comprehensive business cases and plans and then to implement them effectively.

Support services will need to be able to provide bespoke support, from the setting up and managing of trading accounts to the provision of legal and HR support, the capacity to enable expansion where there is a business case to do so will need to be in place. Stretching our current resources will be key to ensuring that commercial ventures are not held back by support costs.

Operationally we will need to also stretch our capacity and understand our tipping points whereby we will need to engage further resources.

Entrepreneurial culture

We will embed a culture that encourages an entrepreneurial approach.

Risk management

Commercial activity is by its nature intermittently risky, the appetite and mechanisms to manage risk within a commercial environment will be reviewed. Comprehensive business cases and plans will be key to identifying and managing risk.

Decision making, focus and control

Successful commercial organisations are able to make decisions quickly in order to respond to market conditions. We will consider how we can make decisions that remain effective but that are timely enough to maximise opportunities, respond to our customers and manage operations and risks. In order for commercialisation to succeed we will need to have staff that are able to focus on this with the appropriate level of capacity and skills. Whilst as a public body transparency will remain a key objective, commercial sensitivity and where appropriate confidentiality will be required. All businesses cases will be assessed by the Senior Management Board to determine if they are progressed with.

Funding/Resources

We will need to ensure that commercialisation is appropriately funded and resourced. This will require staff with the appropriate expertise and capacity and/or the use of external advice and consultancy.

An investment fund to enable commercialisation will also be established so that we are able to take commercial opportunities (subject to a convincing business case).

Financial processes and overheads

We will set up trading accounts to separate commercial activity so that a surplus and/or losses may be clearly apparent and forecasts are specific to trading activities.

We will also consider carefully how we allocate and account for our overheads

Departments/Multi tasking

A characteristic of a successful commercial organisation is that their staff are empowered to work across a number of disciplines. Commercial managers are generally more self sufficient in areas such as Human Resources and Finance. Appropriate levels of training and policies that define when support is required will be developed in order that decisions are timelier and overheads are reduced

Service driven/surplus driven culture

The balance between delivering community services that will remain our primary focus and the delivery of commercial activity will need to be achieved.

Transparency through trading accounts and where appropriate the separation of commercial and service operations will be considered.

We will set up a process to consider and resolve any potential conflicts of interest from commercial activity.

Appendix D • What business cases and plans will need to include:

All business cases shall include:

- Evidence that the proposed activity is legal in terms of the restraints of local authority activities
- Evidence that the proposal fits in with the strategic aims and objectives and appropriate restraints of the council. Any potential conflicts with these aims and objectives will be identified and the case made for how conflicts will be mitigated and on balance the proposed activity should proceed
- Evidence that there is a commercial case for the proposed activity and in particular the following:
 - A** What the product and/or service is that you intend to sell
 - B** That there is a market for the services and/or product
 - C** That the potential customers are likely to be willing to pay the charges required to generate a surplus
 - D** The financial tipping points are identified and it is realistic that a surplus will be generated
 - E** A general understanding of the competition and the market is shown and this will not prevent a surplus from being generated
 - F** Market advantages and/or USP's are identified or other rationale provided as to why customers may chose the council to trade with

There is a proven financial argument that demonstrates

- A** All costs are accounted for
 - a. All operational costs, fixed and variable
 - b. Any appropriate contributions to overheads
 - c. Opportunity costs
 - d. Investment recovery
 - e. Depreciation and capital costs
 - f. Any other costs expended as a result of undertaking that particular commercial activity
- B** Income projections are robust, realistic and based upon appropriate research
- C** Cash flow projections demonstrate the feasibility of the proposal without significant call upon reserves
- D** The financial tipping points are identified
- E** A surplus is likely to be generated when all costs have been considered
- The operational requirements are identified in full and accounted for in the financial argument (case)

Appendix D • What business cases and plans will need to include:

The operational case will include

- A** The manner in which you will enter the market
- B** Both resources and skills are clearly identified together with the mechanisms for ensuring they are in place
- C** The operational tipping point where additional resources will be required is clearly identified
- Risks will be identified and assessed and appropriate action to mitigate risk will minimise it

Business plans shall include:

- An options appraisal that determines the delivery mode and how the market will be entered
- What resources you already have, what you need and what are the gaps.
- How the resource requirements will be obtained
- The approach to marketing
- How the activity will be managed
- Any gaps in information and how these gaps will be filled
- Targets and projections
- A SMART action plan that includes all of the above and any other pertinent details

Other local authority examples of commercialisation

Sevenoaks Council

Highly developed commercialisation in particular in relation to property assets and energy. The council states it is now self sufficient from core government funding with commercial activity playing a major role in this achievement.

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 significant 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 an 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.

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.

Runneymede

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.

LB Camden

Let a contract with a number of other Councils for the letting of a Wireless Concession Contract. Users get 30 mins free access every day for each device they use. Helps provide businesses with free access and also encourages visitor numbers and local trade. Approach has been replicated in Harrow.

Peterborough City Council

Have launched a series of energy schemes to generate renewable energy and reduce energy consumption. Energy performance contract set up with Honeywell Solutions delivering guaranteed energy efficiency for non domestic properties. A separate partnership with British Gas will also invest in reducing energy consumption across many homes.

Eastleigh Borough Council

They have actively been pursuing the acquisition of a range of property assets which generate a high investment yield. By 2015, expenditure will have increased and includes a range of assets. Council owned assets have risen considerably.

Cheshire East

Has established a set of companies to trade with the local Council and to identify potential new clients. A charitable trust has been set up to deliver leisure services and 900 staff has been transferred including staff in a range of back office / support functions. Also examining a range of energy projects in partnership with registered housing providers.

Wychavon

Also investing recently in commercial property. Recent investment in development of a new supermarket which delivers a competitive rate of return. Investment can only be in the District.

Portsmouth

Launched a new Income Generation work stream to develop ideas from across the council. Most lucrative opportunities have been from advertising and sponsorship.

Braintree

Three work streams to improve commercialisation: 'Better at Business', 'Investment Strategy', and 'Economic Development'. Investment in commercial property, in equity and property funds, housing and solar schemes. Commercial premises reserve. Winning back market share in e.g. trade waste.

Nottingham city Council

Have a well developed commercial portfolio within parks that includes operational activity and the construction of a garden centre

A number of other authorities have developed commercialisation strategies or are in the process of doing so, these include

Copeland Council

West Lindsey Council

Harrow Council

The Association of Public Service Excellence has a national commercialisation network that hold networking events and seminars

Appendix F • Commercialisation Risk Register

Risk/Barrier	Impact	Likelihood	Mitigation measures
Staff resistance	High	Low	Engagement and communication Union consultation
Lack of Skills and capacity	High	Medium	Training and development Commercialisation Team Engagement of external support where appropriate Learning from other authorities
Lack of resource requirements	High	Medium	Capital and revenue funding allocation Resource allocation via Commercial Board Business cases and plans
Competition	High	High	Market research and marketing Business cases and plans
Operational failure/Financial loss	High	Medium	Business plans Monitoring and management mechanisms Staff development
Conflicts of of interest	Medium	Low	Strategic approach Business cases

Appendix F • Commercialisation Risk Register

Risk/Barrier	Impact	Likelihood	Mitigation measures
Reputation	High	Medium	Communication Business plans Monitoring and management mechanisms Staff development
Inability to change culture	High	Medium	Strategic approach Communication Staff and Member development
Speed and effectiveness of decision making	High	Medium	Commercial team and Board