



"Here at Lancashire County Council we are helping you to make Lancashire the best place to live, work, visit and prosper"

Lancashire County Council

Our Commercial Blueprint 2020

Contents

Welcome to Lancashire County Council's Commercial blueprint which outlines our strategic commercial aim and priority areas for development.

Audience:

The audience for this blueprint is principally the council – its members and its staff. Allowing us to set the mandate for a new way of working which sees culture and behaviours operating with a business mind-set and public service heart.

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1. Introduction

A combination of austerity in the form of falling central government funding and rising demand for services brings questions about how the council can remain financially sustainable in the long term. This situation has become common across the public sector, affecting local authorities irrespective of geography and type.

There have been some excellent examples within the 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 a recognition that these measures alone will not be enough to meet the significant funding pressures we are seeing.

Local government is under immense financial pressure to do more with less. With further funding deficits still looming, commercial approaches and income generation is increasingly an essential part of the solution to ensuring financial sustainability, alongside managing demand reduction and cost efficiency of service delivery.

Commercialisation is focused on engaging in activities that will support and maintain current income and further strengthen our position and creating the right environment for new external income to the council, where this supports the provision of services to our communities. It is recognised that the authority already has pockets of commercial activity that generate external income however, it is essential for the council to explore all opportunities that use its unique asset base to support the authority in closing the funding shortfall and meeting its [strategic priorities](#):

- Lancashire will be the place to live.
- Lancashire will be the place to work.
- Lancashire will be the place to prosper.
- Lancashire will be the place to visit.
- Lancashire will be the place where everyone acts responsibly

2. Commercial Councils

Across the country councils are at different stages of development in considering what it means to be a commercial council. What this means is open to interpretation; for some it means becoming wholly self-sufficient with a non-reliance on grant funding to deciding the purpose of operating models that create innovative solutions to challenges faced.

Examples of the drivers for change and the types of activities include the following:

Drivers for change	Examples of what some councils are doing
<ul style="list-style-type: none"> ▪ Financial unsustainability ▪ Public sector landscape ▪ Quality ▪ Better outcomes ▪ Funding reductions ▪ Increased demand ▪ Localism ▪ Government policy ▪ Commissioner or Provider ▪ Volatility in funding streams 	<ul style="list-style-type: none"> ▪ Shared Services ▪ Advertising and sponsorship ▪ Joint venture partnerships ▪ Investments ▪ Land and property – asset rationalisation, exploitation ▪ Housing companies ▪ Waste ▪ Creating commercial professional services – bespoke services ▪ Maximising fees and charges ▪ Trading (Local Authority Trading Companies) ▪ Outsourcing

The term commercialisation is interpreted in many different ways and activity can be wide in scope and cover areas such as improved contract management and procurement. How service budgets are arrived at and how well budgets are spent. The intelligence we use to inform decisions to selling services and investing.

Commercialisation is an approach that should be open to all areas of the council and aspects of it will the norm in service delivery.

94% of councils currently share a service with another council | 91% use assets such as land in an entrepreneurial manner | 62% operate joint ventures with a neighbouring council, as well as 57% with the private and 54% with the voluntary sector | 38% invest money in private sector enterprises.

Modelling projects the level of entrepreneurial activity to rise from £10bn in 2013 to £27.4bn in 2020, representing a make-up of 6% and 18% of total council budgets.

3. What will Commercialisation look like for Lancashire County Council?

For Lancashire County Council commercialisation is:

- Maintaining and increasing net commercial income for Lancashire County Council.
- Creating the environment that promotes and encourages Lancashire to be a commercial council.
- Supporting the council to be innovative in the delivery of services to residents, communities and partners and manage cost effectively.
- Considering and deploying alternative service delivery models.
- Reaching decisions as to whether income generating ideas are viable and putting in place resource support to achieve income realisation.
- Developing and promoting an increased commercial presence of Lancashire County Council throughout the county and beyond.
- Realising value from our assets and maximising eligible fees and charges.
- Supporting our Traded Services to create and innovate further and be responsive to customer need.
- New Enterprise development* (Where this supports the provision of services to our communities).
- Commercial Investment* (where this supports the provision of services to our communities).

*New enterprise development and commercial investment must support our commercial objective and benefit our customers, communities. Improving and developing the provision of our services and not be solely focused on income generation.

Lancashire County Council has experience operating commercially, in 2018/19 the value of income from the application of fees, charges and other service income is valued approx. £268m.

Statement of Accounts 2018/19

4. Commercial Objective

"To innovate and collaborate - making the best use of our people, assets, skills and position to deliver a financial and social return both to the county council and to the communities of Lancashire"

All activity in the council must support our core purpose – serving the residents of Lancashire. It is therefore expected any commercial activity must support at least one of the following:

- Support the council to be innovative in the delivery of services to residents, communities and partners and manage cost effectively.
- Provide an economic or community/sector benefit which supports reducing reliance on grant funding and becoming more financially sustainable - meaning that it will strive to no longer use reserves to fund ongoing services.
- Assist in offsetting costs in those service areas of rising demand.
- Support local economies to thrive – where possible aim to assist in the promotion or improvement of the economic, social and environmental well-being of the county.

I.e. Does our involvement in this business add value to the council or specific community? Does our activity promote a circular economy? Does our procurement, where possible, deliver economic benefit to Lancashire's businesses and people? Accepting our responsibility as a large employer and significant procurer of goods and services – Think and Act as an anchor employer for Lancashire.

The Mandate

This blueprint provides the mandate for Lancashire County Council to enter a new phase of commercial practice, enterprise and commercial growth.

5. Commercial Themes

To support our commercial objective priority work themes have been identified. Each will be supported by a programme of works. This will support a culture of actively looking for additional opportunities to raise income without losing focus upon the existing customer base and the quality of service delivery.

The priority themes will collectively create the environment for Lancashire County Council to be 'Commercial'; and aims to support an organisational culture where making a positive contribution to the budget shall be considered as the norm.

Lancashire County Council will provide clear operating parameters by which commercial activities are considered, understood and governed at a corporate level. This means we will efficiently apply the coherence required in the organisation, in strategy and in areas such as people and change, financial management, sales and marketing and systems and processes.

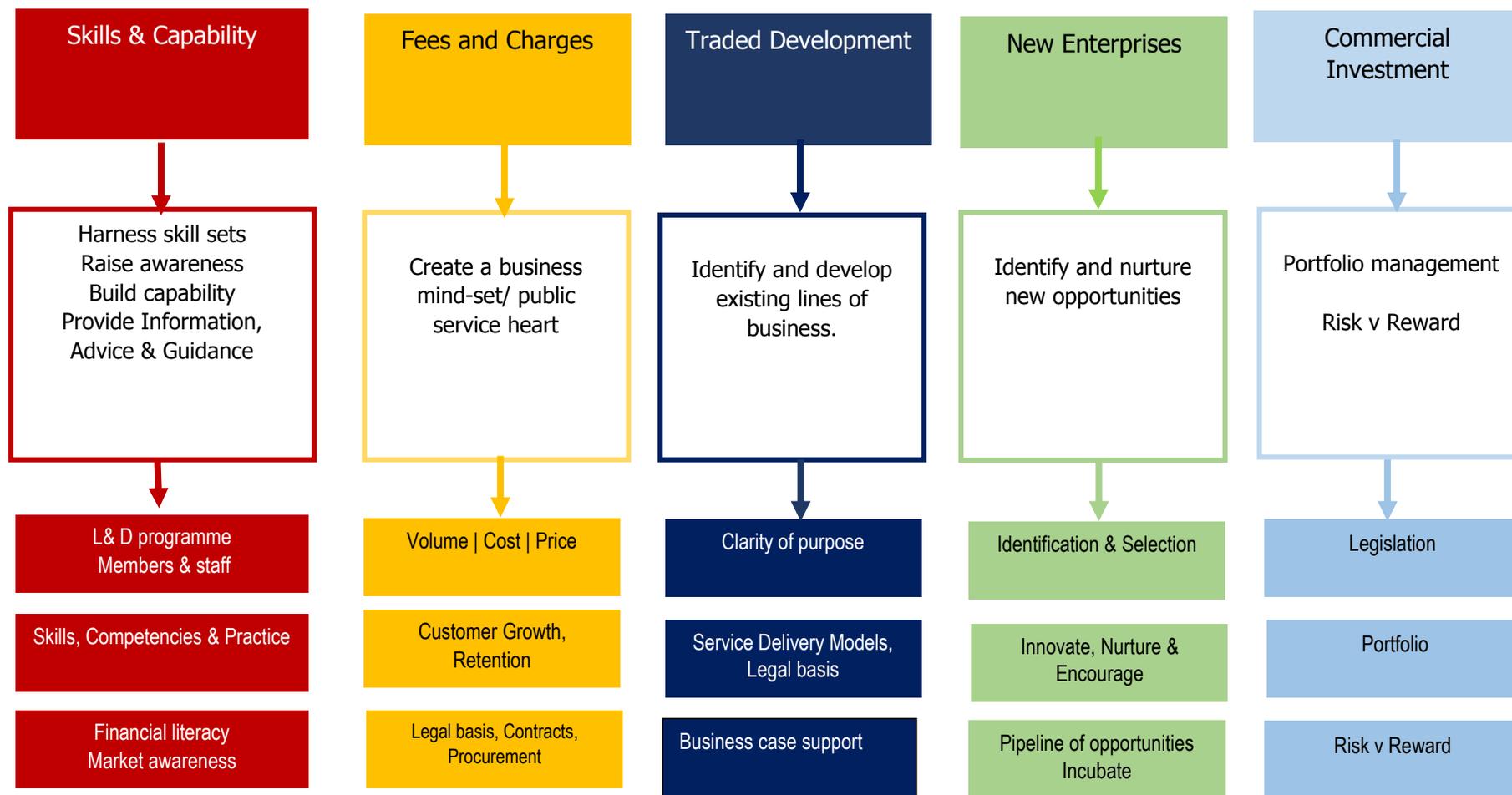
This blueprint and supporting activity will provide a coherence and clarity of purpose.

Our priority themes are:

- Culture - Instilling an environment that promotes and encourages Lancashire to be a commercial council.
- Fees and Charges – Consideration of volume, cost and price, quality of offer.
- Traded Services – clarity of purpose, opportunity gain.
- New Enterprise – Identification and selection of new enterprise.
- Investment – portfolio management (this sits within the overall Treasury Management Strategy and where this supports the provision of services to our communities).

Lancashire County Council's Commercial Blueprint

Culture, Leadership, Structure
Set the environment & culture to be Commercial



6. Our Commercial Assets

Our commercial assets and the characteristics we will demonstrate:

Our People

Trusting and using the skills, knowledge and experience of our workforce to create commercial value. Nurture and support our strengths considering applications into new markets, customer segments.

Our Knowledge

Capitalise on our significant business and service knowledge and data to make intelligent decisions to create new commercial opportunities and better service delivery models to benefit the council and those that use the service.

Our Infrastructure

Using and continuously improving our infrastructure assets such as the way we organise ourselves, our digital platforms and systems for commercial growth. Create the right infrastructure, service delivery models for new and existing commercial activity to prosper.

Our Liquid Assets

Effective and intelligent Medium Term Financial Strategy and access to cash, borrowings to initiate and fund required investment.

Our Role

Using our strategic role to champion the social, health and economic needs of the county to shape and create the market for growth and enterprise.

Our Customer Insight

Maximising the way we communicate with the public, our customers, to listen and respond to them to identify, anticipate and satisfy meeting demand to add value and help design commercial opportunities.

Our Market Strength

Utilising our economic, infrastructure and assets to influence the market. From our direct supply chain and how partners engage to elicit commercial benefits and opportunities.

Our Position

Use our position in the county to promote our trading and commercial activities and those which we can partner with others to receive a financial benefit. Where possible seek to develop circular economies.

Our Partnerships

Engage early with partners on strategic issues – Engage with private, public and third sector partners on shared priorities that offer the public value for money and value to communities.

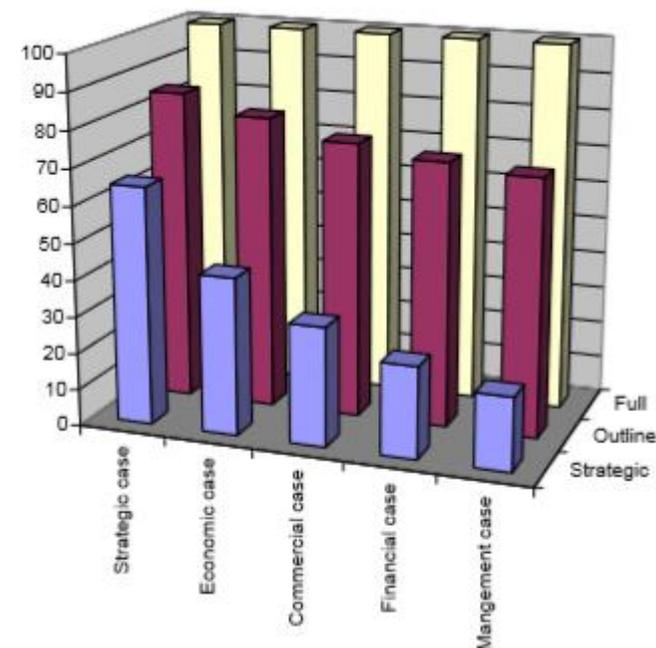
Our Land and Buildings

Use our physical assets to generate income, capital receipts and reduce cost. Considering best use, redevelopment opportunities, energy use and dispose of premises surplus to requirements in a timely and effective manner.

7. Commercial Purpose - Integrity and Transparency

Knowing your purpose is vital for success, it informs strategy and measures the right key performance indicators. Supports informed decision making and performance management. Clarity of purpose will provide the integrity and transparency required and thus alleviate any concerns of services drifting from the council's core purpose. To support this and to ensure commercial return is maximised and that public money is appropriately used, it is essential decision making is robust, consistent and built on a sound business case. We will build a business case methodology¹ for all commercial activity which is risk sensible and supports creativity and innovation. The principals of this will be taken from best practise in Government and should enable the council and other stakeholders to ascertain that proposals support our commercial objective and:

1. Are supported by a robust Case for Change – the **Strategic Case**; clarity of purpose.
 - a. **Social Value**: the value the activity has in contributing to our communities, recognising the importance of economic, health, social and environmental wellbeing;
2. Optimise Value for Money, the **Economic Case**; alternative options, with a recommended way forward (£) and an initially recommended shortlist;
3. Are commercially viable, the **Commercial Case**; addresses the fundamentals of any potential operation, procurement and/or deal;
4. Are financially affordable, the **Financial Case**; discusses the likely affordability of the proposed activity;
5. Can be delivered successfully, the **Management Case**; outlines how the project will be set up and managed.



¹ This 5 point business case methodology will be supported by the relevant governance protocols to ensure the council adopts the right clearances and accountable decision making.

5 aspects of business case development over time. The likely level of detail required at different stages (Strategic, Outline and Full)

HM Treasury Green Book – Appraisal Methodology.

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THIS COMMERCIAL BLUEPRINT, IT'S THEMES AND DESCRIPTORS HAVE BEEN DEVELOPED CAPTURING OUR FISCAL POSITION AND OUR POTENTIAL TO CAPITALISE ON OPPORTUNITIES. IT ALSO ENABLES ACTIVITY ACROSS THE ORGANISATION TO COME TOGETHER CREATING A CORPORATE COHERENCE WHICH WILL ASSIST IN CREATING THE RIGHT ENVIRONMENT FOR COMMERCIALISM TO THRIVE AND BUILDS ON GOOD PRACTICE AND OUR EXPERIENCE TO-DATE.

WE HOPE THE AMBITION AND THEMES ARE INCLUSIVE AND ENGAGEMENT IN THIS WORK ENCOURAGES LEADERS, MEMBERS, STAFF AND CUSTOMERS ACROSS THE COUNTY TO CONSIDER, INNOVATE AND COLLABORATE TO THE BENEFIT OF SERVICES BUT MORE IMPORTANTLY TO OUR RESIDENTS.

Feedback is welcome as with any ideas for improvement to ajay.sethi@lancashire.gov.uk
Thank you.