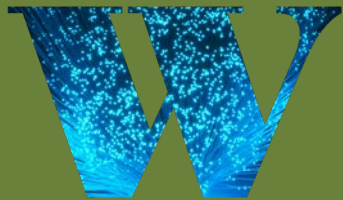




COMMERCIAL STRATEGY



WATFORD
2020



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BOROUGH
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Contents

1.	Introduction.....	3	3.2.3	Action Plan.....	6
2.	Drivers.....	4	3.3	Generating novel income.....	7
3.	What does commercialisation mean for Watford.....	5	3.3.1	Explanation.....	7
3.1	Maximising value from our assets.....	5	3.3.2	Objectives.....	9
3.1.1	Explanation.....	5	3.3.3	Action Plan.....	10
3.1.2	Objectives.....	5	3.4	Being more business-like.....	10
3.1.3	Action Plan.....	5	3.4.1	Explanation.....	10
3.2	Charging for our services.....	6	3.4.2	Objectives.....	12
3.2.1	Explanation.....	6	3.4.3	Action Plan.....	12
3.2.2	Objectives.....	6		Commercial Strategy Delivery Plan.....	14

1. Introduction

Our Corporate Plan and Watford 2020 Programme both recognise the need for the council to be a more commercial organisation. This is both as an enabler to improve service delivery and organisational efficiency and a critical component of our financial strategy to address the financial gap that will be caused as a result of the government's removal (by 2020) of the Revenue Support Grant. Successful delivery of the Commercial Strategy should enable members to make positive choices about where they want to invest, rather than having to make decisions about where to de- invest.

Our vision for Watford 2020 includes an aspiration that by 2020 Watford will be a "...commercially-minded council" explained as being innovative, bold and entrepreneurial in continually challenging ourselves to improve performance, reduce costs and generate income.

This is further developed by a set of commercial principles which convey the future state of the organisation:

- We continually identify and develop opportunities to commercialise existing and new services
- Our partnerships (private and public) are efficient and deliver value

- We have a strategic commissioning and procurement approach that derives the maximum value from every pound spent
- We adopt the most effective delivery models to deliver best value services
- We price commercially ensuring we cover all our direct costs (except when we have made a conscious and evidenced decision to subsidise)
- We are commercially astute - we understand the market and know how to make it work for us This Strategy explores:

1. The drivers behind our aspiration to be a more commercial organisation
2. What this means for Watford Borough Council
3. Our commercial objectives
4. How we will deliver these objectives

2. Drivers

1. The council faces a funding gap and commercial income is a key opportunity to secure our financial future
2. We own / hold a larger number of assets from which we need to derive maximum value
3. As a commissioning organisation we need to ensure we drive full value from the market and our commercial relationships
4. Reducing budgets and increasing demand mean the organisation needs to be as effective and efficient as possible and needs to fully utilise a core set of business tools to do this



3. What it means for Watford

There are a number of strands to commercialisation in Watford, all of which are components of this Commercial Strategy.

1. Maximising value from our assets
2. Charging for our services where appropriate
3. Generating novel income and maximising existing
4. Being a more business-like organisation

3.1 Maximising value from our assets

3.1.1 Explanation

The council owns a large number of assets from which it already generates significant income, particularly from our property portfolio, and it is critical to our Financial Strategy that this performance is maintained. There are however other opportunities from which additional income could be generated, which the council has not yet exploited.

3.1.2 Objectives

1. Maintain and where possible improve performance of our Property Portfolio as delivered through our Property Strategy
2. Identify and deliver additional opportunities to derive income from the council's assets

3.1.3 Action Plan

1. Explore opportunity to generate income from a Rooftop Wireless Broadband for businesses arrangement
2. Explore opportunity for advertising on the council website
3. Engage with managers of our assets to identify additional opportunities to explore
4. Optimise use of Council accommodation creating civic hubs and shared use of buildings
5. Continue with PIB investment/divestment strategy to generate better returns
6. Continue Joint Venture approaches to maximise returns on capital

3.2 Charging for our services

3.2.1 Explanation

The council charges for some services and these charges are approved annually by members as part of budget setting. In delivering this strategy we need to ensure that we meet our Watford 2020 design principle to price commercially ensuring we cover all our direct costs (except when we have made a conscious and evidenced decision to subsidise).

3.2.2 Objectives

1. Ensure that where it is legally permissible for the council to set a charge for services it delivers either:
 - a. Charges are levied or
 - b. A conscious decision has been made by members that a full subsidy should be provided and the service be provided free of charge
2. Ensure that where charges are levied for services they:
 - a. Are levied at the appropriate point(s) in a transaction / service to ensure that work is not started without costs for that work being recovered in advance or there is confidence that costs will be recovered (e.g. through a contract)
 - b. As a minimum cover the council's direct costs for delivery of that service

3.2.3 Action Plan

1. Through the Watford 2020 Programme ensure that transactions / services are properly understood to differentiate between the different parts of a process for which charges could be levied
2. Complete a Fundamental Review of Fees and Charges to ensure that in making decisions about the 2019/20 budget members can understand:
 - a. For which services / transactions the council can legally charge
 - b. What we currently charge for that service
 - c. For these services / transactions what the direct cost of delivery is (per unit) broken down into the different sub-parts of a process for which charges could be levied
 - d. What the cost of collection of any new charges would be
 - e. What should be charged for that service / transaction if the "cost recovery" principle were applied
 - f. What the risk is associated with increases / introduction of charges, including any impact on customers and other council services
 - g. Build flexibility into our process for setting fees and charges to enable the council to maximise its returns
 - h. What insight we have from customer engagement on the likely take-up and customer response

3.3 Generating novel income

3.3.1 Explanation

If the areas mentioned in sections 3.1 and 3.2 above are standard sources of income for the council there are numerous opportunities to generate novel income from non-standard sources. Some of these opportunities are already exploited in some areas, but there are significant additional opportunities that can be explored. There are also legal complexities behind what can be traded by the council and where selling has to be through Watford Commercial Services Limited, our commercial arm.

In considering these opportunities we are addressing through our design principles that:

- We continually identify and develop opportunities to commercialise existing and new services
- We price commercially ensuring we cover all our direct costs (except when we have made a conscious and evidenced decision to subsidise)



3.3.1.1 Trading Services

There are two categories of such services which we can develop.

1. Trading council services beyond the borough boundary (with / to / for) other public bodies

The realisation of these opportunities can be delivered by council services operating under the umbrella of Watford Borough Council and such opportunities are already exploited in certain areas. There are some key criteria that need to be assessed before any new opportunities are considered and all existing trading under this category should be reviewed to understand if it meets the criteria and therefore should continue on the following basis:

a. Service offering must cover all of its direct costs

b. Service offering should include a 5% surplus and provide a minimum return of an anticipated £10,000 per annum (or have a robust business justification if this margin and level is not to be delivered)¹. Surpluses are corporately retained with reinvestment into the service based on the business plan/business case.

c. Opportunities should only be explored where we are genuinely competitive and there is a market opportunity and we have strong service reputation

d. Service offering should not detract from delivery of the core service in Watford (and Three Rivers) including a robust assessment of the risk behind the service offering including available capacity

2. Selling council services beyond the borough boundary (with / to / for) non-public bodies

¹ For example to enhance our resilience

The realisation of these opportunities cannot be delivered under the umbrella of Watford Borough Council and therefore such opportunities must be developed under Watford Commercial Services Limited (with the agreement of the Board of Directors). As with traded services under the council umbrella key criteria need to be assessed before any new opportunities are considered:

- a. Service offering must include a 10% surplus and provide a minimum return of an anticipated £20,000 per annum (or have a robust and agreed business justification if this margin and level is not to be delivered). Surpluses are corporately retained with reinvestment into the service based on the business plan/business case.
- b. Service offering should not detract from delivery of the core service in Watford (and Three Rivers) including a robust assessment of the risk behind the service offering
- c. Opportunities should only be explored where we are genuinely competitive and there is a market opportunity and we have strong service reputation

3.3.1.2 Exploiting our intellectual property and specific expertise - new projects

Opportunities exist for the council to generate income (either through Watford Commercial Services Limited or working with our partners) through bringing to market novel ideas derived from our intellectual property. These sorts of opportunities are new to the council and are inherently risky as they involve developing something new to bring to market and will require investment of time, money and assets; however as long as there is robust governance associated with them and the business case / plan has been properly assessed / benchmarked against the existing market offering and there is a robust risk analysis this doesn't mean these opportunities should not be explored.

3.3.2 Objectives

1. Identify and bring to market new Traded Service opportunities
2. Ensure all Traded Service opportunities meet our evaluation criteria (and those that don't are terminated)
3. Identify opportunities to exploit our intellectual property and bring them to market

3.3.3 Action Plan

1. Develop a process through which ideas for Novel Income Generation can be progressed from idea to income
2. Develop a resourcing approach to support the development of ideas into income, recognising that the development of commercial propositions is not a core skill set for council staff
3. Make staff aware of the process and mobilise resources to progress any ideas identified
4. Review all existing Traded Services against our criteria and make decisions about how they should continue
5. Identify all areas where the council will gain a competitive advantage through its brand, experience, unique skillsets or ability to finance more cheaply and exploit these opportunities through our Traded Services
6. Understand the processes around Intellectual Property Rights and how to protect them.

3.4 Being more business-like

3.4.1 Explanation

Being more business-like is a broad term that covers the entirety of the council's operation. This is concerned with the way in which the council operates and the culture, behaviours and capabilities of staff and aspiring, where it is appropriate to do so, to work in similar ways to commercial organisations.

One of the critical components of this, as an organisation with a large number of partnerships and contracts with the private sector, is our ability to drive maximum value from procurement processes, contracts and partnerships. To do this we need to understand the commercial world and our contracts so that we make effective decisions and engage in the right way with our private sector partners / suppliers. We need to recognise why they are working with us and what they want to achieve (which may not be aligned to our value sets) and be cognisant of this in our engagement with them.

We are an ambitious organisation where change and development of our organisation internally and externally is continuous. The project and programme portfolio we are delivering is large and we need to ensure success through a robust project and programme management approach. A business-like organisation recognises the value of these professional disciplines and expects the agreed best practice approach to be followed, as this de-risks all aspects of delivery and protects the reputation of the organisation as one that delivers what it says it will on time and to budget.

Risk management is a critical tool in managing a modern business to ensure there is proper understanding and analysis of the threats to and opportunities for the organisation. In being business-like we need to ensure that risk management is an inherent part of the way we work and operate, not something we do as an add-on.

Being business-like means aspiring to deliver a quality product every time - in the private sector that is what your customers are paying for and if you don't deliver the required / expected quality they won't buy again. In the public sector our customers often don't have a choice about buying from us, but we should still strive to deliver a quality service as if they did. In our internal workings we should also strive to deliver an excellent quality product every time and be proud of the work we produce and we should not accept outputs that are not of the required level of quality. In assessing this we should ask the question - if I was paying someone for this would I be happy to pay the invoice?

Business-like organisations have a robust performance management culture using real-time data and information to drive operational and strategic decision-making through measuring and analysing what is important to them. This is what we aspire to be and therefore we need to ensure that we measure what adds value and is important through our performance framework. We need to ensure that we have real-time data and information available so staff and managers can make informed decisions based on what is really happening on a given day or week.

As local government employees every pound we spend is public money and the drivers of our organisation are different to those in the commercial sector whose objectives are to make money. This does not mean however that our approach to management of our financial resources should be any different - we should strive to deliver our services as efficiently as possible maximising the value we derive from every pound spent. All our spend should be effective in delivering the council's objectives and if it isn't aligned to this spend should not be committed and savings should be made.

3.4.2 Objectives

1. Deliver an organisation where the culture, behaviours and capabilities reflect what we define as business-like

3.4.3 Action Plan

1. Ensure that the People Strategy is congruous with the Commercial Strategy
2. Develop, implement and mainstream a new procurement and contract management toolkit
3. Review our approach to project management resourcing
4. Embed our revised risk management approach

5. Review our performance management framework for both people and operations
6. Investigate development of a real-time performance management dashboard
7. Develop and implement a set of Watford Quality Standards - what does good look like for Watford?
8. Identify any barriers to being more business-like and if necessary work around them
9. Develop and promote the 'Watford' brand
10. Adopt the Watford 2020 design principles in our commercial approach



Commercial Strategy Delivery Plan

Workstream	Deliverables	Lead Officer	Delivery Date
Maximising value from our assets	Explore opportunity to generate income from a Rooftop Wireless Broadband for businesses arrangement	Andrew Cox	2018/2019
	Explore opportunity for advertising on the council website	Marie Power	2018/2019
	Engage with managers of our assets to identify additional opportunities to explore	Alan Gough	2018/2019
	Optimise use of Council accommodation creating civic hubs and shared use of buildings	Martin Jones / Ian Browne ?	On-going
	Continue with PIB investment/divestment strategy to generate better returns	Nick Fenwick	On-going
	Continue Joint Venture approaches to maximise returns on capital	Joanne Wagstaffe	On-going
Charging for our services	Through the Watford 2020 Programme ensure that transactions / services are properly understood to differentiate between the different parts of a process for which charges could be levied	Andrew Cox	2018 - 2020
	<p>Complete a Fundamental Review of Fees and Charges to ensure that in making decisions about the 2019/20 budget members can understand:</p> <ul style="list-style-type: none"> a. For which services / transactions the council can legally charge b. What we currently charge for that service c. For these services / transactions what the direct cost of delivery is (per unit) broken down into the different sub-parts of a process for which charges could be levied d. What the cost of collection of any new charges would be e. What should be charged for that service / transaction if the “cost recovery” principle were applied f. What the risk is associated with increases / introduction of charges, including any impact on customers and other council services g. Build flexibility into our process for setting fees and charges to enable the council to maximise its returns h. What insight we have from customer engagement on the likely takeup and customer response 	Bob Watson	2018/2019

Workstream	Deliverables	Lead Officer	Delivery Date
Generating novel income	Develop a process through which ideas for Novel Income Generation can be progressed from idea to income	Andrew Cox / Alan Gough	2018/2019
	Develop a resourcing approach to support the development of ideas into income, recognising that the development of commercial propositions is not a core skill set for council staff	Andrew Cox / Alan Gough	2018/2019
	Make staff aware of the process and mobilise resources to progress any ideas identified	Andrew Cox / Alan Gough	2018/2019
	Review all existing Traded Services against our criteria and make decisions about how they should continue	Andrew Cox	Completed
	Identify all areas where the council will gain a competitive advantage through its brand, experience, unique skillsets or ability to finance more cheaply and exploit these opportunities through our Traded Services	Heads of Service (Alan Gough to facilitate)	2018/2019
	Understand the processes around Intellectual Property Rights and how to protect them.	Carol Chen	2018/2019
Being more business-like	Ensure that the People Strategy is congruous with the Commercial Strategy	Alan Gough	2018/2019
	Develop, implement and mainstream a new procurement and contract management toolkit	Alan Gough	2018/2019
	Review our approach to project management resourcing	Andrew Cox	2018/2019
	Embed our revised risk management approach	Carol Chen	2018/2019
	Review our performance management framework for both people and operations	Nicola Houwayek / Andrew Cox	2018/2019
	Investigate development of a real-time performance management dashboard	Andrew Cox	2018/2019
	Develop and implement a set of Watford Quality Standards - what does good look like for Watford?	Heads of Service (Andrew Cox to facilitate)	2018/2019
	Identify any barriers to being more business-like and if necessary work around them	Heads of Service	On-going
	Develop and promote the 'Watford' brand	Kathryn Robson	2018/2019
	Adopt the Watford 2020 design principles in our commercial approach	All WBC employees	On-going

