

Agenda Item No: 7

DEFINING CAMBRIDGESHIRE COUNTY COUNCIL APPROACH TO TRADED SERVICES

To: Commercial and Investment Committee

Meeting Date: 21st February 2020

From: Chloe Rickard, Commercial Transformation Manager

Electoral division(s): All

Forward Plan ref: N/a **Key decision:** No

Purpose: The Committee is asked to consider the re-definition and governance of our charged service models (traded services).

Recommendation: The Committee is requested to:

- a) Approve definition of charging models and categorisation of services outlined within the paper
- b) Support the identification of revised processes and policies to enable categorised services to maximise their commercial impact
- c) Agree to close Phase 3 of the Cambridgeshire Music OFR and return service overview to CYP Committee

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1. BACKGROUND / OVERVIEW

- 1.1 CCC Services have been able to income generate through the delivery of chargeable services for some time. However, the landscape in which many of the services operate has changed and is continuing to do so. Funding reforms, savings targets, Localism Act 2011 (Trading and Charging), external market forces and competition, and the changing approach introduced through an increasing trend of alternate delivery models means these services are needing to continually adapt and few, if any, are maximising their commercial potential.
- 1.2 Some services are wholly income generating with small surplus targets ("Traded Services" such as Education ICT), some are wholly income generating but to breakeven ("Traded Services" such as Cambridgeshire Music), some have a base CCC budget plus income target (Schools Intervention Service, Schools Admissions) and other services have started to charge without any budgetary or commercial targets. The services also range from statutory to non-statutory.
- 1.3 The approaches to charging across all services is not consistent. Though it is acceptable for services to have differing approaches, this has to be by conscious design and be transparent. The differing approaches also have to be clear in their intent.
- 1.4 Whilst a number of services have managed to successfully charge for a range of products and activities, the ability to do so commercially – i.e. for a contribution towards overheads, or a surplus generation for reinvestment into outcomes – is limited. Those services previously able to return a small contribution to CCC in previous years are now reportedly unable or the market in which they operate has changed.
- 1.5 The Council's Corporate Strategy identifies a number of key objectives that are directly linked to commercial activity and reflected in the Commercial Strategy:
 - An overarching increase in return from commercial activity to support delivery of crucial front line services
 - An embedded commercial culture across the organisation
 - A reduction in net budget for traded or semi traded services.

It is becoming evident that to explore and expand commercialism further, a new approach for income generating 'trading' services is needed.

2. PROPOSED DEFINITION AND CATEGORISATION

- 2.1 To provide the rigour, challenge and opportunity for the Council's services and products to maximise their commercial potential, a defined charging model categorisation will allow the most appropriate governance, direction and support.
- 2.2 It is proposed that all services are to be categorised based on their commercial charging model. The categorisation of the service should be based on its potential and not necessarily its current performance. Where a service has a portfolio of products spanning statutory to surplus generating potential, some consideration will need to be given as to the

best overall alignment to a category – or the specific management of similar products be re-grouped and re-categorised.

Proposed Charging Model Categories:

Charging Policy	Policy Objective	Example Service
Full commercial	The Council seeks to maximise revenue within an overall objective of generating as large a surplus from this service	
Commercial with discounts	As above, but with discounted concessions being given to enable disadvantaged groups to access the service	<i>Education ICT (with the current funded activity from Education)</i>
Constrained commercial	The Council seeks to maximise income but is subject to a defined constraint – policy, competition, commitment to service users, political	
Full cost recovery	The Council wishes to make the service generally available, but does not wish to allocate resources to the service	<i>Cambridgeshire Music</i>
Cost recovery with discounts	As above, but the Council is prepared to subsidise the service to ensure disadvantaged groups have access	<i>Cambridgeshire Outdoors Non-Statutory Planning services (pre-application) Non-Statutory School Admissions</i>
Subsidised	Council policy is to make the service widely accessible, but believe users of the service should make some contribution from their own resources. Could also be due to the adverse impact a cost recovery or commercial charging policy would have on other council services.	<i>Libraries Social Care Schools Intervention Service</i>
Nominal	The Council wishes the service to be fully available, but sets a charge to discourage inappropriate usage.	<i>Home to School Transport</i>
Fully funded	Council policy is to make the service fully available at no charge	<i>Quality Governance (P&C) Adult Early Help</i>
Statutory	Charges are set by legislation	<i>Statutory Planning Services</i>

3. GOVERNANCE AND SUPPORT

- 3.1 All services, and their financial targets, are proposed to be managed within Service Committee and management structures – being based as closely as possible to their main marketplace. Aligning a service, no matter the charging model, to be as close to their market as possible should enable the service to actively participate in and respond quickly to market developments and change. Noting that any activities specifically existing to

generate funds and working cross marketplaces or corporately that these activities report to Commercial and Investments (C&I) Committee directly.

- 3.2 In the event a commercial charging model service (constrained, discounted and full) deviates significantly from approved business plan – e.g. current performance is under target and in an unrecoverable position - it will be referred to C&I from Commercial Board for review if appropriate.
- 3.3 It will be expected that all income generating activities, and the services that manage them, will have a clear and robust commercial business plan ensuring maximisation of opportunities – taking into account market potential, constraints and CCC outcome ambitions. Staff and management structures and processes (including performance management) will receive commercial acumen development to enable them to manage these models effectively. The financial performance will be monitored in line with Scheme of Financial Management and the Fees and Charges schedule.
- 3.4 It will be asked of the Commercial Team and Finance to monitor and report progress of all income generation targets. Commercial Team will escalate areas for concern as appropriate to Commercial Board and C&I where necessary. This differs slightly from standard budgetary reporting as will focus on targeted turnover and commercial margins.
- 3.5 It is proposed the Commercial Board will support development of business plans and hold services to account for their delivery and will have oversight and challenge the delivery of targets as and when Commercial Team feel need escalating
- 3.6 Commercial Team to actively support all commercial models. Specific support for full cost recovery models may be given as required to ensure business plans are robust and deliverable and support Service Committees in their commercial assessment. The Commercial Team will also deliver organisational wide acumen development.
- 3.7 Further support will be available from Finance, Procurement, HR, Property and Transformation where specific areas of development or advice are required.

4. ENABLERS

- 4.1 To maximise the potential of the commercial charging models it is anticipated that more autonomy or freedom from traditional fully funded model focussed processes and procedures may be required. Such enablers could be within recruitment and establishment control practices, pay and incentives, procurement and relationships with distributors, accounting systems and financial reporting.
Any changed enablers must ensure appropriate and rigorous controls were still in place in line with agreed risk and corporate priorities.
- 4.2 It is asked that once the categorisation of all services across the Council is undertaken that further analysis takes place to ascertain the specific enablers that would allow each category to flourish. For changes to current enablers, processes and procedures that are within our power as a Local Authority to determine, it is proposed a further report return to Commercial Board and referred back to committee where required.

- 4.3 Should the categorisation of services and types of enablers required to maximise potential not align with the corporate controls needed and present potential of too high risk, it may be determined that that service should no longer operate within the local authority. For example, if a service/product required significantly different procurement relationships that cannot be enabled within the rules and regulations placed upon a Local Authority, an arms length alternate model could be more appropriate.
- 4.4 Commercial Team will also consider whether a sub group or reclassification of current groups, e.g. Commercial Board, can have appropriate oversight and delegated authority to approve enablers.
- 4.5 It is also anticipated that to enable the services to maximise their commercial impact some investment may be required. Requests and full business cases for investment will be requested for support from C&I to General Purposes Committee as required.

5.0 IMPLEMENTATION AND REVIEW

- 5.1 Resource from the Transformation Team will be requested to aid the identification and categorisation of all services. The draft categorisation of services is to be shared with Commercial Team and Finance Team to ensure service and product potential has been captured.
- 5.2 Commercial Team will lead analysis of current blockers to the successful delivery of commercial approaches and work with organisational partners to identify appropriate enablers by summer 2020.
- 5.3 Suggest a review of categorisation and how this is translating in supporting services is undertaken twelve months. Noting earlier review may take place as market opportunities or product performance identifies a change in categorisation or approach is needed.

6.0 CAMBRIDGESHIRE MUSIC OUTCOME FOCUSED REVIEW – PHASE 3

- 6.1 In line with the proposed categorisation of services, it is proposed to formally close the Outcome Focussed Review for Cambridgeshire Music and for oversight of the service to return to CYP Committee.
- 6.2 The analysis and review at Phase 3 indicates the most appropriate charging model category for Cambridgeshire Music is to operate as a full cost recovery model. This is predicated on:
- Members agreeing that the emphasis for Cambridgeshire Music should be on expanding the number of children participating in music tuition, with a particular focus on those with barriers to access, whether that is financial, aspirational or geographical.
 - The Council does not expect a commercial return from Cambridgeshire Music but does expects it to operate on a full cost recovery basis (including all corporate costs and overheads).
 - Members expect the same level of performance management, scrutiny and reporting as with any other council service.

- 6.3 It will be expected for the service to provide a business and financial plan to CYP which a) gives confidence that Cambridgeshire Music can operate at full cost recovery and b) provides options for increasing reach and impact over the next three years (which could include options for new models).

7. ALIGNMENT WITH CORPORATE PRIORITIES

- 7.1 Developing the local economy for the benefit of all**
- 7.2 Helping people live healthy and independent lives**
- 7.3 Supporting and protecting vulnerable people**

The Council's Corporate Strategy, with these priorities at its core, identifies a number of key objectives that are directly linked to commercial activity, with this proposal supporting the implementation of that strategy.

8. SIGNIFICANT IMPLICATIONS

8.1 Resource Implications

The Commercial Team is a new and small resource for the authority therefore support will be requested from other corporate teams. There is a potential impact for some service structures whereby a change in line management may be suggested to enable the most appropriate commercial and charging model to be delivered and managed well. It will be expected that appropriate training and acumen development will be available and delivered.

8.2 Procurement/Contractual/Council Contract Procedure Rules Implications

As part of the analysis of appropriate enablers to maximise service model potential, a change to some procurement guidelines and advice may be required. Any changes would adhere to legal obligations upon a public sector organisation, however, internal advice may be amended or external vehicles created to develop more appropriate purchasing and supply chains.

8.3 Statutory, Legal and Risk implications

There are no significant implications for statutory or legal. All set financial, procurement and legal regulations will be maintained however, we may seek to review local agreements in these areas where it is the Council's choice – and align with our approach to commercialism and risk.

We would seek to explore further any risk implications by the inclusion of relevant commercial charging model categorisation in controls within the Commercial Risk Register.

8.4 Equality and Diversity Implications

There are no significant implications in this area.

8.5 Engagement and Consultation Implications

There are no significant implications in this area.

8.6 Localism and Local Member Involvement

It is not currently anticipated for any significant implications in this area however if a service/product is substantially re-categorised then discussions will be held as appropriate with Members.

8.7 Public Health Implications

There are no significant implications in this area.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	n/a
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	n/a
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	n/a
Have the equality and diversity implications been cleared by your Service Contact?	n/a
Have any engagement and communication implications been cleared by Communications?	n/a
Have any localism and Local Member involvement issues been cleared by your Service Contact?	n/a
Have any Public Health implications been cleared by Public Health	n/a

Source Documents	Location
Commercial Strategy	https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/775/Committee/31/Default.aspx