

**Agenda Item No: 4**

**COMMERCIAL STRATEGY ACTION PLAN**

**To:** Commercial and Investment Committee

**Meeting Date:** 21<sup>st</sup> June 2019

**Amanda Askham – Director of Business Improvement and Development**

**Electoral division(s):** All

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

**Purpose:** To provide the Action Plan to accompany the Commercial Strategy 2019-2021.

**Recommendation:** For the Committee to note the programme of work over the next six months against the three key themes as contained within the Commercial Strategy.

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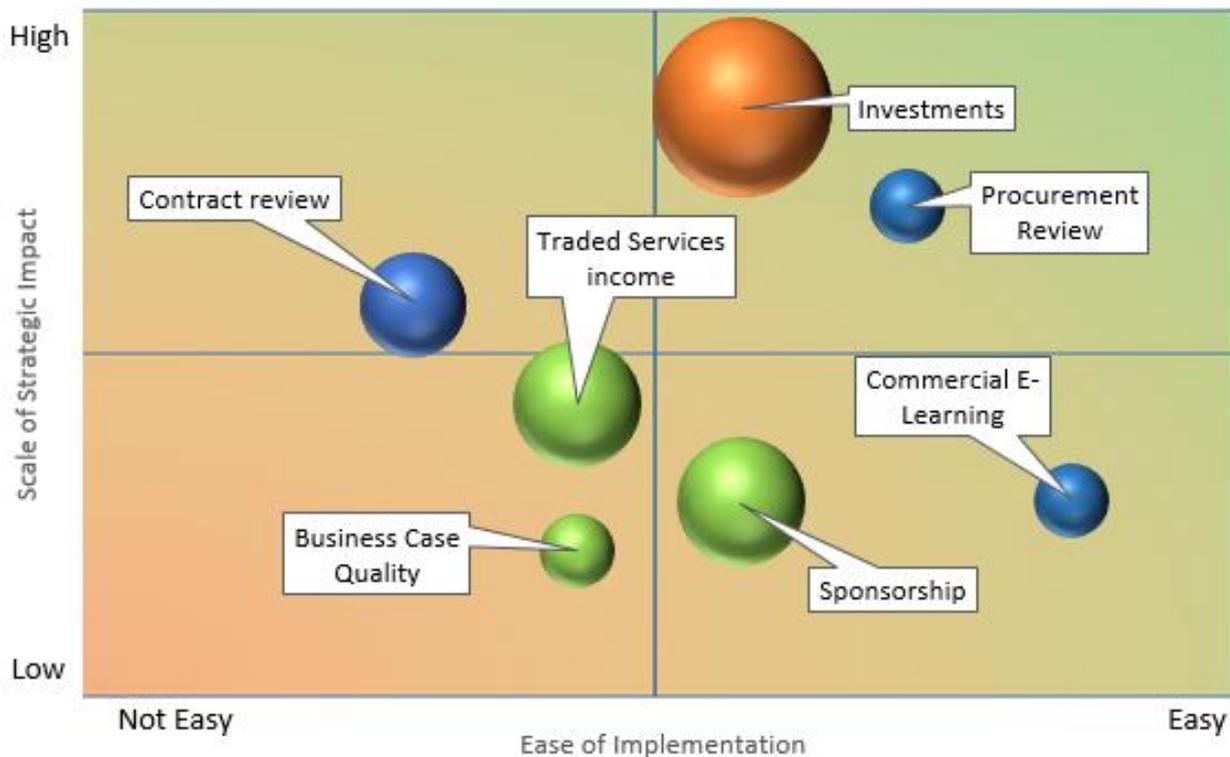
## 1. OVERVIEW

- 1.1. On 26 April 2019, Commercial and Investment Committee (C&I) approved the 2019-2021 Commercial Strategy. It was agreed that following the adoption of the Commercial Strategy, an action plan and associated key performance indicators would be created and reported to C&I.
- 1.2. This paper presents the proposed action plan (set out in **Appendix 1**) and identifies the areas currently being prioritised between June – December 2019 in order to deliver the objectives of the strategy.
- 1.3. The action plan will initially be owned and delivered by the Transformation Team until the establishment of the new commercial team with reporting made to C&I on a quarterly basis commencing in September 2019.

## 2. ACTION PLAN

- 2.1 In constructing the action plan consideration was given to the need to be aspirational in the work / opportunities being explored but also cognisant of the need to ensure that the foundations and processes are in place to ensure decisions are based on high quality, reliable, evidence-based information.
  - 2.1. Therefore whilst the action plan does contain reference to a number of process / development actions e.g. commercial e-learning, there are also more aspirational actions included e.g. development of private sector investment. In addition, new opportunities are continuously being identified and prioritised in accordance with the opportunity appraisal framework (see below). Therefore current activities might be paused / reprioritised between reporting periods but this will be identified to members at the appropriate points.
  - 2.3 To ensure that the actions identified are prioritised effectively, the Opportunity Appraisal Framework has been used to assess these based on three criteria:
    - The Scale of Strategic Impact (vertical axis); considering the potential for income, reduced cost and social value.
    - The Ease of Implementation (horizontal axis); risk, complexity, upfront cost, resources and expertise required.
    - Political Appetite (circle); a large circle represents that an opportunity will be more politically sensitive than opportunities represented by smaller circles.
- 2.4 There is currently a good mix of actions across the framework with those in the lower left quadrant being monitored to ensure continued viability.

## Opportunity Appraisal Framework



### 3. SUMMARY OF PROGRESS / INTENTIONS

- 3.1. Whilst the Commercial Strategy was adopted in April, work focused on delivering against its objectives was already under way.
- 3.2. Contract and Procurement
  - Engaged with various Services to understand needs and wants from a procurement function and how this could interface with existing structures.
  - A number of contracts of varying values has been identified that could be open to negotiation. Engaging with Services to understand opportunities further.
- 3.3. Contributions and Funding
  - Commercial e-learning will be launched across the organisation in July with the external product for sale to other local authorities scheduled for November.
  - Working with library services to explore potential sponsorship opportunities and to develop a framework for how we sell our opportunities to potential customers.
- 3.4. Acquisitions and investments
  - Cambridgeshire's Commercial Portfolio is beginning to develop with the purchase of a number of commercial properties and through investing in the CCLA's Local Authority Property Fund.

- Commercial Board have identified a suite of further commercial investment opportunities for consideration, all of which are at various stages in the investment and acquisition pipeline.
- The authority is beginning to investigate alternative investment opportunities to commercial property in order to diversify our portfolio and reduce risk where possible.

#### **4. ALIGNMENT WITH CORPORATE PRIORITIES**

4.1. The Action Plan identifies the activities to be undertaken to deliver against the objectives within the Strategy during the next period. This includes creating and monitoring our commercial returns to support the delivery of crucial frontline services which drive positive impact on all three Corporate Priorities.

- A good quality of life for everyone
- Thriving places for people to live
- The best start for Cambridgeshire's children

4.2. This will be achieved by:

- Using our public assets wisely and raising money in a fair and business like way to generate social return for all citizens of Cambridgeshire
- Growing financial and social capital place by place by stewarding local resources including public, private and voluntary contributions
- Continuing to invest in the environment, infrastructure and services that are a vital part of everyday life for everyone in the county and for a thriving local economy.

#### **5. SIGNIFICANT IMPLICATIONS**

##### **5.1 Resource Implications**

The Action Plan is currently being delivered from Transformation Team resources. A Commercial Team, operating across Cambridgeshire and Peterborough, will be recruited in the coming months to drive forward activities and deliver our commercial ambitions. This Commercial Team will be kept as lean as possible and will be supported by a range of external experts as required for specific initiatives. Outline agreement for 18 months funding for this team through the Transformation Fund was agreed by General Purposes Committee in January 2019, with a view to the team becoming self-funding by 1<sup>st</sup> April 2021. Once structure and job descriptions have been finalised, a full Transformation Fund business case will be taken to GPC.

All three commercial themes will require investment for return. Full business cases will be developed for each initiative and progressed through appropriate governance routes.

##### **5.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

One of the priority areas of the Strategy indicates an innovative approach to procurement and contracting. Work on this has started with colleagues from Procurement and through the Commercial Board.

### **5.3 Statutory, Legal and Risk Implications**

Our ability to deliver the Action Plan (and the Strategy) will depend on a number of factors including how well we use our legal powers and delegations and the political appetite to accept new risk. Full business cases, which consider legal implications and clearly articulate risk and reward, will be developed for all commercial proposals.

### **5.4 Equality and Diversity Implications**

The business case template for commercial work includes equality and diversity implications for all initiatives.

### **5.5 Engagement and Communications Implications**

The Action Plan will be an internal working document. However, the Commercial Strategy, and any such reviews, will be communicated through different channels and to different audiences in a variety of formats.

### **5.6 Localism and Local Member Involvement**

Social value is a key element of the Commercial Strategy and all commercial business cases will consider value (both social and financial) to our local area. Members of the C&I Committee will be involved in reviewing (and often in developing) Business Cases for commercial proposals. Where there is a direct impact in a locality, Local Members will be notified according to the Council's constitution.

### **5.7 Public Health Implications**

The Strategy is focused on creating sustainable funding for the delivery of crucial frontline services, many of which have a positive impact on Public Health priorities.

## Appendix 1 – Commercial Strategy Action Plan

### 6-MONTH ACTION PLAN (JUNE – DECEMBER)

#### Commercial Strategy Objectives

- To invest in schemes and projects which can deliver £15m to £20m of new revenue income over a period of five to ten years
- To deliver a further £20m of capital receipts by 31st March 2020
- To reduce the number of contract waivers agreed
- To deliver commercial skills development to 33% of eligible staff by the end of 2019, rising year on year by 33% to 100% by end of financial year 2021
- Achieve a 4% return on the value of our farm estates

Theme	Activity	Impact / objective	Start date / Completion Date	RAG Rating
Contract, market shaping and procurement	<p>Carry out review of existing contracts, assessing potential opportunities and engage with Services to understand how these are being explored.</p> <p>Work with Services exploit opportunities to negotiate better terms and improved outcomes</p> <p>Identify skills gap in contract management and carry out training to address needs.</p>	<p>Review contracts that equate to a value in excess of £20million to:</p> <p>(a) Identify a net reduction of £200k/year from renegotiated contracts (April 2021)</p> <p>(b) Ensure our contracts are fit for purpose and being delivered in accordance with the contract terms (April 2021)</p>	<p>Work has commenced and contracts have been identified for potential review (complete)</p> <p>Contract reviews are being undertaken across Services, including a review of the Highways contract (in progress)</p> <p>Broader analysis of contract spend is being undertaken as part of the review with Grant Thornton, which will further inform priorities for this work stream (in progress)</p>	 <p>This indicator is currently red as the £200k saving for this year is yet to be allocated to specific contracts</p>
	<p>Commercial e-learning package to be rolled-out across the organisation in July.</p> <p>External product being developed and terms for sale being worked up with legal. Launch date of November 2019 for external product.</p>	<p>To deliver commercial e-learning training resulting in improved knowledge and skill deployment.</p> <p>Generate income of £50k from sale of external e-learning product to local authorities by March 2020</p>	<p>Work has commenced and remains ongoing.</p> <p>On schedule to launch the e-learning package across 33% of staff by March 2020.</p> <p>Demand in the market for our external product based on initial</p>	 <p>On track</p>

Theme	Activity	Impact / objective	Start date / Completion Date	RAG Rating
			marketing is positive. The product will be launched in September 2019.	
	<p>Engage with Services and understand desired requirements from a procurement function.</p> <p>Generated starting specification for function and understand priorities and affordability.</p> <p>Monitor approach taken for contract exemptions and extension and challenge rationale.</p>	<p>The number of contract waivers will reduce by 10% compared to the previous period (April 2021)</p> <p>By December 2020, have a procurement function that results in:</p> <ul style="list-style-type: none"> <li>- Reduction in overall contract spend in real terms</li> <li>- Demonstrates savings from joint procurement with PCC</li> <li>- Shapes the market so it is well placed to meet our major challenges</li> </ul>	<p>Early review currently being undertaken.</p> <p>Review complete and solution to be in place by December 2020.</p>	 <p>On track</p>
Contributions and funding	Develop a framework that structures our approach to attract large scale private sector investment.	Understand sources and options for significant investment (>£5m) in social enterprises projects	To commence in December 2019	Not started
	<p>Understand how sponsorship opportunities are addressed and assessed across the organisation.</p> <p>Put in place a structure to ensure activities that have potential sponsorship opportunities work in a way that encourages investment.</p>	£200k/year of increased revenue from sponsorship.	<p>Work commenced with Services in March 2019 to identify opportunities.</p> <p>The framework / plan for sponsorship attraction to be complete by December 2019.</p> <p>£200k target for 2019/20 will be challenging to achieve in Year 1</p>	 <p>Potential Risk</p>

Theme	Activity	Impact / objective	Start date / Completion Date	RAG Rating
	<p>To review / develop business plans from our traded services enabling:</p> <ul style="list-style-type: none"> <li>- Optimising income levels where commercial activity is the priority and maximising outcomes where social benefits are the focus</li> <li>- Understand asset value</li> <li>- Ensure robust business plans are in place</li> <li>- Strong governance focused on achievements and challenge</li> </ul>	<p>Ensure our traded services are:</p> <ul style="list-style-type: none"> <li>- Increasing income in line with business plans (December 2021)</li> <li>- Have a robust process in place for measuring social value (by December 2020)</li> </ul>	<p>Work has begun with key traded services and remains ongoing. All services to have agreed Business Plans by June 2020</p>	 <p>On track</p>
	<p>Put in place process to evaluate businesses cases applying the five key methodology and 'green book' HM Treasury guidance.</p> <p>Ensure there is a framework for assessing the value of social outcomes using consistent methodology.</p>	<p>Ensure that Members and relevant staff are trained in how to factor social value into investment and commercial decisions (December 2019).</p> <p>Carry out staff training and put quality protocol in place to improve quality of business cases and that social value is correctly evaluated.</p>	<p>Initial training has been completed. Further training to be schedule by December 2019</p> <p>Commenced. To be completed by December 2019.</p>	 <p>On track</p>
Acquisitions and Investment	Achieve £5m net income return (existing portfolio)	<p>Finalise principles for which to use capital receipts / borrowing to fund acquisitions</p> <p>Agree long term asset management process</p>	<p>This has begun and is scheduled to be completed by September 2019</p>	 <p>On track</p>
	Achieve an additional £5m net income return from property portfolio	<p>External investment advisor appointed to support increasing our portfolio. This will include; supporting us to strategically manage the current / future portfolio,</p>	<p>Work has commenced with the ALM due to be completed by the end of June 2019. Additional milestones dependent on approach taken.</p>	 <p>On track</p>

Theme	Activity	Impact / objective	Start date / Completion Date	RAG Rating
		<p>developing asset and liability model (ALM) based on CCC's needs.</p> <p>Identify and integrate funds / fund managers to invest in and the procurement of fund / fund managers</p>	<p>Additional income target relates to 2019/20 but will be dependent on additional investment</p>	
	<p>Complete financial modelling of non-property investments proposal</p>	<p>External investment advisor (as part of modelling described above) to advise on non-property asset classes to invest in.</p> <p>Explore with local venture capitalist firms opportunities</p>	<p>Modelling work to be completed by August 2019.</p> <p>Additional milestones to be agreed once approach is known.</p>	<p style="text-align: center;">             On track         </p>