

Commercial Approaches and Practices

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CIPFA's Commercial Advisory Service



Its nothing new.....

- Victorian councils embarked on large investment programmes
- Run as separate companies
- In response to market failure, to improve local lives and create jobs
- To deliver return on investment to fund municipal services such as parks and libraries
- 80% of Waterworks were municipal
- 30% of all Gasworks were Municipal.
- Municipal Ports, Tramways, markets across country
- Hull Corp – first telephone Exch.
- Newcastle Airport –1935



Which Services are developing more enterprising approaches?

- School Traded Services
- Adult Social Care
- Cultural and Leisure Trusts
- Environmental / Waste / Streetscene
- Children's Trusts
- Accountable Care Organisations (Health / Care)
- Back Office / Transactional Services
- Back Office Professional Services
- Soft and hard FM
- Property Development Co's
- Energy Companies



Why develop a more enterprising approach?

- Generate income / Defend market share
- Increase productivity / reduce costs
- To develop new skills / more entrepreneurial culture
- Improve the quality of services by becoming more responsive to needs
- To keep skilled staff in the market
- To promote approaches to better manage demand / incentivise co-production
- As vehicles for public service reform / integration
- To maintain a strategic link where they are being eroded (schools)
- More Funding Opportunities



What Makes a Successful Commercial approach?

- There is no magic ingredient to success
- Take a corporate view
- Never start with form – always start with function
- Have a clear business case – evaluate all options
- Understand legal powers
- Have a detailed business plan
- Be clear on governance



Evaluating Options / Developing a Business Case

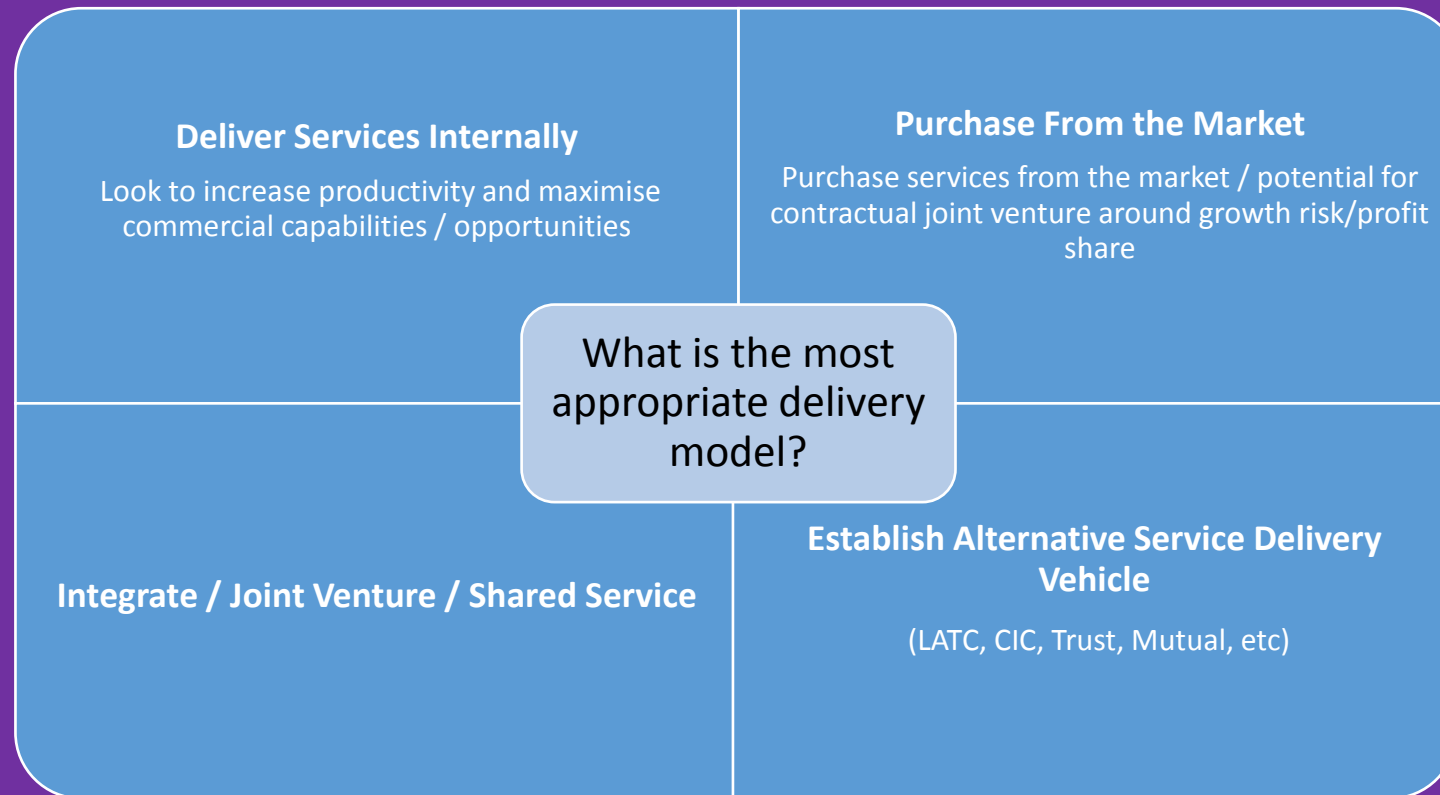
What outcomes
do we want to
achieve ?

Does it give the
customer what they
need?

Who can and who is
best placed to manage
and run this service?



Identify the best deliver model



Develop a Clear Business Plan / Financial Plan

- Determine your ambition
- Understand your market
- How do cost bases compare
- Can you increase productivity
- How will you compete / win business?
- What resources and capabilities do you need?
- Understand and Manage Risk



Getting the Governance Right

Clarity on Roles:

1. Internal Trading and Risk
2. Client
3. Commissioner
4. Contract Manager
5. Board of Directors (Company Law)
6. Shareholder Role

Key Controls:

1. Contracts / Specification / Payment Mech
2. PMF
3. Reserved Matters / Business Plan
4. Reporting Mechanisms
5. Legal Powers and Compliance.



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