

### Our Commercial Plan

#### Introduction

The reductions in public funding and the financial uncertainty created by the COVID-19 pandemic and 'Brexit' means that fiscal responsibility is ever more important. For us, recovering and rebuilding from the COVID-19 pandemic and adapting to a 'new' macroeconomic landscape, alongside challenges such as constrained financial resources, increasing demand, changing demographics, greater market competition and increasing customer expectations, means that **'doing nothing' is not an option.**

We recognise the above challenges and have, therefore, committed to adopting a broader, more 'commercially focused approach' that will ensure we become even more financially disciplined when it comes to the delivery of our services.

Whilst commercial related activity is not new to us as an organisation<sup>1</sup>, our first Commercial Plan, formalises our future ambitions relating to commercialisation and income generation. This plan will consolidate and provide a structured corporate framework for our existing, and all future, commercial activity. Fundamentally, this is about integrating commercial activities and a commercial mindset into the core of how we operate as an organisation, whilst also bearing in mind that we are, and will be for some time, continually adapting to a post-COVID-19 and post-Brexit landscape.

While there may be a temptation to view commercialisation as the 'silver bullet' to address the challenges we face (particularly in light of the financial resources required to 'recover' and 'rebuild' from the COVID-19 pandemic), it must be considered as one part of the solution, alongside delivering efficiencies (part of which will be delivered through our Procurement Plan), helping communities to become more sustainable and independent, managing demand and changing ways of working.

This plan, therefore, has clear links to the long-term vision for Belfast up to 2035, as set out in the Belfast Agenda, Belfast's first Community Plan, and aligns to the ambitions and commitments set out in our Corporate Plan and key strategies such as those relating to Inclusive Growth, our Medium Term Financial (MTF)<sup>2</sup> plans, Risk, Asset Management and Procurement.

This plan applies whenever we enter into or manage our commercial arrangements, generate income or make commercial decisions. Whilst there is an onus on us to deliver and manage our services with a commercial ethos, we recognise this must be done to a degree that is deemed politically appropriate.

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<sup>1</sup> We currently operate a range of commercial activities across a number of departments and services (in some cases this is done in partnership with our public and private sector partners).

<sup>2</sup> A key strand of this is the Efficiency Programme, which delivers annual cash efficiencies to support Elected Members' ambitions on the level of district rate to be set and to support the financing of new priorities.

## Drivers for Commercialisation

Importantly, we recognise that the benefits of pursuing commercialisation are not purely financial, but include the ability to support the delivery of wider social outcomes such as:

- Ensuring our resources are used sustainably to deliver positive social, economic and environmental outcomes to our local communities.
- Increasing transparency and accountability as to how we do business.
- Forging successful and trusted relationships with external partners.
- Building our capacity and capability by investing in the skills and resilience of our workforce and supporting skills/knowledge transfer, thereby reducing costs incurred from seeking external support.

## Our Strategic Aims

To define our Commercial approach:

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*“We will take an innovative and business-like approach to commercial activity to secure the delivery of high quality, sustainable and Value for Money services for our local communities. Through this, we will support the achievement of those ambitions set out in the Belfast Agenda”.*

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The overarching aim of our Commercial Plan is to generate a financial return that contributes to the Council’s investment plans, its efficiency programme and to ‘recovering’ and ‘rebuilding’ from the COVID-19 pandemic, and assists to safeguard services that are delivered in our local communities. To support this, we have identified five strategic aims, as follows:

### Commercial Plan - Strategic Aims



We recognise that our ability to deliver our Commercial Plan will, however, depend on a number of internal and external factors, such as:

- Our capability<sup>3</sup> and capacity to implement change and maximise opportunities;
- Openness and honesty about the existing performance of our activities and services;
- Receptiveness to alternative options for service delivery;
- The political appetite towards risk, including a willingness to possibly accept failure and to invest now for a return in the future;
- Our ability to measure success factors and learn from our mistakes;
- How well we use our powers and delegations;
- The number and type of assets which can be maximised (e.g. physical, human and intellectual);
- How, when and in what way, we recover and rebuild from the COVID-19 pandemic and adapt to a 'new' macroeconomic landscape; and
- The strength of our MTF Strategy.

## Our Priorities

To achieve our Commercial Plan, we have identified five priorities that we will focus on during the 3-year period:

### Commercial Plan – 3-year Priorities

1. Create a commercial culture – that is, behaving and acting in a more business-like way, when considering how we manage, operate, deliver and resource our services and products in order to deliver best value for communities and customers.

2. Ensure staff are equipped with the right skills to enable us to adopt some of the positive culture and behaviours that are associated with commercial organisations.

3. Develop and embed a corporate and coordinated approach to commercial activity, with an emphasis on effectiveness and adding value, improvement and efficiency and creating a working environment which encourages commerciality, creative thinking, innovative practice and the sensible management of risk.

4. Maximise charging, assets and investment opportunities to generate income and reduce costs.

5. Identify, develop and deliver existing and new (and innovative) income generating opportunities across the Council's commercial operations.

We have identified two thematic work streams that will assist us to deliver our five priorities. These are discussed in the following subsections.

<sup>3</sup> Including commercial acumen, skill sets and behaviours.

## 1. Enhancing our Commercial Culture and Competency

We have intentionally established the Commercial team to provide a strategic organisational approach to commercialisation, and to establish a commercial and business-like culture within the organisation.

We recognise that our corporate approach to commercial activity is still in its infancy. That being the case, we will ensure the Commercial team has sufficient financial resources to expand or 'scale-up', where necessary, to ensure that it can deliver our commercial ambitions. This includes developing and initiating:

- A **commercialisation communications and engagement plan** in order to raise awareness amongst all staff and Elected Members of our commercial approach. Key to this will be emphasising that the challenges we face means that *we must* have an overt focus on commercialisation. We will create various communication channels for individuals to engage with us on a rolling basis e.g. awareness raising sessions, 'ideas generation' workshops, features on our intranet, team briefs, commercial toolkits etc.
- A rolling **competency training programme** to ensure that our staff are provided (where necessary) with the requisite skills and expertise required to achieve our commercial aspirations e.g. such a programme may include topics such as developing a business case, options appraisal, market analysis, contract management, financial modelling and forecasting etc.
- Links with other local authorities that have adopted a commercial and business-like approach. This may be facilitated via existing networks, events and resources that are available from, for example, the Association for Public Service Excellence (APSE)<sup>4</sup> and the Chartered Institute of Public Finance and Accountancy (CIPFA)<sup>5</sup>.

Commercial activities cannot be viewed in isolation. We must take a commercial and business-like approach across all of our services if we are to ultimately thrive as an organisation. That is why embedding a commercial culture, as set out above, is so critical.

Where appropriate, we will empower our staff to take business-like decisions, manage risk and seize new opportunities. It is anticipated that individuals across the organisations will feel valued and involved in our new commercial approach. Our staff will receive relevant support, training and guidance, which we view as a value, not as a cost to our organisation.

## 2. Generating Income

Each year, we are required to produce a balanced revenue budget in order to meet our service expectations. As set out in our Corporate Plan, we had a planned investment of £202.85m for 2019-20. This planned investment is disaggregated, along with the corresponding projected income streams, in the following table:

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<sup>4</sup> Which facilitates the 'Local Authorities Commercialisation, Income and Trading Network'.

<sup>5</sup> Which provides access to commercial related accredited courses, e-learning tools and webinars.

| Projected Expenditure and Income 2019-20 (source: Corporate Plan 2019-2023) |                |             |
|---|----------------|-------------|
| Expenditure   | £              | %           |
| Planning Committee  | £7.73          | 4%          |
| Strategic Policy & Resources Committee                                      | £56.00         | 28%         |
| People & Communities Committee  | £92.90         | 46%         |
| City Growth & Regeneration Committee  | £24.69         | 12%         |
| Capital Financing   | £21.52         | 10%         |
| <b>Total</b>  | <b>£202.85</b> | <b>100%</b> |
| Income  |                |             |
| District Rate (from householders and businesses)                            | £157.80        | 78%         |
| Fees & Charges  | £21.11         | 10%         |
| Grants e.g. from the European Union and central government                  | £11.29         | 6%          |
| Other e.g. rents and licences   | £12.66         | 6%          |
| <b>Total</b>  | <b>£202.85</b> | <b>100%</b> |

However, Councils across Northern Ireland are becoming increasingly reliant on income from the district rate, as recognised in the most recent Local Government Auditor's Report<sup>6</sup>:

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*"Income levels vary considerably across each Council. Whilst overall the sector experienced a real-term increase in revenue based income in the five years to 2017-18, there was an overall real-term decline in income from service fees, charges and central government revenue funding. This trend indicates that Councils are increasingly reliant on income from the district rate. Given the increasing funding pressures, it is important that Councils continue to explore options to maximise the income generated from its services, including considering the potential."*

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The reductions in public funding and the recent financial uncertainty created by the COVID-19 pandemic and 'Brexit' have, unfortunately, compounded the financial issues facing local authorities.

We need, therefore, to consider our operating environment in a different way and reducing the level of subsidy<sup>7</sup> that is provided to support services is one possible option to improve financial sustainability.

To support our ambition to generate additional income, the Commercial team will be responsible for:

- Preparing a **corporate Charging Policy** and associated procedures. Whilst charging for services is a recognised feature of our existing activities and services, evidence from other Councils in Great Britain suggests that many services have traditionally been provided at little or no direct charge to the user. The provision of services at low, or no, charge has led to citizens often receiving heavily subsidised or free services in return for paying their Council rates. There is now an increased incentive for us to make best use of charging opportunities and to recognise the importance of using charging as a means of recovering the costs of delivering our services.
- Establishing a **comprehensive database of all the fees and charges** (to be updated annually) that are levied for the Council's services. The aim is to ensure that there is full visibility of the fees and charges across the entire organisation. Where necessary, the Commercial team will support

<sup>6</sup> Local Government Auditor's Report 2019 (Northern Ireland Audit Office, 18th June 2019).

<sup>7</sup> A service is subsidised when the income from that service (if any) does not meet all the costs of delivering that service and so there is a net cost which has to be funded from the Council. The net cost represents the amount of that subsidy.

the implementation of in-depth reviews of fees/charges were there are opportunities identified to generate greater Value for Money.

- Developing a Council-wide framework, in partnership with individuals/departments, to identify, prioritise and pursue existing and new (and innovative) commercial and income generating opportunities. Central to this will be the development of a '**prioritisation matrix**' for new commercial or income generating opportunities – this will ensure that ideas and projects can be scoped, appropriately resourced, developed and implemented (as appropriate).
- Identifying **commercial best practice** across other local authorities and organisations. This may include obtaining market insights and monitoring the commercial 'landscape' to explore new opportunities.
- Providing commercial advice and guidance to individuals/departments across the organisation. Whilst this plan will impact on all departments and services across our organisation, we recognise that 'a one size fits all' approach cannot be applied. Consequently, the nature and type of commercial advice and direction will vary across the organisation. For example, some services and activities already operate in a commercial way, therefore 'scaling up' may not require more than, for example, enhancing existing skills and capabilities. Alternatively, for some parts of the organisation, there may be a myriad of challenges (e.g. skills, capability and cultural) to address. For us, it is not about 'doing' commercial, but rather it is about 'being' commercial. This includes:

- Considering the whole life cost of policy decisions, including market impact and benefits realisation.
- Improving efficiency of service delivery – reducing costs and streamlining processes.
- Maximising Value for Money from contractual relationships.
- Making robust decisions on a consistent basis with evidence and a sound business case.
- Considering new and innovative ways of generating income.
- Taking an investment based approach to the use of financial resources, including assessing the return on investment in terms of financial return, delivery of the Council's priorities and added value to our communities.

- Developing, in partnership with others, alternative service delivery models, as appropriate. This may include shared services, partnership models or contracting out/in services (in-house versus out sourcing models). The most appropriate models for service delivery will be examined on a case-by-case basis, taking full account of the legal, risk and financial implications.
- Ensuring any new proposals receive the necessary support or 'buy-in' from the Corporate Management Team and other stakeholders, as appropriate.
- Developing, in partnership with the Marketing and Corporate Communications team, a Council-wide **Advertising and Sponsorship Strategy**. Whilst advertising and sponsorship related activities are undertaken across a number of departments and services, our intention is that a corporate strategy will provide a consistent and appropriate approach to advertising and sponsorship, one which reflects our vision, priorities and values and contributes to our commercialisation ambitions. Such a strategy will be proactively managed by the CPS team as an income stream and will relate to advertising and sponsorship opportunities associated with, for example, our assets, services, events etc.
- Working with relevant stakeholders across the organisation as part of the budget setting process to identify and maximise commercial opportunities in advance of a district rate being agreed.

- Working with the relevant individuals/departments to ensure that the Council's assets are strategically managed. This will include, amongst other things, provision of support and guidance to individuals/departments during the development of an agreed **Asset Management Strategy** for the Council.