

**DERBYSHIRE COUNTY COUNCIL**

**CABINET MEMBER FOR STRATEGIC POLICY, ECONOMIC  
DEVELOPMENT AND BUDGET**

**2 February 2016**

**Report of the Strategic Director, Corporate Resources**

**DERBYSHIRE CHALLENGE FUND BID FOR THE FUNDING TO DELIVER  
A PILOT TO DEVELOP COMMERCIAL AWARENESS  
WITHIN THE COUNCIL**

**1 Purpose of Report**

To seek approval for the bid to the Derbyshire Challenge Fund to support the development of a pilot programme to enhance commercial development within the council.

**2 Information and Analysis**

Councils have been facing dwindling budgets for a number of years. At the same time they have come under pressure to perform better and work more efficiently. When more traditional means of reducing budgets have been exhausted, councils are looking instead to developing more entrepreneurial approaches to generating additional income.

Income generation in the context of local government, generally explores a range of avenues including looking at sponsorship opportunities, increasing fees and charges, exploring trading opportunities such as the commercial exploitation of council services and events, maximising VAT, improved asset management and attracting new sources of grant funding.

Generating additional income reduces the pressure on departments to cut budgets and frontline services and this offers greater protection for both employees in relation to their job security and our communities in accessing more sustainable services.

Developing new income streams is one strand of the Derbyshire Vision and priorities. Whilst income generation spans a broad range of opportunities, we

know that externally traded services have largely ridden out the economic downturn successfully, and have proven a stable income stream in tough economic times. Within Derbyshire most departments are engaged in trading activities to varying levels. The Services for Schools Programme which offers a range of services to Derbyshire schools generated an annual gross income of £45 million for 2014/15. Other trading was estimated to have generated a further £11 million for the same financial year. The gross income figure tends to represent contract/event/activity value and it has not been possible to identify the net profit although this is likely to be a factor of many of the external trading arrangements where the full cost recovery model doesn't apply. This is, however, a large portfolio and the combined income streams contribute to council overheads, fund a large number of council posts, and in many cases are likely to generate a profit. This provides a focus for future development and clarity as to the value of traded activity within the council.

Our pressing budget position would indicate that it makes sense to understand both our trading and trading potential and be able to maximise that same potential where that is possible.

Research highlights various challenges to facilitating even greater enterprise, including the need to ensure that council staff have the skills necessary to enable them to maximise commercial opportunities. Feedback from departments through the Learning and Development and Traded Services routes evidences that teams currently trading feel that they do not necessarily have the right skills and expertise to develop their business proposition. They consider also that the council may not yet have refined its business practices to support a more commercial way of working including the choice of a delivery vehicle for the traded operation.

In addition, learning from other councils indicates that crucially, rising commercialism has to be seen as a positive development, rather than a reluctant reaction to austerity. This may require a culture shift, a commitment to changing the way that we seek to do business outside of our normal boundaries and potentially a move to other forms of delivery vehicles.

Within this, 3 main areas for development have been identified:

1. Up (or re-) skilling council staff to maximise commercial opportunities
2. Reviewing our strategies, plans, systems and processes to make such enterprise possible
3. Ensuring the culture of the council reflects income generation and behaving more commercially as positive developments

## **The proposal**

A proposal to utilise the Derbyshire Challenge Fund was submitted to and subsequently endorsed by the Corporate Management Team in November 2015. The detailed bid is attached in Appendix A.

It is proposed that funding is agreed to take forward a pilot project during 2016 which captures senior leader development, commercial awareness training for departmental teams, consultancy regarding income generation methodology and approach, support in taking ideas to market and in managing the necessary change.

The funding would secure the support of external consultancy - experts in the field of commercial development and with long experience of working with councils in this area. A number of agencies exist with the necessary expertise and there is evidence of their success in other councils. The same agencies are used by respected local government bodies such as APSE, LGA, and Modern Gov (Modern Mindset) to deliver training to councils and other partners.

By securing external support, this will provide the capacity needed to bring about quicker results and will ensure we are able to develop the skills and knowledge to progress this on a longer term basis. A clear success criteria would be an enhanced ability to generate income evidenced by results.

The funding would allow for a pilot project to be delivered. The pilot would focus on teams currently trading where we already have developed products and services and at least a basic understanding of the markets we are operating in. The aim of the pilot would be to maximise existing trading opportunities and ensure those managers involved are able to transfer this knowledge to consideration of new income generating projects. As this is existing traded activity we understand how many staff are involved and can ensure that the pilot can cover their needs.

Once the pilot is complete, its success would need to be reviewed against a number of pre-agreed criteria and if these are met, a decision would need to be taken to determine how the pilot might be embedded into future council practice. A decision about roll out will be taken by the Strategic Director Corporate Resources along with the Cabinet Member for Council Services. It is proposed that as part of this report, the Cabinet Member authorises, subject to the above post pilot review, further expenses to meet the cost of any project rollout. These could be met from general reserves.

Any future rollout of the pilot scheme would encompass the remaining teams that don't currently trade to help them identify their potential.

### **3 Financial Considerations**

The funding for the project would resource external consultancy. The budget for the proposal will be up to £19,500 including on-costs. Due to the low level of funding required, the consultancy contract would be awarded on a quotation basis.

### **4 Human Resources Considerations**

Whilst the project would largely be delivered by external consultancy, there will be an impact upon designated departmental staffing in engaging with the appointed consultants, taking part in subsequent training or support activity and in reviewing departmental and council strategies, plans, systems and processes to make development possible.

### **5 Other Considerations**

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, environmental, health, property and transport considerations.

### **6 Key Decision**

No.

### **7 Is it necessary to waive the call-in period?**

No.

### **8 Background Papers**

Held by the Traded Services team within the Corporate Resources Department. Officer contact details – Angela Beighton extension 37915.

### **9 Officer's Recommendation**

That the Cabinet Member approves the application to the Derbyshire Challenge Fund attached at Appendix A to the report and subsequent project delivery.

**Judith Greenhalgh**  
**Strategic Director – Corporate Resources**

Appendix A

Controlled

## DERBYSHIRE COUNTY COUNCIL

### DERBYSHIRE CHALLENGE FUND BID PROPOSAL FORM

2015/2016

Please complete the below information as fully as possible and return your completed form to Wayne Sutton, Finance Manager Tel: 01629 538 894  
[wayne.sutton@derbyshire.gov.uk](mailto:wayne.sutton@derbyshire.gov.uk)

Project Name	<b>Building Commercial awareness</b>
Department	Corporate Resources
Service Area	Traded Services
Lead Officer	Angela Beighton, Assistant Director, Traded Services
Grant Requirement	£19,500
Time Period	1 year as pilot
Overview of Bid – please include details of why this funding is required, the benefits that will be produced and the timescales involved	
<p>Ever dwindling budgets together with increasing pressures upon performance means that councils need to develop more entrepreneurial approaches to generating additional income.</p> <p>Income generation explores a range of avenues including looking at sponsorship opportunities, increasing fees and charges, exploring trading opportunities such as the commercial exploitation of council services and events, maximising VAT, improved asset management and attracting new sources of grant funding.</p> <p>Developing new income streams is one strand of the Derbyshire Vision and priorities. We know that externally traded services have largely ridden out the economic downturn successfully, and have proven a stable income stream in tough economic times. But research highlights various challenges to facilitating even greater enterprise, including the need to ensure that council staff have the skills necessary to enable them to maximise commercial opportunities. And crucially, rising commercialism has to be seen as a positive</p>	

development, rather than a reluctant reaction to austerity.

3 main areas for development are identified within this:

4. Up (or re-) skilling council staff to maximise commercial opportunities
5. Reviewing our strategies, plans, systems and processes to make such enterprise possible
6. Ensuring the culture of the council reflects income generation and behaving more commercially as positive developments

It is proposed that funding is agreed to take forward a pilot project during 2016 which captures senior leader development, commercial awareness training for departmental teams, consultancy regarding income generation methodology and approach, support in taking ideas to market and in managing the necessary change.

The funding would secure the support of external consultancy - experts in the field of commercial development and with long experience of working with councils in this area. This will provide the capacity needed to bring about quicker results and will ensure we are able to develop the skills and knowledge to progress this on a longer term basis. It is anticipated that our ability to generate income would be enhanced as a result.

The pilot would focus on teams currently trading as nominated by Strategic Directors. The aim of the pilot would therefore be to maximise existing trading opportunities and ensure managers involved are able to transfer this knowledge to consideration of new income generating projects.

Any future rollout would encompass remaining teams that don't currently trade to help them identify their potential.

The success of the pilot would be reviewed to determine how it might be embedded into future council practice.

Is funding being sought from any other organisation or body for this piece of work?		No
If yes, please give details of this additional funding stream and where funds are pending or confirmed.		
Organisation	Amount £	Pending or Confirmed

## FINANCIAL BUSINESS CASE

Please detail the areas in which the Challenge Fund Grant will be spent.

	2015/16	2016/17	2017/18
<b>Salary</b>			
<b>Running Costs</b>	£19,500		
<b>Total Revenue Expenditure</b>	£19,500		
<b>Capital Expenditure</b>			
Additional Information – please detail below any other additional information you wish to be taken into account e.g. are there any on-going cost implications			
Research has been undertaken to understand the availability of consultancy, the range of offer available and the projected cost.			
The £19,500 requested is sufficient to cover the 3 main areas for development as a pilot although elements of the consultancy & training provided would benefit any subsequent roll out across the whole council.			
If, following a successful pilot, a decision was taken to formalise this development within the council, any further funding implications would need to be addressed at that stage.			
The usual routes have been exhausted to seek alternative funding for this pilot. Eg departmental underspend.			

Will the Challenge Fund Grant be used for Capital purposes?

If Yes, what proportion of the Challenge Fund Grant will be used for capital purposes?
No

### Other Resource Implications

Please give details of the impact the Challenge Fund Grant will have on	
Property usage	Rooms will be required for training purposes only
IT usage	Consultants would use their own equipment
Other departments	Departments will be involved in the pilot on a scale to be determined. Relevant staff will be required to attend training.

### ORGANISATIONAL BENEFITS

How does your Challenge Fund bid contribute to the following?	
Departmental Service Plans	
Council Plan Pledges	<b>A Derbyshire that works</b> (A skilled & confident workforce)

	<p>(A Strong Economy) and specifically: ‘Maximise income from external funding sources to support key projects and programmes across the county’</p> <p><b>A local Derbyshire</b> (An ambitious &amp; dynamic council) and specifically:</p> <ul style="list-style-type: none"> <li>• ‘Radically reshape the Council with reduced resources so that it is the best it can be to meet future challenges and opportunities</li> <li>• ‘Make sure that our limited resources are allocated fairly’</li> <li>• ‘Ensure that our workforce is flexible, adaptable and can meet the future needs of Derbyshire’</li> </ul>
Service Transformation	This will support our ambition to work differently
Emerging Policy	<p>The potential is there to generate <b>additional income</b> for the council and work more <b>innovatively</b> with our customers.</p> <p>The bid fits well with the direction of travel for forming a <b>Combined Authority</b> (we would be better placed to offer services if relevant) and will help us benefit from economies of scale as a result of better partnership working.</p>
Risk Register	This has a positive impact on the risks identified around trading
Compliance Requirements	N/A
External Performance Review	N/A
Internal Performance Review	N/A

## BENEFITS TO LOCAL PEOPLE

Please provide details of the anticipated improvement/benefits to local people/communities and communities of interest, including protection of frontline services.
This project will help to protect front-line services by protecting and potentially growing our income streams. It has also the potential to drive economies of scale within council departments involved.



Learning from this area may have additional benefits to other services.

<b>Bid Approval</b>	
<b>Departmental Strategic Director</b>	Judith Greenhalgh
<b>Date of Approval</b>	1/11/5
<b>CMT</b>	
<b>Date of Approval</b>	25/11/15
<b>Leader/Deputy Leader</b>	
<b>Date of Approval</b>	