

Committee: **Executive Committee**

Date of meeting: **13th January 2021**

Report Subject: **Commercial Strategy Performance Monitoring**

Portfolio Holder: **Councillor Nigel Daniels, Leader and Executive Member for Corporate Services**

Report Submitted by: **Anne-Louise Clark, Chief Officer Commercial**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
18.11.20	19.11.20	17.12.20			11.12.20	13.01.21		

1. Purpose of the Report

- 1.1 To consider the performance of the Commercial Strategy and focus on the impact of the strategy on the period from March to September 2020. This strategy is aligned to the Council's priority 'An ambitious and innovative council delivering the quality services we know matter to our communities' and it is designed to cover all services and be a document that all staff, suppliers and partners can see their role in delivering.

2. Scope and Background

- 2.1 The Commercial Strategy was approved and accepted by Council in September 2020. It brings together themes that will contribute to Blaenau Gwent County Borough Council being a commercially minded council. It covers the development of commercial activities and also highlights the conditions required for the Council to behave as a commercial organisation. This is within the context of maintaining the Council's core purpose to provide public services delivering social value.
- 2.2 The overall objective of the strategy is to deliver the following themes:
- A focus on the residents' experience of existing and new services;
 - An understanding of our investments including return on investment (benefits), profits and losses;
 - Developing our brand, trusted to deliver quality services;
 - Spend control;
 - Using data, technology and insights wisely;
 - Having an agile workforce aligned to opportunities
- 2.3 There are 5 ambitions that drive our commercial activities. These are delivered through the Commercial Services Team but clearly involve all services, suppliers and partners:

- Excellence in Commissioning and Procurement;
- Creation of an investment Portfolio;
- Managing commercial activities through profit and loss accounting;
- Creation of a Commercial and Entrepreneurial Culture;
- Excellence in Contract and Supplier Management.

2.4 The response to Covid-19 pandemic which started in March 2020 has and continues to have an impacted on the delivery of the strategy. During the period March to September, and building on the initial 'Bridging the Gap' Strategic Business Review of third party expenditure, the focus has been on:

- Excellence in Commissioning and Procurement;
- Excellence in Contract and Supplier Management.

2.5 It is intended that in the early part of the financial year 2021/22, it will be possible to re-ignite our approach to:

- Managing commercial activities through profit and loss accounting
- Creation of an Investment Portfolio
- Creation of a Commercial and Entrepreneurial Culture

2.6 Key performance information and data used to assess the impact of the strategy includes:

- Delivery of the associated strategies and programmes;
- Transparency and challenge for all third party expenditure;
- Visibility of all commercial activities and publication of profit and loss accounts;
- Business cases and business plans for all new commercial activities;
- Leadership Development activities including entrepreneurial thinking; commissioning and negotiations skills plus contract management;
- Programme of supplier relationship meetings and a clear timeline for contract re-negotiations

2.7 The ambitions are governed through a newly created Strategic Commissioning and Commercial Board. The work of this board has been significantly impacted by the pandemic. The terms of reference for the board are available at Appendix 1. The first meeting of the board took place on 4th December 2020. At the first meeting the board reviewed all the directorate procurement plans and agreed a check and challenge methodology to ensure all tender and retender arrangements are fit for purpose. This new board replaces the virtual Strategic Procurement Board. This board also has a role in reviewing the delivery of our Service Level Agreements to schools, monitoring the commercial viability of our traded services and in governing investment options using an investment framework. The Board has a delegated budget of £496k. This is to be awarded where purchasing manager or commissioners need to supplement

their budgets to meet additional inflationary uplifts where the allocated budget does not meet the uplift.

2.8 Excellence in Commissioning and Procurement/Excellence in Contract and Supplier Management

- 2.8.1 During the period March 2020 – September 2020 our focus has been on building on the initial work undertaken as part of the Bridging the Gap programme. There has been continued interrogation of all third party expenditure and in particular a forensic review of all ICT contracts.
- 2.8.2 This has resulted in a number of renegotiated contracts and more favourable contract terms and conditions being achieved. In addition, we have been able to establish more favourable terms in relation to any inflationary uplifts. All existing contracts were reviewed to establish those where an inflationary uplift was agreed. Provision was made to meet these obligations however where this was not part of the terms and conditions suppliers were challenged and we stopped automatically applying the inflationary uplift for the duration of the contracts. This provides greater transparency and more control on spend.
- 2.8.3 The Corporate Procurement Team now review all invoices received for any ICT expenditure to check that contracts are in place and challenge the need for systems.
- 2.8.4 Working with contract managers, the Corporate Procurement Team are now involved at a very early stage in any tender process. This means they can provide expert advice and also negotiate early payment arrangements. This had led to increased use of P-Cards and as a result a reduction in costs of approximately 1% of the overall charge.
- 2.8.5 A review of agency costs and the terms and conditions associated with our contracts identified some opportunities for rebates. This resulted in c£45k being returned to the organisation in overpayments.

2.9 Focus for the next quarter

- Review of all procurement plans and sequencing of check and challenge sessions;
- Review of all trading accounts for commercial activities and identification of any council subsidy for traded services;
- Review of application of inflationary uplift to newly awarded contracts;
- Strategic Commissioning and Commercial Board to meet in quarter 4 of 2020/21 financial year
- Commissioning of leadership development activities for roll out in 2021/22.

3. **Options for Recommendation**

3.1 **Option 1:** That Executive notes the performance of the Commercial Strategy during the period March 2020 – September 2020.

3.2 **Option 2:** That Executive Committee provides comments and challenges the performance of the Commercial Strategy

4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 The Local Government (Wales) Measure 2009 (Section 15), places a duty on all Local Authorities in Wales to make arrangements to secure continuous improvement. As part of this, the Council is required to develop a Corporate Plan. The Well-being of Future Generations (Wales) Act 2015 also places individual duties on public bodies. The legislation is about improving the social, economic, environmental and cultural well-being of Wales and creating a Wales that we all want to live in, now and in the future.

4.2 The Commercial Strategy supports these objectives and the Corporate Plan priority 'An ambitious and innovative council delivering the quality services we know matter to our communities'. It is a critical organisational strategy for the future sustainability of the organisation. It is designed to secure the best use of our resources and to create ways of working that are fit for the 21st Century.

5. **Implications Against Each Option**

5.1 ***Impact on Budget (short and long term impact)***

There is no direct impact on budgets.

It is intended that this strategy complements and supports the Medium Term Financial Strategy and key aspects of its delivery are included in the Bridging the Gap Programme.

5.2 ***Risk including Mitigating Actions***

The features of the Commercial Strategy are to be built into the performance management framework so that they are embedded into Directorate Plans and individual objectives. The risks associated with underperformance against the strategy will be mitigated through a whole Council adoption of the ways of working.

5.3 ***Legal***

Changes in service delivery that might emerge through the deployment of the strategy will be reviewed from a legal perspective. Where alternative delivery models are explored due diligence will be undertaken before any decisions are made. This will include legal and financial reviews of any business cases.

5.4 **Human Resources**

Where changes in service delivery or role are identified normal human resources processes and policies will be applied including consultation with the Trade Unions.

6. **Supporting Evidence**

6.1 **Performance Information and Data**

Key performance information and data will include:

- Delivery of the associated strategies and programmes;
- Transparency and challenge for all third party expenditure;
- Visibility of all commercial activities and publication of profit and loss accounts;
- Business cases and business plans for all new commercial activities;
- Leadership Development activities including entrepreneurial thinking; commissioning and negotiations skills plus contract management;
- Programme of supplier relationship meetings and a clear timeline for contract re-negotiations

6.2 **Expected outcome for the public**

Through the delivery of the strategy the Council will become more effective in the deployment of its resources to ensure value for money is achieved and investments are made in activities that delivery the best outcomes for the public. This strategy will also contribute to the financial resilience and sustainability of the organisation therefore protecting front line services.

6.3 **Involvement (consultation, engagement, participation)**

User research will be a key part of the commissioning cycle to ensure service specifications take account of the needs of service users. Any changes to service delivery models will be consulted on in the usual way.

6.4 **Thinking for the Long term (forward planning)**

This strategy is at the heart of the medium and long term planning for Blaenau Gwent and recognises not only where the Council needs to seek new income streams but also where it needs to review how it deploys its current expenditure.

This remains our long term objective but the response to Covid-19 and its unprecedented challenges has meant short term focus on this.

6.5 **Preventative focus**

This strategy is designed to support the needs of the Council now and in the future. It is designed to build financial resilience and to prevent the need to seek service cuts.

This remains our long term objective but the response to Covid-19 and its unprecedented challenges has meant short term focus on this.

6.6 ***Collaboration / partnership working***

There are opportunities through this strategy to consider commercially advantageous ways of working across local authorities and the Public Service Board. This strategy seeks to identify commercial opportunities to work with suppliers across public sector organisations and to spend the Blaenau Gwent pound wisely.

6.7 ***Integration (across service areas)***

This strategy takes a whole council approach and promotes transparency across the organisation, learning from each other, building best practice outside of directorate silos and sharing skills. Through the supplier relationship element of the strategy benefits will be seen across services.

6.8 ***EqIA***

All service changes arising for this strategy will be screen to ensure there is no adverse impact on any protected characteristics.

7. **Monitoring Arrangements**

7.1 The Commercial Strategy will be monitored through the Performance Management Framework at directorate level and all activities will be monitored through Corporate Leadership Team and Executive Committee quarterly. Regular updates on impact will be discussed with the Executive Member. Reports will be presented to Council having previously been through Corporate Overview Scrutiny on a quarterly basis.

Background Documents /Electronic Links

- Appendix 1 – Terms of Reference for the Strategic Commissioning and Commercial Board