

Divisions Affected – N/A

**CABINET
19 March 2024**

Commercial Strategy

Report by Executive Director for Resources and S151 Officer

RECOMMENDATION

1. **The Cabinet is RECOMMENDED to approve the Commercial Strategy**

Executive Summary

2. A Commercial Strategy has been drafted to set out the Council's commercial ambition and pathway to embedding commercial thinking as part of our culture and governance.
3. The strategy sets out the vision to leverage Oxfordshire's unique assets and strengths to optimise organisational efficiency, generate sustainable revenue, support the development of a more inclusive local economy and enhance public services through innovative and responsible commercial activities.
4. To support the delivery of the Commercial Strategy through 2024/25 a Commercial Transformation Programme has been established. A discovery phase is currently underway to look at the current maturity level of the Council's commercial thinking, information, skills and processes, from which an implementation plan can be designed and programme to deliver new commercial ways of working.
5. The draft Commercial Strategy is attached as annex 1 to this report.

Overview

6. Oxfordshire County Council (OCC) faces challenges such as declining government grants, rising costs, and increasing demand for public services. To address these challenges, OCC aims to optimise organisational efficiency and generate sustainable revenue through innovative and responsible commercial activities. This vision aligns with OCC's broader ambition to become a Place Shaper of Choice, a Partner of Choice, and an Employer of Choice.

7. The initial focus will be on enabling a commercially minded organisation with an understanding of commercial awareness, value creation, strategic thinking, resourcefulness, entrepreneurial spirit, and collaboration. The Commercial Strategy will apply to all revenue and capital expenditure and will be governed by a Commercial Board, that will operate under the direction of the Council Management Team, (CMT).
8. The Strategy defines the following commercial priorities:
 - Strategic Alignment
 - Sustainability
 - Innovation
 - Community Focus.
9. The delivery plan set out in the Strategy is focussed on 2024/25, where the key activity includes finding a balanced approach to optimising organisational efficiency and identifying avenues to generate income. Indicatively the sector efficiencies that are reported as achievable through organisations adopting a more commercial approach are between 3-10% of total expenditure.
10. The other areas of focus in the 2024/25 commercial delivery plan includes the following:
 - Information and Systems
 - Processes
 - People and Capability
 - Risk Appetite
 - Monitoring and Evaluation

Financial Implications

11. The adoption of the commercial strategy and delivery plan will support services with achieving the 2024/25 budget saving of £2.0m relating to reductions in contract and commercial spend (see budget reference 2024CONT included in Section 4.2 of the report to Council on 20 February 2024).
12. The strategy will also need to identify opportunities for further efficiency and income generation over the medium term to contribute to reducing the deficit of £13.9m from 2025/26¹.
13. There will be an inherent risk of failure with any commercial ventures and innovation therefore good governance and effective risk management are essential to achieving successful outcomes from commercial opportunities and minimising any impact on general balances.

¹ As set out in the Medium Term Financial Strategy agreed by Council on 20 February 2024.

Comments checked by: Kathy Wilcox, Head of Corporate Finance
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[Legal Implications]

14. There are no legal implications.

Comments checked by:

Name, Paul Grant, Head of Legal (Legal)

Equality & Inclusion Implications

15. There are no direct implications arising from the strategy, but any commercial opportunities identified in the future would have Equality and Inclusion assessment undertaken.

Sustainability Implications

16. There are no direct implications, but sustainability is set out as a key commercial priority within the strategy.]

Risk Management

17. If external spend is not controlled and managed effectively, there is a risk that the necessary value for money will be achieved which will have a financial consequence and could undermine the financial resilience of the Council. Lack of effective contract management could also mean that contracts do not deliver what has been tendered / contracted, with the consequence that alternative suppliers are needed to further support the initial requirements at a further cost to the Council.

Lorna Baxter
Executive Director for Resources & S151 Officer

Annex: Annex 1 – the Commercial Strategy

Background papers: Nil

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March 2024

Oxfordshire County Council Commercial Strategy

Current State – Background

The Local Government sector faces many challenges including:

1. Funding – declining government grants forcing tough decisions about spending, rising costs and limited traditional income sources, and increasing demand for public services
2. Capacity and skills – a leaner workforce, changing nature of work such as digitalisation, and attracting strong leadership while fostering innovation.
3. Political and regulatory environment – fragmented and complex landscape where authorities have overlapping responsibilities and potential inefficiencies, and confusion, and a changing legislative and policy landscape.
4. Social and environmental challenges – growing income inequality, poverty, and homelessness; climate change and environmental sustainability; and demographic shifts such as an aging population

Oxfordshire County Council (OCC) has these exact challenges and is under pressure to ‘balance the books’ and prepare for increasingly difficult decisions on spending priorities. It is therefore important that OCC optimises organisational efficiency to minimise costs and secure available efficiencies to offset the financial pressures created by the above challenges. Thereafter, OCC can explore more complex and innovative solutions to generate income.

Future State – Vision

To leverage Oxfordshire's unique assets and strengths to optimise organisational efficiency, generate sustainable revenue, support the development of a more inclusive local economy and enhance public services through innovative and responsible commercial activities.

This vision will complement OCC’s broader ambition to become a Place Shaper of Choice, a Partner of Choice, and an Employer of Choice in the following ways:

1. Place Shaper of Choice – once the long-term vision for Oxfordshire has been defined, it will create commercial opportunities that would either help to prioritise activity to optimise organisational efficiency or identify ways to create income streams.
2. Partner of Choice – the delivery activity of this commercial strategy will help to support the local economy and build stronger and more strategic relationships with OCC’s supplier base and target broader social, environmental, or financial improvements (i.e. social value commitments to support the local economy and/or strengthening relationships with the supply chain through third party contractual commitments)

3. Employer of Choice – creating exciting opportunities, increasing commercial capability across the organisation, and building communities of practice will help to improve OCC’s employer proposition.

Future State – Mission

OCC’s mission is to become a leader in local authority commercialisation, balancing revenue generation with social and environmental responsibility, while remaining accountable residents and communities.

To achieve the vision, OCC will focus on enabling an organisation of commercially minded individuals with an understanding of:

- Commercial awareness – building a consistent appreciation for market forces, basic economic principles (e.g. supply and demand and profit and loss), and risk management.
- Value creation – opportunities to balance social, economic, and environmental value to ensure OCC is efficient (e.g. by reducing costs or increasing revenue) and effective (e.g. increasing quality or maximising outcomes).
- Strategic thinking – how decisions and actions impact the wider ‘system’ and long-term objectives while being able to adapt to changing circumstances, and where suitable turning them into opportunities.
- Resourcefulness – making the most of what’s available and finding options and solutions when presented with challenges or constraints (e.g. decreasing budget).
- Entrepreneurial spirit – where to apply initiative through a blend of calculated risk-taking and willingness to try new things [and recover if it goes wrong].
- Collaboration – how to build strong relationships, share ideas/ learning/ resources, and negotiate effectively to work towards shared goals (i.e. either within OCC and outside with partners and stakeholders).

Remit of the Commercial Strategy

The Strategy will apply to all revenue and capital expenditure, acquired, or disposed of by OCC from commercial or non-commercial providers. OCC’s commercial interest extends beyond the scope of its direct commercial relationships, for example where OCC works to improve cost, sustainability, or market capacity; or where OCC engages with others who influence policy, standards, or regulation that will ultimately have a commercial impact on the Council; or where OCC is exposed to financial, reputational, or any other risks and liabilities. The Strategy therefore seeks to promote a wide and more integrated approach to commercial management combining strategic and operational tasks distributed across the Council.

Governance Framework

Delivery against the Commercial Strategy will be governed by the Commercial Board and where appropriate escalate to the Corporate Management Team (CMT).

The Commercial Board will meet twice a month to review all revenue spend requests prior to them being put out for tender, or other procurement route to market. They will review the requests for overall commerciality, considering factors such as whether the service is statutory, whether demand can be decreased, the procurement route to market, and providing constructive challenge to the service around the specification for the particular requirement.

Delivery Plan – Commercial Priorities

- Strategic alignment: Ensure commercial activities directly contribute to OCC's strategic priorities, including:
 - Building a more inclusive and sustainable economy
 - Delivering high-quality public services
 - Promoting health and wellbeing
 - Protecting and enhancing the environment
- Sustainability: Prioritise long-term, sustainable income generation through:
 - Investing in renewable energy and low-carbon infrastructure
 - Developing partnerships with like-minded businesses and organisations
 - Adopting ethical sourcing and responsible business practices
- Innovation: Drive innovation and explore new market opportunities by:
 - Supporting and partnering with local startups and tech companies
 - Embracing digital technologies to improve efficiency and services
 - Piloting new commercial models and ventures
- Community focus: Ensure commercial activities benefit the entirety of Oxfordshire:
 - Prioritising local suppliers and contractors
 - Investing in community-based projects and initiatives
 - Maintaining transparency and accountability to residents

Delivery Plan

With an increasing share of OCC's budget spent externally, OCC continue to deliver exceptional value for money while promoting broader social economic, and environmental priorities. To maintain vital public services, OCC will find a balanced approach to optimising organisational efficiency and finding avenues to generate income; typical efficiencies through a more commercially minded organisation are between 3-10% of total expenditure.

The focus of the Strategy in FY2024/25 will be to establish robust control over business-as-usual commercial activities including but not limited to:

- Information and systems –
 - Develop greater visibility of data and management information on third party spend and any associated risk exposure (complementing existing initiatives to enhance data and performance insights)

- Use market intelligence, data and management information to inform commissioning, contracting, contract management and asset acquisition, management and disposal activity
- Simplify processes, common systems and ways of working
- Process –
 - Run major procurements with assurance and achieve good service user and commercial outcomes
 - Create simple and automated process to order and pay for goods and services and provide an efficient transactional process for internal and external suppliers, ensuring contractual obligations are met
 - Manage external supplier relationships well and consistently, and optimise the value of these relationships over time
 - Create the capability to shape and develop new markets as required to support commissioning needs
 - Improve the business cases process and forward planning to manage and mitigate risk exposure
- People and capability –
 - Make decisions with commercial acumen and proactively seek to understand and manage risk
 - Embed consistent and rigorous contract management (complementing existing initiatives to build communities of practice)
 - Build a culture of continuous improvement and organisational learning
 - Adopt a structured approach to commercial skills development so that individuals are able to act confidently
- Define risk appetite –
 - Focus on managing an appropriate level of risk, not avoiding it
 - Balance caution with innovation to support informed, responsible risk-taking
 - Prioritize transparency and sound assessments
 - Improve visibility of demand management to inform decision-making
- Monitoring and evaluation –
 - Regularly assess the performance of commercial activities to track progress against key objectives and metrics, such as revenue generation, job creation, and social impact
 - Conduct ongoing risk assessments to identify and mitigate potential risks associated with commercial ventures
 - Maintain transparency and accountability by regularly sharing information about commercial activities with residents and stakeholders
 - Develop key performance indicators, for example: number of suppliers in each category/by spend
 - Once the data and insights work has been completed, seek opportunities to benchmark and conduct comparative studies while consolidating any disparate spend