

## **Divisions Affected – All**

# **PERFORMANCE AND CORPORATE SERVICES OVERVIEW AND SCRUTINY COMMITTEE**

**15 November 2024**

## **COMMERCIAL STRATEGY**

**Report by Lorna Baxter, Executive Director for Resources and S151  
Officer**

### **RECOMMENDATION**

1. **The Committee is RECOMMENDED to note the update on the delivery of the Commercial Strategy.**

### **Executive Summary**

2. This paper presents an update on the implementation of the Commercial Strategy that was approved by Cabinet on 19 March 2024.
3. To support the delivery of the Commercial Strategy through 2024/25 a Commercial Transformation Programme has been established. A discovery phase has been completed that looked at the current maturity level of our commercial thinking, information, skills and processes, and this has been used to prioritise the Transformation Programme activity.
4. The maturity assessment concluded that the appetite to become a more commercially minded organisation is high. However overall, the current commercial maturity level is low.
5. There are four core work packages identified from the maturity assessment:
  - Strategic Direction and Partnerships
  - Governance and Performance Management
  - Capability
  - Visibility and Insights
6. Progress on implementing these work packages is highlighted further in this report. Overall whilst good progress is being made, the implementation is slower than originally anticipated. This is in part due to the programme of organisation design that is running in parallel, but also due to the complexity of the changes

required to support some of the work packages in particular regarding data and insights, and contract management.

7. The Commercial Strategy is attached as annex 1 to this report.

## **Strategic Direction and Partnerships**

8. The maturity assessment highlighted that whilst the Commercial Strategy establishes the council's intent, a strategic direction with clear objectives needed to be defined. There needs to be a single point of accountability to co-ordinate market engagement and partnership opportunities, and to define the target operating model for their commercial remit.
9. The new post of Director of Financial and Commercial Services was established in July 2024. This role is accountable for ensuring the implementation of effective and compliant financial and procurement practice across the whole organisation, and for leading the design and development of a new commercial service associated service offer.
10. Through the next phase of the organisational design, the leadership structure of the new commercial service will be created with clear accountability in line with the requirements resulting from the maturity assessment.
11. The operating structure for the new commercial service will be designed and implemented through the final phase of the organisational design. The timetable for that phase is under review, but it is expected that the new commercial services will be fully operational by the end of the summer 2025.

## **Governance and Performance Management**

12. For this workstream, the maturity assessment identified that a more progressive governance approach is required, with in the first instance a 'go/no go' forum to quickly and collaboratively evaluate desirability, feasibility, and viability of opportunities. The governance should then be grounded in the value created from processes, boards, reports etc, with contract management focussing on maximising outcomes from contracted works and services and advancing partnering strategies.
13. A Commercial Board was established in February 2024, initially to provide high level oversight and monitoring of the procurement pipeline and to review business cases for procurements over £100k. This was an interim measure to tighten control over spend, and to understand the issues being experienced with regards systems and processes.
14. In November 2024, a new Commercial Board is being established, with a more strategic focus on commercial opportunities, major procurements, contract management, and performance monitoring. The pipeline, data and reporting remain under development which limits the management information available to the new board at this time, but the board consists of officers who were identified as being strong in commercial thinking and awareness during the maturity assessment. Commercial thinking is now a key theme in the Business

Planning process for services across the council and as a result ideas and early-stage business cases are being developed for commercial opportunities within our existing asset base. The role of the new Commercial Board is to provide that 'go/no go' forum to quickly and collaboratively evaluate desirability, feasibility, and viability of opportunities.

## **Capability**

15. The maturity assessment identified pockets of good practice across the council in relation to contract management and innovation. This workstream has not progressed significantly at this stage, but the focus will be on creating a commercial community of practice and an environment that supports commercial innovation, with knowledge share and training available for those who want to build their commercial capability.
16. Contract management is a key project within the Commercial Transformation Programme, as this has been identified as an area that requires improvement, both in terms of skills and understanding, and process and reporting. This is the main focus for developing capacity and capability, initially looking at strategic contract management for our major contracts, and the wider contract management framework.

## **Visibility and Insight**

17. There are existing data and systems-related initiatives that will support commercial maturity, e.g. data-warehousing, and PowerBI rollout. The ambition is to create spend analysis across categories, suppliers and services and to create a commercial pipeline. To achieve this, analysis and reporting requirements need to be documented with data capture and quality improvements needed. The aim is to allow integrations between existing systems and functionalities to give greater data visibility.

## **Financial Implications**

18. The adoption of the commercial strategy and delivery plan will support services with ongoing achieving the planned 24/25 budget saving of £2M from third party spend, and with identifying opportunities for further efficiency and income generation going forward.
19. 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.

Comments checked by: Tom James, Head of Finance Business Partnering,  
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## **Legal Implications**

20. There are no direct legal implications.

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## **Equality & Inclusion Implications**

21. 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**

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

## **Risk Management**

23. If we do not control and manage our external spend effectively, there is a risk that we will not achieve the necessary value for money which will have a financial consequence, which 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  
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Annex: Annex 1 – the Commercial Strategy

Background papers: Nil

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# 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 is 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