

Divisions Affected – All

CABINET

17 December 2024

Commercial Strategy Update

Report of Performance and Corporate Services Overview & Scrutiny Committee

RECOMMENDATION

1. The Cabinet is **RECOMMENDED** to —
 - a) Note the recommendations contained in the body of this report and to consider and determine its response to the Place Overview and Scrutiny Committee, and
 - b) Agree that relevant officers will continue to update Scrutiny for 12 months on progress made against actions committed to in response to the recommendations, or until they are completed (if earlier).

REQUIREMENT TO RESPOND

2. In accordance with section 9FE of the Local Government Act 2000, the Performance and Corporate Services Overview & Scrutiny Committee requires that, within two months of the consideration of this report, the Cabinet publish a response to this report and any recommendations.

INTRODUCTION AND OVERVIEW

3. Following the Cabinet's agreement of the Commercial Strategy at its meeting on 19 March 2024, the Performance Overview and Scrutiny Committee considered a six-month update report on its progress at its meeting on 15 November 2024.
4. The Committee would like to thank Cllr Dan Levy, Cabinet Member for Finance, and Ian Dyson, Director of Financial and Commercial Services, for preparing and introducing the report, and for attending to answer questions.

SUMMARY

5. The Cabinet Member for Finance introduced the report, highlighting the necessity for a commercial strategy as the means to underpin a shift in the County Council's mindset to enable the pursuit of appropriate, risk-assessed commercial opportunities to enhance revenue for essential resident services.
6. The Director of Financial and Commercial Services provided an update on the commercial strategy's implementation following its agreement by Cabinet in March. A commercial maturity assessment had been undertaken, indicating a low initial level of commercial thinking, but high willingness to engage. The primary areas of focus during the implementation followed those recommended by the maturity assessment and were: strategic direction and partnerships, governance and performance management, capability, and visibility and insights. However, progress had been slower than expected due to the Council undergoing organisational design changes simultaneously, into which the Commercial Strategy would need to fit, and complexity of adjustments required around contract management and data and insights.
7. In response to the introduction, the Committee raised questions around the progress made to date and future ambitions, issues in relation to contract management, the approaches of other Councils and the learning taken from elsewhere, governance structures around commercial activity, and how effectively the Council might grow its commercial maturity.
8. The Committee makes five recommendations, offering its suggestion on how future iterations of the Commercial Strategy might be made clearer, how the Council might increase its commercial capacity, and how it should monitor its progress.

RECOMMENDATIONS AND OBSERVATIONS

9. The strongest overall feedback from the Committee in response to the report received is its frustration at how light and un-granular in detail it was. The Committee does recognise that there are reasons for this, and that officers and Cabinet members share its frustration. It does not make sense to proceed at pace when the Council is in the process of restructuring. Equally, the low base from which the Council is beginning its commercial journey means a lot of investment in the foundations, a period of a project which requires a lot of work for which there is frustratingly little to show.
10. Notwithstanding the above, however, Cabinet agreed the Commercial Strategy eight months before the Committee received its update report, eight months in which the only concrete output has been the completion of a maturity assessment. Members were informed that concrete examples of the organisation's commercial plans would become clear over the next 12 months. This is indeed slow progress. When the Council harbours ambitions to be successful in an arena which relies on being quick to identify opportunities and nimble enough to take them, the pace of progress to date should act as

something of a reality check as to how far the Council needs to travel and the amount of work which needs to be devoted to it in order to make it work.

Observation 1: The pace of the Commercial Strategy to date, particularly in relation to developing specific commercial proposals, has been disappointingly slow

11. Following on from the above, the Committee does want to see regular and up to date progress reports on the Commercial Strategy to inform whether additional formal scrutiny is required. The information the Committee wishes to see would include a detailed project plan with activities, timeframes and progress against those timeframes. It would wish to see adopted commercial activities listed with targeted savings or income generation expectations, the progress made since the previous report, risks and be RAG-rated on confidence that the expected savings or income will be delivered to time. The Committee fully supports the prospect of the Council becoming more commercial, but successfully realising that ambition is not simple and regular monitoring is required. Oxfordshire is not the first council to try to be more commercial; some have been damaging failures. Many of the high-profile failures have been criticised for embarking on ventures with insufficient scrutiny. This request is made to enable Oxfordshire to avoid this risk.
12. Although not a formal recommendation of the Committee, if the Council feels that it should justifiably be able to rely on the Commercial Strategy to improve efficiencies by between a helpful 3% and a deeply consequential 10%, it may wish to include specific progress reporting on the impact and progress of the Commercial Strategy in its regular BMMR reporting as a way of ensuring it remains a priority area of activity. Equally, as referenced above, members should be well informed on a regular basis of the risks the Council's commercial approach is exposing it to.

Recommendation 1: That the Council develops and shares with the committee on a regular basis a more detailed project plan for the Commercial strategy, outlining specific commercial opportunities in development, enabling activity, timelines, targeted savings or expected income generation, risk and RAG ratings.

13. As detailed in the commentary around the committee's observation above, one criticism made of the Commercial Strategy and accompanying update report was a difficulty in understanding the granular steps which would be taken to achieve the intended outcome of becoming more commercial. One issue, it was suggested, was that the current iteration of the Commercial Strategy conflates three distinct types of commercial behaviour: saving money, which the large focus on procurement and contract management indicated was the strategy's primary focus, making money, and using money better. Recognising that there are these distinct types of commercial behaviour, each with their own underpinnings, governance and outcomes, would help the organisation provide more clarity on next steps. When the Council issues a new iteration of the Commercial Strategy, the Committee recommends that it delineate what it proposes to do along these lines.

Recommendation 2: That the Council ensures that future iterations of the Strategy clarify how it intends to help the Council make money, how money will be used more efficiently, and how it will be used more effectively.

14. The Council's commercial maturity assessment shows, not unsurprisingly, that overall commercial maturity within the Council is low. Many of the Council's staff have developed their experience within local authorities and other areas of the public sector and have had commensurately less exposure to commercial activity and approaches. The Committee appreciates that improvements in commercial thinking can be achieved through training and book-learning. However, as recognised at committee, the Commercial Strategy seeks to bring about a culture change in the way the Council operates. To effect something that significant may require deeper immersion in commercial activity than teaching, and the Committee suggests that the Council give serious consideration as to the value of seconding staff to commercial organisations in the private sector. The integration of the Local Enterprise Partnership into the Council provides a great opportunity to identify opportunities with high-performing organisations with high standards of practice within whose culture staff members can become immersed in a way they cannot whilst working within the Council.

Recommendation 3: That the Council gives consideration to seconding staff to exemplars of good commercial practice to the private sector.

15. As referenced, making improvements to procurement is a key pillar of the Commercial Strategy. However, it would be easy to imagine this as meaning the Council intends to drive a harder bargain to begin with, when actually it is just as important to recognise where opportunities exist to renegotiate more favourable terms during the contract. Equally, improving visibility of service area-level contracts by a central group can unearth efficiencies and economies of scale. These are both facts which were recognised by officers and members at committee, and are areas which both wish to see the Council improve in. As such, the Committee wishes to endorse greater investment in strategic procurement and mid-contract management of contracts, and encourages the Cabinet to ensure sufficient resource is invested to ensure these are possible.

Recommendation 4: That the Council invests in greater capacity to undertake strategic and mid-contract management of contracts.

16. The Commercial Strategy Board oversees business cases, spending control and strategic commercial opportunities within the organisation, thereby playing a significant role in the commercial strategy of the Council as a whole. It is made up of the Director of Financial and Commercial Services, Head of Procurement Contract Management, Strategic Property Advisor, Head of Law,

Head of Highways Maintenance, and Capital Programme Manager. Absent from this list are any representatives of adult or children's social care.

17. The Committee's view is that this is a missed opportunity. Combined, two thirds of the Council's service area revenue spending comes from these two areas alone. They are respectively four and three times larger than the spending on Highways, which is involved in the Commercial Strategy Board. Failing to include representatives of the areas of the Council's biggest spend makes little sense, particularly when adult social care in particular has such a significant and active role in shaping the local social care market. Where there is spending at the scale of these two areas there will be commercial opportunities. The Committee would like both to see specialist knowledge and experience in those areas be represented on the Board, and to provide these areas of significant spend with greater exposure to commercial thinking.

Recommendation 5: That the Council includes representatives of Adult Social Care and Children's Social Care on its Commercial Board

FURTHER CONSIDERATION

18. The Committee has not scheduled a further specific item on the Commercial Strategy. However, as in recommendation 5, it has requested ongoing updates to be provided. It is hoped that the Cabinet will agree to develop and provide this information to allow ongoing monitoring by the Committee without having to commission a specific item unless the situation requires it.

LEGAL IMPLICATIONS

19. Under Part 6.2 (13) (a) of the Constitution Scrutiny has the following power: 'Once a Scrutiny Committee has completed its deliberations on any matter a formal report may be prepared on behalf of the Committee and when agreed by them the Proper Officer will normally refer it to the Cabinet for consideration.'
20. Under Part 4.2 of the Constitution, the Cabinet Procedure Rules, s 2 (3) iv) the Cabinet will consider any reports from Scrutiny Committees.

Anita Bradley
Director of Law and Governance and Monitoring Officer

Annex: Pro-forma Response Template

Background papers: None

Other Documents: None

Contact Officer: Tom Hudson

Scrutiny Manager
tom.hudson@oxfordshire.gov.uk
Tel: 07791 494285

December 2024