

Commercial strategy

Inspiring a business like culture across the Council and with our wider public sector colleagues in Cornwall.

What is it?

Embedding a business like behaviour and thinking in the way we work.

Context

OUR
1st
commercial
strategy

WE HAVE OVER
6000
suppliers

ranging from SMEs and the voluntary sector through to national and multinational organisations

670

The number of contracts we are currently managing

130

Approximate number of tender opportunities we advertise each year

WE SPEND

£510m

on services provided by third parties



£77m

spend with Voluntary, Community and Social Enterprises per annum

£29m

Our additional income generation target by 2019

OVER **1000**

businesses engage in elements of the Cornwall Supplier Development Programme



What are the priorities?

Embedding commercial thinking and increasing skills

Developing strong partnerships to increase our commercial influence

Maximising innovation, income generation, growth and trading opportunities

Streamlining systems and governance



Commercial Strategy 2016

*Inspiring a commercial culture across the
Council and the wider public sector in
Cornwall*

*Part of Cornwall Council's Organisational
Development Framework*

**Approved by Full Council
– 16 February 2016**

Foreword – Cath Robinson, Interim Director of Communities and Organisational Development

I am pleased to introduce our 2016 Commercial Strategy. This is Cornwall Council's first Commercial Strategy that provides a commercial focus and direction of travel for the Council.

Commercial does not mean purely making a profit for the Council. It includes:

- Considering the whole life cost of policy decisions, including the market impact and benefits realisation.
- Improving efficiency of service delivery – reducing costs and streamlining processes.
- Maximising value for money from our contractual relationships.
- Making evidence based robust decisions.
- Considering innovative ways of generating income for the Council.

The Council should use these commercial principles when considering and delivering decisions and services, but it must also retain a social heart. The principles will affect different parts of the Council in different ways. Some services, like the Members' Community Chest grants, will never be fully commercial.

However, we can apply commercial principles to most Council operations and must consider them when reviewing policy objectives and direction. Applying commercial principles will include considering areas of business that might not have been fully explored or considered in the past, for example reviewing charged for services or investment opportunities. It will also include changes to our decision making, such as examining the whole life cost of projects including operating costs, knowing when to invest to save, and understanding market factors and loss leading services.

Links with other strategies and initiatives

This Commercial Strategy forms part of the Council's Organisational Development Framework and supports the Corporate Strategy and Business Plan. It complements the other corporate strategies, particularly the Finance and Information Technology Strategies.

Cornwall Council's Organisational Development Framework

The Commercial Strategy is one of ten strategies which sit beneath Cornwall Council's Organisational Development (OD) Strategic Framework.

Each strategy focusses on a different aspect of the organisation and will contribute to the overall ambition of the OD Strategic Framework:

Cornwall Council; fit for purpose and prepared for the future

The Commercial Strategy will also contribute to the achievement of the four strategic aims of the OD framework:



The actions identified in the ten strategies will be incorporated into the Council's annual business and service plans for delivery. These are subject to the Council's standard risk and performance management processes.

The Organisational Development Steering Group will monitor delivery of the overall framework and progress towards the four strategic aims.

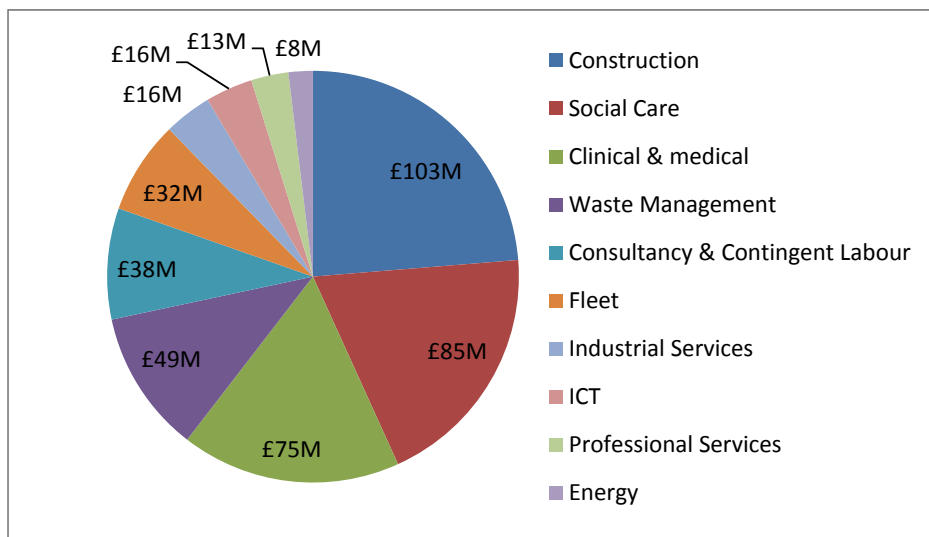
Context

The Council faces unprecedented budget challenges over the next four years, including a savings target of £196m and an income generation target of an additional £29m by 2019.

To meet these challenges, we must adopt a more business-like mind set, developing and embedding commercial expertise and commercial acumen across all suitable activities. This means robustly managing our projects and contracts from start to finish and identifying and developing new business opportunities.

Suppliers

We spend half a billion pounds a year – almost half of our total budget – with external suppliers. We have more than 6,000 different suppliers, ranging from small and medium enterprises (SMEs) to charities, the voluntary sector and multinational organisations. Our top ten spending categories, which make up £450m of our spending, are shown below:



We need to develop category management strategies to consider our spend levels, identify opportunities across key purchasing areas and allow us to consider the best routes to market, including grants instead of contracts where appropriate.

We also need to develop a supplier relationship management programme to improve our relationships with key suppliers.

Council owned companies

We have a group of Council owned companies that offer services to others and bid for income generating work. We need to manage our relationship with our companies in a more commercial manner, being clearer about what we want

our companies to deliver, how we expect them to achieve and whether we want to divest or diversify in the future.

Driving the Cornish economy

The Council plays a key role in driving the Cornish economy by setting standards through our contacts and procurement, our use of local sub-contractors, our approach to apprenticeships and setting up new social enterprises. We are committed to delivering the nine areas of Responsible Procurement:

- Environmental Sustainability & Carbon Management
- Equality and Diversity
- Safeguarding
- Ethical Sourcing
- Supply Chain Diversification
- Health and Safety
- Social Value: Employment and Skills
- Social Value: Additional Outcomes for Vulnerable Groups
- Social Value: Supporting, protecting and improving community assets

Our Commercial approach to procurement needs to include the consideration of local investment and sourcing in the overall context of value for money, and to avoid just short term, lowest cost solutions. In general our approach is to source locally and sustainably where appropriate and where we can do so within the Contract Procedure Rules and EU Regulations.

Devolution

We have an ongoing programme of devolving assets and services to town and parish councils. Town and parish councils have opportunities to manage services and raise income that are not open to the Council, which can make the difference between whether a service continues to run or not. However, we still need to take a commercial approach to devolution and consider the social value of assets against their commercial value. Decisions about commercial versus devolution should be made in conjunction with a decision making toolkit around the key areas.

Our Commercial Strategy

This strategy applies whenever we spend money with external suppliers, enter into or manage our commercial arrangements, generate income or make commercial decisions. All of our principles apply to commercial spend and contracts. However, some may not apply to grants or Community Chest spend, which will never be fully commercial.

Our principles

- Applying sound commercial advice and thinking from the start of an idea through to contract management.
- Setting clear and realistic targets for the fully costed savings, efficiencies and income targets we expect from our programmes and projects.
- Using evidence based decision making to achieve the best commercial outcomes.
- Increasing the use of procurement cards.
- Engaging proactively with all stakeholders.
- Taking an efficient and proportional approach to policies, systems, procedures and operations.
- Ensuring operational activity is linked to our strategies.
- Raising the level of commercial expertise across the Council.
- Considering all commercial elements in contracting, including payment arrangements, schedules, advances, block versus variable, payment by results and outcome based payments.
- Working closer and smarter with SMEs, the Voluntary, Community and Social Enterprise Sector and local businesses.
- Recognising the Council's role in shaping the markets
- To be a responsible contracting authority.
- Ensuring the Council fully considers commercial opportunities, market impact and ventures.
- Accepting that the Council will need to take risks to achieve commercial success.

Outcomes

- **Value for money** – We will create a clear procedure for assessing value for money.
- **Compliance** – We will ensure we comply with commercial contracting and procurement rules and legislation.
- **Efficiency** – We will ensure the Council has smooth and efficient processes in place for commercial activity.
- **Open and transparent** – We will make all opportunities and information available via public websites with clear instructions. We will provide timely responses to information requests about contract awards.
- **Accessible** – We will make contracts more accessible for SMEs and voluntary and community organisations by including suitable lot structures and consortium bids.

- **Local communities** – We will ensure local communities benefit from wealth creation in Cornwall.
- **Mixed market** – We will develop a mixed market of suppliers that maximises competition and performance.
- **Enhanced reputation** – We will enhance the Council’s reputation of being a good purchaser.
- **Income** – We will ensure income and returns from the Council investing or trading are as expected.

How will we deliver the Commercial Strategy?

Council service teams, Members, the public, our partners and third party organisations will all play a part in delivering the Commercial Strategy. Within the Council, the Commercial Services team will lead on delivery but will work in partnership with service teams.

Commercial Services will provide clear and usable advice, guidance, policies, systems and training to help services achieve commercial outcomes in all of their activities. The Commercial Services team will also act as a critical friend for business cases and options appraisals across the Council.

More expert time will be focused on initial business cases and contract delivery, as these are the parts of the commercial cycle that can add the most value. We will also streamline procurement processes to reduce costs and burdens to the Council and bidders.

Spending extra time on the pre-procurement stage will allow us to gather market intelligence and ideas, share information and options with other public sector purchasers, scope requirements and examine the needs of the people of Cornwall. It will also give us the opportunity to identify and adopt best practice, instead of starting from scratch each time.

Better contract management will ensure that the Council gets what it has paid for after contracts have been awarded. We will create a central strategic contract management team to support operational contract managers across the Council with training, advice, a full contract management framework and expertise in strategic negotiations and reviewing variations to major contracts.

Commercial Services will also work with Economic Development to assess businesses, population demographics and employment in specific areas. This will provide greater insight to enable the Council to target particular geographical areas in the delivery of the strategy.

How will we measure our success?

The success of this strategy can be measured in a number of ways:

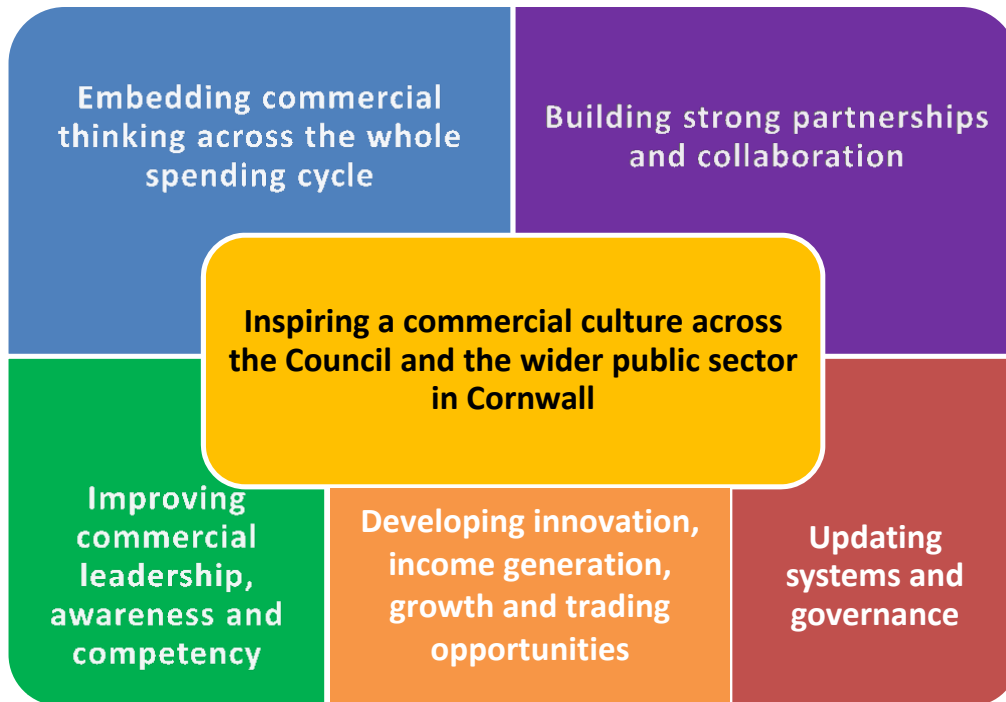
- Cornwall is considered an attractive place to do business.
- Cornwall is proactive in innovation, improvements and developments within service delivery or outcomes.
- The Council is involved in more and better quality partnership working.
- We develop and embed category management across the Council.
- We have a Contract Management Framework in place and all Council contract managers use it.
- We have strong, meaningful relationships with suppliers.

We will also monitor:

- The amount of work delivered by SMEs.

- The amount of work delivered by the voluntary and community sector.
- Delivery of key programmes such as Responsible Procurement and Social Value.
- The number of opportunities advertised openly.
- Value for money from commercial activity.
- Improvement of commercial awareness across the Council.
- The number of jointly tendered services.

Our Commercial Strategy is made up of five strategic aims:



Over the next few pages, each of the five strategic aims will be presented as follows:

- The **strategic aim** describes what we are going to do to support the overall Council Strategy
- The **rationale** explains why this is important and describes the current context.
- The activities explain **what we will need to do** or put in place to achieve our strategic aims.
- The measures describe **how we will evaluate our success**.

Strategic aim:

Embedding commercial thinking across the whole spending cycle

The rationale...

We want to embed commercial thinking and skills in all our activities to create and improve commercial relationships with external organisations.

We will focus on three key areas of commercial activity:

- Early, indepth and open approaches to business case creation.
- Outcome based, proportional and best practice tendering.
- Ongoing contract delivery management and improvement through supplier relationship management.

Improvement in these areas will help us develop a better understanding of market drivers, keep on top of best practice and achieve maximum value for money. This will include considering ways to ensure services can continue to be delivered as funding decreases. Supplier relationship management in Cornwall will bring together procurement and contract management, allowing for more strategic discussions and relationship development with third party organisations.

We will achieve this aim by...

- Developing and implementing a contract management toolkit for use across the Council.
- Communicating clearly and effectively with external organisations, including publishing our opportunities, forward plans and the supplier development programme.
- Being open to suggestions for improvement, innovation and development from third parties
- Creating and implementing Category Management Strategies for all major spend areas.
- Ensuring our procurement methodologies includes a proportional approach to market intelligence assessments, supply chain transparency, open book accounting and fairness of payment, and risk management.
- Introducing supplier relationship management approaches.

How will we know we've been successful...

- The contract management toolkit will be used by relevant services across the Council and we will routinely review its effectiveness.
- There will be more and better targeted engagement with existing and potential suppliers via earlier market intelligence gathering.
- The Council's knowledge of commercial market factors will increase, leading to improved contracting and procurement outcomes.
- Key suppliers will be identified and relationships developed that benefit both sides.
- Forward plans for key areas of work will be published on the Council's internet and updated regularly.
- Programmes will be in place to identify key markets that need stimulation and action will be taken to stimulate and develop these markets.
- Services will continue that would otherwise have ceased.
- Local communities will benefit from wealth creation and distribution of wealth in Cornwall and economic improvements.
- Social value will be considered as part of policy decision making.

Strategic aim:

Building strong partnerships and collaboration

The rationale...

To deliver our Commercial Strategy, we will work closer and better with our commercial stakeholders, both in the commissioning and delivery of our services. This means building strong partnerships and working with Council services, public sector partners, central government and advisory bodies, the VCSE, and suppliers. This will allow us to:

- Maximise Cornwall's buying power by pooling spending with other public sector partners to get a better deal from suppliers. This includes services being delivered at the right level, for instance local services by town and parish councils.
- Consider critical commercial factors when a business case is initially developed.
- Work with community and voluntary groups to involve them in costing and delivering services.
- Share specifications and benchmarking information with public sector purchasers to deliver efficiencies and savings.
- Use supplier relationship management to improve our knowledge of costs, prices and other commercial factors.

We also need to balance commercial objectives, regionally and nationally, with the devolution agenda.

We will achieve this aim by...

- Understanding stakeholders and suppliers, including dependencies and identifying opportunities to work together.
- Formally engaging with other public sector organisations across Cornwall and the South West to identify opportunities for working together.
- Developing shared forward work plans with partners to identify and minimise areas of duplication and opportunities to work together.
- Exploring ways to share commercial knowledge and expertise between the public sector and the community and voluntary groups to enable collaboration.
- Creating a Commercial Family Network of key officers and partners, for networking, sharing information and lessons learned.
- Delivering the Cornwall Deal with public sector partners.
- Encouraging, supporting and reshaping the VCSE sector through projects like the Transformation Challenge Award.

How will we know we've been successful...

- We will collaborate with partners on commissioning and procurement projects, monitoring the measurable benefits and lessons learned to enable continuous improvement.
- We will share forward work plans with partners to identify opportunities for working together.
- We will have successful collaborations and ventures with partners.
- We will have positive feedback from third party suppliers, including the VCSE sector.
- We will have a decision making framework for considering goods, assets and services suitable for devolution

Strategic aim:

Improving commercial leadership, awareness and competency

The rationale...

Staff and Members across the Council, our companies and the wider public, voluntary and community sector can benefit from support and guidance to establish and share commercial thinking.

We will deliver a training and development plan, initially for Council staff, to develop a more commercial mind set

This will require strong leadership from the Commercial Services team, clear communications explaining the reasons for moving to a commercial focus, and training and support to improve the performance of all staff in this area. We could also offer training and development activity to local businesses and the voluntary, community and social enterprises (VCSE) sector.

We will achieve this aim by...

- Delivering a commercial competency training programme to help develop and support knowledge, skills and behaviours within the Council.
- Centralising commercial expertise to support Council staff, design and deliver the commercial cycle, drive savings and pursue income generation opportunities.
- Supporting workshops on key topics chosen by the Commercial Family Network, for example negotiation training, contract or specification writing.
- Supporting and working with Members to fully consider commercial implications of their decisions.

How will we know we've been successful...

- We will deliver a training programme to relevant staff and monitor delegate feedback to ensure the programme is appropriate.
- We will identify all staff involved in commercial activity in the Council and support them with toolkits, strategies and advice from Commercial Services where appropriate.
- We will have built an information source to signpost alternative sources of funding for public services, such as grants.

Strategic aim:

Developing innovation, income generation, growth and trading opportunities

The rationale...

Innovation, income generation, growth and new trading opportunities all have the potential to fund or support activities and services in Cornwall and should be part of our decision making process when awarding contracts.

We will continue to explore new ideas and opportunities to generate income and improve services and value for money, but these need to be balanced against any risks involved and whole life costs. Income generation opportunities would need to be considered before examining other ethical investment issues between the promotion of local business, social values and the prominence of "Cornishness"

We want to attract businesses to Cornwall to ensure there is healthy competition and that business rates are generated within Cornwall. There are also opportunities for the Council to offer services to others via our group of companies and to bid for income generating work, but we need to be clear about the costs involved and what we want to achieve with our companies. This will include reviewing the strategic direction for each company moving forwards.

We will achieve this aim by...

- Developing a Council-wide framework for identifying, prioritising and pursuing income generation opportunities.
- Generating £29m more annual income by 2019 by:
 - Charging market rates for discretionary services.
 - Trading with new local and national partners.
- Implementing new trading models, including reviewing the Council's companies structure.
- Developing the commercial acumen of staff across the Council so they can identify and develop income generation opportunities.
- Becoming a centre of commercial excellence to support income generation activity.

How will we know we've been successful...

- We will have an income generation framework and use it to identify, prioritise, and pursue appropriate income generation opportunities.
- We will meet our income generation objectives.
- We will have clear selection routes and business case considerations when awarding work to our group of companies through the Internal Direct Award process.
- We will provide training and support for staff to help them identify income generation opportunities.

Strategic aim:

Updating systems and governance

The rationale...

We need to update the governance of our procurement and contract management systems to balance protecting public money against the need to take some risks to improve services and generate income.

Bringing in e-tendering and e-contract management will improve efficiency by getting rid of paper submissions and creating a central reporting system that provides strategic information on our contractors' performance.

Standardising our supporting systems and updating our governance will make doing business with the Council easier and more consistent for suppliers. This will reduce costs for us and our suppliers.

We will achieve this aim by...

- Introducing faster and simpler commercial management processes.
- Purchasing and implementing an e-commercial system for tendering and contract management.
- Reviewing and updating the Contract Procedure Rules within the Council's Constitution.
- Making evidence based decisions in a timely and efficient manner.

How will we know we've been successful...

- We will have an e-commercial system with e-tendering and e-contract management systems.
- The Council's Contract Procedure Rules will reflect best practice and the latest procurement regulations and will be shared with our client stakeholders.
- Our sourcing strategies and documentation will focus on value added rather than process.
- Decisions and approvals will be made in a clear, transparent and in a timely way.
- We will have an evidence base of commercial approaches that have saved us money or delivered more for less.

Summary...

- This strategy provides a framework for the Council to move to a more commercial focus. We can and should apply commercial principles to most Council operations and must consider them when reviewing policy objectives and direction.
- A commercial focus is about more than making a profit for the Council. It includes:
 - Considering the whole life cost of policy decisions, including the market impact and benefits realisation.
 - Improving efficiency of service delivery – reducing costs and streamlining processes.
 - Maximising value for money from our contractual relationships.
 - Making evidence based robust decisions.
 - Considering innovative ways of generating income for the Council.
- The commercial techniques of category management, supplier relationship management and contract management will help us to understand market drivers and achieve best value for money, providing funds to support services in Cornwall.

If you would like this information in another format please contact:

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