

CAPITA

Creating council commercialism

A conversation



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Council commerciality is on the rise. The pressure on public finance means that alternative sources of revenue – or profit – are increasingly being sought. More and more councils have trading companies, while some have recruited 'commercial directors'. The rise of the 'commissioning council' demands business-like thinking. And, as mutuals spin out, their staff need to adjust to the commercial world in order to survive and succeed.

The issue of councils being commercial can provoke strong feelings. There are some who feel that commerciality is antithetical to public service, and that such thinking has no place in a local authority. Others care less about the potential morality and worry about practicality, doubting whether ingrained public sector organisations will be able to compete in a commercial world. The purpose of this paper is not to comment on the wider merits or demerits, but rather to unpack the notion of 'commercialism' applied to councils and to offer some observations about how the councils that wish to pursue a degree of commerciality may potentially achieve it.

Local government is changing extremely quickly – and our own thinking on this topic is evolving rapidly too. We are issuing this because we hope that, as a successful commercial organisation grounded in local government, we have something to contribute. But we are sharing this thought-piece because we would like to stimulate discussion and engage others before we consider a more definitive paper. We're happy to take any comments on any part of this paper, but have flagged up, in boxes, some specific questions where we would like to engage.

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What might being a commercial council mean?

Commercialism means different things to different people, and is being implemented in different ways all over the country. This is a good thing – local government is enjoying a flowering of diverse approaches to problems, as well as more freedom to act than previously. There is not – and there shouldn't be – one right approach to commercialism, nor just one useful definition. However, when talking about the notion of commercialism, the subject seems to group itself into four different aspects to think about:

1. **Making money** – doing something that generates profits that can then be deployed for councillors' priorities.
2. **Behaving in a more business-like way** – adopting some of the positive culture and behaviours that are sometimes associated with commercial organisations.
3. **Commissioning councils** – creating a separation between service commissioners who are super-intelligent 'buyers' of what's needed, and super-efficient providers, who may also compete for others' business.
4. **Being business friendly** – to promote local economic growth and prosperity.

It is useful to consider these separately, though obviously any given council may be adopting any or all of these strands. And many of them have beneficial side effects in common – competing for business to make money may engender a more positive culture; being more aware of the criteria for business success may make council staff more empathetic to the needs of local small businesses and so better able to help them, and so on.

Q1: Do these four elements of commercialism cover the topic? What's missing?

So, taking each strand one by one:

1. Making money

The rationale for making money is often simply a response to financial pressures. With grants falling, council tax rises limited, and steadily increasing service demands, members are increasingly facing unpalatable choices and any feasible plan B, C, or D has to be considered. But not every council is considering it as a last resort – many are embracing developing new profit streams with great enthusiasm.

It is interesting to watch people's reactions to the word 'profit' in this context. We often see people try a variety of different words or phrases to describe it, because they see 'profit' as having negative connotations. However, this is a nettle that has to be grasped. If you want your organisation to make profit – ie, to make more in revenue than you incur in costs – then it may be more helpful to embrace the idea of profit and avoid the other terms we hear, such as 'net revenue', 'income', 'surpluses' and sometimes even 'savings'(!). To create profit in an open market you have to create something that someone values enough to buy, and to pay you more than it costs you to create it, produce it, sell it and service it. Profits (unless they are exploitative and excessive) are not to be ashamed of – people have to work hard to make them, and if deliberately avoiding the term is indicative of a culture that doesn't really want to engage in competition, then there is a fundamental issue there that needs to be tackled before council commercialism will be effective.

Q2: Do you agree that there are cultural issues to be overcome before councils will be prepared to think commercially and unapologetically in terms of profit?

A useful way of thinking about making money is to use a simple structure – an 'Ansoff Matrix' – which provides a useful way of classifying money-making efforts.

		Customers	
		Existing	New
Products/Services	New	Starbucks in the Library (LB Hammersmith and Fulham)	Me, Myself and I (Staffordshire CC)
	Existing	Fees and charges	Traded services eg, library services (Essex CC to Slough BC)

The Ansoff Matrix above looks at existing customers and new ones, and existing products/services and new ones. It helps focus attention, box by box, on whether this is about:

- developing further the existing product range for existing customers (in a council context money-making here may be about fees and charges)
- creating new products for the existing customers (a council example is where LB Hammersmith & Fulham profit from putting a Starbucks in their library)
- taking your existing products and finding new customers for them (many traded services fall into this category)
- or, lastly, about creating entirely new products for entirely new customers.

This last one is tricky, and we wouldn't expect to find many examples, but there is at least one – Staffordshire County Council developed a purposeful game called 'Me, Myself and I' as a means of eliciting views and opinions, from adults with learning disabilities, on some life choices which affect them. This game was a completely new product, developed in Staffordshire, which is now being marketed to councils and other organisations elsewhere.

The matrix can help to clearly decide and explain your approach to commercialism. Being commercial by trading services does not necessarily mean occupying the higher-risk space at the top right corner, but it does mean that you need to think about why people will buy from you rather than their current supplier. Also, if you are looking to grow by recruiting or buying in capability, you will find that the four boxes have their own distinct commercial specialisms, and you will want to ensure that you are seeking the right skills. So we'll take a look at each of the four boxes one by one.

Existing/Existing – making money from existing products to existing customers

In the private sector this is often about *yield management*, the science that tries to fill aircraft seats, or holiday cottages, in a way that generates as much profit as possible. An obvious complexity arises for local authorities where they are the only supplier of a particular product and therefore in a position to keep putting up prices – which is why it's just as well that these are politically-accountable and highly scrutinised decisions.

It may be that a simple step forward would be to look at opportunities for peak and off-peak pricing – something many leisure centres already adopt – or introduce premium pricing for faster responses. Such measures may well be politically unattractive, but in a world of 'least bad' decisions they may at least get on the list for decision and are therefore up for open discussion.

Q3: While we do have some examples of where we have helped councils in this way, we're interested in other successful examples too. We are especially interested in situations where this thinking has not been successful – and what the obstacles were?

An Illustrative digression – creating value from understanding customer needs and frustrations

At root, value for individuals or businesses is created by meeting a need or resolving a frustration, and extra value is created when this is done creatively, or in a way that no one else can do. In many cases council charges can come across almost as penalties or taxes rather than fees for value obtained, and in that context one has to dig a bit deeper to understand what customers will value enough for them to pay a premium reasonably cheerfully.

Parking is a classic example where a council raising prices is invariably perceived as a negative thing – and, of course, there are issues of how much can legitimately be charged overall, although the issue of how proceeds are allocated still seems to offer plenty of scope. In that context it is interesting to look at the airport parking industry, where a range of choices are available and, dependent on factors such as convenience and proximity to the terminal, we can pay a relatively basic fee – which may involve a long wait for a long shuttle journey – right up to a very high fee that includes valet parking of the car. And, while we're not suggesting valet parking for shoppers (well, perhaps in some postcodes!), might there be some scope to offer pre-booked parking spaces for those frustrated by the need to drive around town on a busy Saturday afternoon looking for a space, and who might pay a premium to have a space they can drive straight into?

To take such an approach, means that the local authority mindset needs to shift from the idea of 'rationing a scarce resource', to 'maximising the return on a scarce resource'. And a combination of creativity and deep understanding of the needs and frustrations of individuals is critical to that. Moreover the 'return' doesn't have to be purely financial. A similar creativity can be applied in seeking to promote wider objectives. For example, number plate recognition might be used to apply different charges for different types of car – allowing council environmental objectives to be met by increasing charges for less fuel-efficient cars – while free parking at less busy times may even out business for local shops and attract business from other city centres.

Existing/New – making money from taking existing products to new customers

In this box of the matrix we are looking at things that you already do, that could be sold (at a profit) to other customers. Examples here could be multiple repairs services within the locality, or your HR service to another council or to a third sector start-up. This could apply within or outside your geographical area. The private sector disciplines relevant here are generally called 'business development' – identifying prospect clients through appropriate marketing activity, shaping and responding to tenders, and very determinedly 'qualifying' opportunities to focus limited resources in the areas that are most likely to result in successful business wins.

There are many examples of councils trading services and shared services. Essex CC trades library services, Cambridgeshire and Northamptonshire trade services through Local Government Shared Services, the NORSE Group trades services through innovative Teckal structures, and the list goes on...

The fundamental question of course is 'why will they buy from you'? And the answer is that your offering has to be cheaper, or better, or both, to an extent that makes it worthwhile for people to switch.

'Cheaper' can be very problematic, simply because council finance systems have not been designed to provide accurate information about the drivers of cost that can support a pricing decision. For reasons that are perfectly sensible for the accounting of public money in a local monopoly provider of essential services, council systems are designed to be budget (and overhead) allocation systems.

Q4: If you have successfully tackled this issue, did you do it within your existing financial systems or did you have to create a 'parallel' financial structure?

An illustrative digression

Forgive me for presenting a rather simple example at this point, but it might be useful as a way of discussing some of the difficulties which pricing brings to a local authority. Let's say your HR team handles 300 cases a year for

£300,000 – how much will it cost to handle an extra ten? In practice it probably won't cost any more, because the work will be absorbed within the existing load. So how would you charge for those extra ten cases? If someone offered you £2,000 to handle them it would all be extra money, so should you just say yes? If a local firm charges £1,100 per case, would it be OK to undercut them by charging £1,050 (after all, you're still making £50 on your unit cost?). If you get a chance to take on 100 cases for £70,000 should you do it if the fully allocated cost of an extra staff member to handle that work is just £45,000? What if that extra staff member attracted £30,000 of 'overhead' costs? If it was uncertain that the work would continue, would it be better to pay a temp £55,000 to do it instead?

Real examples are obviously much more complicated than this example, but it perhaps serves to illustrate the point that pricing requires an interesting mix of highly pertinent data, and tactical marketing decisions. A particularly relevant one to members will be tensions that surround undercutting local suppliers. A council print department may be located in a freehold building which means that it is charged no rent – its local competitor probably is paying rent. Does this mean that the council department has an advantage, or does it mean it has an *unfair* advantage, and could be subject to challenges of *state aid*? We blush to raise examples of this simplicity because we suspect that some councils have already embraced these issues. For those councils that have not, and are thinking through some of the implications with staff and members, we hope it serves to illustrate an area that does need to be addressed to avoid perverse outcomes from their commerciality.

Q5: To what extent are these considerations an issue for your council? How are you resolving them?

If you are selling services to new customers then there will be some kind of marketing cost. If there is a robust business plan, and patience to allow it to come to fruition, then the costs of marketing should be easily absorbed within the profits obtained. It may also be that your services need some investment in order to be attractive to new customers, or to be sufficiently better that it is worth their while to switch. Again, provided this is well researched, such investment will be more than compensated for by profit from the sales. However this requires robust business planning, a willingness to invest up front, and an element of risk. At the danger of stating the obvious, the council, its members, its finance scrutiny committee, audit committee, the local press, opposition and multiple others will need to be prepared to see money spent apparently 'unsuccessfully'. Open market bidding for a £3m contract would typically incur a bid cost of (say) £30k and clearly not every bid is won. A rule of thumb for new business is that you have to bid three times before you win one. Are you prepared to put £100k of taxpayers' money at risk before showing any return – and perhaps not doing so even then?

Some councils have commercial offers that avoid the need for competitive bidding processes, eg, through clever use of the Teckal exemption. But even in this situation there will be costs of sale and not all conversations will culminate in a deal – plus there will always be the question of how the buying authority assures its members of good value from an untested deal.

Like it or not, competition is a driver of innovation and a motivator of staff – this is played out repeatedly, but a competition means losers as well as winners. When councils go head to head, one set of taxpayers is going to win at others' expense. Councils already compete – they compete for scarce skills (eg, social workers), they compete for grants, and some compete for firms that will create jobs, but this more overt form of competition may feel a step too far. Others, we know, are undaunted by that prospect and argue that if all councils are striving then the bar is raised for all.

Q6: Does your council have an explicit approach to managing speculative investment risk of this type? What do you feel are the limits to competition between local authorities?

We ask these questions not to discourage council commercialism, but to encourage successful council commercialism that is well founded. Many councils are taking investment risk, and are likely to be the winners in the race for commercial returns.

New/Existing – making money from new products to existing customers

This is potentially a vast area that, in a private sector context, would be referred to in terms such as 'consumer marketing' and 'new product development' – and this paper isn't qualified to be a consumer marketing text. However the main *policy choice* for your council is will this be about *introducing* your customers to a provider of services in return for a fee, or will it be about *producing* things that you currently do *not* do, for sale directly to customers?

Introductions could be as simple as advertising. Most councils already do this to some degree – for example, advertisements on the back of tickets, on bins, on larger roundabouts, via pennants hanging from lamp standards in the centre of town, etc. Various intermediary companies exist to help councils who wish to do this.

The advertising example serves to illustrate a *policy choice* point – what are the products with which you wish to be associated, and do you want to set some red lines against products which might be seen as opposed to, for example, good health? This clarity is also relevant when thinking about more personalised introductions.

You know a lot about your residents, and your indigenous businesses. That information can help other organisations sell to them. We are already using such information to improve the efficiency of council services, for example fine-tuning the council tax debt demand wording to the approach that is most likely to work in a particular postcode. There are legal restrictions about use of data that make it hard to generalise here, but we see this as an area where councils will be able to earn money, and where their residents will obtain relevant information about products and services that are more likely to meet their needs.

Q7: Have you adopted a formal policy about use of data you hold in relation to supporting marketing through active introductions?

One way of avoiding the issues of data protection and questions of whether people have opted-in to marketing materials is to revisit the concept of 'life events'. This terminology was all the rage a few years ago in the context of electronic service delivery (BVPI 157 anybody?) but is not something that I hear often any more.

The notion of a life event was to look at a significant moment in a person's life, and the bundling of public services that are relevant to that event – and how to bring them together both for ease for the resident and to save cost for the council. For example, a child starting school is a significant life event, and parents need help and information as they select a school, and may need additional services such as home-school transport, or free school meals. But, thinking more widely, that time is also a point at which a parent may be looking to return to work, or may have time available to undertake local volunteering. We could take this way of thinking a step further and ask whether there are commercial organisations that might benefit from knowledge at this time, and pay introductory fees to make offers to these families – eg, wrap-around care, child minding services, or emergency nannies...

One significant example of a life event is when someone moves into the council area for the first time. There is a considerable amount of engagement that an individual needs to do with their new public services – register to vote and for council tax, sign up with a doctor and a dentist, join the library, claim any local benefits, learn about recycling and collection days, possibly switch schools, get help from relevant social services. It's a huge undertaking, and there seems tremendous scope to simplify this process for people. It is also a time when lots of commercial arrangements and habits are set – which energy supplier will they sign up for, which supermarket will they use, which takeaways and food deliveries will they choose? I see no reason why councils

who wish to support small local businesses shouldn't arrange a special set of vouchers for newcomers to encourage them to use local providers rather than defaulting to chain names they may be more familiar with. And if I ran a small local shop I would be interested in offering a significant discount for a first-time user, and would be prepared to pay whoever made the introduction. This illustrates the point that commercial activity could be aligned with wider policy objectives, eg, supporting local business.

One council we know of is looking to augment the commercial potential of one of its services – its crematorium. By looking closely at the needs of funeral directors (the chief customers of such services) the council is attracting more business to the service – so utilising surplus capacity – and identifying the potential for ancillary services, such as catering.

I started this section by saying that the policy choice was about making introductions, or about deciding to produce new services. Everything so far has been about making introductions. Producing new services is, potentially, a vast area, and it is perhaps questionable whether a council should decide to launch a new line of commercial business, rather than stimulating a local private sector solution – it would obviously depend on the specific case. But one sort of possibility here would be to think of a school's catering service and a *line extension* for example. Such a business could look to provide meals to other schools (in which case it would be in the 'existing products to new customers') or it might look to provide a different form of catering, eg, to events within the authority or school area, perhaps utilising the infrastructure of school kitchens outside the normal lunch hours.

Q8: Do you have examples of extending 'life event' thinking to commercial opportunity?

New/New – making money from new products to new customers

There's no reason why council services shouldn't extend their product range and approach new customer groups outside the authority area, as long as they consider the practicalities such as pricing, competition and so on. But there's obviously greater risk in the last of the four boxes of the matrix – taking on the greater uncertainty of new delivery and new customers. But, in principle, that too can be managed. Relevant private sector disciplines here would include new product development, portfolio investment analysis, strategic marketing, industry analysis, and creative agency/product innovation.

Policy choices here include whether – and how much money – to invest in developing such services, and how to govern the businesses (this is discussed again later in the context of commissioning councils). Another policy choice is whether you are comfortable making money outside your authority area. In some ways this might appear to be an easier choice as it will bring you into less conflict with your own local businesses, but your neighbouring authority may not be pleased if you sell in services which damage their local businesses, or occupy a space which that council might have thought to develop commercially.

Q9: Do you have a formalised position on the circumstances under which you will/will not compete commercially with councils or businesses outside your own area?

It seems that the issue of competing between authorities for business is one that makes many public servants feel uncomfortable, but by no means all. The crematorium manager in our example is well aware that she is taking business from the crematoria of neighbouring authorities. It remains to be seen whether such competition will prove to be a bad thing, or whether by competing for business it will drive up innovation and customer service – something we'll touch on later.

Will you 'make or buy' your commercialism?

Clearly a council that sees an opportunity to make profit can mobilise resources in order to achieve it. It can invest money, setting up suitable commercial vehicles, and may decide to recruit in some specialist staff with

relevant experience to make it happen. In principle, there is no reason why a council might not attract investment money linked to the proposition and at the investor's risk in order to fund the activity. An alternative is to enter into some sort of joint venture arrangement with a commercial organisation into which the council can provide the current capability and access to customers, and the commercial organisation can bring investment and marketing nous. Capita has two very positive examples of trading joint ventures – one with Salford City Council: Urban Vision, and one with Staffordshire County Council: Entrust.

Q10: Do you have any good or bad experiences of a joint public: private approach to commercialism, from which others might learn?

2. Commercial culture – 'being business-like'

Coming back to our four strands, this one refers to adopting some of the positive culture and behaviours that are often associated with commercial organisations.

People who've had previous experience of private sector organisations – such as commercially-aware elected members – can often feel that there are areas in which local authorities fall short in terms of their commercial experience, such as:

- quality and speed of decision-making
- customer focus and creativity
- ability and freedom to attract and retain top talent
- ability to invest for the longer term.

These attributes are of course not true of all commercial organisations, nor are they absent from all local authorities – but for this section we are simply asserting that there is a general question of culture to be considered.

I think we should start by remembering that local authorities are *not* commercial organisations. They are local, **monopoly** providers of **essential** services that are **publicly** funded, **politically** rationed and **democratically** accountable. Considering the emphasised words in the last sentence – and the governance that will be implied by them – it is obvious that a local authority is rarely going to be able to turn on a sixpence, and it's pretty obvious that we don't want anyone 'betting the company'.

But this doesn't mean that culture can't be addressed, or can't be better. We know councils that are action-oriented and willing to take balanced risks, and others where a perfectly acceptable meeting outcome is the agenda for the next meeting. Our view is that any cultural issues should be dealt with as such, and that simply recruiting a commercial director, or recruiting a chief executive from the private sector is unlikely to be able to address the fundamental facts above.

There's a growing body of evidence where former council staff, when moved into a different organisation, blossom entrepreneurially. For example, staff who spin out into mutuals are more engaged, more creative in finding solutions and, for example, far less likely to incur sickness absence. This might be partly attributable to the fact that, so far, those who have spun out have made the opportunity for themselves, and are likely to have done well had they remained in the council. However, at Capita, we too have direct experience of large numbers of staff TUPE-transferring to us – as a result of someone else's decision – and flourishing as they find an environment that they may find more open to, and in some instances better at, finding creative ways of meeting customer needs and improving service.

People may be commercially unschooled (which can be an important training issue when they spin out) but there isn't a 'public service gene' which switches off entrepreneurialism and the desire to find new ways to

serve customers better. It seems more a case of some of the constraints of the system acting as a brake to these impulses.

Q11: Do you have similar examples of entrepreneurialism being unleashed by a structural change or, conversely, have you managed to achieve entrepreneurialism within your council, despite the constraints?

This is not to suggest that everything should be spun out or outsourced – although it seems probable that much more *could* be, to good effect. But, as we've said, there are certain constraints and attributes to being a council that must be upheld. And there are some local authorities that are able to do well in commercial terms, despite having these constraints and attributes. Such councils are heroically working against the grain of their context, and we salute their performance.

One way of overcoming the cultural hurdle is to put commercialism at arm's length, for example through a trading company or a joint venture. This may not, of course, allow much cultural change back into the core organisation, but it does allow a new culture to form within the arm's length unit. The degree of independence, however, relies on the extent to which the arm's length unit is able to address, through a contractual relationship, each of those contextual challenges of the local authority – ie, that it is:

- A **monopoly** provider – so there must be some form of regulation or service guarantee – ideally market-tested.
- Providing **essential** services – so there must be continuity guarantees or a plausible 'plan B' in the event of failure.
- **Publicly** funded – so there are various legal requirements about the process of setting this up.
- **Politically** rationed – so all of the key 'rationing' policy and prioritisation decisions need to be made prior to the formation of the arm's length unit. The arm's length unit shouldn't be deciding things that members must decide – a spin out social care company can't decide to change the care thresholds in order to make more money!
- **Democratically** accountable – this is probably the trickiest of the lot. Electorates reserve the right to judge those they elect on whatever criteria they want to. An outcomes-based contract with clear service reporting and complaints-handling ought to cover off democratic accountability for results, but members will find it hard to let go of the process, when the process is often how they are judged. Electoral sensitivity will therefore be a factor.

Q12: Does that analysis resonate? Is it correct?

The last two factors above are central to the notion of the commissioning council, so we will move on to the third area for council commercialism – creating a separation between service commissioners and service providers.

3. Commissioning council

In contrast to a decade ago, when many of the organisational design choices for councils were effectively made in Whitehall (prescriptive regulatory regimes such as CPA, or externally imposed success criteria such as BVPIs), councils have more autonomy now and different solutions are being devised in different places. This has the tremendous benefit that local solutions can be found that deal with local complexity and local circumstances. As such there is no standard model of how councils now work.

If there were a contender for an emerging new standard model, it would be the notion of the commissioning council. As this can mean many different things to different people we should perhaps start by saying what we mean when we use the phrase here – if you mean something different by it, then our thoughts may not apply!

We are indebted to Eric Bohl for his explanation:

Commissioning = Policy + Sourcing (and procurement is one option for sourcing)

This helpfully positions commissioning as quite distinct from, and well upstream of, procurement – though I sometimes feel that commissioning and procurement are so synonymous, in so many heads, that this terminological battle may be lost.

So, a commissioning council for the way we are using the term here, is one which brings significant strategic and evidence-based thinking to the setting of policy (or service strategy) and which then seeks the best source of delivery, mindful of the differences between different delivery options, but without preconceived ideas of their merits.

What does this have to do with council commercialism? Firstly, because it separates specification from delivery and it creates a context in which the delivery unit can feel, or be, more arm's length and thus benefit from the more commercial-cultural attributes discussed above – ie, it can get on with the job without daily meddling.

Secondly, the quid pro quo here is that it is sometimes explicit but often implicit in the notion of a commissioning council that, by separating out the delivery unit from policy and 'member domain' issues, the delivery unit must behave more commercially. It could be market tested and has no divine right to continue to meet the specified need – or, if it wanted to, it could go and deliver for others, in competition. Sometimes this is made quite explicit by putting the delivery unit in an arm's length trading company, and giving it trading targets.

This, pretty obviously, raises a set of commercial challenges and opportunities for the delivery unit, for example:

- Given the greater certainty of what is required of it, how can it now organise to meet that need, without having to worry about interference – can it achieve a spin out culture?
- What markets should it look to serve, alongside its main customer – and how much effort should it put into doing that?
- Who are its competitors to which it may be vulnerable, and how can it become better than them in ways that matter to the commissioner?

We have touched on many of these issues earlier.

Moreover, the commissioning council model also gives strategic commercial challenges to the commissioner:

- How can I create a market for these services so that I have realistic options, at least in the longer-term? I don't want to be stuck with a monopoly provider whose terms I must meekly accept.
- How can I ensure that the multiple ways in which I source my services add up to a coherent whole, when experienced by customers whose needs may cut across a number of services?
- How do I create my own specification in a way which positively influences the market success of any delivery units which the council itself 'owns' – and how do I reconcile my interests as a 'shareholder' in a delivery unit with my own (sometimes conflicting) interests as a customer of that delivery unit?

These are issues which the commercial sector has dealt with for some time, often under a label of 'supply chain management'. It is interesting to note that Essex County Council, which has adopted a commissioning council model, has an explicit role in its commissioning structure for a 'shareholder representative' to ensure that this perspective is not lost amongst the buyer /supplier dynamic of commissioning.

Q13: For those who have, or who are, establishing commissioning councils, do you agree that these commercial challenges apply in your implementation of the model? How explicit are they?

It is too early to comment on the success of the commissioning council notion – however it seems likely that lessons from commercialism are central to its success. At a practical level, I wonder how enough specific expertise will be generated or accessed by the sector, especially since the skills required are scarce and may find a higher price outside the sector. The Commissioning Academy is clearly a very positive development in this respect. Moreover, we ourselves are keen to develop opportunities to work collaboratively with councils in a way that allows us to bring our commercialism into the mix for the benefit of all.

4. Being business friendly

The last on our list is about being supportive of local business, which is something that may be easier for councils if they have a deeper understanding of business and its drivers.

Clearly councils differ significantly in their levels of business friendliness, and the level of friendliness and understanding can vary from department to department. I know of one council that broke a procurement down into small lot sizes 'so that small businesses could bid' – but kept a procurement structure that was very expensive, and (more to the point) long winded – meaning a 14-month gap between starting to bid and getting any revenue at all, even for the successful bidder.

A better result could be achieved by, for example, contractually requiring big bidders to engage a certain proportion of small business in the supply chain to achieve the same result. The Cabinet Office did precisely this when they let the (one) contract for Civil Service Learning, which is being delivered 59% by SMEs, and is managed overall by Capita.

Illustrative digression

Entrepreneurial business people will tend to work extended hours, but I doubt if many council departments are configured to match their needs. I imagined a truly business friendly council in 2012 which included the following (fictional) example of an email from the council to a firm in a neighbouring authority:

Dear John

I'm the cabinet member for business at Bizton – you will know that we are a thriving centre for business, and we have been doing some research on your company. Our industry analysis shows us that you are growing impressively, but are likely to be constrained for space in your current office, and if you are thinking of a move we would like to make you aware that:

- 10 miles from your current base we have a unit that should be a similar rent to your current business but with 30% more space for your expansion*
- From analysis of our own businesses we know that four of your largest customers would be nearer to you here than they are currently*
- Moreover 23 businesses within Bizton have said they would welcome greater provision of the graphic design services you provide*
- We know that print and distribution are important to your business, the site we're thinking of is adjacent to a thriving print business and there is a distribution hub within five minutes*
- The site has car parking, and there are three restaurants within a five minute drive, and two more within close walking distance*
- Average education attainment at GCSE level is 8% higher in Bizton than at your current location, our local FE college does Graphic Design to Foundation Degree level and 73% of the students have said that their first preference would be to find a local job*
- In terms of workforce, we don't have detailed statistics for local businesses but we do know that staff sickness rates at our local council are 30% lower than the council where you are now.*

In short, we think there are very specific reasons why you might want to move to Bizton now, to create room and opportunity to grow. I'd welcome the chance to show you around personally, together with the Council's chief executive and one of our business relocation specialists who would work with you free of charge to help make your office move a success with minimal disruption. We've done some homework on you but what we'd really like to do is understand in your own words how you see your business growing and to think together about how we could help with that. And in case you think this is a mass mailshot I can assure you that we approach only three businesses a month in this way: just the ones where we think there's a really good fit for them and us.

I hope you can spare the time, and if you'd prefer to do it at the weekend that's no problem. We'll be happy to send a car for you and any colleagues you'd like, to meet with us. I'll be in touch later today to see how we can support your business growth.

The data sources already exist to enable such an email – the gap is simply one of will. In the context of this example, one of the sensitivities would be the active poaching of attractive businesses from another council, which goes back to an earlier question about how competitive councils are prepared to be.

Q14: Do you think we will see councils actively poaching businesses from others' areas? If not, why not? Skill, or will?

Summary

The notion of 'council commercialism' gives an interesting lens through which to look at the opportunities and challenges facing councils in the austerity environment and with local freedoms greater than have been enjoyed for years.

Precisely because of the independence which councils currently have, it is very hard to generalise about what is right or wrong.

This paper is intended as a vehicle for discussion around the topic and we hope that elements of it will be useful or resonate for those who are considering these issues in their own local context. Some of what we have said here is intended to be provocative – some other things may be provocative accidentally! In all instances our intention is about strengthening an increasingly-challenged local government sector. We would welcome discussion and input about this topic. Our hope is that even in this format it may be useful to councils thinking about the relevant questions for commercialism. We will be happy to share our further thinking and responses to this discussion in due course. And we are always interested in conversations with more councils about how we might actually do some of this commercialism together.

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