

TITLE OF REPORT: **Review of Approach to Trading & Commercialisation**

REPORT OF: **Sheena Ramsey, Chief Executive**

Purpose of the Report

1. To seek Cabinet approval to recommend to Council new arrangements to promote and advance an enhanced strategic approach to trading and commercialisation across the Council, including a restructure of senior management to focus additional capacity within the Leadership Team on this important policy priority area, at both the strategic and operational level.

Background

2. As head of paid service, it is the duty of the Chief Executive to ensure the Council's discharge of its many functions is co-ordinated and to manage the organisation of its staff. This requires regular consideration of whether the Council's management structure and distribution of functions among its service groups optimises the Council's ability to pursue its policy priorities and deliver efficient and effective services, particularly in times of significant financial pressure and increasing demand.
3. The Council continues to face a number of challenges managing significant budgetary pressures, whilst meeting increasing demand as a consequence of demographic changes and a rapidly changing policy context. It is anticipated that the scale and depth of these changes will continue throughout the timeframe of the Council Plan (i.e. until at least 2020) so the Council needs to ensure it can adapt with pace and purpose to continue to provide the best possible services to its residents.
4. A fundamental review of the Council's approach to deliver change at the scale and depth required (the Change Programme) has been undertaken in order to provide greater focus and prioritisation on the key areas of change that are required across the organisation. This review is aimed at streamlining and clarifying responsibilities and accountability for delivering change, and will be supported by changes in culture and ways of working that will achieve the objective of a more flexible approach to the deployment of leadership capacity across the organisation.
5. The focus on priorities within the Change Programme will remove the existing Change Programme architecture of People, Place and Trading and Commercialisation, and allow for a more prioritised alignment across the Council on the key strategic areas of Economic Growth, Income Generation, Cost Reductions and Demand Management. The proposed approach will place a greater reliance on the Council's mainstream management and governance processes in the delivery of change across the whole organisation.

6. As identified in the Council Plan, income generation is fundamental to the delivery of the Council's MTFs and the achievement of a sustainable financial position. Trading and commercialisation activity is key to this, and the proposed approach therefore embraces the entire Council in promoting and supporting this policy priority area.

Proposal

7. It is proposed that this prioritisation of activity is best delivered through the reconfiguration of current responsibilities and the establishment of a service director post with specific responsibility for trading and commercialisation across the Council at a corporate level. The post and service would sit within the Corporate Resources service group and report to the Strategic Director, Corporate Resources.
8. It is proposed that the scope of the post incorporates the following areas:
 - Providing strategic and operational leadership across the Council in respect of trading and commercialisation;
 - Deputise for the Strategic Director, Corporate Resources in his role as strategic lead for Trading & Commercialisation for the Council;
 - Developing a commercialisation strategy for the Council and supporting the implementation and delivery of projects;
 - Pro-actively identifying and engaging with public sector and industry partners;
 - Embedding a commercial culture across the Council to provide a coherent framework of governance and models of delivery to empower staff to effectively identify and progress income generation proposals supporting the Council's long term financial sustainability; and
 - Achieving increased income across Council services over 5 years, to 2022, to support the strategic approach to income generation.
9. The post would also be responsible for providing key support and leadership in the development of a strategic approach to traded Services to Schools across the Council, and to Social Care trading activity, including provider services. This would align and support the proposed refocusing of activity on these two priority areas following the review of the existing Change Programme.
10. It is essential that the overall approach to commercialisation and wider income generation fits within the Council's values and priorities and this would be facilitated by the corporate and strategic approach.
11. It is also felt important that the Service Director, Trading & Commercialisation has direct operational responsibility for the following specific traded services that will enable a corporate approach to review and transformation of these services:
 - Leisure services
 - Cultural services
 - Civic, corporate, and school catering
 - Facilities Management (including Building Cleaning Service; Schools Caretaking Support, CCTV, security and property protection)
 - Operational and technical building maintenance
 - Supporting Independence Service

The post would also have responsibility, on a temporary basis, for the library service, pending a review of this service area and a further report to Cabinet and Council with recommendations covering future structure and approach.

12. The alignment of the Service Director, Trading & Commercialisation post within the Corporate Resources service group recognises the critical corporate Council wide nature of the role and its importance and link with the delivery of the Council's medium term financial strategy. The role will provide a strategic focus on income generation and this will be fundamental in maintaining the financial sustainability of the Council. Further to this the positioning within Corporate Resources will help facilitate linkages with the overall Council approach to risk management.
13. The review and refocusing of Council wide trading and commercial activity will:
 - Provide a corporate strategic focus and prioritisation for Trading and Commercialisation activity across the entire Council;
 - Assist delivery of the key strategic area of income generation to contribute to the financial sustainability of the Council;
 - Enable a clearer focus in approach to be adopted for other key strategic areas: for example, economic growth;
 - Deliver a clarity on lines of accountability and responsibility and outcomes;
 - Join up and streamline trading and commercialisation activity across the Council by supporting a strengthened focus on the customers;
 - Provide a corporate approach and framework that will enable the consideration of appropriate and innovative service delivery in areas of Council traded activity; and
 - Encourage and support flexible team working across the Council.
14. The scope of the new approach will also extend to understanding the relationship between the existing trading companies and any proposed changes, as well as identifying opportunities for using existing trading vehicles.

Recommendations

17. It is recommended that Cabinet:

Agrees and recommends to Council approval of the management structure changes detailed in this report, to be effective from 1 August 2017, or such later date determined by the Chief Executive following further consultation with the Council's recognised trade unions and the Leader of the Council.

For the following reasons:

To enable continued improvement in the co-ordination of Council functions, the organisation of its staff, and to enable Council services to be delivered in a more efficient and effective way.

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APPENDIX 1

Policy Context

1. The Council is operating in a challenging national policy context which has been compounded by government funding reductions and announcements that indicate further significant reductions in resources available for local government.
2. The reconfiguration of services resulting from this reorganisation will assist in the delivery of Vision 2030 and in the implementation of the Council's Corporate Priorities as set out in the Council Plan 2015-2020 and its policy framework, in particular: income generation from increased trading activity to support the sustainability of the Council.

Background

3. A fundamental review of the approach to the Change Programme has been undertaken to provide a greater focus and prioritisation on the key areas of change that are required across the organisation. This will streamline and clarify responsibilities and be supported by changes in culture and ways of working that will achieve the objective of a more flexible approach to the deployment of leadership capacity across the organisation.
4. The focus of priorities within the Change Programme will remove the existing Change Programme architecture of People, Place and Trading and Commercialisation and allow for a more prioritised alignment across the Council on the key strategic areas of Economic Growth, Income Generation, Cost Reductions and Demand Management. The proposed approach will place a greater reliance on the Council's mainstream management and governance processes in the delivery of change across the whole organisation.
5. Income Generation is fundamental to the delivery of the Council's MTFS and the achievement of a sustainable financial position. Trading and Commercialisation activity is key to this delivery and the proposed approach embraces the entire Council and supports delivery of the Council Plan, MTFS and the requirement for income generation and sustainability. It is proposed that this prioritisation of activity is best delivered by a reconfiguration of current responsibilities to establish a post of Service Director of Trading and Commercialisation within Corporate Resources reporting to the Strategic Director, Corporate Resources. This role will need to be supported by a review of current service management activity that will be undertaken with full engagement and involvement of current managers and Trade Unions.
6. It is proposed that the scope of the post incorporates the following areas:
 - Providing strategic and operational leadership across the Council in respect of trading and commercialisation.
 - Deputise for the Strategic Director Corporate Resources in his role as strategic lead for Trading and Commercialisation for the Council.
 - Developing a commercialisation strategy for Gateshead Council.
 - Pro-actively identifying and engaging with public sector and industry partners.

- Overseeing the development of the commercialisation strategy and support the implementation and delivery of projects.
 - Embedding a commercial culture across the organisation to provide a coherent framework of governance and models of delivery to empower staff to effectively identify and progress income generation proposals supporting the Council's long term financial sustainability.
 - Achieving increased income across Council services over 5 years, 2022 to support the strategic approach to income generation.
7. The post would also be responsible for providing key support and leadership in the development of a strategic Council wide approach to Services to Schools across the Council and the development of a strategic approach to Social Care trading activity including provider services. This would align and support the proposed refocusing of activity on these two priority areas following the review of the existing Change Programme. It will be important that the overall approach to commercialisation fits within the Council's values and priorities and this would be facilitated by the corporate and strategic approach.
 8. It is also felt essential that the Service Director of Trading and Commercialisation has direct operational responsibility for a number of specific traded services that will enable a corporate approach to review and transformation in these areas. The proposed post will cover current responsibilities from existing Service Director posts.
 9. The alignment of the Service Director of Trading and Commercialisation post within the Corporate Resources Directorate recognises the critical corporate Council wide nature of the role and its importance and link with the delivery of the Council's medium term financial strategy. The role will provide a strategic focus on income generation and this will be fundamental in maintaining the financial sustainability of the Council. Further to this the positioning within Corporate Resources will help facilitate linkages with the overall Council approach to risk management.
 10. The review and refocusing of Council wide trading and commercial activity will:
 - Provide a corporate strategic focus and prioritisation for Trading and Commercialisation activity across the entire Council.
 - Assist delivery of the key strategic area of income generation to contribute to the financial sustainability of the Council.
 - Enable a clearer focus in approach to be adopted for other key strategic areas for example economic growth.
 - Deliver a clarity on lines of accountability and responsibility and outcomes.
 - Join up and streamline trading and commercialisation activity across the Council by supporting a strengthened focus on the customers.
 - Provide a corporate approach and framework that will enable the consideration of appropriate and innovative service delivery in areas of Council traded activity.
 - Encourage and support flexible team working across the Council.
 11. The scope of the new approach will also extend to understanding the relationship between the existing trading companies and any proposed changes as well as identifying opportunities for using existing trading vehicles.

12. A range of different trading delivery models have been established by the Council. Importantly each of these was established to further the Council's ability to achieve outcomes for local people. These include:
- **The Gateshead Housing Company** to manage the Council's housing stock and enable investment in homes as well as delivery of the Housing Repairs and Maintenance contract.
 - **The South Tyne and Wear Waste Management Partnership** with Sunderland City Council and South Tyneside Council to procure an "Energy from Waste" solution – producing electricity and diverting over 95% of non-recyclable waste from landfill.
 - **Gateshead Regeneration Partnership** – a joint housing venture with Home Group and Galliford Try to deliver over 2,500 high quality new homes, supporting skills, jobs and local supply chains.
 - Three trading companies: **Gateshead Trading Company** (also trades under Gateway), **The Energy Services Company**, and **Regent Funeral Services**.

Consultation

13. The Council's recognised trade unions are engaged in consultation on the proposals within this report. In their initial response, they recognise the need to take forward the development of all the Council's traded services to increase income generation as a fundamental element of our Medium Term Financial Strategy and the Council Plan. They have raised concerns regarding the capacity of a single service director to effectively oversee the delivery of such a wide range of traded services, and have highlighted the necessity for teams delivering these services, but particularly the middle managers, to be empowered and supported to develop the services which they know well and are well positioned to deliver. These concerns are recognised, and proposals are being developed to ensure the current management is duly supported, developed, and rewarded appropriately, so that they can, with the Service Director's support, deliver the challenging business plans for each of these services. Further, the development of all employees will be advanced through the Council's new appraisal framework (A&D) and our emerging approach to talent management at all levels of the workforce.
14. The unions have also highlighted the need to ensure that proposals do not inadvertently create 'potential delays and blockages' to the smooth running of these traded services. Assurances have been given that part of the rationale for the proposal is to ensure any such limitations on the successful delivery of these services, from any part of the Council, are quickly identified and swept away through better 'joined-up' working across the organisation.
15. The unions have also taken the opportunity to raise concerns over the impact on the viability of our traded services of 'corporate on-costs'. Further assurances have been provided that the transfer of these services to within the Corporate Resources service group is likely to improve our understanding of the true cost of delivering our traded services and enable greater focus on bringing those down to improve marketability and generation of income.

16. While there are currently no plans for changes to staffing structures within the affected services beneath the service director level, any proposals for such changes will be in consultation with the employees and their trade union representatives.
17. Further communications are taking place with the service directors and managers responsible for our traded services, as requested by the trade unions. Further responses are therefore anticipated, which will be given due consideration in consultation with the Leader and Deputy Leader of the Council. In the meantime, the Leader and Deputy Leader of the Council have been consulted on the proposals set out in this report and are supportive of the recommendations.

Alternative Options

18. The proposals are put forward by the Strategic Director as the optimum response to the demands placed on the Council, as set out in this report. While one alternative option would be to make no change to the current organisational structure of the Group, this would not make the positive contribution toward achieving the aims set out within this report.

Implications of Recommended Option

19. Resources:

- a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that cost of the proposals contained within the report and specifically the creation of the post of Service Director, Trading and Commercialisation will be met from within existing resources. Following job evaluation of the post there may be some limited increase in cost associated with additional responsibility of the Service Director role but it is expected that these would be more than offset by consequential revenue budget savings elsewhere.

The objective of the changes to structure will be to enhance the Council's ability to generate income from its traded activity and this will form an important part of the medium term financial strategy that will maintain and secure the future financial sustainability of the Council.

- b) **Human Resources Implications** – The proposals involves the transfer of a range of existing services under a new service director role. The majority of these services are currently held by two service director posts: Culture, Communities, Leisure & Volunteering and Facilities Management. It is therefore proposed that the post be 'ring-fenced' to the existing postholders. The new service director role will need to be supported by a review of current service management activity that will be undertaken with full engagement and involvement of current managers and Trade Unions. The proposals within this report will have an impact on a number of employees as they will transfer between the Communities & Environment and Corporate Resources service groups, otherwise they will be unaffected by the proposals.
- c) **Property Implications** – there are no property implications arising directly from the proposals in this report.

20. **Risk Management Implication** - The Service Director, Trading & Commercialisation will have a specific responsibility to promote effective risk management arrangements across the Council in the context of developing business cases and sustainable business plans for all traded services, and for maintaining market share in a competitive commercial environment. Robust risk management is a fundamental element of taking a more effective and commercialised approach in service planning and improvement.
21. **Equality and Diversity Implications** - There are no specific equality and diversity implications arising from this report.
22. **Crime and Disorder Implications** – There are no specific crime and disorder implications arising from this report.
23. **Health Implications** - There are no specific health implications arising from this report.
24. **Sustainability Implications** - There are no specific sustainability implications arising from this report.
25. **Human Rights Implications** - There are no specific human rights implications arising from this report.
26. **Ward Implications** - There are no specific ward implications arising from this report.