

Corporate Resources and Governance O&S Committee – 4 October 2017

Priority Report of the Cabinet Member for Value for Money and Efficiency

Report by: Councillor Majid Mahmood

1. Purpose of report

This report sets out my Constitutional responsibilities and identifies my portfolio priorities for 2017/18.

Given the relatively recent approach to commercialism by the Council I have focussed my report on the establishment and work of the Commercialism board.

2. Accountability and Responsibilities

In accordance with the City Council Constitution I have accountability for the management of all commissioning, procurement, contract compliance and council wide efficiency. My responsibilities are as set out in the Constitution.

3. Priorities

Working towards the shared vision for Birmingham to be a city of growth where every child, citizen and place matters with a clear focus on Children, Housing, Jobs and Skills and Health my portfolio priorities for 2017/18 are:

- Establishing a Commercialism Board to explore and progress commercial opportunities across the Council to protect services to the citizens of Birmingham.
- Maximising Income Generation and Savings through Procurement
- Increasing Social Value acquisition through closer Partnership Working
- Promoting the Birmingham Business Charter for Social Responsibility and Find it in Birmingham
- Improving Governance and Assurance in Procurement

4. Activity

4.1. Commercialism

4.1.1. The activity that will help to achieve this priority includes: developing and implementing a targeted commercialism approach across the Council. (see appendix 1 for full report)

4.2. Maximising Income Generation and Savings through Procurement

4.2.1. The activity that will help to achieve this priority includes: driving additional income from the commercial advertising portfolio, growing the external work and reach of Corporate Procurement Services, driving savings through smart procurement.

4.2.2. Progress on this includes:

- New opportunities to generate additional income have been identified in the outdoor advertising contract with Signature Outdoors Ltd.
- New assets are being developed at Bristol Street and near Lancaster Circus and are due to go live before the end of the financial year.
- The first phase of expanding “The Loop” pavement advertising portfolio has been completed and the second phase for a further 100 assets across the city has commenced.
- As at the end of June 2017 and against a target of £9m per annum, new cashable savings for the Council of £7,118,030 have been achieved through the work of Corporate Procurement Services.
- Contact has been made with over 500 West Midlands non-Local Authority, non-trust educational establishments promoting the work of Corporate Procurement Services and seeking subscription to its services.
- Over £15,000 of outstanding invoices from 2016/17 have now been paid through follow up contact.
- A new agency contract was launched on 4 September 2017, the work streams covered to enable this included: data validation and transfer, signing up existing agencies under third party agreements with the new provider to ensure continuity of supply, the build of a new agency worker system, the delivery of multiple communications and training sessions to agency workers and hiring managers and finalisation of commercials, MI and Key Performance indicators. This was a complex task involving the consolidation of nearly 40 existing agencies into 1 contract, over 500 hiring managers and 2,000 agency workers across a diverse range of services.

4.3. Increasing Social Value acquisition through closer Partnership Working

4.3.1. The activity that will help to achieve this priority includes: Increasing the proportion of spend with Business Charter accredited organisations, Increasing the number of apprenticeships by Charter accredited organisations, developing a joint commissioning plan with the WM Combined Authority, co-developing the WMCA approach to social value and exploring the potential for a virtual partnership commissioning hub and developing proposals to achieve greater benefits with partners.

4.3.2. Progress on these includes:

- There is a 5% increase against 2016/17 result of 28% in the target for the proportion of spend with Charter accredited organisations, it currently stands at 39% at end of Quarter 1 and is therefore ahead of target.
- Against an end of year target of 102 apprenticeships, the current position is that 67 apprentices are in place.
- 28 Matching projects have been identified by third sector organisations and assessed against Council’s key priorities by Social Value Operations Group. These are publicised on FIIB and also promoted by Social Value Plus CIC.
- Work is progressing across the region to explore and determine opportunities for regional collaboration on procurement.
- Steered and influenced by our own Social Value policy the Mayor of the WMCA has agreed to adopt a WMCA SV policy which has been drafted and circulated to the other LAs for

feedback. It is anticipated that this will be approved by the WMCA in September and launched at the national Social Value conference, being held in Birmingham, in November. Work is also progressing with the National Social Value Taskforce to develop the Themes, Outputs and Measures and the Maturity Index.

- Work is being undertaken to compile a list of key internal and external stakeholders who will need to be consulted as the potential for a virtual partnership commissioning hub is explored, the aim being to achieve greater benefits for the Council and for partners.
- We are currently reviewing the opportunity to incorporate delivery of Social Value into Planning. The Council's legal team are involved in this work and meetings are scheduled with internal and external parties to discuss the way forward.

4.4. Promoting the Birmingham Business Charter for Social Responsibility and Find it in Birmingham

- 4.4.1. We continue to host FiiB 'meet the buyer' breakfast events with the last one held on 7 September. Given the Council's Housing priority this event focussed on Birmingham's housing needs and the demand for new homes in the city for social housing and private accommodation. Key speakers from the Homes & Communities Agency (HCA), Birmingham City Council and Kier Living enabled attendees to find out about the current and future development growth opportunities available throughout the region and what local supply chain opportunities it will generate.
- 4.4.2. The BCC4SR was reviewed and updated in December 2016 and continues to be the Council's primary source for securing additional social value through Council spend for Birmingham's citizens, to date there are 421 Charter signatories.

4.5. Improving Governance and Assurance in Procurement

- 4.5.1. The activity that will help to achieve this priority includes: Finalising and embedding the 2017+ Commissioning Strategy, ensuring adherence to the Procurement Governance Arrangements (PGA) and addressing the financial challenge by identifying and supporting new ways of delivering services in line with BCC Future Operating Model.
- 4.5.2. Progress on these includes:
- The Commissioning Strategy was approved by Cabinet on 25th July 2017. Implementation of the agreed communications and timeline to share the strategy and the benefits to stakeholders is underway.
 - The terms of reference for the Corporate Commissioning Board have been reviewed and agreed by the CCB on 16th August 2017.
 - Officers in CPS are working with Social Value Plus CIC to support orgs to increase number of charter accreditations, the quality of submissions and enabling/encouraging engagement with suppliers and non-contracted companies.
 - Having initiated a review into the Council's PGA and specifically in respect of reporting contract award dates an instruction was sent to senior officers reminding them of the need for compliance, improvements to the template used for reporting Planned Procurement Activities have also been made to provide specific information in respect of Single Contractor Procurements.

- The mechanism I put in place to manage the submission of late reports continues to work well with only 3 in July (2 public, 1 private) and 2 in August (1 public, 1 private) having been submitted in the current financial year.
- Work is being carried out to devise a new grant toolkit and revised forms to improve efficiency. Points being considered include: the need for greater flexibility on small grants to make it easier for people to work with the Council, use of a digital mechanism for grant forms and ensuring alignment with the Council's governance arrangements in respect of issuing grants.

5. Executive Decisions Taken (CM for Value for Money and Efficiency as a signatory, (June 2017 to date):

5.1. Cabinet

- Future Options for the Wellbeing Service Birmingham
- BCC Energy Company - FBC PDD
- Battery Way Extension LGF Improvements - Revised Financial Appraisal
- Swallow Street Metro Complementary Highway Works - Project Update and Delivery Strategy
- Development of an investment vehicle for commercial property and the disposal of surplus properties
- Budget Savings Application to the Supporting People Contracts and Third Sector Grant funded Organisations
- Provision of Permanent Accommodation to meet basic need - Full Business Case & Contract Award
- Provision of Additional School Places: St Barnabas CE Primary School Full Business Case and Contract Award
- Planned Procurement Activities (July 2017 – September 2017)
- Birmingham Smithfield Development Procurement Strategy
- Highway Maintenance and Management PFI Contract
- Commissioning Strategy 2017+
- Replacement Social Care IT System (Children and Adults) Approval to Award Contract
- Establishment of a commercial venture between the Library of Birmingham and the Birmingham Repertory Theatre - Full Business Case and Contract Award
- Procurement Contract - Procurement Strategy for the Provision of Design Construction and Facilities Management Services (DCFM)
- Planned Procurement Activities (August 2017 – October 2017) and Quarterly Award Schedule (April 2017 – June 2017)
- Temporary Accommodation - Refurbishment of Council Owned Properties for Use as Temporary Accommodation - Full Business Case and Contract Award
- Tender Strategy for the Repair, Maintenance and Major Refurbishments of Lifts
- Planned Procurement Activities (September 2017 - November 2017)
- Building Birmingham: Full Business Case - Delivering the BMHT housing development programme for 2017-19 with SME house-builders
- Birmingham and Solihull Industrial Symbiosis - Approval to Accept Grant
- Planned Procurement Activities (October 2017 – December 2017)

5.2. Cabinet Member/Chief Officer

- 20 mph Pilot Area B2 FBC
- BCR A38 Bristol Road Selly Oak to City Centre FBC
- Purchase of Professional Academic & Research Expertise and Practice Modules (West Midlands Social Work Teaching Partnership)
- Full Business Case for the Refurbishment of Kingstanding Wellbeing Centre
- BCR Big Birmingham Bikes Tranche 2 FBC
- BCR Hatchford Brook Green Route FBC and wider programme management funding
- Creation of Brays Special Academy On The International School Site – Final Phase Works – FBC
- Erdington Controlled Parking Zone FBC
- Contract Award for a Cashless Parking Payment Service
- Cisco Catalyst 6509 switch – partial upgrade and full replacement - Full Business Case
- Single Contractor Negotiation: Integrated Assessment of Recovery, Rehabilitation and Reablement Services
- Holloway Circus Improvement Revisions to FBC and Contract Award
- Provision of Nursery Places (Little Builders at Jervoise School) to meet Requirements for 30 hour Provision for Working Parents – FBC
- Priority School Building Programme 2
- Full Business Case Southside Hurst Street, Proposed Permanent Traffic Restrictions Phase 2
- Contract Award for a Private Sector Leasing Scheme

Councillor Majid Mahmood

Cabinet Member for Value for Money and Efficiency

Birmingham City Council's approach to Commercialism

1. Background:

In an environment of ongoing funding pressure for local authorities Birmingham, along with many other Councils, has sought to explore the financial opportunities associated with adopting a commercial approach. Following my meeting with Councillor Graham Chapman, the Deputy Leader of Nottingham City Council and officers and further research about activity taking place in other authorities, membership of the Advanced Commercialism Group (run by the Local Government Association) and an initial view of the potential areas to be explored the decision was made to recruit a Head of Commercialism on an 18 month Fixed Term Contract, along with a small amount of temporary support resource, to progress the Council's commercial approach.

Following the appointment of The Head of Commercialism in December 2016 a member/officer Commercialism Board was established to oversee and drive progress. The first meeting of the Board took place in January 2017 and agreed the terms of reference and purpose.

2. Terms of Reference of the Commercialism Board:

Purpose of Commercialism

The purpose of commercialism is to generate a surplus within business units: *'To protect services to our city and to the citizens of Birmingham'*.

Vision for Commercialism

The vision for Commercialism is to: *Take a more business-like approach to everything we do by:*

- Planning for and Investing in Growth
- Realising efficiencies
- Embracing and Embedding a culture of innovation and empowerment

Aims and Objectives:

The vision and purpose will be achieved by focussing on four key aims and objectives:

1. Focussing on High Income Opportunities – Identify areas of high commercial opportunity, agree the ambition regarding growth/surplus, monitor and drive the achievement of commercial business plans – leading to cashable savings.
2. Unblocking Barriers - Unblock issues and barriers to achieving commercial success across the organisation – leading to an infrastructure and practices that facilitate successful commercialism.
3. Embedding Across the Organisation - Oversee the development of an innovative, empowered commercial culture across the organisation – leading to commercial initiatives being developed and implemented by staff across the organisation.
4. Enabling Innovation and Assessing New Opportunities - Operate as a 'think tank' and decision making forum for areas with high risk/potential to move in to new ground – including decisions on how services should be delivered (i.e. in-sourced, JV, mutual or outsourced) – leading to robust and effective business cases being produced around

innovative approaches

Membership of the Board:

To enable the board to fulfil its function effectively the membership is comprised of strategic leads of departments and cabinet members. Paul Faulkner (Chief Executive, Birmingham Chamber of Commerce) was also invited to join the board as a Non-Executive Director to provide a private sector perspective and external challenge. Guests and advisors will be invited to the board as appropriate.

- Angela Probert (Chief Operating Officer) – Chair and Sponsor
- Cllr Ian Ward (Interim Leader of the Council)
- Cllr Majid Mahmood (Cabinet Member for Value for Money and Efficiency)
- Cllr Lisa Trickett (Cabinet Member for Clean Streets, Recycling and Environment)
- Jacqui Kennedy (Corporate Director for Place)
- Waheed Nazir (Corporate Director for Economy)
- Guy Olivant (Head of City Finance)
- Connie Price (Head of Legal)
- Nigel Kletz (Director for Commissioning and Procurement)
- Paul Faulkner (Chief Executive, Birmingham Chamber of Commerce)
- Ken Lyon (Head of Commercialism)

3. Progress of Commercialism:

Focussing on High Income Opportunities

As part of the objective to drive progress in high income areas 8 core areas of the business were identified that had a high level of commercial potential, including Property Services, the Corporate Digital Mail centre, CityServe, Library of Birmingham, Car Parks and Shelforce and Services to Schools. Successful outcomes from the Commercialism Portfolio include:

- CityServe winning three prestigious national awards for their social commercialisation of their schools catering business – the ‘all about the kids’ approach delivering a substantial surplus to be reinvested in Council services
- Approval to create a property company for commercial investments and purchase of two assets (to be completed October 2017) securing future capital growth and an annual revenue benefit.
- Development of a ‘Unique Venues Birmingham’ a commercial partnership with between the Library of Birmingham and the Birmingham Repertory Theatre (formally launched on 1 October) that will generate for the Council an additional income rising to £0.15m pa by 2019/20
- A commercial approach to the sheltered workforce organisation Shelforce which has worked in partnership with housing contractors to transform a £1.8m pa deficit to a surplus and resulted in significant costs being avoided in care packages and other support mechanisms
- Greater utilisation of the Corporate Digital Mail Centre, including expanding the customer base to include more authorities in the West Midlands Combined Authority, undertaking public sector work outside of the West Midlands and expanding the operations to in-source parking and bus lane enforcement activity equating to an additional £0.15m pa
- Further growth of the Commercial Advertising Portfolio, including the development of new

assets and expansion of the 'Loop' pavement advertising portfolio, contributing to a predicted surplus of £2.9m in 2017/18.

The Commercial area of work has also seen a single web platform developed for professional services to schools to support cross selling, development of car parking charges in parks and a wider business plan approach and growth of the commercial advertising portfolio.

Enabling Innovation and Assessing New Opportunities

The Commercialism Board also plays a key role in assessing, debating and challenging the development of new opportunities – ensuring that appropriate rigour has been applied to business cases and organisational synergies identified – prior to undertaking formal decision making processes.

The board has played a key role in understanding, commissioning and providing challenge to the development of a full business case for a proposal to develop a Council owned Energy Company alongside the development of growth opportunities for the business units outlined above.

4. Future Priorities for Commercialism:

Focussing on High Income Opportunities:

There is a key focus to drive further value from the opportunities that have currently developed and delivered commercial success for the Council, for example:

- Greater utilisation of Shelforce in more of the Council's activities, including provision of windows and doors for new homes built via the Birmingham Municipal Housing Trust and expansion in to installation across the repairs and maintenance programme – alongside greater development of external work
- Growth of CityServe in to provision for schools and academies beyond the boundaries of Birmingham (including use of the new CitySeve 'select' consultancy service) and partnerships with other organisations and expansion in the commercial catering market – utilising city assets to drive a commercial return for the Council
- Development of a refreshed commercial property approach as part of a new Property Strategy, which will focus on driving commercial decisions to acquisitions, disposals and lets across a revised commercial property portfolio and exploring a variety of methods to maximise return
- Rebranding and use of a current BCC asset Birmingham Venture Capital to facilitate access in to new markets for a number of BCC businesses (including the Corporate Digital Mail Centre and a number of professional services currently provided to schools) to enable effective trading with the private sector.

Other areas that the board is keen to explore the opportunities to maximise the commercial potential in include car parking and physical service to businesses (e.g. waste, grounds maintenance and pest control).

Feedback and Areas for Further Commercial Growth

The Commercialism Board welcomes feedback from scrutiny of the areas developed to date and approaches that could leverage further commercial gain.

The board also invites ideas from scrutiny members on any additional or further areas across the Council which have a high level of commercial potential, so that these can be incorporated with the plans for ongoing commercial development.

Unblocking Barriers

The Commercialism Board has currently identified a number of barriers (process, cultural and structural) to commercial success, part of the remit for the board in the next phase of Commercialism is to effect meaningful change to provide an environment in which Council services operating in a commercial environment can thrive. Examples of areas that the board will be seeking to challenge in the next phase include:

- Decision Making Processes – developing greater clarity, flexibility and agility to Council decision making processes enabling services to respond in a timely way to market opportunities
- Commercial Accounting – developing commercial accounting principles within traded accounts based on profit and loss and to enable business like decisions to investment, growth and withdrawal from markets
- Risk Appetite – developing an agreed risk appetite to commercial opportunities and a greater ability to innovate and undertake new opportunities which are outside of areas that the Council has traditionally operated if they provide a social/commercial benefit.

5. Embedding Across the Organisation

As part of the review of progress of the impact of the board a recommendation will be made as to how to best embed the Commercial approach across the organisation, which will seek to understand the commercial structure required to maximise the impact. A report has been commissioned to explore the most effective way to create synergies from commercial resource already invested across the organisation and where maximum return will be gained through future investments.

Options to support this for the future include:

1. **Withdraw from organisational commercial approach** – cease investment in centralised commercial resource and revert to departments operating independently
2. **Continue with minimal approach** – continue to invest in a Head of Commercialism as a catalyst to commercial thinking but with no structural authority and very limited resource in place
3. **Create Commercial and Business Development function** – centralisation and oversight of existing business development and commercial support roles (e.g. marketing, financial, legal) in to a single place to provide synergies, learning, greater expertise and maximise impact on organisation and to identify where future investments would realise a return
4. **Create a commercial delivery department** – centralisation of traded and commercial services in to a single management structure to provide commercial focus and decision making across the portfolio of delivery functions – approach would require significant organisational investment to remove commercial functions from domestic/non-commercial activity.