LOCAL AUTHORITY COMMERCIALISATION STRATEGIES

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ABSTRACT

As growing numbers of local authorities in England are facing up to funding challenges, many of them are looking to commercialising services to increase revenue and to balance their budgets. This commentary paper outlines the characteristics of commercialisation and the drivers for it, reviews the commercial strategies being introduced by a number of local authorities and offers some general reflections on commercialisation within local government. While local authorities have created their own individual commercialisation strategies, a number of general themes can be identified within these strategies. These common themes include the drivers for commercialisation, the vision, aims and objectives of commercialisation strategies, delivery plans and priorities, measurement and risk management. In reflecting on local authority commercialisation strategies, the authors highlight the importance of developing both a communications plan and new skills and knowledge bases for employees and they link their findings to the privatisation of public sector services and to neo liberal models of local service provision.

KEYWORDS COMMERCIALISATION STRATEGIES, LOCAL AUTHORITIES, ENGLAND, COMMUNICATIONS PLAN, NEO LIBERAL

Introduction

Within England, ‘Devolution Deals’, many of which cover a number of large metropolitan areas, offer new opportunities to fund public services and local government (Sandford 2018). However, this devolution process is taking place at the same time as growing numbers of local authorities are facing up to funding challenges and are having to look to commercialising services to increase revenue and to balance their budgets. Civica (2016), for example, the services and outsourcing company, claimed that ‘commercialisation is going to be one of the most important priorities for local authorities over the next decade.’ In a similar vein, Carr (2015), writing for Localis, the neo-liberal not-for-profit think tank, suggested that ‘one of the key ways’ local government can secure its finances is to allow ‘councils to earn their own way by acting more commercially where they can.’ In its ‘guide to public sector commercialisation’, the law firm Browne Jacobson (2017), suggested a wide range of services ‘which may be suitable for commercialisation including financial services, property, care homes, school meals and building and consultancy services.’ More generally, Brown et al. (2000) argued ‘there is an international trend to contestability and marketisation in the delivery of public services. The underlying foundation of these trends is that competition results in improved outcomes such as greater efficiency, higher quality of service, a clearer focus on customers and better value for money.’ With these thoughts in mind this commentary paper outlines the characteristics of commercialisation and the drivers for it, reviews the commercial strategies being introduced by a number of local authorities and offers some general reflections on commercialisation within local government.
Local Authorities and Commercialisation

For almost a decade as the UK government has reduced funding to local government, so local authorities have come under increasing financial pressure. Rob Whiteman, Chief Executive of the Chartered Institute of Public Finance and Accountancy, suggested ‘local government is facing a perfect storm’ in that ‘the combination of austerity—in the form of falling government grant – and rising demand, in particular from ageing local populations, is bringing to the fore questions about the long-term viability of the services councils provide’ (Carr 2015). More specifically, the National Audit Office (2018) reported that ‘government funding for local authorities has fallen by an estimated 49.1% in real terms from 2010-2011 to 2017-2018’, and that ‘alongside reductions in funding, local authorities have had to deal with growth in demand for key services, as well as absorbing other cost pressures.’ At the same time, the National Audit Office (2018) suggested that ‘local authorities have changed their approach to managing reductions in income, shifting away from reducing spending on services, to looking for savings and other sources of income.’

Commercialisation can be defined in a variety of ways. The Oxford English Dictionary (2018), for example, defines commercialisation as ‘the process of managing or running something principally for financial gain.’ Browne Jacobson (2017) suggested ‘commercialisation means the delivery of goods and services by a public body in a way that results in making profit or reducing costs, though this may not be the primary or only aim of the provision of the services.’ Carr (2015) claimed that while the use of the term ‘commercial’ often means ‘producing bankable returns for the public purse’, it also embraces ‘developing new markets or influencing existing ones, creating jobs, equipping residents and/or council staff with skills or using commercial means to forge positive relationships with private, public or voluntary sector partners.’ Capita (2016) suggested ‘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’, namely ‘1. making money; 2. behaving in a more business-like way: 3. commissioning councils’ and ‘4. being business friendly.

At the same time, Capita (2016) argued that the concept of commercialism might also be seen to ‘involve local authorities adopting some of the positive culture and behaviours that are often associated with commercial organisations.’ Here key attributes might be seen to include the quality and speed of decision-making; customer focus and creativity; the ability and freedom to attract and retain top talent; and the ability to invest for the longer term. Dorset County Council (2016), for example, listed ensuring ‘good customer relationship management to achieve loyal customers’ and ‘identifying new opportunities’, ‘avoiding negative impact on our business communities’ and maximising ‘our Unique Selling Points’, amongst the objectives of its ‘Commercialisation and Income Generation Policy.’

As a concept for delivering public services, commercialisation is not a new idea. In the nineteenth and twentieth centuries, for example, municipal enterprise had powerful
political advocates, but Carr (2015) suggested that in the modern era, opportunities for local authorities to adopt a more commercial approach can be traced back to the Coalition Government’s (2010-2015) 2011 Localism Act. This legislation included a ‘general power of competence’, which effectively gave ‘local authorities the legal capacity to do anything that individuals can do that is not specifically prohibited’ (Department of Communities and Local Government 2012). Further, the Act gave ‘councils more freedom to work together with others in new ways to drive down costs’ and ‘increased confidence to do creative, innovative things to meet local people’s needs’ (Department of Communities and Local Government 2012).

At the same time, Carr (2015) identified a number of challenges to greater commercialisation by local authorities, including ‘changing the ethos of local government’, ‘raising the capital’, finding ‘new ways of working with the private sector’ and ‘sharing the proceeds of growth.’ In addressing the first of these challenges, for example, Carr (2015) recognised that the language of commercialisation ‘would have been totally alien to the public sector forty years ago’ but claimed that ‘local government should get the credit for adjusting to the new world.’ Carr (2015) recommended that local authorities, and professional bodies, needed to ‘increase the focus on commercial and financial skills as part of officers’ professional development’, as one way of helping to continue to change such beliefs. As such, Carr (2015) suggested that ‘to date councils have tended to see private sector clients as suppliers delivering specified set of service outputs.’ Further Carr (2015) argued that ‘there is an appetite from both local government and the private sector for new models of partnership which are more flexible and much more outcome focused, and where both parties see each other as business partners.’

**Commercialisation Strategies**

In order to conduct an exploratory review of how English local authorities were looking to adopt commercial approaches to their work and responsibilities, the authors undertook a simple Internet search using the term ‘local authority commercialisation strategies’ in September 2018. The authors selected the first ten local authorities (Table 1) whose commercialisation strategies were listed for study. The local authorities varied in population size with Dorset County Council having the largest population and Copeland the smallest. Geographically the local authorities spanned the North, Midlands and South of England and included largely rural areas, commuter areas on metropolitan urban fringes and free-standing urban areas. Hart District Council arguably houses the richest and least deprived population in England while Copeland was the only one of the ten local authorities where the population had been declining. While the authors recognise that their approach is selective and has its limitations, they believe that it is appropriate in providing some exploratory insights into the ways in which a range of local authorities are approaching commercialisation. Unless specifically cited all quotations in this section of the paper are taken from the local authority websites listed in Table 1.

As Capita (2016) suggested above, local authorities have created their own individual commercialisation strategies but a number of general themes can be identified within these strategies. Local authorities report a relatively common set of drivers for the development
of commercial strategies. Gedling Borough Council, for example, identified five drivers namely:

- ‘Requirement to explore all options to address the significant reductions in funding and deliver a sustainable Medium Term Financial Plan.
- Political aspiration to increase innovation and entrepreneurialism.
- Improving customer service and meeting customer need through advances in technology and channel shift.
- Linkages to the other key strategic Council themes of digitalisation, agile working and demand management’ and
- ‘Other Councils are doing it, and doing it well.’

In a similar vein, East Northamptonshire Council argued ‘the main driver for commercialisation is the need to address the gap in the Council’s budget resulting from the reduction of Revenue Support Grant from Government. At the same time this local authority suggested ‘taking a commercial approach to the running of how the Council does business’ will encourage the ‘business and entrepreneurial skills of staff that will improve overall productivity’, promote ‘innovation with new models of delivery to improve service provision’ and help to develop ‘understanding and working relationships with partners across all sectors.’

Some local authorities outlined their vision for commercialisation. Bromsgrove District Council’s ‘commercialisation vision’, for example, ‘is for Bromsgrove District Council to become a systems thinking organisation that is efficient, effective, innovative and entrepreneurial.’ Harrow Council’s ‘commercialisation vision’ is ‘for Harrow Council to become an innovative and entrepreneurial authority that continuously drives positive annual contributions by generating extra revenue and delivering cost reductions through trading and business improvement. Through this we will put local services into a more sustainable footing to support local people as well as raising money to invest in our priority outcomes.’ Perhaps more assertively, Copland Borough Council, describes itself as ‘a commercially focussed-organisation with a national reputation for high quality services.’

All the local authorities outlined the aims or objectives of their commercialisation strategies, albeit in various ways. Hart District Council, for example, asserted ‘our aim is to relieve budgetary pressures and by doing so, provide opportunities to protect and enhance front line services through increased self-sustainability, delivering commercial benefits within the next 2-4 years.’ More extensively Scarborough Borough Council reported that ‘the core aims’ of its commercial strategy was ‘to deliver a financial return which contributes to the Council’s spending and investment plans and helps sustain priority outcomes for the Borough’s residents’ and then listed eight specific objectives. These objectives included, seeking greater efficiency in the use of assets, developing sustainable partnerships, demonstrating that the Council is open for business and strengthening the Council’s reputation as being ambitious place shapers.

Details of the approaches, activities and projects that will contribute to commercialisation are included in a number of the local authorities’ commercialisation strategies. In focusing on ‘pursuing new business opportunities’, Dorset County Council, for
example, argued ‘when considering new business opportunities it is important to understand the type of commercial activity that is being considered and the products (and services) being offered.’ More specifically Dorset County Council established a Commercialisation and Income Generation Board, which identified a number of supporting work streams, which included the development of a commercial and marketing plan, the pursuit of new opportunities and the establishment of an innovation hub.

In addressing ‘how we will deliver’, West Lindsey District Council set out its approach to delivery on four strategic themes namely ‘recovering greater income from council services’; ‘securing greater external funding for the Council’; ‘increasing capital and revenue returns to the council through delivering housing and economic growth’; and ‘enhancing the council’s commercial culture and capability.’ A variety of specific activities were identified under the third of these themes, for example, including the development and delivery of a land and property programme to add value and diversify the council’s property portfolio and stimulating business growth and investment by implementing the District’s Economic Development Delivery Plan.

Maidstone Borough Council outlined its ‘commercial business plan’, which embraced corporate property investment and corporate trading. In addressing corporate property investment, the local authority reported planning to develop a property portfolio and establishing a limited company to undertake this work. While the Borough Council recognised that not all of its departments and services would have an opportunity to trade, the focus will be on identifying and developing those opportunities perceived to exist. More positively, the Borough Council suggested that where such trading is profitable, and where it would be possible to bid for work from external clients, then it would explore the possibility of forming an external trading company.

A number of the local authorities’ commercialisation plans identified priorities and schedules while others more open ended. Maidstone Borough Council, for example, charted out its priorities over three stages namely short term (2014), medium term (2015-2018/2019) and long term (2020 onwards). The short term priority was to lay the foundations for commercialisation, in the medium term the focus was to be on completing the roll out of commercialisation, while in the longer term the local authority will be looking to contribute £1 million annually towards its Annual Savings Target. Hart District Council’s ‘High Level Implementation Plan’ embraced short term (up to March 2018), medium term (2018 to March 2020) and long term (2020 onwards) goals.

Bromsgrove District Council prioritised three work streams, namely the use of land and assets, contracts and income fees and charges, that it believed provide the greatest opportunities for commercialisation. Further Bromsgrove District Council reported that its intention was ‘to move at pace’ in developing these first elements in its commercialisation strategy. Gedling Borough Council reported focusing upon four key areas namely, strengthening the local authority’s culture and capability; increasing income from trading, charging and services; increasing external funding to the council; and increasing capital and revenue income through housing development and economic and employment growth.

Some of the local authorities explicitly provided details of the benefits likely to accrue from pursuing their commercialisation strategies, while for others, potential benefits
were more implicitly identified in descriptions of work schedules and delivery plans. Gedling Borough Council, for example, listed a number of benefits including ‘a tangible contribution to the Medium Term Financial Plan’; ‘adopting a new approach to marketing and flexible pricing strategies’; ‘gaining an appreciation of our customers through improved customer service processes and building proactive and sustainable relationships’; and ‘a commercially skilled workforce.’ In a similar vein, the benefits reported by Harrow Council included ‘taking an approach of raising standards and generating revenue at the same time’, ‘transforming the organisation into an innovative workplace’ and ‘helping to provide a competitive advantage in key markets.’

Measuring success and risk management were part of a number of the local authorities’ commercialisation strategies. West Lindsey District Council, for example, argued that the key measures of its ‘commercial success will be generating £1 million recurrent income revenue (over and above the 2014’15 baseline) by 2020’ and ‘increased return on capital investment.’ For Maidstone Borough Council, ‘the only proper measurement of success is the net effect of commercialisation to the Annual Savings Target, expressed in monetary terms, and as a percentage of the Annual Savings Target.’ At the same time Maidstone Borough Council suggested that in order to measure success it would be necessary to ‘benchmark each service as commercialisation is introduced.’

Copeland Borough Council reported that risk management is embedded in all its decision making processes and that the risks associated with commercialisation are managed through its risk management framework. At the same time, Copeland Borough Council suggested that ‘given the potential risks involved it would be easy to take a risk averse approach’ but recognised that such an approach ‘would hinder potentially highly beneficial opportunities or innovation.’ In a similar vein, West Lindsey District Council recognised that ‘inevitably, adopting a more commercial approach and promoting innovation and entrepreneurship can come with the increased risk associated with doing something new or unfamiliar.’ However, West Lindsey District Council argued ‘it is important that the council is risk aware, rather than risk averse, taking an informed view of potential risks and deciding on the extent to which it wishes to tolerate, mitigate or avoid them.’

Concluding Reflections

As central government funding to local authorities has been reduced, so a growing number of local authorities have developed commercialisation strategies in an attempt to increase their revenue and thus to maintain service levels. In the short term, warnings of continuing reductions in the core central funding local councils receive from central government (Local Government Association 2017) seem likely to increase the pressure on local authorities to continue to develop their commercial and entrepreneurial activities. The commercialisation of local authority services and functions is complex and contested and it will be subject to continuing and wide ranging debate amongst elected officials and officers within local government and the professionals who work with local authorities, as well as within political parties and trade union organisations nationally. That said, a number of issues merit reflection here.

In the past, many local authorities have been reluctant to commit financial resources to communications and marketing but as they look to pursue commercial strategies, so communications seems likely to assume an increasingly important role in promoting
commercial services and entrepreneurial activities. In identifying ‘critical success factors’ for local authority commercialisation strategies, Grant Thornton (2017), for example, emphasised the need to ‘develop a clear and simple communication plan to bring internal and external stakeholders along with us on this complex journey of change.’

In short, an effective overall communications plan is vitally important in looking to ensure that that the local authority’s commercial vision, priorities and successful outcomes are understood by a range of stakeholders, including elected members, employees, residents and commercial and voluntary organisations. At the same time, individual communications plans may need to be designed for specific commercial initiatives and for situations where commercial activities do not succeed as originally planned. In both cases, local authorities should look to encourage a culture of two-way communication with stakeholders, in order to encourage feedback that can be fed back into commercial programmes and plans. Here social media will have an increasingly important and sophisticated role to play, not least in ensuring rapid communications but also in building trust and confidence amongst stakeholders.

If local authority commercial and entrepreneurial activities are to be seen to be successful by stakeholders, then the local authorities must ensure that ‘council staff have the skills necessary to enable them to maximise commercial opportunities’ (Carr 2015). Innovative commercialisation strategies and sophisticated communication plans are of little or no value, and could be counterproductive, if a local authority does not have the staffing base to deliver on a new commercial agenda. A ‘survey of 150 key local government figures’ undertaken by Localis, to accompany Carr’s (2015) report revealed ‘over half our respondents indicated that in-house skills sets were the biggest barrier to councils being entrepreneurial.’ More specifically, in addressing commercial initiatives in local authority planning services, Wright (2013) argued that such developments have implications for local authority planning officers who will need to develop a new range of commercial and entrepreneurial knowledge bases and skills and to gain ‘greater financial and economic acumen.’ At the same time, it is important to recognise that such changing skill sets can generate tensions within local authorities.

Wright (2013), for example, argued new skills would be required to enable planners ‘to manage the planning process to facilitate economic growth, in preference to social and environmental outcomes and in preference to a common public interest.’ Turning this coin on its head, Linovski (2018) suggested that little was known about the ‘private-sector planning consultants’ who ‘though beholden to the same professional standards as public-sector employees, face competing pressures of an entrepreneurial fee-for-service business model.’ Following a study of urban redevelopment in Toronto, Linovski (2018) suggested that ‘private-sector planning consultants had influence in prioritizing policy agendas by propagating the need for sped-up processes and allowing landowners to pay for priority’ and that this resulted in ‘a high degree of influence for development interests.’

More generally, the Local Government Association has developed a commercial skills training for local authority employees and for senior officers. Within the programme for employees, there are modules in creative approaches; marketplace understanding and engagement; financial approaches and modelling; effective operational delivery; and commercial people management. The senior officers’ programme includes modules on
dealing and negotiating with commercial partners; commercial strategy and risk: governance; and finance. The Local Government Association also runs commercial skills masterclasses for elected representatives.

The current commercialisation strategies developed by many local authorities can be seen as part of the wider public sector privatisation programmes that have been underway in the UK since the 1970s. Writing almost two decades ago Whitfield (2002) argued that ‘the commercialisation of municipal services necessitated almost continual organisational change’, which saw the increasing introduction of a ‘performance management regime, which focuses on outputs, auditing results, efficiency, competition, alternative providers and decentralised management.’ Whitfield (2002) further argued that these changes ‘were underpinned by an ideological debate which consisted of continued criticism of the poor quality of many municipal services and the failure of some local authorities. The deliberate policy of destabilisation and of creating or exacerbating crises has been used to legitimate further privatisation and marketisation, including central government intervention to force some local authorities to privatisise services and to promote private sector management.’

However, Bel and Fageda (2007) argued that the ideological orientation of the local authority had no apparent influence on decisions to privatisise services. A decade later, the same authors (Bel and Fageda 2017) revised their opinion and argued that ‘several recent studies call into question the earlier consensus that privatisation was the pragmatic choice, reporting that ideology also has an influence on production choices, particularly on what might be labelled social services as opposed to technical services.’ More generally, Bel, Hebdon and Warner (2018) suggested that ‘unsatisfactory results from privatisation have caused local governments to seek alternative reforms’ and that ‘inter-municipal cooperation, mixed public/private delivery and contract reversals are three alternatives that have gained traction in the last decade.’ Striking a positive note Bel, Hebdon and Warner (2018) concluded ‘while twentieth century local government reforms focused primarily on the benefits of competition, twenty-first century reforms look more to the need for market management and the benefits of cooperation – across local governments, across public and private sectors and across labour, community and government interests.’ Such a scenario would certainly seem to resonate with advocates of greater commercialisation within local authorities.

At a more conceptual level the commercialisation of local authority services can be seen as part of the neo liberal model, which sees ‘a conversion from publicly planned solutions to competitive and market-oriented ones’ and which ‘aims to give administrative efficiency, entrepreneurialism and economic freedoms more impetus than democratic political steering’ (Sager 2011). Further, Sager (2011) suggested that ‘political-economic ideas of neo liberalism have become deeply entrenched in the public administration of countries in many parts of the world’ but the neo liberal model has met with a number of criticisms. Here, while there are concerns, for example, that no collective or public interests transcend individual interests and that it undermines the local democratic accountability for service delivery, the resilience (Schmidt and Thatcher 2013) of the neo liberalism model makes it a starting point for any theoretical analysis of the commercialisation of local authority services.
REFERENCES

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**TABLE 1: LOCAL AUTHORITIES AND COMMERCIALISATION STRATEGIES**

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