Let councils sharpen commercial edge to level up locally, new report urges

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Press release

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Councils should have the confidence to engage in well-run commercial activity that benefits residents, improves local public services and generates much-needed revenue independent of central government, a report issued by consultants Human Engine and the think-tank Localis has advised today.

In a research paper issued today entitled **'The Commercial Edge – renewing the case for the local investment state'** Human Engine and Localis argued that when carried out professionally and with risks properly-managed, council commercialism can unlock immense latent place potential and deliver many clear benefits to galvanise economic and social recovery.

In reframing the debate on local government commercialism, councils are advised to apply five common themes of commercial maturity around strategy and alignment; supply; demand, market intelligence and organisational culture.

The report also sets out a suite of recommendation to inform future commercial decisions aimed at local government leaders, town hall scrutiny members and central government partners.

Localis chief executive, Jonathan Werran, said: "Councils have historically always been involved with commercial activity in some shape or form in creating revenue streams that improve residents' lives and deliver better local services. This is a golden thread and is one worth preserving into the future.

"To maintain this tradition of strong self-government built on local investment and use this agenda to continue to deliver innovative public services into the future will require a shared language and understanding of how commercialism should work in practice across local and central government.

"Renewing the agenda will also rightly require a fresh approach to local scrutiny and governance and the immense rewards of capturing greater public and social value should be measured to encourage best practice across the sector."

Jonathon Noble, managing director, Human Engine, said: "Commercialism in the public sector is a multi-faceted issue. Too often, it is reduced to a binary debate over whether councils should or shouldn't generate income through commercial means, underscored by cautionary tales of high profile failures.

"The reality is more complex than this. The truth is that it is impossible to deliver modern public services without commercial acumen – whether developing a deep understanding of the key markets with which you do business, negotiating better value for the public or redesigning services with customers in mind. These are all hallmarks of a mature commercial approach.

"Through our research and discourse with councils nationally, this report seeks to reframe the discussion to a more rounded view of commerciality, fundamentally aligning commercial activity to an organisation's strategic objectives and the creation of public value."

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Notes to Editors:

1. **An advance copy of the report - 'The Commercial Edge – renewing the case for the local investment state' is available for download:**

Full Report

Executive Summary

There will be a webinar panel debate to talk through the issues and findings raised in the report on Tuesday 29 June from 11.30 to 12.30 – tickets can be booked:

1. **About Localis**

Localis is an independent think-tank dedicated to issues related to politics, public service reform and localism. We carry out innovative research, hold events and facilitate an ever growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK.

www.localis.org.uk

About Human Engine

Human Engine is a Financial Times top-ranked management consultancy with specialisms in strategy, people and performance.

It was founded by a group of former local government officers who think the public sector deserves better than it gets from traditional consulting firms – more human, more personal and more knowledgeable of the reality of delivering modern public services.

We have worked with dozens of public sector organisations to help transform their strategies, operations and cultures to be more agile, commercial and entrepreneurial in order to achieve financial sustainability and improved outcomes for local people and communities.

For more information, find us on LinkedIn or https://www.human-engine.co.uk/

1. **Key report recommendations**

Conclusions and Recommendations

There is a tremendous role for commercially minded councils, particularly when considering how to drive, fuel and recover local economies post-COVID. Utilising the Commercial Maturity Model can enable local authorities to assess their commercial strengths, weaknesses, areas for improvements, areas for investment and, ultimately, support the development of their place-based commercial approach.

As the sector leads local recovery from the pandemic, commercial decisions by councils, be that local investment, reshaping contracts to encourage social value or trading services, will influence place-based commercialism and place-shaping.

As such, we have drawn a set of recommendations for each stakeholder group to encourage clear, practical and actionable conclusions from this research.

Recommendations for Local Government Leadership

1. **Set out your definition and communicate widely.** Be clear how this aligns to the purpose and values of the organisation, adopt a simple statement of policy and communicate with staff, partners and customers.
2. **Likewise, agree risk appetite and communicate this early.** There is no sense in imbuing staff with the spirits and skills of entrepreneurs then tying their hands with process and rejecting every idea that entrails risk.
3. **Invest in the skills needed to deliver this.** Give your teams the tools and techniques needed to deliver the councils commercial approach and use these skills to add value to public services.

This can include softer skills like creativity, adaptability and influencing as well as more traditional commercial acumen such as market analysis, sales and finance.

4. **Work with partners and drive greater value out of contracts**. Social Value can be a means to delivering public value. Don't underestimate the value that can be harnessed from supply chains and rigorous contract management
5. **Undertake a self-assessment of your commercial maturity using the commercial maturity model.** Be sure to be check and challenge your own organisation and focus on how commercial activity will deliver the councils public value objectives

Recommendations for Elected Members in Scrutiny Roles

1. **Understand the drivers, risks and legislative limitations of commercial decisions in your locality.** This includes the reasons behind commercial activity, extent of council powers to do so and how this is applicable to your given locality. This also relates to aligning commercial activity to the council's corporate objectives.
2. **Have a clear framework for evaluating commercial decisions, including financial and social considerations.**
   Situations and priorities change and with them so can the impact of commercial activity. But using a consistent framework for evaluation can ensure the council maximising the social return on investment, as well as financial.

Recommendations for Central Government Partners

1. **Recommit to the principles of the general power of competence** to enable councils the autonomy to act in the interests of their locality.
2. **Develop a broader understanding of commercialism.** Government has made great strides in sharpening the commercial capabilities of those involved in public procurement. But, for local authorities, commercial activity is much broader than procurement and contract management. At present, there is a risk that local and central government use the same terms to describe different things. A common language will enable better understanding.
3. **Deepen understanding of why councils are taking commercial decisions by creating a commercial network**. Councils have routinely delivered successful commercial initiatives. There is an opportunity for cross-sector learning to promote and entrench good commercial practice and join the gaps between policy and practice.
4. **Consider what support could be offered on capability uplift.** Support local government to introduce a sector-led commercial skills programme that matches the ambition of central government training initiatives to position the sector to continue to manage its own commercial activity without the need for intervention.

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