



FULL COUNCIL REPORT

Date Written	26 th May 2021
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Service Area	Regeneration Transformation and Commercialisation
Exempt/Non Exempt	Non Exempt
Committee Date	16 th June 2021

To: Mayor, Ladies and Gentlemen

Establishment of a Commercial Unit

1.0 SUMMARY OF THE REPORT

- 1.1 Merthyr Tydfil County Borough Council generates and engages in a substantial amount of commercial activity. In an average year, the Council spends £79million in the purchase of goods and contracted services.
- 1.2 Despite this level of commercial activity, in the main, the Council does not operate as a commercial organisation.
- 1.3 This report presents recommendations to enable Merthyr Tydfil County Borough Council to move to a commercial operating model over a series of development phases.
- 1.4 The proposal is based around the creation of a commercial unit, the restructure of the existing Procurement and Payments function, the recruitment of one additional Strategic Procurement Officer, one Data & Project Support Officer and the employment of a Commercial Manager.
- 1.5 The new Commercial Unit will sit within the Economic Regeneration Services under the Regeneration, Transformation and Commercial Portfolio.
- 1.6 The Unit will give the Council a commercial capacity that has previously not existed to assess commercial gain from existing spend and to explore commercial opportunities with other social sector partners.

1.7 Combining the Commercial and Economic Development functions within the Authority will also enable the Council to explore wider investment opportunities associated with the continued economic regeneration of Merthyr Tydfil.

2.0 RECOMMENDATIONS that

2.1 The creation of a new Commercial Unit be approved.

2.2 The restructure of the existing Procurement and Payment Service to enable the creation of a Commercial Unit be approved.

2.3 The recruitment of two additional Strategic Procurement Officers be approved.

2.4 The combination of the Commercial and Economic Development functions be approved.

3.0 INTRODUCTION AND BACKGROUND

3.1 The commercial development of the public sector is a relatively hot topic at the moment and has been for a number of years. Year on year budgets have reduced whilst in many areas such as health and social care demand has increased. Most public sector organisations are drastically changing their operating models or finding other ways of filling gaps in budgets, or often both.

3.2 This 'perfect storm' has led much of the public sector to consider being more 'commercial'. This move towards being commercial *is* difficult as it requires new skills, new thinking, new culture, and also associated changes in structures, processes and systems to facilitate new ways of working.

3.3 Existing Procurement Activity

3.3.1 Merely being buyers that follow standard procurement processes and comply with rules and regulations will not alone drive good practice and deliver value for money – considering the vast range of goods and services that we need to function effectively. Transforming to a commercial approach will have a significant impact on end users, especially where commercial staff are engaged at the earliest possible stages in developing proposals. Commercial should have creativity and collaboration at its heart and challenge what customers and suppliers want. When this is done well, it is so much more than just 'buying stuff'.

3.3.2 Our current procurement position



3.3.3 The majority of council procurement activity is centred around tactical operations – this is developing tenders and inviting the market to bid for goods, services and works. This activity is not strictly strategic and is usually a reaction to needs at a specific time.

3.3.4 The Council has in recent years made steps to push procurement activity towards strategic through the establishment of the Procurement Board, however, whilst the overall focus of the board was to improve procurement decisions, it did place a new administrative burden on procurement staff.

3.3.5 Procurement staff are often engaged in low level and transactional work (quotes, ordering, deliveries etc), these activities do not strictly add value corporately and divert resources away from assisting on the development of long term sustainable solutions such as decarbonisation, social value and commercialisation.

4.0 COMMERCIAL BY DESIGN

4.1 Following internal debate and analysis over the last months, it has been identified that the core commercial activity within the Local Authority exists within its Procurement function.

4.2 Several potential areas of commercial development have been identified, but at the present time the organisation does not have a core commercial capacity to exploit these opportunities.

4.3 A core recommendation of this report is to build this initial capacity around a restructured Procurement function which can significantly add additional activities as it builds maturity.

4.4 This commercial capacity also needs to align with the Council's Economic Development function.

5.0 DEVELOPING A STRATEGIC COMMERCIAL UNIT

5.1 It is proposed that Council considers delivering a commercial offering based on a four phase development.

5.2 Phase 1 – Internal structure.

5.3 In order to take procurement and commercial approaches from tactical and onwards to strategic, the Council must consider

5.3.1 Releasing some of the transactional responsibilities from the existing procurement structure.

5.3.2 Developing a robust commercial structure including

- Recruitment of a commercial manager (already approved)
- Recruitment of a data analysis and project officer (commercial support)
- Reinforcing procurement capability through the appointment of a further dedicated Procurement Professional.

5.4 The Phase 1 proposal will bring together the existing procurement structure and the new commercial resource into one focussed strategic commercial unit.

5.5 Phase 2 – Internal Reviews/Situation Analysis

5.5.1 This phase is proposed to provide the commercial manager with access to all services across the council to determine

- Cross council exploration of existing service provisions
- Taking a broad view on potential opportunities
- Making recommendations on discretionary services that may not add value

5.6 Phase 3 – External Review

5.6.1 This phase is looking wider at our collaboration efforts with other public bodies, third sector partners, RSL's etc

5.6.2 Looking wider at our spend profile, our suppliers and partners, gauging how we maximise our services that are delivered either through or with the support of third parties

5.7 These 3 phases will form part of the initial steps of work required to create a commercial view of current operations, service delivery, and the wider market.

5.8 The initial phases will then lead towards commercialisation taking a broad approach to three main areas of work, Asset based initiatives, Value based initiatives and Competency based initiatives.

5.9 Phase 4 – Economic Regeneration

- 5.10 Over the last 10 Years Merthyr Tydfil County Borough Council has developed a successful Economic Regeneration capacity. This capacity has created several phases of physical regeneration, especially associated with Merthyr Tydfil Town Centre, and given an enhanced level of support to local business. Investment in business start up by the Economic Regeneration team has resulted in an additional 207 new businesses over the last 5 years (44 in the last year).
- 5.11 This success has been based on accessing large amounts of external grant funding that is invested in the physical and business infrastructure of the Town. Historically, the local authority has not received any financial return from this work. The Economic Regeneration Department does however run a commercial business centre model at The Orbit, which has generated an annual surplus for the last 5 years.
- 5.12 Combining a new commercial function with the Councils mature and successful Economic Development provision will create the opportunity to assess any commercial investments associated with the ongoing regeneration and economic development process. This will be subject to a further Council report.
- 5.13 The development of commercialisation as highlighted in this report are required for the delivery of the Recovery, Transformation and Improvement plan (RTI Plan). The scope of commercial projects will impact upon many aspects of council business in the coming years as we seek to identify and deliver new sustainable income streams.

6.0 FINANCIAL IMPLICATION(S)

- 6.1 There are financial implications associated with the establishment of the Commercial Unit. These implications are generally staff costs and are subject to job evaluation. The following table illustrates the RTI Plan Revenue Investment requirements

Description	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Commercial Manager	56	58	59	60	61
Commercial Manager - Additional gross staff cost - increase in grade	5	6	7	8	9
Data and Projects officer	36	37	38	39	40
Procurement Officer	41	42	43	44	45

- 6.2 The commercial manager post has already been incorporated into the budget from this financial year.

7.0 INTEGRATED IMPACT ASSESSMENT

	Positive Impacts	Negative Impacts	Neutral/Not Applicable	
1. Merthyr Tydfil Well-being Objectives	2 of 4	0 of 4	2 of 4	
2. Sustainable Development Principles - How have you considered the five ways of working? <ul style="list-style-type: none"> • Long term • Prevention • Integration • Collaboration • Involvement 	5 of 5	0 of 5	0 of 5	
3. Protected Characteristics (including Welsh Language)	0 of 10	0 of 10	10 of 10	
4. Socio-economic Disadvantage	0 of 6	0 of 6	6 of 6	
5. Consultation and Engagement	Undertaken	Due to be Undertaken	Not Required	
	0 of 1	0 of 1	1 of 1	
6. Data and Evidence to inform the proposal	Yes		No	
	0 of 1		1 of 1	
7. Biodiversity and the resilience of Ecosystems	Maintained	Enhanced	Reduced	Neutral/Not Applicable
	0 of 1	0 of 1	0 of 1	1 of 1
Summary				
The main positive impacts are:	The commercial unit will have a far reaching scope in terms of engagement with regards to economic development and financial resilience and the commercial unit should positively impact the council's ability to deliver on sustainability agendas and decarbonisation.			
The main negative impacts are:	None			

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BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Does the report contain any issue that may impact the Council's Constitution?		NO

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.