

## Commercial Protocol

## Appendix 1

### Purpose

This Protocol sets out the oneSource Joint Committee agreed approach to oneSource shared services undertaking work for external clients. oneSource services will follow the Protocol when undertaking external work in addition to any governance requirements of the partner councils.

### Context

oneSource is the in-house shared services of Newham, Havering and Bexley Councils established in April 2014 with Bexley joining in April 2016. Newham & Havering share over 20 mainly corporate services and Bexley are a partner council for Finance and Transactional & Exchequer Services.

All oneSource services for the partner councils are provided as a non-commercial shared service governed by a joint committee of members from each authority. At its inception, one of the agreed aims and success measures for oneSource was to provide its services on a commercial basis to external councils and generating income for the partner authorities. Most services had income targets to reflect this priority.

oneSource services have met this aim and successfully undertakes work for a range of clients – primarily other councils, council owned companies and schools – and the surplus is largely used to fund oneSource services reducing the net cost to the partner councils.

Further expansion as primarily commercial services making profits for the partner councils would require by law consideration of the establishment of oneSource, or some of its services, as a wholly owned commercial company. However, oneSource services can lawfully provide services as an in-house service to other public sector bodies, including all local authorities and make a surplus under the Local Authorities (Goods and Services) Act 1970.

Following the 2018 elections, the partner Councils considered and agreed the future direction of the Council and their approach to external work. The key priorities for oneSource are:

- A primary focus on delivering services to support the corporate priorities of each partner council.
- A relentless focus on quality and value for money as an in-house shared service
- A readiness to deliver services to external partners recognising the benefits of generating income for the partner authorities; but only where it does not have a detrimental impact on the services delivered to the partner authorities.

An Improvement Plan is in place to deliver the priorities and this Protocol provides more detailed guidance on how oneSource services will undertake work for external clients.

## Sharing Opportunities

oneSource is based on the principles of sharing resources and expertise between the partner councils. Put simply, shared services means where employees of the sharing authorities work jointly on the delivery of services to all of the councils. The oneSource model allows for other councils to join and share one or more services with the partner councils, just as Bexley joined in 2016. Shared services also exist in other areas of each Council's services and is a mutually beneficial and non-commercial form of collaboration.

The benefits of sharing services are:

- Increased resilience of services through shared expertise and resources
- Savings through the economies of scale and eliminating unnecessary duplication
- Sharing innovation and solutions between and across councils
- Attractive and enhanced career opportunities for staff
- Limited regulation and bureaucracy – compared to externalising inhouse services.

The potential risks of sharing services are:

- Slipping into a client / contractor type of relationship
- Losing focus on partner council priorities
- Balancing different needs of partner authorities and avoiding “one size fits all” where it is not appropriate.

The Joint Committee in principle welcomes opportunities to share services between the partner authorities and with new partners. oneSource services will continue to be open to delivering and proposing mutually beneficial sharing between the partner Councils, e.g. in areas of common working like smarter working and accommodation reviews.

This is conditional upon the sharing of services not having a detrimental effect on the key oneSource priorities set out above – particularly supporting the delivery of partner council priorities.

Therefore, if any sharing opportunities arise, the Executive Director will:

- Consult informally with the relevant officers and members in each partner authority
- If agreed to proceed, prepare an outline business case for consideration by each partner authority

If there is agreement to progress the opportunity, the Executive Director will seek approval for the project formally in accordance with the governance processes of the partner authorities

## Commercial Opportunities

The Joint Committee recognises the benefits of commercialisation and this can be viewed within the context of reductions in Central Government grant, caps on Council Tax Increases

and savings required as part of the MTFS process. The use of a more commercial approach to providing services to mitigate the financial pressures can be seen as a way of safeguarding service delivery and standards.

This is reflected in the approach to existing and new commercial opportunities for oneSource and the partner authorities.

### Existing Commercial Opportunities

oneSource will continue to undertake external work where:

- It is successfully doing so, i.e. delivering high quality services and income to the partner Councils
- Where there is a market opportunity for its services, such as health and safety training, ad hoc legal work and consultancy services
- Where services have the capacity to undertake additional work

There is a need to ensure that the exploration of any commercial opportunities does not undermine the in house focus on delivery of excellent service and the in house service provision.

The Executive Director will keep all external work under review and report to the partner Councils (via the commissioning leads and lead member) and, appropriate, the Joint Committee. This review will take into account the impact on the delivery of the partner councils' priorities and the quality of services delivered to the partner authorities.

Where necessary, the governance processes in the partner authorities will be followed in the continuation and expansion of existing commercial work.

### New Commercial Opportunities

The Joint Committee will consider new commercial opportunities for oneSource where they are supported by a business case agreed by the partner councils. Whilst the Improvement Plan is successfully delivered, oneSource will not proactively market its services on a commercial basis. However, oneSource's experience is that new opportunities can arise on an ad hoc basis through contacts or approaches from external bodies for assistance. Such opportunities can range from "one off" requests for advice or support through to the ongoing provision of services. Further, oneSource has undertaken ad hoc work as a means of marketing the services with external bodies with a view to developing a working relationship with the body but also to enhance oneSource's reputation in the public sector, especially with local authorities, as a leading in house shared service provider.

This part of the Protocol sets out how oneSource will adopt a proportionate approach to such opportunities led by the Executive Director.

#### *"One off" or ad hoc requests for support*

The Director will carry out a brief analysis of whether it is beneficial to the interests of the partner authorities to agree to undertake the work. The analysis will consider:

- The legal powers to undertake the work
- The service's capacity to undertake the work
- The benefits of undertaking the work in terms of income (i.e. surplus); costs; commercial experience; reputational benefit and market penetration; commercial risk
- The impact on service provision and capacity to the partner authorities

This is not a finite list of considerations and, where appropriate, consultation with the partner authorities will take place and monitoring arrangements put in place. The level of detail required will be proportionate to the scale and risk of the opportunity and any decision making will comply with the governance requirements of the partner authorities.

### *New opportunities for service provision to external customers*

Where an external organisation requests oneSource to carry out or submit a quote or bid for ongoing service provision, the following process will be followed as a minimum. The table below outlines additional steps that will be considered to ensure any proposal is fully considered.

- The Executive Director will prepare an outline business case for the commercial opportunity taking into account the factors set out above and any other relevant factor / information.
- The outline business case will be considered by the commissioning leads in each authority and lead members.
- If it is agreed to proceed with the opportunity, the Executive Director will prepare a final business case and consult with and obtain the necessary approvals in accordance with the partner councils' governance procedures.

In each case, the detail required for the business case will be proportionate to the nature and scale of the commercial opportunity.

When planning to offer services to external customers and drafting business cases, the service must ensure that the following principles are met:

- There is no detrimental impact on the shared service provision to the 3 partner councils and does not undermine the in-house focus
- Effective performance measures and costings are included.
- Decisions are informed by analysis of the current market and benchmarking utilising good quality data in order to understand the services place in any potential market.
- A risk register is prepared and taken into account
- Alternative delivery models are considered where appropriate but any proposal should not include the externalisation of any service.
- That systems are in place to continually assess the benefits of providing external services e.g income/cost forecasting.
- To assess whether the proposed activities that are undertaken are lawful or commercially or financially sound.

### **Implementing the Commercial Protocol**

The table below outlines the process for the identification, development and implementation of income generation and commercial opportunities.

Opportunity Arises	Liaise with external organisation and notify commissioners Record in Business Development Team Initial assessment for potential for undertaking the work Identify where income could come from e.g fees and charges, surplus and financial business case Identify legal powers to provide the service / in the model proposed. Discuss at OMT for initial consideration and sense check
Develop Draft Business Case	Prepare adequate business case. Submit to commissioners and lead members for consultation on way to proceed
Approval to proceed to develop Full Business Case	Present case to OMT for review Consultation with commissioners and lead members, as required
Final Approval	Seek necessary approvals from each authority Where necessary, delegate authority to reach agreement with external organisation
Agreement with external and Implementation	Agree terms and start date. Mobilise resources Establish communication plan if necessary. (where necessary, refer any new decisions back)
Ongoing Monitoring	Monitoring of benefits and assumptions made as part of the business case. Financial planning to identify areas for expansion.
Review	Regular review as part of budget setting process.

## Governance

Decisions in respect of shared services and commercial work for external organisations will be made in accordance with partner authorities Schemes of Delegation and / or the delegated powers of the oneSource Joint Committee.

In addition to the decision making requirements, the Executive Director will ensure that the commissioners and lead members are fully informed and consulted on proposals (taking into account their views on whether broader consultation is required within the relevant authority).

As external work can vary from assistance on an individual matter taking 2 hours to a proposal to provide one or more services, the level of governance required will be proportionate to the nature and scale of the relevant decision.

The Joint Committee will receive regular reports on commercial activity and income at its meetings.