



Using the GPC: Wales Forum March '21?

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A general power frees you up

- To make interventions in the local economy
 - Equity investment
- To provide directly
 - Pubs
 - Shops
- To engage in income generating activity
 - On the same basis as other commercial operators

Extraordinary times



- The supply side
 - Lockdown has suppressed supply side in many sectors
 - Restarting may be impossible/unviable for many businesses
 - (Maybe decisive) shift away from office based working
- The demand side
 - Some sectors experiencing suppressed demand – buildings based commerce
 - Others doing well – e-commerce
 - Pent up demand or lost demand?
- The likely consequences
 - Lack of supply but recovering demand – inflationary pressure
 - Significant market gaps in some key sectors
 - A shift into defensive sectors



Sectoral crisis

- Hospitality
 - Supply side restraints
 - Debt financed
- Leisure
 - Business cases depend on assumptions about throughput
- Culture
 - Already very tight margins
- Commercial property

Council financial picture



- Renewed revenue pressure
 - Lost income
 - Covid 19 related costs
- Short run
 - Continued loss of income
 - But rapid increase in demand for support services
- Medium run
 - Pressure to fill market gaps
 - Deepening recession
 - Inflation?
 - Capital and liquidity?
- Long run???



Business is still business

- Importance of a robust business case
 - Risk management
 - Accountability
- A balanced approach
 - Strategic
 - Commercial
 - Financial
 - Operational
 - Legal



Strategic issues

- Services under renewed financial threat
 - Growing imperative
- Shift in assumptions about risk
 - ‘Safe’ property investments?
- Economic development and employment issues
- Market gaps

Commercial issues



- Customer need
- Supply side
- Links to efficiency and cost control



Commercial imperative

- Don't get caught out on commercial property investments
 - Big opportunities – distribution centres, cloud kitchens
 - But some taking a nose dive - retail
 - Capital preservation v market differentiation
- Relieving revenue pressures
- Filling gaps in commercial markets
- Supporting local businesses – equity models of investment
- Rethinking existing business models



Commercial imperatives

- Get into the head of the customer
 - Tailor the offer to their needs not your own
- Avoid the King Cnute approach
 - Adapt to make the most of new environment
 - Stop waiting for it to go back to 'normal'
- Flexibility in uncertainty
 - If one thing doesn't work do something else
 - Spread the risk
- Agility to move quickly
 - Customer need can change overnight



Financial case

- Success is when more money comes in than goes out!
 - Cost control and efficiency leads to profit
 - Understand cost
- Need to spend money to make money
 - Risk appetite
 - Business case clarity
 - Access to capital



Operational issues

- Empowerment and subsidiarity
- Agility and the ability to make a deal
- Avoiding recklessness
- Horizontal integration

- Skills and skills shortages
 - Operational
 - Commercial

The importance of the legal framework



- Doctrine of ultra-vires the lawyers' equivalent of a builder's tooth suck
 - GPC opens the door
- Ultra-vires still there but...

Persisting legal issues



- Are we acting reasonably?
 - Fiduciary duty
 - Wider considerations
 - Policy framework



Persisting legal issues

- Do we need a company?
 - Are we relying on GPC?
 - Are we acting for a commercial purpose?
 - What does the business case say?
 - Is maintaining essential public services a ‘commercial’ purpose anyway?
 - Significance of prescribed accountancy framework
 - Each ‘service type’
 - Use of full cost

What can we do with the money?



- If not GPC maybe overt restrictions
 - Income from parking charges
- Or implied restrictions
 - Income from bereavement services



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Delivering for local people and local economies



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