

APSE Policy Seminar



Welcome to Workshop B

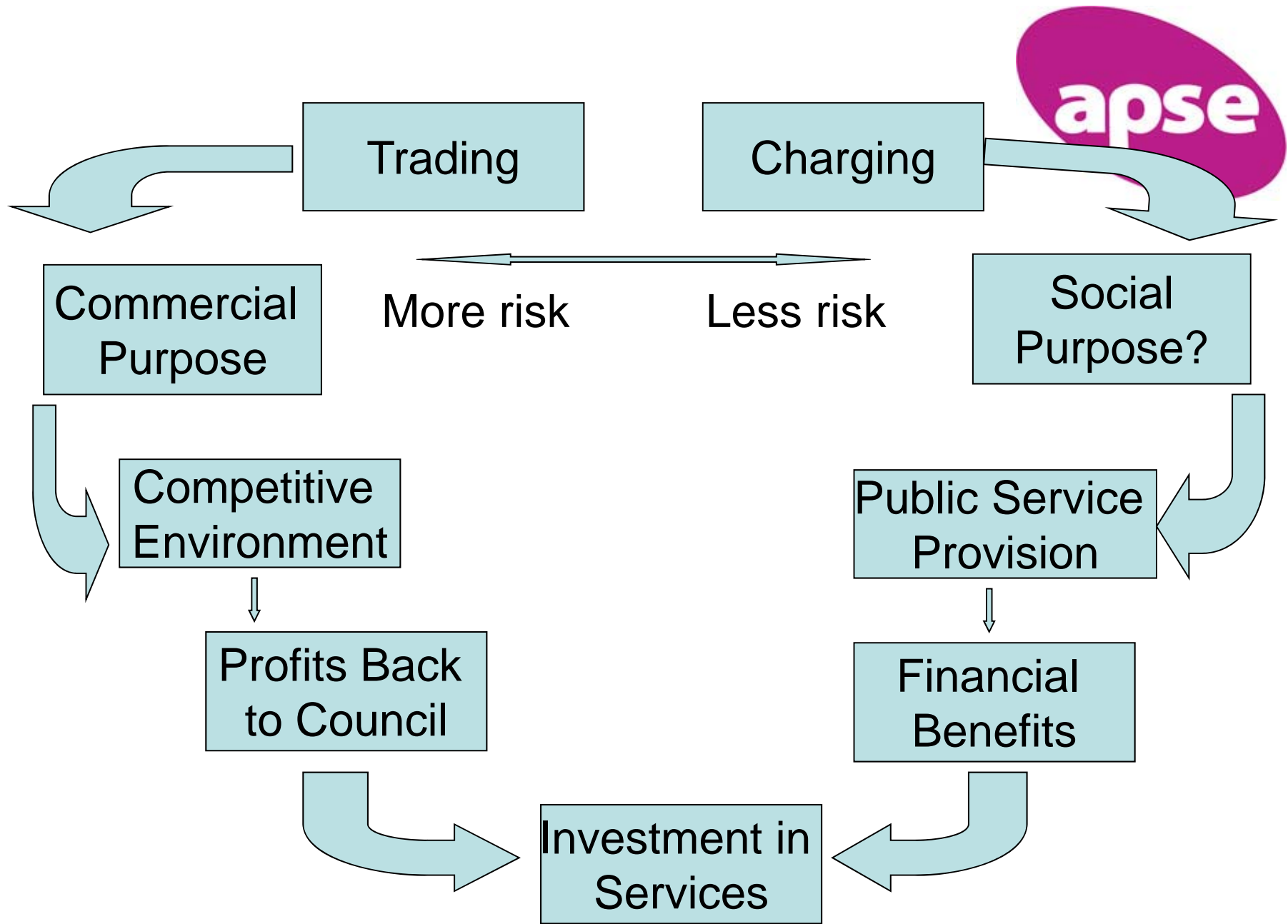
Preparing to charge or trade for income generation

**Facilitator: Mo Baines, APSE Head of
Communication and Coordination**

What we will cover



- To trade or to charge?
- The Market Analysis
- Preparing a business plan
- Risk Issues and Reputation
- Operational considerations
- Marketing
- Finance and product realisation



To trade or to charge?



How do you decide if you want to be Mr Selfridge or Del Boy....?



- **Charging** – Making money from your service – but not the core reason you carry out that service or
- **Trading** – Just there to make money? Doing something for commercial purpose?
- **How do you decide?**

To charge or to trade?



- Do you have the powers?
- Do you have the capacity? Or do you need to build capacity?
- What do you expect to achieve and is this realistic?

Remember

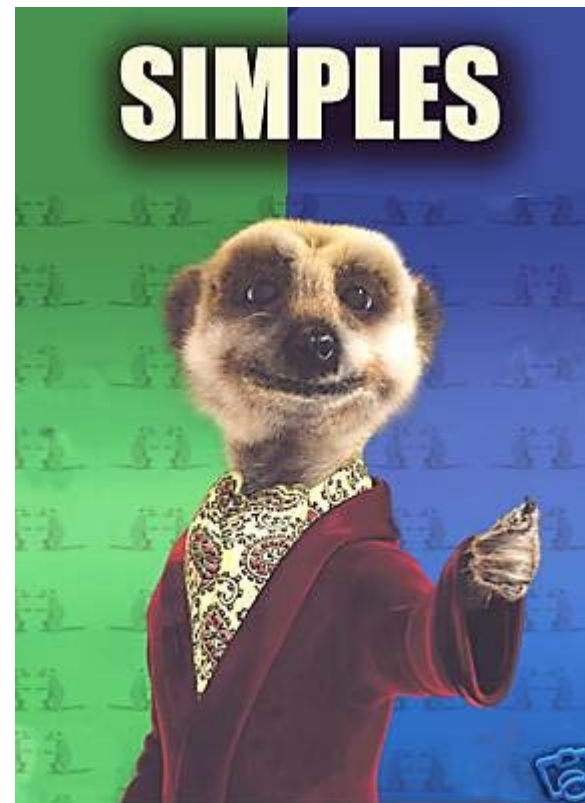


- **You do not need** a 'trading company' to establish a charging strategy (in most circumstances)
- CIPFA code
- Localism Act states.... *'taking one financial year with another, the income from charges.....does not exceed the cost of provision'* i.e. limited to cost recovery.

Step one...



Reviewing your current fees and charges!



Low hanging fruit



Simply review fees?

Skip Hire Charges

Parking fee reviews

Non-regulated fees and charges

Licences (Park or Funfair sites)

Tennis courts/ Football pitches

Venue hire





Quick wins?

- Knowing what you currently charge for
- Hire charges? Fees? Entrance Fees?
- Have they been updated? And by how much?
Has corporate policy changed?
- Are there non-statutory services where it is possible to introduce charges?
- Will increased charges drive away existing customers?

Step two...

Market analysis



Market analysis



- Market size (current and future)
- Market trends
- Market growth rate
- Market profitability
- Industry cost structure
- Distribution channels
- Key success factors
- Key success Details

Value Chain Chart



Porters value chain in a local authority context



Using Porters value chain in a local authority context



- **Inbound logistics: Raw materials and distribution as required**
- What is your 'raw material'? What services do you have? What new services might you want to offer?
- **Operations; Transforming inputs into products**
- How will you 'operate your product' – what is the product you are planning to sell e.g. Snow clearance for an airport? Or cleansing services on a retail park? Would you need new assets or vehicles to realise the product?
- **Outbound logistics: Distribution of the goods and warehousing**
- Who will plan and 'distribute' the service? Will this impact on your current capacity? How does this fit into your existing service delivery? Where will orders go? Payments be made?
- **Marketing and sales: Identifying your customers**
- Will the work just fall into lap? Unlikely! How will you market and drive up sales?
- **Services: Supporting customers after the product is sold.**
- Invoice!

The analysis



- Consider using Porters value chain to see if there is a profit to be made!
- Or at least a return on what it would cost to offer the service..
- If not a 'profit' would a charge to bring in extra income help to flatten your overhead costs?
- If a profit are you ready to trade? Or is this a risk too far?

Market analysis: What, when, where....



- Do you know where demand may sit?
- What routes for ideas and innovation are in use in your authority?
- Is there competition for the service you want to charge for or are you plugging a gap in the market?
- Is it possible to survey potential users? Or would you want to....?

Planning to charge: reputational risk?



- Cognisance of corporate policies and priorities
- Healthy lifestyles v increased charges for sports facilities?
- Car parking fees v encouraging town centre activity and supporting local businesses
- Discretionary charges. What criteria?

Sensitivity analysis



Step three...



Business planning





Business plan

Strictly speaking do you need one? But.. Useful to use the principles...

- The business to be created
- The market
- The trading plan
- The management and organisation
- Financing
- Business strategy
- Risk

What are you trying to achieve?



- Meet a hard target set by elected members? or
- Be less reliant on grant or subsidy?
- Meet a budget gap / save overall job numbers?
- Managing demand down or up?
- Manage demand differently?

Finance and resource considerations.....

Going back to Porters value chain



- Do you have capacity?
- Consider impact if you need 'fresh' resources?
- What would you realistically want to achieve?
- Even if low income positive impact on CEO charges internally / flattening service costs?

Step 4



Practical considerations



Skills and internal mechanisms



- Need to think more commercially
- Existing staff using existing skills but with different clients? i.e Gritting paths on a retail development rather than a public road
- Is there an expansion in staff skills?
- What will be the processes?

Skills and practical considerations

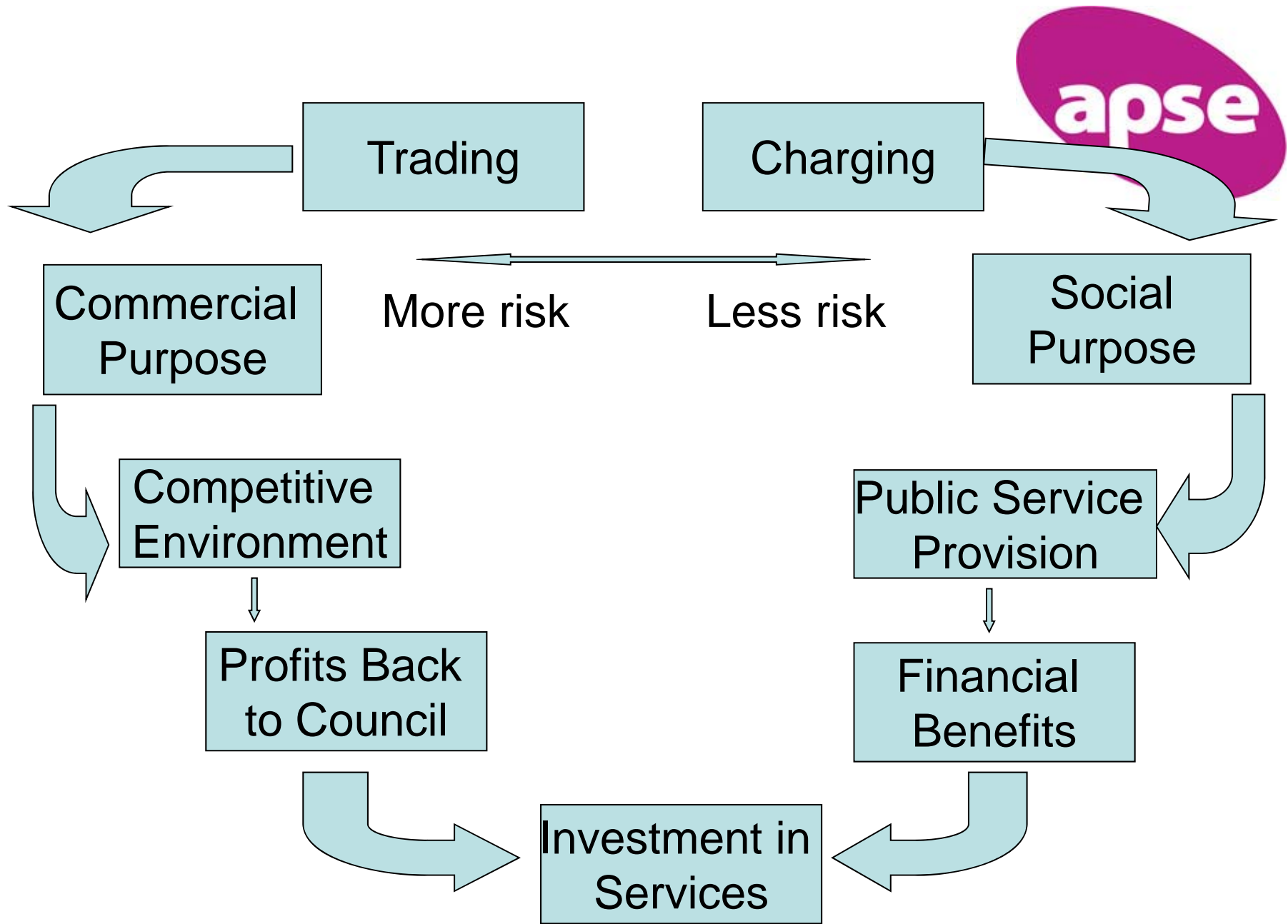


- Who will set charges?
- Who will set-up internal processes
- Who will carry out risk assessments (if new work environments)
- Will existing machinery be used – how will this be factored into the ‘day job’
- Who will control invoicing, finances, debt recovery?

Planning to charge: Key Issues



- Market research and business plan
- Assessment of competition
- Risk assessment and sensitivity analysis – don't squeeze out local SMEs
- Resourcing and reputation
- The right team in place and bringing staff on board – with not to – the workforce
- Elected member buy-in?
- ***Create guidelines not tramlines***

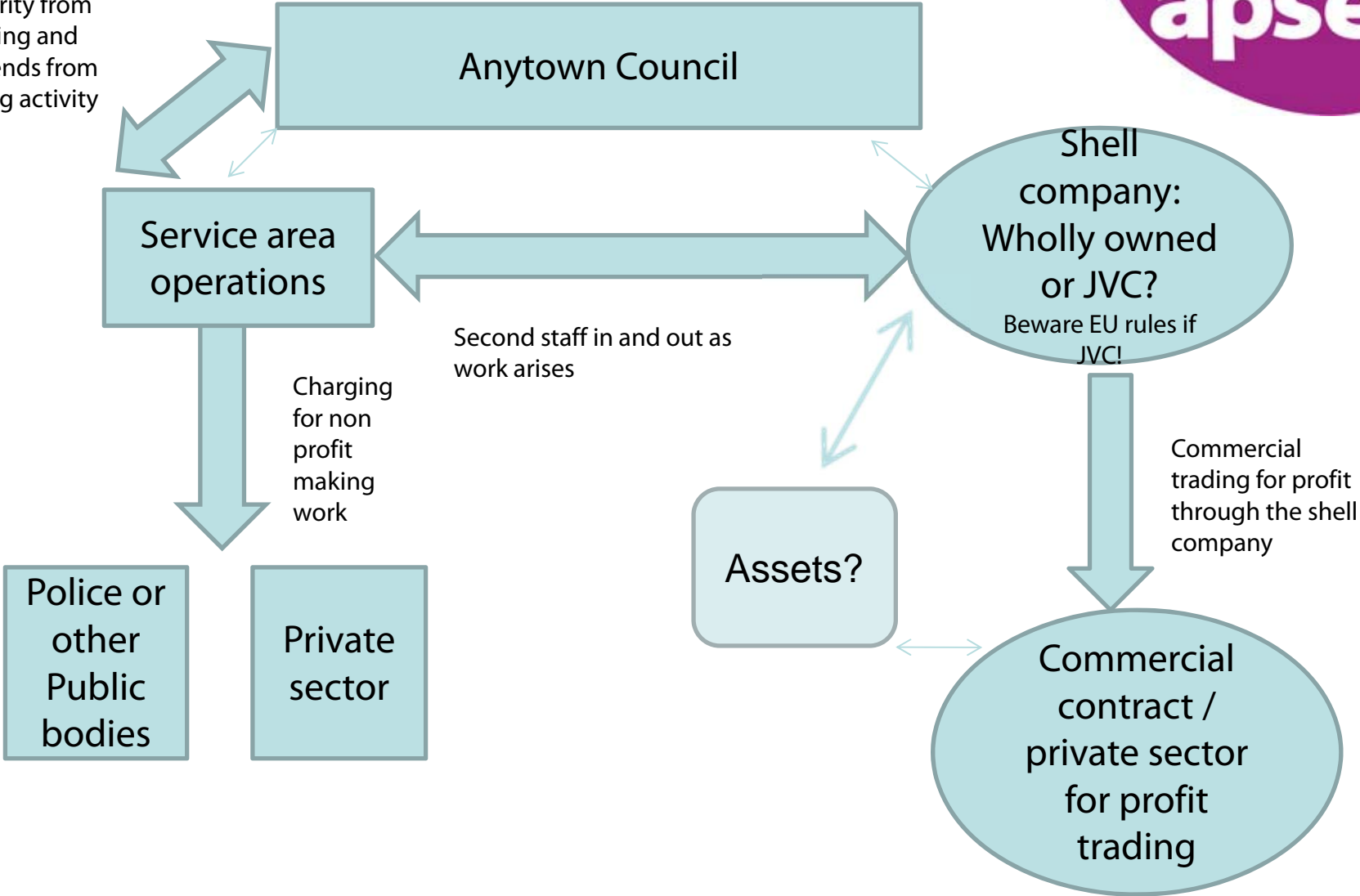


What's your tipping point?





Efficiencies returned to the authority from charging and dividends from trading activity



MBaines/APSE

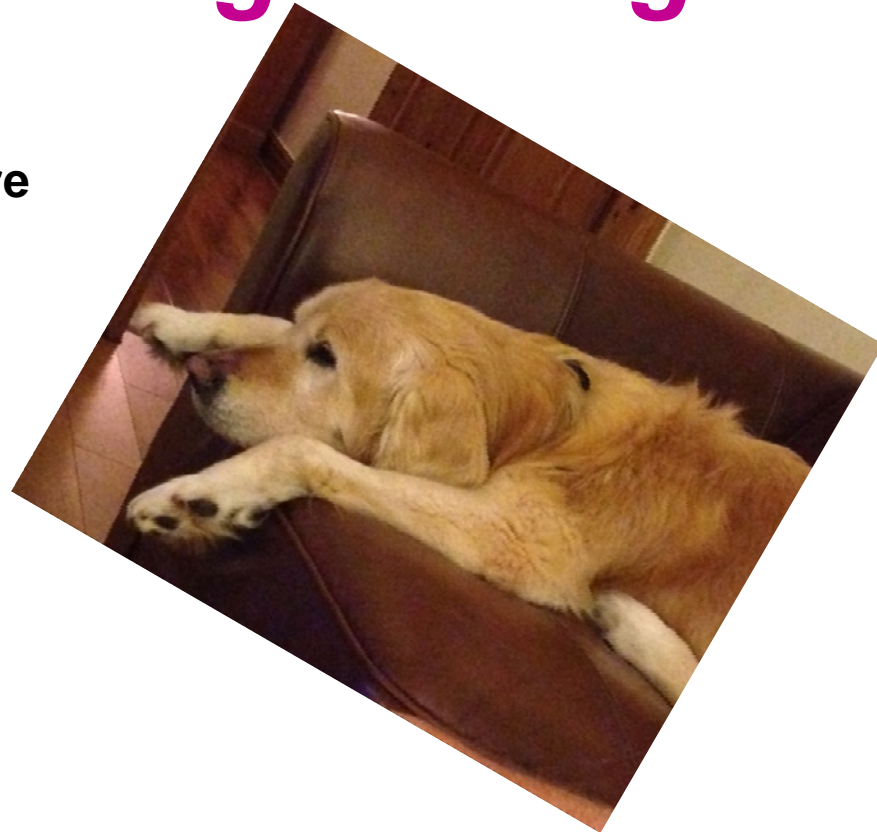
www.apse.org.uk

And finally ...



Don't let the tail wag the dog!

**Don't obsess about legal structure
.... Its what you want to achieve
that matters!**





Contact details

**Mo Baines, Head of Communication and
Coordination**

Email: mbaines@apse.org.uk

Association for Public Service Excellence

2nd floor Washbrook House, Lancastrian Office Centre, Talbot Road,
Old Trafford, Manchester M32 0FP.

telephone: 0161 772 1810

fax: 0161 772 1811

web: www.apse.org.uk



INVESTOR IN PEOPLE



ISO 14001
REGISTERED FIRM

GB 11409



ISO 9001
REGISTERED FIRM

GB 11132



ISO 27001
REGISTERED FIRM

GB 14074

LOCAL SERVICES

LOCAL SOLUTIONS