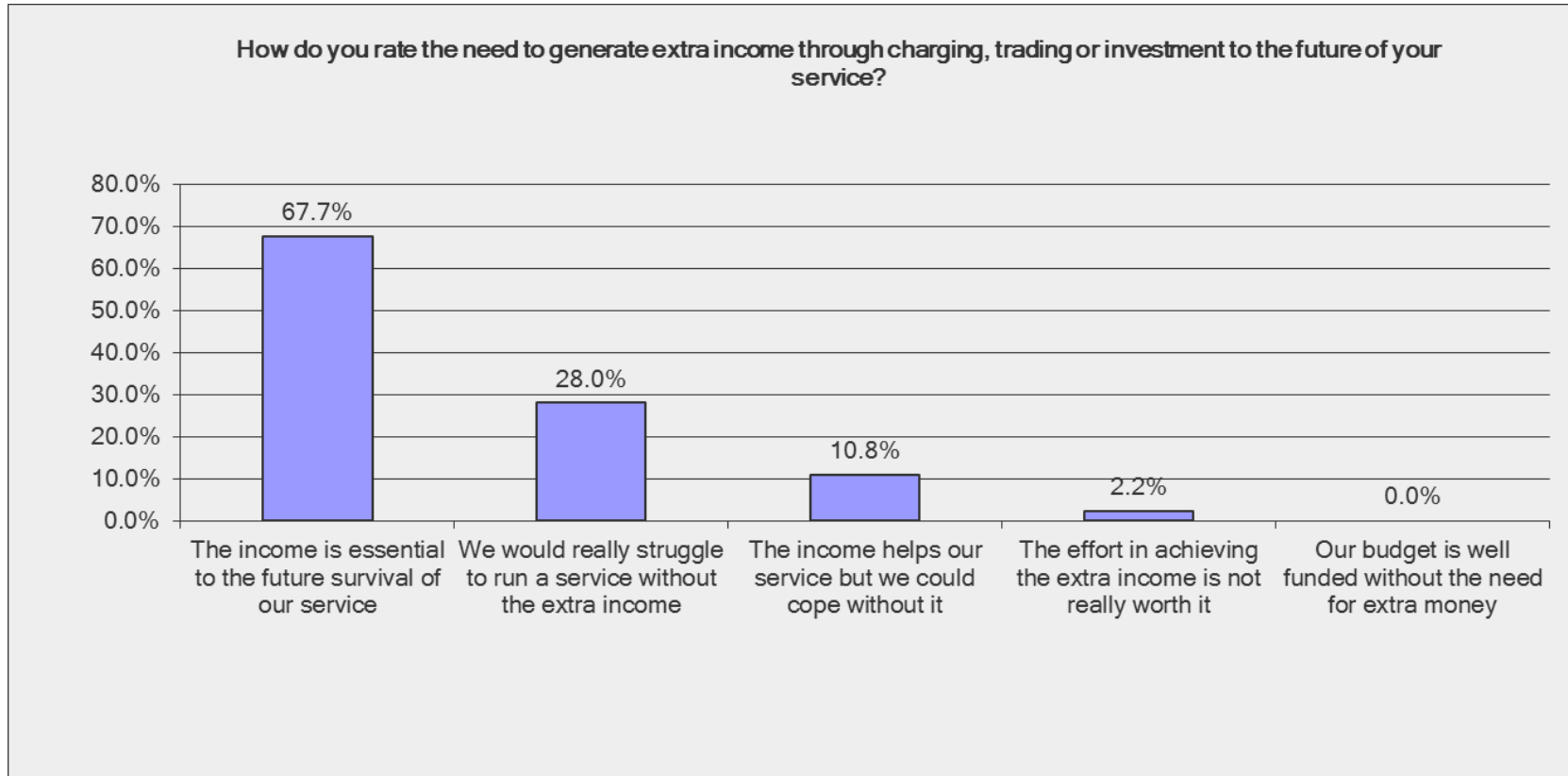




Trading Charging and Income Generation

Andy Mudd, APSE Solutions

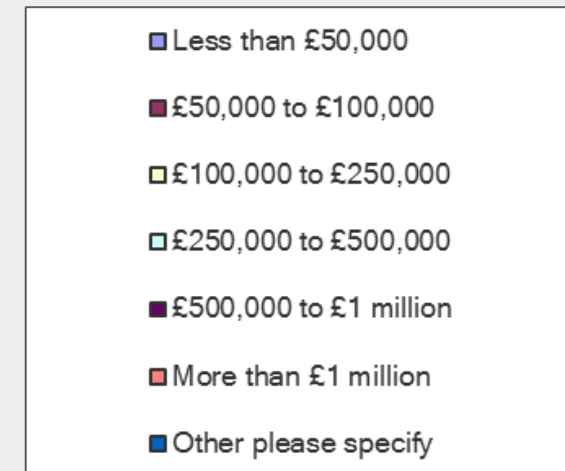
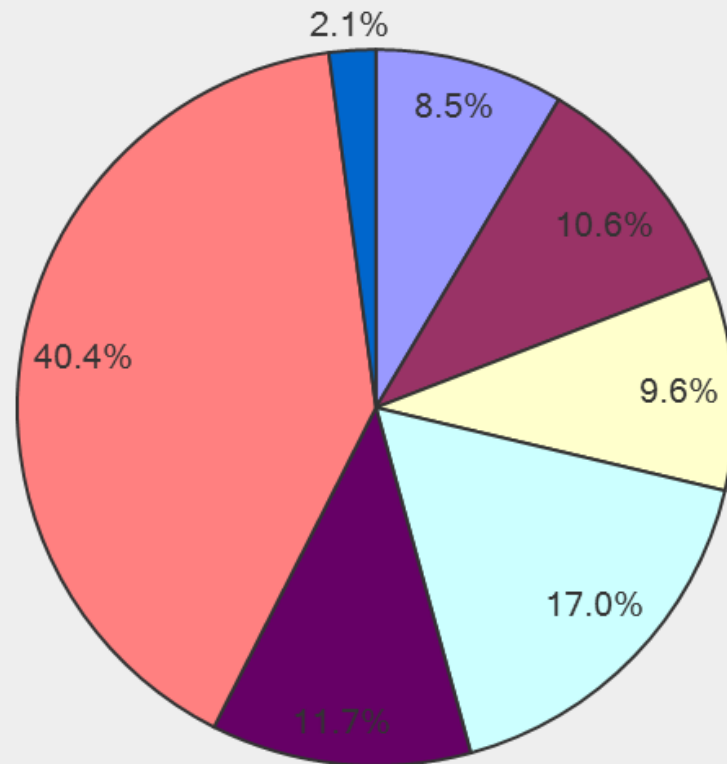
Is this something we need to do?



How much is being raised?



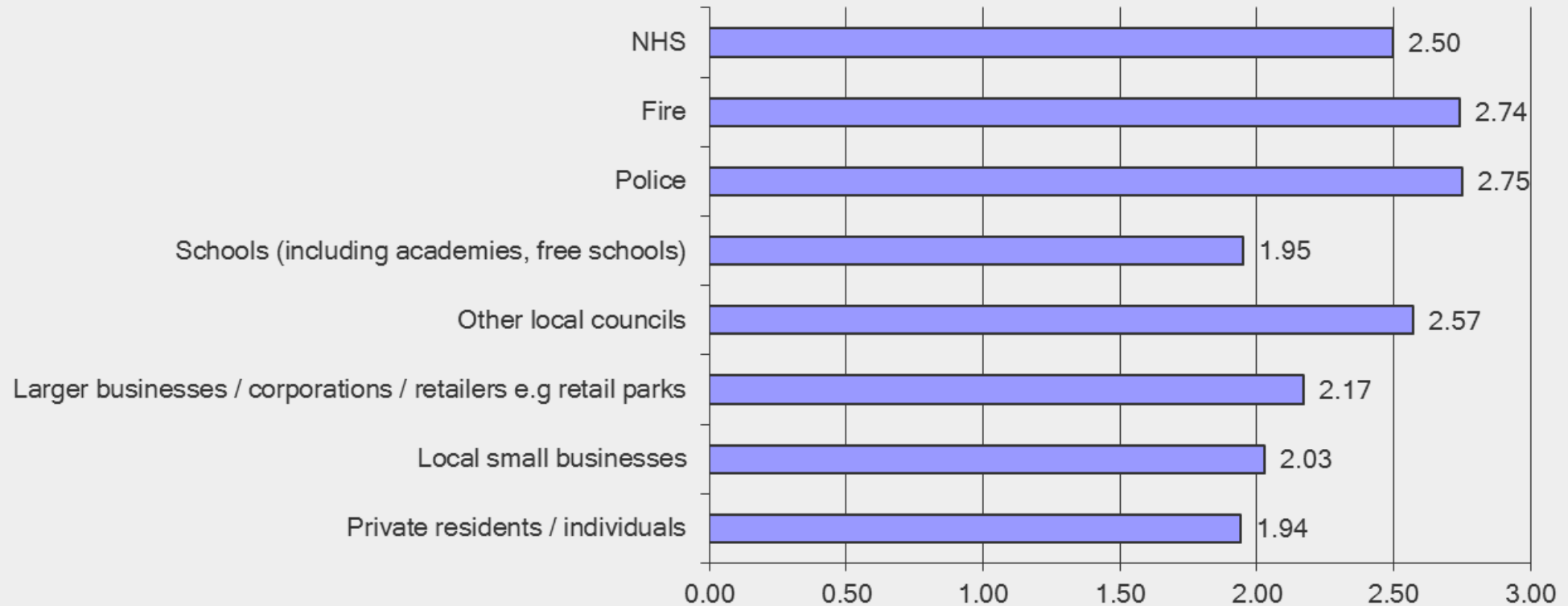
Thinking about your service area budget(s) how much do you raise from charges or trading activity?



Who are the customers?



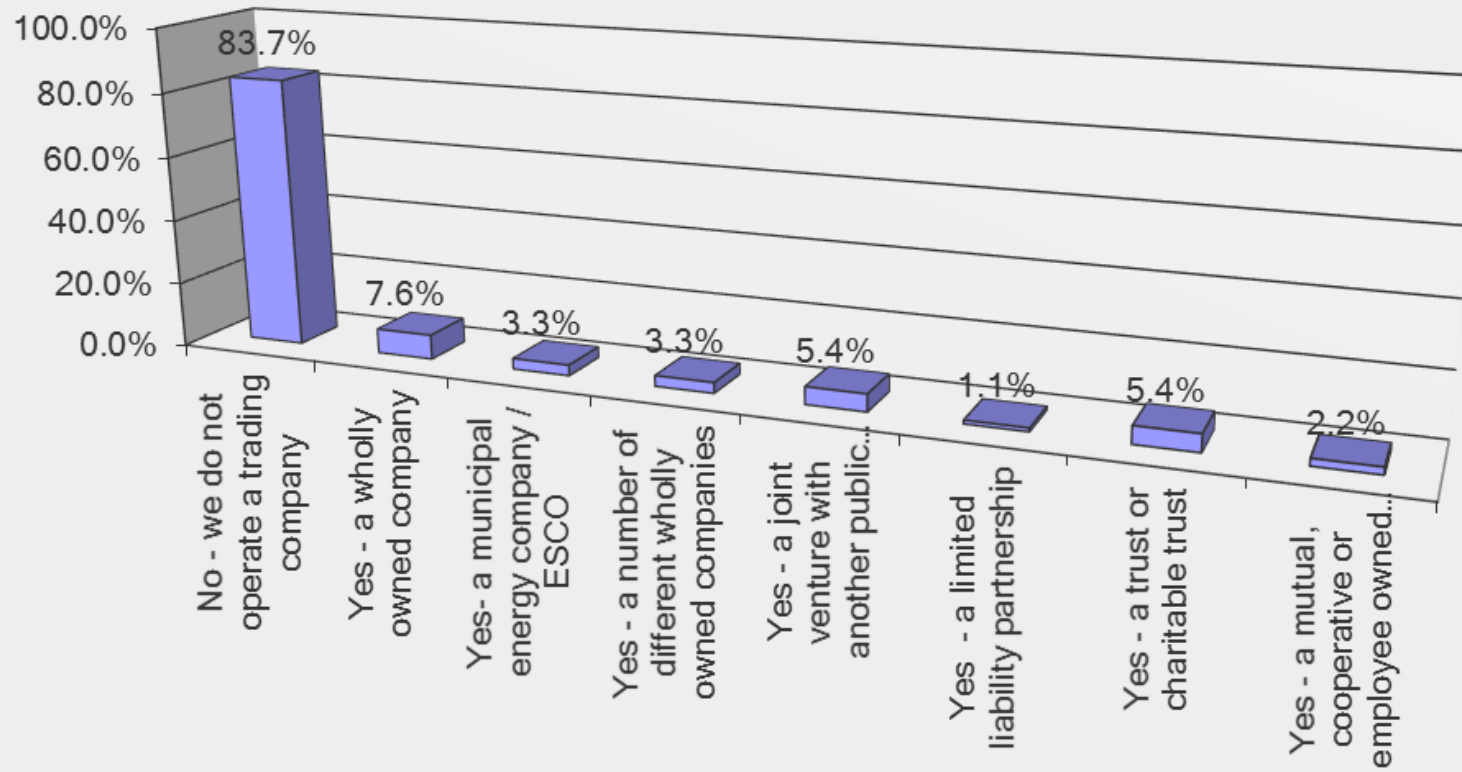
Thinking about the different clients that you have where do you achieve the most income for your service?



What trading vehicles are being used?



Do you operate a trading company or companies and if so what type of company?



Can we achieve self sufficiency?



- Depends on what it means?
- There may not be much choice anyway
 - ‘Since 2010, we have lost 47% of our grant from Government and over the next four years, it will fall by a further £4.4 million, disappearing altogether by April 2019’ (Oxford City Council)

Can we close the gap through trading?



- Oxford's projected trading turnover for 2016/17 is £8m
- Projected net surplus (MTFP) is £436k by 2020 – about 10% of the gap
- The rest comes from a range of efficiencies and other savings

- Ergo: trading is an essential part of the strategy but cannot be the only element



So what is a business case?

- An argument or justification – why rather than how
- To convince investors
- Three stages
 - Strategizing
 - Producing an outline case
 - Producing a final case



A five case model

- Treasury guidance
- A balanced approach
- Likely cases but could be different
 - Strategic
 - Legal
 - Financial
 - Commercial
 - Technical or operational



Key strategic issues

- Synergy/conflict with corporate policy and objectives
- Opportunity cost and priority
- Resource availability
- Market reputation and position



Key legal issues

- Is it lawful?
- Legal risks and liabilities
- Fiduciary and other wider duties
- Procurement
- Delivery vehicle



Key Financial Issues

- Cash flow and cash flow gap
 - When will you make a profit?
 - How will you pay your bills in the meantime?
 - Is it really viable?
- Understanding cost
 - What costs should be included?
 - Importance of marginal cost
- Setting prices
 - Cost plus or market generated



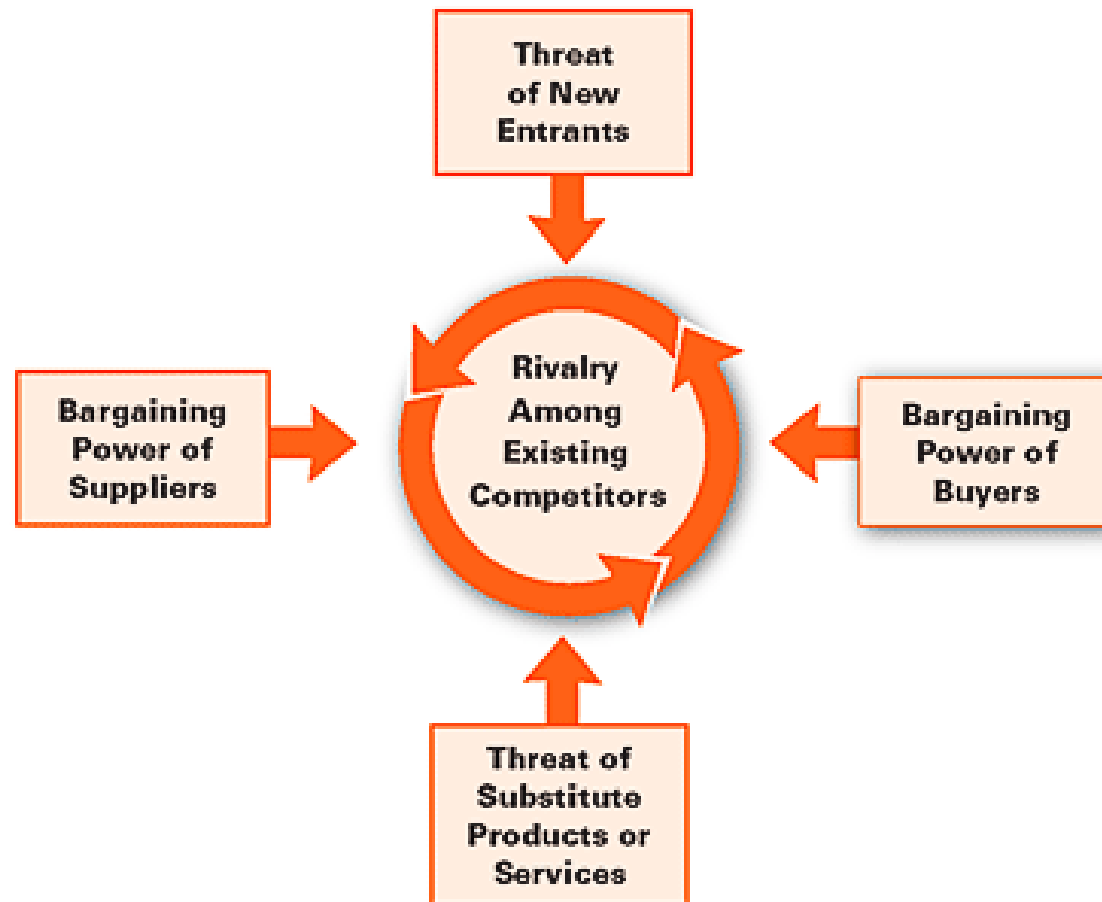
Key Commercial Issues

- Market analysis
 - Size of market
 - Potential market share
 - Market differentiation
- Competitor analysis
 - Who will you be competing with?
 - How will they react to you?
- Hearing the voice of the customer
 - Kano analysis
- Marketing and growth strategy

Understanding an industry



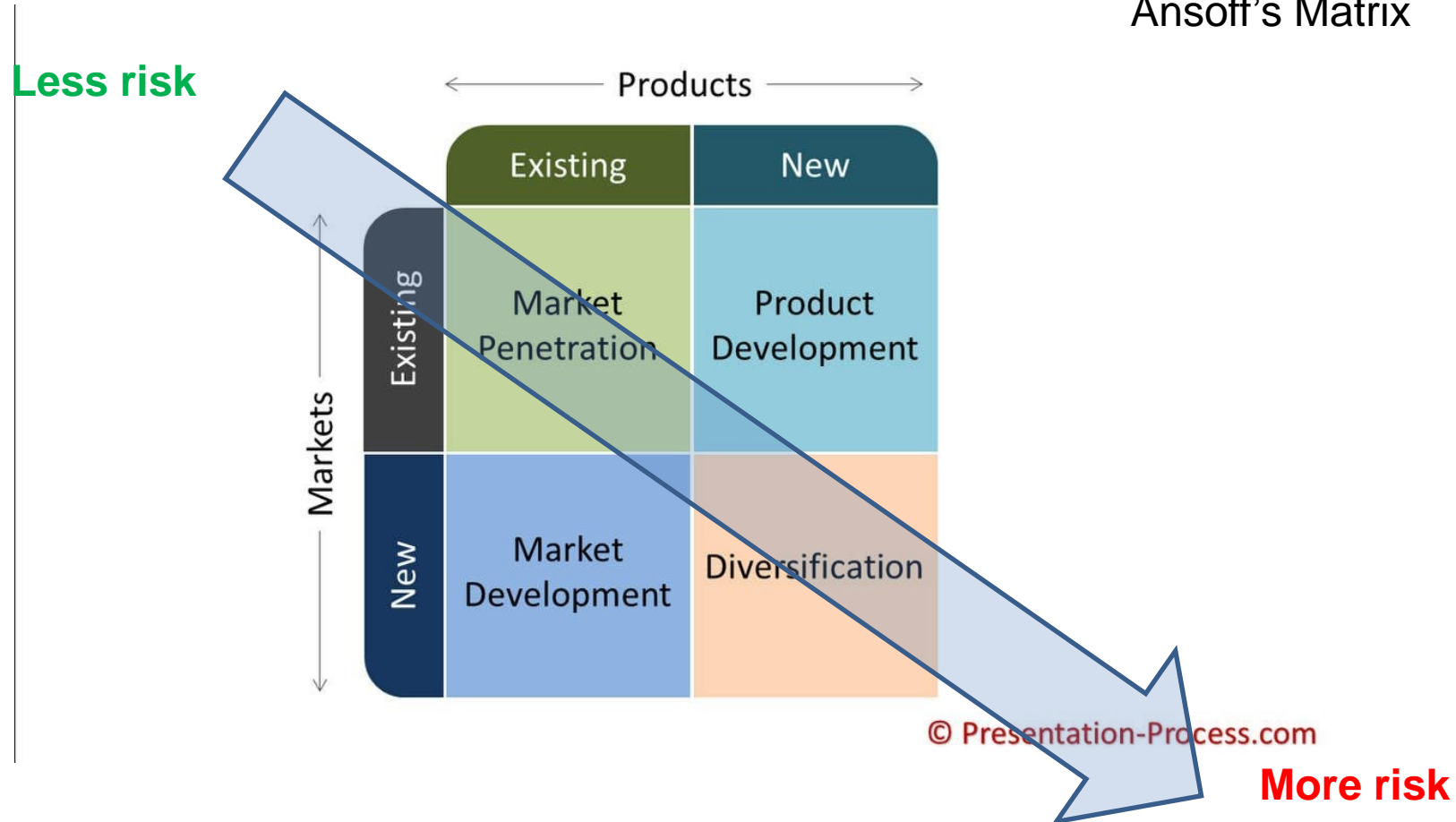
The Five Forces That Shape Industry Competition



Growing the business – a commercial approach

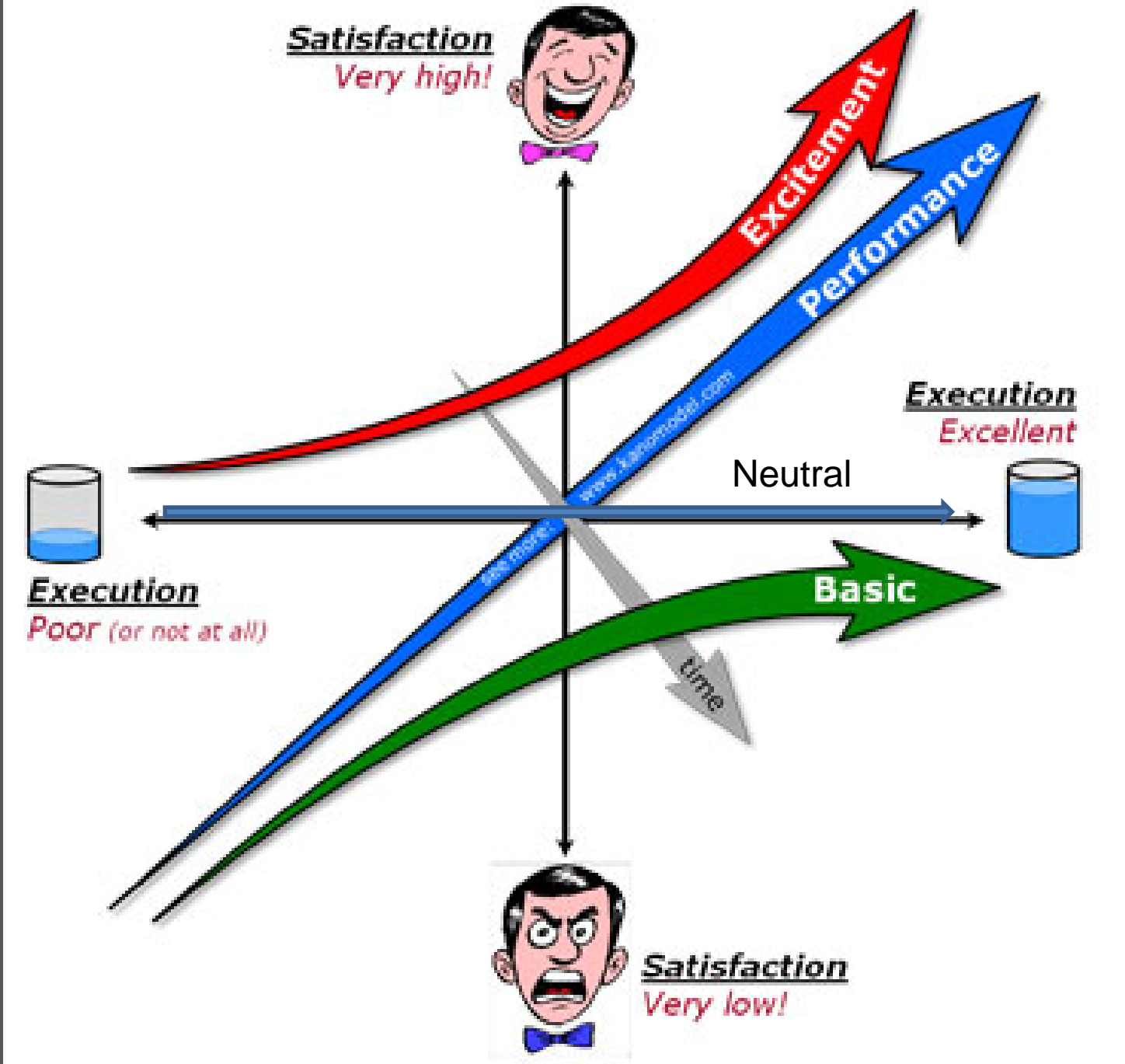


Ansoff's Matrix



McKinsey Growth Pyramid





Key operational issues

- Technical requirements
- Staffing requirements
- Impact on core services



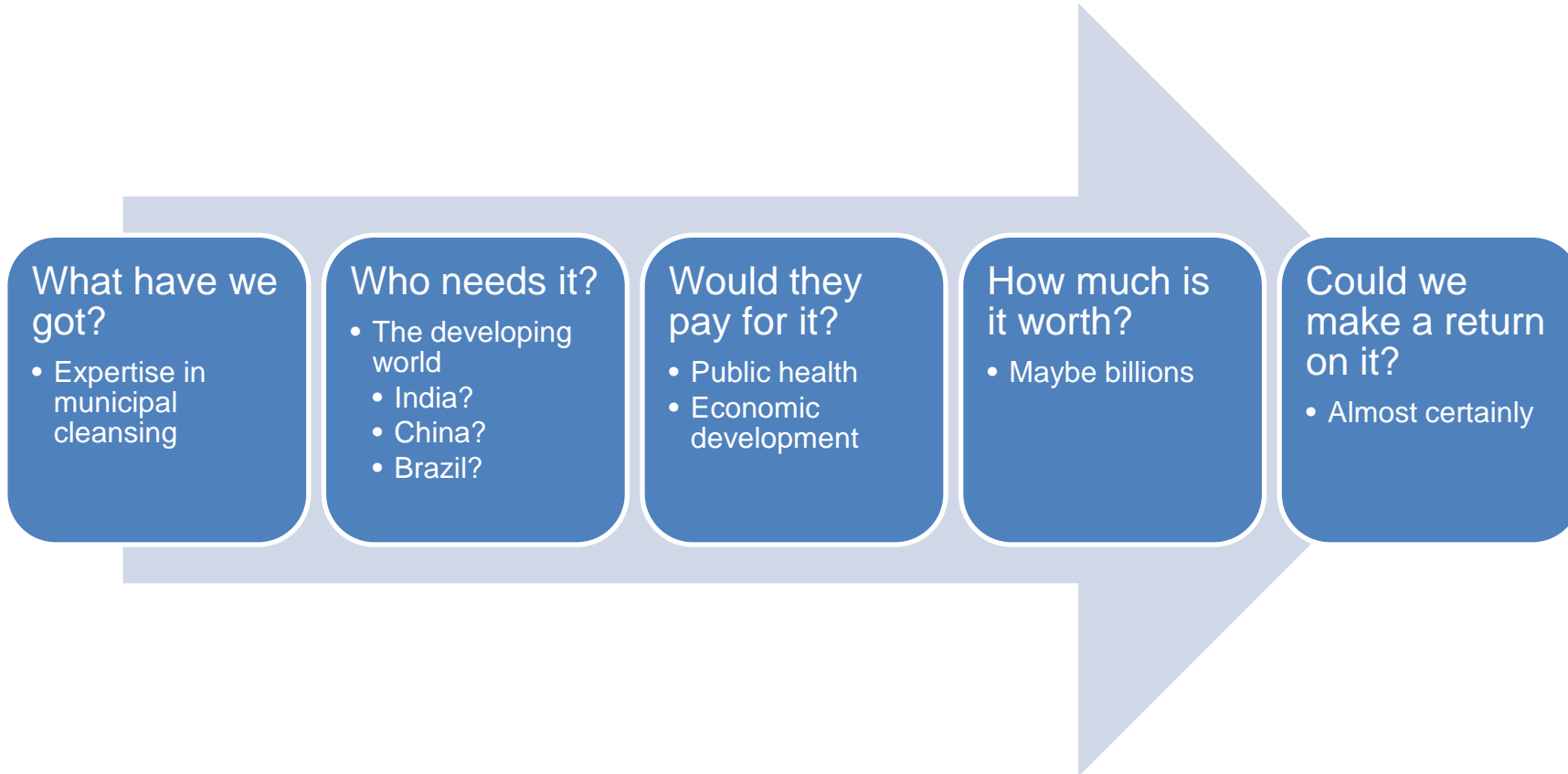
Making the most of our advantages



- What have we got?
- Who needs it?
- Would they pay for it?
- How much is it worth?
- Could we make a return on it?

- The rest is planning and marketing

Example





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