

## Commerciality and the Public Sector, 06 March 2020: Event Summary

This seminar for PCF members explored the matter of commerciality, discussing both the opportunities and limitations of profit-making practices for public bodies, and how comfortably these sit alongside one's public service commitments. This event was held under the Chatham House Rule.



Our panel included:  
**Robert Swannell CBE**, Chair, UKGI,  
**Sarah Harrison MBE**, Director General of Corporate Services, BEIS,  
**Nick Davies**, Programme Director, Institute for Government and  
**Kieran Murphy**, Chair, Ordnance Survey.

### *The benefits of joint learning and collaboration*

When considering how public bodies adopt commercial functions, one must consider that there is not a binary distinction between 'public' and 'private' enterprise and there is symbiotic learning between the two. For example, many private sector companies are leading the way in socially-conscious strategies such as bold commitments to net zero targets.

Similarly, an increasing number of public bodies have successful commercial functions that support their public sector operations, such as the Ordnance Survey. This enables a fairer deal for the taxpaying public who are still receiving the free service that they expect, supplemented by businesses who wish to pay for detailed geo-spatial data.

By collaborating with the private sector, for example in joint ventures, the public sector also benefits overall. Joint ventures support public service provision that is not driven by commercial tendering. This can help to avoid situations such as private companies offering to fulfil a contract for the lowest cost, which often has a detrimental impact on the quality of the service long-term.

#### Best practice example for joint learning

Some government departments now send their senior staff to spend one day a week out of the office, based in business. This affords the opportunity to integrate new ways of working, innovative technological solutions and business acumen.

Greater systems working must be encouraged, bringing together private, public, local, and not-for-profit together to share expertise and best practice. Brexit preparations have encouraged greater joined-up working between different arms of public service delivery. And in the current climate our response to Covid-19 too must foster joined-up working as an imperative.

### ***Managing risk***

By diversifying one's operations into commercial territory, finances may not be as steady, as one is dependent on business success as opposed to receiving a fixed income from HMT. Since a department will not be underwriting the risk, one is likely to take decisions more cautiously than if one was operating in an entirely commercial function, particularly since one is still answerable to the department when things go wrong.

### ***Barriers to ALB commerciality***

There are perceived philosophical and political complexities to commerciality of the public sector. One must carefully weigh the ethical appropriateness of commercial involvement, alongside how positive the end result will be for the public. To reflect this, the Treasury's guidance on fees and charges is strict but can appear overly restrictive.

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*"What you do can always be sold as a capability to other people."*

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The implications of commercial engagement can also affect an organisation's reputation, which is where an open and honest communications strategy can be of benefit, alongside a commitment to safeguarding the quality of all free-to-use public services.

### ***Commerciality in the wider civil service***

Spearheaded by Sir John Manzoni, the Government's commercial capability has improved, professionalising commerciality within the service and recruiting senior leaders with commercial capability. It is vital that his successor builds on these foundations, to ensure that the civil service culture continues to encourage fresh thinking and innovative approaches.

### ***Using commercial frameworks to improve social value***

Commercial frameworks can allow for public bodies to be more innovative in their strategies, going beyond their standard public service obligations. The drive towards net zero may require new governance approaches to ensure the transition is achieved. Some public bodies have worked with UKGI (more information below) in order to be supported in adopting new models of governance.

#### **Best practice example for socialising profit**

The [Historic England's 'Heritage Action Zones'](#) scheme works to unlock the economic potential of historic sites across the UK, while breathing life into forgotten places for the benefit of the wider community.

### ***UK Government Investments (UKGI)***

One aim of this seminar was to better inform members about the role of UKGI, since their increasing prevalence in the public bodies sphere had been raised at previous seminars. This coincided with a [recent report published by UKGI](#), which explored the optimum use of ALBs in specialised delivery. Members were advised that UKGI are working with many major ALBs, serving as a shareholder and providing governance support, applying private sector governance approaches to support public bodies in meeting their objectives. They also provide backing to new public bodies for a specific intervention, such as the Green Investment Bank, and facilitate the sale of any unwanted government assets.