Item 6

London Ventures Phase One – Lessons Learnt Report

Foreword

When, in February 2013, we signed a contract for London Ventures we didn't exactly know what would happen. Would the private sector respond to the challenge? Would our colleagues in London local government embrace the innovations that came through the process?

I'm pleased to say that three and a half years on the private sector has embraced the opportunity to engage with the London Ventures programme and with help to de-risk implementation where needed, London local government and our residents are beginning to see some real benefits.

The Capital Ambition Board, and our team of officers together with EY have learnt a great deal from those early days, we have refined and evolved our process, become more commercially focused and created a real partnership. The new contract award gave us an additional opportunity to take stock and build on the iterative process of improvement. We have been able to really analyse how we could make phase two more ambitious, increase scale and be even more relevant to the challenges we face – targeting our resources where they can make the most impact.

These important lessons, as well as the successes from phase one will inform the development of the new London Ventures programme following the successful award of the new London Ventures contract in the summer of 2016 to EY.

Edward Lord OBE, Chair Capital Ambition Board, London Councils

Item 6

Introduction

Having been set up in 2013, the first phase of London Ventures drew to a close in August and after a thorough procurement process, EY have been awarded the contract to work in partnership with London Councils to deliver Phase Two. This lessons learnt report reflects on the whole of Phase One of London Ventures, successes and areas for improvement, and marks the programme closure. The recommendations from this report are being used to inform the initial mobilisation stage of Phase Two, ensuring that the valuable experience gained over the last three years is put to good use.

This report, produced in collaboration with EY, comprises of evidence gained through a series of interviews with stakeholders including Venture Partners, local authorities, CAB Members, CAB advisors and a workshop with project officers from both London Councils and EY (see appendix one for full list of interviewees). Standard questions were used throughout the process, with an emphasis on honest feedback. The information gathering stage took place during July and August, so that the report and its recommendations can be used during the London Ventures Phase Two mobilisation.

Areas of success

One key indicator of the success of London Ventures is the fact that 11 ventures remain in the existing Phase One venture portfolio. These ventures represent a variety of opportunities for local authorities from three different generations, a testament to the strength of the programme, particularly as the level of resource significantly reduced over the final year of Phase One. Phase Two will rejuvenate the programme by sourcing additional ventures and allowing extra resource to focus on maximising the commerciality of existing portfolio.

There has been a high level of implementation for certain ventures, including the Counter Fraud Hub, which has seen all London's local authorities sign a memorandum of understanding to register interest in adopting this venture. Set to deliver up to £60 million of savings a year, this exemplifies London Ventures' ambition – innovation and pan London collaboration leading to real transformation.

On a community level, Venture Partners are starting to realise real change for residents across the capital. Spacehive, the crowd funding platform, has been delivering tangible benefits in over 21 boroughs, including a pop up Saffron farm in central Croydon. Visbuzz, simple video calling for the digitally excluded, is now being piloted in five boroughs with life changing results for individuals already being reported.

Despite not being envisaged at the inception of London Ventures, the use of pilots within boroughs has added an additional layer of visibility to the programme. They have helped to de-risk investment into innovation for local authorities at a time when budgets are facing even greater cuts. They will now be an integral part of Phase Two, with seed funding set aside specifically to develop London based proofs of concept where necessary.

The relationship with the Capital Ambition Board has constantly improved, generating a high degree of trust between EY, London Councils and board members. This allowed the risk sharing arrangement between the two organisations to be agreed, taking a long term view of the programme's commercial viability. The political consensus brought about by a clear shared ambition for the programme allowed for an effective and timely decision making process. As chair of the Capital Ambition Board, Edward Lord has shown great commitment and loyalty to the programme, and there is now scope for greater board involvement in Venture promotion during Phase Two.

Although the goal of financial self-sustainability is still to be achieved, the first generation of ventures are now starting to produce a return back into the programme and will continue to do so over the next few years.

Areas for improvement

1) Partnership

In Phase One of the programme there was an initial failure by London Councils and EY to operate as a true partnership, with unclear roles and responsibilities and separate organisational structures that did not align and resulted in delays to progress.

The governance structures of EY and London Councils, as well as the respective working styles, have not always been complementary. Due to the position of the Capital Ambition Board, London Councils dictated the pace of certain activities and this resulted in a loss of momentum. There should have been more involvement from London Councils throughout Phase One programme mobilisation as this significantly slowed down the process. London Councils was never resourced for a high level of involvement in the delivery of the programme and there was a false assumption that the private sector partner would fill this role.

To maximise success going forward, London Ventures needs to be a genuine partnership between EY and London Councils, with clear roles and responsibilities. Resource for the different parts of the venture cycle should be planned and budgeted for in advance, with both parties contributing to one overarching strategy and business plan.

2) Portfolio rationalisation

The existing London Ventures' portfolio lacks strategic vision, with multiple small projects that are not cohesive and often absorb considerable resource. Prospective ventures need to be assessed for their potential to be scaled up in terms of borough take up and application of the solution as well as their implementation resource requirements before Capital Ambition Board involvement.

The Phase One portfolio, although diverse with 11 ventures, lacked a sense of cohesion and needs to be more strategically aligned with the ambition of the programme for Phase Two. Although there have been successful ventures from each of the three different generations, there have also been ventures on which a lot of resource has been spent without producing any returns to the programme. A more strategic outlook is needed so that the right ventures are chosen: those that would benefit the majority of boroughs and see a high degree of take up, and the team's resource allocated accordingly. Many existing ventures do not have the potential to be scaled up, both in terms of scope and level of implementation.

The implementation stage of the venture cycle is just as important to the end result as the initial incubation stage and resource should be divided accordingly. During Phase Two the portfolio should not be rapidly expanded at the expense of implementation as this method produced poor returns for generations two and three. A thorough review of the existing portfolio allows for a reassessment of each venture and resource to be more efficiently targeted.

3) Targeted Ventures

The relationship with the marketplace, as it happened in Phase One, needs to be reversed, with London Ventures posing specific problem statements to the market and seeing what ventures emerge. This will result in targeted ventures, solutions to issues boroughs have previously identified, leading to a more cohesive portfolio.

Currently the portfolio is dominated by smaller ventures and feedback from local authorities, members and advisors has suggested this makes the portfolio seem confused and disjointed. The programme has not significantly stimulated innovation through competitions in London because the process is the wrong way round. To support this process, borough chief executives and senior officers should be consulted at the start of Phase Two and asked what their top concerns for the next few years are. London Ventures can then express these problems to the marketplace and see what solutions are presented back.

This targeted venture cycle should produce solutions to problems that local authorities are already experiencing, creating an engaged and receptive customer base. The programme should not be afraid to take early risks when choosing ventures, but a fail fast mentality should be prevalent so that resource is not wasted unnecessarily.

4) Stakeholder expectations

There was no clear offer to Venture Partners outlining how long their relationship with London Ventures would last, and when resource investment from the programme would start to reduce. The differing expectations created by this were sometimes problematic and could be eradicated by honest conversations at the start of the venture cycle.

During Phase One there was a lot of involvement by both EY and London Councils with Venture Partners at the early stages of the venture cycle, but Partners reported that after initial implementation it felt like a purely transactional relationship. When London Ventures' involvement suddenly reduces, implementation problems can arise and marketing and scaling opportunities can be missed. To maximise the value of each venture in Phase Two, engagement should be consistent and the expected duration of the relationship with the programme should be established early on.

There needs to be a clear articulation of what London Ventures is as a brand and what being part of it offers to both Venture Partners and local authorities. There has been some confusion as to what being part of the programme meant and exactly how a local authority benefits from taking up one of the ventures. This brand identity should form part of the targeted marketing outlined below. Clear roles and responsibilities of those involved in London Ventures clarified at the outset means expectations are managed and valid assessments of the programme's progress can be made.

5) Sales and Marketing

The sales role evolved with the programme and the production of a joint sales and marketing plan for Phase Two will allow this role to be shared and adequately resourced.

Initially the roles to be played by London Councils and EY with respect of marketing the individual Ventures was not explicitly considered or agreed. As the requirement emerged, so too did the realisation that London Councils had the requisite connections – but not necessarily the skills or the resource to take on that role. Additionally, once the need was identified there was a reluctance to overtly sell.

This resulted in marketing opportunities that were available to London Ventures not being fully exploited throughout Phase One and there are still many senior stakeholders within authorities who do not totally understand what the programme is. Borough chief executives were not well enough utilised and for Phase Two, engagement with stakeholders should happen earlier in the venture cycle to secure buy in and advocacy.

Feedback from local authorities, Members and Venture Partners has shown that the marketing of London Ventures as a whole as well as individual projects needs to be far more focused in order to deliver a better conversion rate. Borough CEOs need more exposure to the programme and Capital Ambition Board members could play more of an advocacy role for Phase Two, explaining why they had approved certain ventures. It has been suggested that each venture should have a Board member champion – a point of contact providing an extra level of credibility for a venture to local authorities who may be interested in working with them.

Although large showcase events had their benefits, Venture Partners have suggested that smaller facilitated meetings with one or two interested parties are a better use of time and resource. Marketing event attendees need to be of the right level of seniority within a borough in order to be a valuable contact, high numbers do not guarantee this. More targeted forms of marketing will help better utilise limited resource and partners to feel the benefits of being part of the programme.

Case studies for individual ventures were produced with a commercial focus but local authorities are requesting more personal stories to use for advertising purposes going forward. These could be more useful politically and help associate London Ventures with good news and positive change.

6) Pilot criteria

The emergence of the need for pilots to minimise the risk of investment in innovation for local authorities and provide a proof of concept has highlighted programme resource constraints. The level of resource required in pilot project management and implementation needs to be factored in to the investment case.

Pilots were not originally envisaged as part of the programme but are now seen as a core part of London Ventures Phase Two. During Phase One, they required a large amount of additional resource from both London Councils and EY that was not planned for or factored in to funding decisions. It was originally intended that London Councils project officers would focus on capturing benefits and insights from pilots, but this swiftly evolved into full project management responsibility, often within an unclear governance structure.

For Phase Two, clear assessment criteria need to be applied when considering investment in a pilot, and a realistic estimate of the resource requirement required needs to be factored in to any decision making process. As well as resource from London Councils, any local authority wishing to participate in a pilot project also needs to understand their resource investment and commit to this before the pilot begins. If the level of resource provided during the pilot is not up to standard, London Ventures needs to have adequate recourse to immediately address this rather than risk outcomes not being met.

7) Market Analysis

For Phase One, ventures were viewed as standalone products and were not compared to other solutions available in the marketplace. This resulted in mismanaged expectations, with boroughs assuming that products chosen to be ventures were automatically best in class. This has a significant impact for local authorities in the procurement process which needs to be addressed.

During Phase One, the level of resource available from both EY and London Councils limited the amount of market analysis undertaken prior to venture approval. For Phase Two, boroughs should be engaged early on in the targeted venture cycle so that they understand the selection process and have a stake in the eventual solution chosen. The use of an independent Innovation Panel (set up by EY) will provide an additional layer of challenge to potential Ventures before going to the Board for an approval decision. The experts on the panel will help ensure that Ventures are now best in class, which should benefit the borough procurement process.

Procurement has caused long delays in implementation for local authorities and has been frustrating for a range of Venture partners.

Venture Partners and boroughs need to be made aware of the complexity of local government procurement processes and the decision making surrounding it. In the context of pilots, procurement delays have meant much of the initial momentum and enthusiasm for a project was lost by those directly involved.

There needs to be an acknowledgment on all sides about the length of time procurement can take and this should be factored in to project plans from the outset. Procurement options need to be well thought out before pilots are agreed and contracts drawn up. This forms an integral part of the implementation process and should be adequately resourced to prevent unnecessary delays.

8) Financial predictions

The key aim of London Ventures becoming financially self-sustainable over the course of Phase One has not been achieved, with predicted income levels to the programme not materialising.

Phase One of the programme showed that it is incredibly difficult to predict exact levels of return from ventures because there are so many variables involved. After the first venture cycle, the focus moved to approving ventures that were less strategically aligned to the programme in terms of innovation and transformation, but more likely to generate cash returns. With hindsight, it is clear that this approach was at the expense of venture implementation. The best overall returns actually came from the first generation ventures which were more strategic and had the benefit of more London Councils and EY resource during implementation.

There should be less emphasis on financial predictions for Phase Two, in recognition that it can take 1-2 years after a venture joins the programme for it to deliver a return. Discrepancies have arisen between figures quoted in commercial deals and the actual level of income received by the programme, skewing financial plans. In future, both best and worst case scenarios need to be modelled and included in any sales plan alongside a realistic estimate of take up (rather than overly optimistic).

Phase One venture portfolio

London Venture	**Aim**	**Local Authority take up**	**Generation**
Blue Prism	Robotic automation	Croydon	First
Children's Safeguarding Profiling Model	Deliver shared intelligence where it matters most	Hackney, Tower Hamlets, Newham	First
Care Broker	Support planning and brokerage for care services		First
Fraud Prevention Hub	Tackling fraud against local government	6 borough pilot due to start early autumn 2016. Ealing lead borough – pan London	First
Spacehive	Crowd funding platform	21 boroughs	First
Pitchwise	*Search, book, play*	*No longer in portfolio*	*Second*
Oxygen Finance	Early repayment programme	Croydon, Bexley	Second
Business Angels	*Supporting emerging local London businesses*	*No longer in portfolio*	*Second*
i-Technosoft	*Online child protection programme*	*No longer in portfolio*	*Second*
Cerno	Cutting software costs		Third
Centrix	*IT usage analytics*	*No longer in portfolio*	*Third*
Visbuzz	Video calling made simple	Five borough pilots – Croydon, Waltham Forest, Barnet, Barking & Dagenham, Havering	Third
Fiscal Technologies	Accounts payable preventative solution		Third
Xantura – Tap-It	Safety app	Southwark lead – pan London	Third

Key: *Italics* – no longer in the portfolio

Legacy

Over Phase One of the London Ventures programme, significant progress has been made towards the overarching ambition of 'harnessing private sector innovation to achieve greater efficiencies and improve public services within London'. The goal of financial self-sustainability is looking like an actual reality for the end of Phase Two now that income is being generated by first and second generation ventures. There are examples of Ventures having a positive effect both in the internal operations of councils as well as in their provision of services and the programme brand now has credibility across the capital. Ventures are being implemented in over 21 London boroughs and delivering real results for local authorities and individuals.

The first phase of London Ventures has provided a valuable learning opportunity for all involved, highlighting areas that can be improved and existing strengths. This knowledge will help to inform the planning stage of the new contract, making sure Phase Two fully meets the original vision of the Capital Ambition Board, EY and London Councils.

Item 6

Appendix One

Stakeholders who took part in the London Ventures Phase One lessons learnt process

Cllr David Simmonds CBE – CAB Member & Deputy Leader, London Borough of Hillingdon

Rob Leak – CAB Advisor & CEO of London Borough of Enfield

Wajid Shafiq - Xantura

Hannah Celia – Xantura

Robert Marcus – Quadnet

Matthew Wallbridge – Head of Transformation, London Borough of Croydon

Terry Brewer – Divisional Director Commercial, Contracts and Procurement, London Boroughs of Harrow and Brent

Neil Sartorio – EY

Amy Philips – EY

Louise Warman – EY (sent feedback via email)

Victoria Evans – EY

Mary Vine-Morris – Former Director of Capital Ambition

Thomas Man – London Councils

Lisa Henry – London Councils

Jen Kimber – London Councils (facilitator and interviewer)