

**COMMERCIALISATION SCRUTINY PANEL
21ST JANUARY 2020**

PRESENT: The Chair (Councillor Baines)

Councillors Boldrin, Bolton, Charles, Hamilton and
Ranson

Associate Director of Grant Thornton UK
Executive Manager of Finance and Corporate Services
- RBC
Head of Legal and Commercial Services - NWL DC
Environmental Health Team Manager NWL DC

Strategic Director of Corporate Services (items 7 & 8)
Democratic Services Officer (NC)

APOLOGIES: none

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

9. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

10. NOTES OF THE PREVIOUS MEETING

The notes of the previous meeting held on 28th November 2019 were confirmed as a true record.

The updated Scope Document was noted.

11. PRESENTATION BY GRANT THORNTON UK

Considered a presentation by the Associate Director of Grant Thornton UK. She explained that the information and case studies related to their company's research across the country, exploring what local authorities were doing by way of commercialisation and trading companies. She had considered the latest trends across the sector to provide inspiration and possible warning signs to consider when starting in commercialisation.

Summary of discussion:

- outsourced contracts arranged by local authorities during austerity in 2010 were not necessarily still efficient or fit for purpose. Local authorities could be more profitable by bringing services in-house if it also had the expertise and

- knowledge to manage the investment programme and maintain service delivery.
- if properties were purchased outside of the local authority's boundary it could be more challenging to re-purpose if it was running at a loss. If purchased within its boundaries, assets could also meet other strategic objectives of the Council.
 - depending on the type of company that was set up, it could take up to two years before benefits were accrued by a council. A mixed model including direct investment programmes and reviewing other council services for investment opportunities could make up the shortfall in the short term whilst also creating a trader company, if that was direction a council wished to go.
 - the size of local authority did not necessarily impact the success of a commercialisation venture or influence the type of model used. In Grant Thornton's experience, companies that it had helped create for smaller authorities tended to be more innovative in terms of improved service delivery and direct investment development.
 - Local authorities tended to be more risk averse and less agile than the private sector. Being less agile was more likely to impact the success of the commercialisation programmes. This was particularly highlighted by case study no. 3.
 - areas that local authorities tended to invest in were commercial development, social and private rental housing / building (particularly in London boroughs), warehouses, industrial and office space, hotels, shop centres. Combined authorities tended to invest in infrastructure.

12. PRESENTATION BY RUSHCLIFFE BOROUGH COUNCIL

Considered a presentation by the Executive Manager of Finance and Corporate Services from Rushcliffe Borough Council (RBC). He explained that the Council had been investing for over five years and could demonstrate the benefits and risks it had faced and provide advice from its experience. The key to investment was managing the risk and being proportionate to the size of the council.

Summary of discussion:

- RBC had invested in a number of properties within the local authority boundary but had also invested just outside its boundary for purely financial objectives. The assets outside the Borough had been chosen carefully to be within commuting distance and where the local market was well understood.
- changing the mindset of councillors and staff was key. Officers had attended courses to upskill and member development groups had been initiated with councillors. Members own private sector experiences could be utilised.
- its company, Streetwise Environmental Ltd, sold its service to other businesses. The main concern for members had been to ensure the service to the residents of the Borough was maintained.
- although Bingham Leisure Hub was not anticipated to provide significant returns, the benefit provided by the service to the local community was considered by the Council to be of priority.
- the structure to enable its commercialisation strategy to function had been agreed at Full Council, but a degree of trust was required in the decision

makers for individual asset purchases. A small team of six comprising three councillors and three senior officers approved the budget. Scrutiny occurred after the investment into its performance.

13. PRESENTATION BY NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

Considered a presentation by the Head of Legal and Commercial Services and the Environmental Health Team Manager from North West Leicestershire District Council. She explained that the Council's investment strategy had been adopted in 2018 and that it was at the beginning of its commercialisation journey, focussing on developing the right culture in the council before starting any commercial activity.

Summary of discussion:

- a more commercial outlook was being established by encouraging staff to take a collective responsibility for finances and reviewing how the organisation ran its business. It involved being more business-like in the day to day job, improving in-house commercial skills of staff through training and embedding commercial activity into team planning and the performance reporting process.
- the 'Think Tank' had been created to support development of the new mindset and to vet new ideas. A tool kit was utilised to assess potential opportunities, and it was important to understand that to fail quickly and efficiently was OK.
- work had been completed by Services to understand their business and to review fees and charges. Some costs were found to be accurate, and some were not, which resulted in opportunities for savings.

Councillor Ranson left the meeting at 7.25pm.

- The Council used a continuum of decision making to simplify assessing the decision and the risk and agility required. Some opportunities could be developed immediately whilst others required more project management.
- themed corporate branding was being implemented to emphasise the one council approach.

14. QUESTION SESSION WITH LEADER OF THE COUNCIL

The Leader of the Council attended and in response to questions submitted by the Panel prior to the meeting, he stated that:

- the majority of the Council's assets had been extensively analysed, but the Council's garages were currently under active review. Some of the re-investment reserve agreed by Cabinet in October had been used to employ a property skills consultant to investigate the Council's assets, its housing, and to provide commercial property advice, assisting the Council to understand the practicalities of purchasing and quick decision making.
- the Chief Executive had initiated the Council's transformation programme which would include service reviews, assessing silo working and implementing strategies to encourage the organisation to work together as one council. As part of this process, mapping exercises could be completed to show how processes link to the Councils strategic objectives.

- commercialisation was a way of thinking; how the Council operated internally, how councillors performed their roles, how the Council interacted with residents. Investments in commercial property had been identified as the most promising source of income to cover the shortfall left by the withdrawal of central government funding. Fees and charges would also be reviewed but charges would need to be appropriate and not compete significantly with private sector business.
- office or industrial property types with sitting tenants would be preferred as it was a proven method of generating income streams, but the Council was also considering solar farms, working with partners such as Loughborough University. Purchasing of businesses was perceived as riskier as the Council could lose their investment.

15. UPDATE ON COUNCIL'S COMMERCIALISATION STRATEGY

Considered a report of the Strategic Director of Corporate Services who stated that a report would be submitted to Cabinet in March to provide further detail regarding the commercialisation strategy and outline the process being followed.

Summary of discussion:

- the detail of why the Council had chosen to focus on commercial property and its criteria for assessing commercial opportunities as listed in the report were welcomed.
- a property skills consultant had been employed by the Council to look into commercialisation options such as the Limehurst depot and solar farms. External property expertise was also being sought. The need for increased resources (staff) would be monitored as the commercialisation project was progressing.
- the approach chosen by Rushcliffe Borough Council with respect to assessing property assets before purchase was useful and could be utilised by the Borough Council.

16. STAFF CONSULTATION - OFFICER FEEDBACK

Considered a report of Democratic Services regarding officer feedback to suggestions by the Council's Staff Forum. It was noted that part of the new property skills consultant's role would be to consider ideas such as those detailed in this report.

Summary of Discussion:

- The creation of a Housing Development Company had been agreed, but there were some issues with obtaining land.
- the database of assets was extensive and an asset review was being accelerated. Garage sites were being considered but as they were part of the HRA budget, which was relatively healthy, the priority to evaluate their status was lower.

The Panel considered different methods to encourage ideas from residents and staff and how to evaluate and feedback in an efficient way on these ideas once obtained. It

also suggested utilising the diversity of experiences of councillors to generate ideas to benefit the Council in its commercialisation strategy.

17. EXEMPT INFORMATION

RESOLVED that members of the public be excluded from the meeting during the consideration of the following item on the grounds that it would involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The Democratic Services Officer stopped the sound recording of the meeting.

18. COMMERCIALISATION STRATEGY AT NOTTINGHAM CITY COUNCIL

Considered exempt report of Councillor Baines.

Information noted.

19. ACTIONS / TIMETABLE FOR REVIEW

The Democratic Services Officer switched the recording on, and the meeting continued in public session.

It was agreed that information be considered at final meeting as follows:

Thursday 5th March 2020

- To consider the Panel's final report including recommendations for submission to the Scrutiny Commission.

Actions agreed:

1. that Panel members consider providing 4-6 draft recommendations to be then reduced to a smaller number of key recommendations for submission to the Scrutiny Commission;
2. that the Panel share ideas for recommendations to be submitted to the Scrutiny Commission by using an email contact group consisting of panel members;
3. that the Democratic Services Officer consult the relevant Head of Service regarding a review of garage sites and circulate the information if available, to the Panel;
4. that the presentation from Rushcliffe Borough Council including the Commercial Property Investment assessment matrix be circulated to the Strategic Director of Corporate Services for his consideration of use in Charnwood Borough Council;

5. that North West Leicestershire District Council be asked if its willing to share information regarding in-house commercialisation training courses with Charnwood Borough Council with a view of utilising the courses for Borough Council staff.

NOTES:

1. No reference may be made to these minutes at the Council meeting on 24th Febraury 2020 unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Commercialisation Scrutiny Panel.