

**COMMERCIALISATION SCRUTINY PANEL
28TH NOVEMBER 2019**

PRESENT: The Chair (Councillor Baines)

Councillors Boldrin, Bolton, Charles, Hamilton and
Ranson

Colin Sharpe, Deputy Director of Finance,
Leicester City Council

Strategic Director of Corporate Services
Democratic Services Officer (NC)

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.

1. SCOPE DOCUMENT

Scope document noted.

2. UPDATE REGARDING MTFs AND CORPORATE PLAN

Considered a presentation by the Strategic Director of Corporate Services.

Summary of discussion:

- Further information provided about the financial situation suggested a greater level of financial challenge than previously projected. It was possible some services could be impacted but the Council would prioritise increasing efficiency, the digitalisation of services, transforming ways of working and increasing income sources first.
- in house skills would be utilised but where necessary the Council would acquire external expertise, ensuring that due diligence was carried out.
- streamlining of council processes could be required to enable the Council to act quickly. This could result in members scrutinising decisions retrospectively and scrutiny of performance of the property portfolio would be necessary.
- Commercial property with sitting tenants would be preferable, but new developments could also be considered. It was a balance between cost and return.

Members considered the Asset Register circulated by email prior to the meeting. It was noted that items in red were considered 'surplus' and either empty or available to sell. It was intended to review all assets in the Council and consider whether to retain, invest in or sell the asset; income received would support the commercialisation strategy.

3. INFORMATION FROM OTHER COUNCILS

The Deputy Director of Finance from Leicester City Council attended and provided the following responses to questions supplied prior to the meeting:

An overview of the Leicester City Council approach to commercialisation?

- not seen as a core business, delivery of key services was a priority.
- traditionally income generated where spare capacity was available, e.g. schools changing to academies, purchasing their services from the Council.
- not aiming to compete in the market with local providers by taking away jobs.
- focussed on sharing services with other councils and organisations, e.g. treasurer for the Fire Service, data centre for other councils.

What commercialisation projects have the Council embarked on in the last five years?

- Schools – provide professional services.
- Framework contracts – access for a fee.
- Training with other public sector services – procurement support.
- Local housing company – not fully progressed since the Government removed the borrowing cap on the HRA, council now providing new social housing through the HRA.
- Local energy supply – too complex to set up, partner with Robin Hood Energy through 'Fosse Energy' white label.
- Commercial property – portfolio included small/medium work spaces, property purchased in city centre over many years to support regeneration and employment. Considered swapping assets but challenging and little real benefit to be gained thus far.
- Local loan funding scheme to promote economic regeneration – limited uptake, competing with good market loan rates.
- Future considerations – enterprise zones, borrowing to fund infrastructure investment, but primarily to support regeneration strategy.

Have you undertaken any commercialisation projects that have failed and if so why?

- no, mindful of other council projects that had failed. Examples such as shared services projects struggling with austerity cuts, social care services linked to national minimum wage were challenging, local energy supplies were complex to set up, shopping centres were susceptible to national chains pulling out or seeking rent reductions.

What risk appetite does the council have for commercialisation?

- not significant appetite for commercially driven risk, would continue to progress current projects linking to overall Council strategies, interest in green energy investments by other councils, which may consider in the future.

What advice would you give Charnwood Borough Council?

- be clear on your objectives, appetite for risk and ability to sustain losses.
- deliver services with strategic objectives through commercialisation, for example property investments to improve strategic areas.
- be aware some projects will fail, balance the portfolio.
- avoid competing in a crowded market, learn from others.

- consider accounting implications, loan write down etc. do the research.

In response to questions from the Panel:

- be aware of taking on a project and what it then means if the Council cannot pursue.
- processes were in place to enable the City Council to make fast decisions, including a nominated officer and officer group. If a project seemed viable the Lead Member would be consulted. A cultural shift in staff was required.
- the Council considered investment from a strategic benefit viewpoint and how it matched its strategic objectives, and not for a purely commercial income stream.

4. LGIU LEARNING AND DEVELOPMENT SEMINAR

Considered a report by Councillor Bolton, who stated that the seminar had been worthwhile and had highlighted the wider scope of commercialisation. Two councils had been identified as potential witnesses for a future Panel meeting and had already been contacted for availability.

Report noted.

5. STAFF CONSULTATION FEEDBACK

Considered report of Democratic Services regarding staff consultation feedback.

Summary of discussion:

- some suggestions related to activities already in progress, such as the redevelopment of the Limehurst Depot and selling off garages, and other suggestions tended to relate to service issues and council objectives, rather than generating commercial income. It was important to feed back to officers after the consultation.
- the Council had sought staff views previously through the 'Big Ideas' initiative which had generated projects to be taken forward like charging for trade waste and the Charnwood Lottery. Officers had also visited other councils to review their strategy, and in consultation with the Cabinet Lead Member, had determined either not to compete with the private sector in a particular field or that the idea wasn't considered sufficiently profitable to proceed.
- it was unclear how previous ideas for generating commercial income had been assessed for their profitability and viability and what the rationale was for not progressing them. The information was available but not in a single formal document and staff availability to collate the information was limited.
- it was noted that although several commercial opportunities were being advanced, the shortfall in the next three years' MTFs required a significant income to address it and generating income by purchasing commercial property provided a quick and tried and tested way to do so.

6. 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.

7. FEEDBACK FROM ASHFIELD DISTRICT COUNCIL

Considered exempt report of Councillor Boldrin.

Information noted.

8. 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 future meetings as follows:

Thursday 23rd January 2020

- Invite the Leader of the Council to attend
- Witnesses – invite representatives from North West Leicestershire and company Grant Thornton to attend
- To review ideas generated
- To consider recommendations for inclusion in the Panel's final report

Thursday 5th March 2020

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

It was noted that it was too early in the process to survey the residents of the Borough for ideas about commercialisation.

Actions agreed:

1. The Democratic Services Officer circulate the staff consultation feedback to relevant Heads of Service for their responses and report back to the Panel at its next meeting.
2. The Strategic Director provides the justifications for why the Council was focussing on commercial property as the preferred strategy, what opportunities were available in this field and a breakdown of the types of properties to be considered with potential returns, taking into account their square footage to the Panel at its next meeting.
3. The Chair of the Panel to consider if it was appropriate to meet with representatives from Rushcliffe Borough Council prior to the meeting on 23rd January 2020.

NOTES:

1. These minutes are subject to confirmation as a correct record at the next meeting of the Commercialisation Scrutiny Panel.