

REPORT OF THE SCRUTINY PANEL: How the Council can generate commercial income?

Foreword by Councillor Baines, Chair of the Scrutiny Panel

The overall funding base for local authorities has continued to shrink. As central government funding allocations to local authorities are reduced, so councils are forced to either cut their costs with as little impact on frontline services as possible, raise their revenues through council tax or by selling supplementary goods and services to residents, or by some combination of these. Many other councils have already developed, or begun to develop, their commercialisation strategies given the changes in the external financial environment. For Charnwood Borough Council, the requirement is that a shortfall of circa £3m needs to be generated from commercial income between 2020-2023 in order to plug the gap in the Medium-Term Financial Strategy. This report sets out the findings and recommendations of the Commercialisation Scrutiny Panel which sought to gain information into how the Council can generate commercial income to fulfil the need for potential new sources of revenue and to make recommendations as appropriate.

The Panel wishes to acknowledge and thank all those who acted as witnesses or provided written evidence to assist the Panel with its deliberations.

1. Background

The topic for this Panel was suggested at the meeting of the Scrutiny Commission on 3th June 2019 and agreed to be progressed as an informal Panel at its meeting on 4th August 2019. On 14th October 2019 it was resolved by the Commission to change the Panel to a formal Panel.

The Panel's first meeting was an informal meeting on 5th November 2019, followed by its first formal meeting which took place on 28th November 2019. After a third meeting the Panel concluded its initial business at its fourth meeting on 5th March 2020.

2. Panel Membership

Chair: Councillor Baines
Councillors Boldrin, Bolton, Charles, Hamilton, and Ranson.

NOTE: Councillor Snartt was identified as a member but when the meeting dates were arranged, he could no longer attend.

3. Terms of Reference and Reason for Scrutiny

The Panel's Terms of Reference, agreed by the Panel at its informal meeting on 5th November 2019 and confirmed by Scrutiny Commission on 9th December 2019 were as follows:

The Panel will:

- *consider if there are any areas for improvement or change in the Council's existing commercialisation strategy, and whether other policies require updating, and how they relate to national policy framework.*
- *put forward recommendations for future strategy.*
- *undertake informal factfinding research to establish what income generating activities are already in place at the Council and compare with information gathered from other similar types of Councils locally and nationally.*

The Scrutiny Commission wished the Panel to identify areas where the Council's income could be maximised, or further improved.

The Scope Document for the scrutiny review undertaken by the Panel is attached at **Appendix 1**. This sets out the above Terms of Reference and Reason for Scrutiny. The document outlines the position at the conclusion of the Panel's work and, therefore, includes additional stakeholders and resources identified by the Panel as its work progressed, notes added to assist the Panel and a summary of the progress made by the Panel.

4. Evidence, Stakeholders and Witnesses

The Panel received information from the following stakeholders and witnesses:

Information from officers within the Council

- Introduction from Chief Executive on the current position with respect to commercial income.
- Commercial strategy updates by the Strategic Director of Corporate Services.
- Ideas suggested by the Council's Staff Forum and feedback on suitability by relevant officers.

Information from other Councils

- Question session with Colin Sharpe, Deputy Director of Finance, Leicester City Council.
- Presentation by Elizabeth Warhurst, Head of Legal and Commercial Services and Lee Mansfield, Environmental Health Team Manager, North West Leicestershire District Council.
- Presentation by Peter Linfield, Executive Manager of Finance and Corporate Services, Rushcliffe Borough Council.
- Exempt briefing by Councillor Baines of meeting with Andy Vaughan, Corporate Director of Commercial and Operations, Nottingham City Council.
- Exempt briefing by Councillor Boldrin of meeting with Justin Henry, Commercialisation Manager, Ashfield District Council.

Information from other sources

- Presentation by Vivien Holland, Associate Director, Grant Thornton UK .
- Briefing from Cllr Bolton, attending LGiU Seminar titled 'Commercialisation training, developing a commercially aware organisational culture'.
- Question session with Councillor Jonathan Morgan, Leader of Charnwood Borough Council.

Documentation

The Panel had access to a library of guidance documents and copies of commercialisation strategies of other regional authorities as follows:

- House of Commons – Local Government – Alternative Models of Service Delivery
- Localis – Commercial Councils
- Grant Thornton – Commercial Health check in local Authorities
- CfPS – Risk and Commercialisation
- Kettering Borough Council, Commercialisation Strategy 2019
- Bromsgrove District Council, Commercialisation and Financial Strategy 2017-20
- Lincolnshire County Council, Commercialisation Strategy

- Derbyshire County Council, Enterprising Council Strategy 2018-2021

These documents can be found in the Members Library at:

[https://charnwoodextranet.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13354&\\$LO\\$=1](https://charnwoodextranet.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13354&LO=1)

Technical Support was provided to the Panel by:

- Rob Mitchell – Chief Executive
- Simon Jackson – Strategic Director of Corporate Services

5. Summaries of Panel Meetings

Summaries of the work undertaken at each meeting of the Panel are set out in the “Progress of Panel Work” section of the Scope Document at **Appendix 1**.

Full details of the information provided by witnesses and the issues considered by the Panel are detailed in the notes of the Panel’s meetings listed in Background Papers section of this report, also attached at **Appendix 2**.

The Panel met a total of four times as follows:

Meeting 1 (informal) – 5th November 2019

Meeting 2 – 28th November 2019

Meeting 3 – 23rd January 2020

Meeting 4 – 5th March 2020

6. Equality Impact Assessment (EIA)

The Improvement and Organisational Development Manager stated that the need for an Equality Impact Assessment would be considered following the final submission of the report.

7. Key Findings

The Panel obtained evidence from a range of sources both internal and external as described in section 4 above. In doing so the Panel made use of the evidence provided of practice at other councils who had implemented a commercialisation strategy or were in the process of doing so. The following summarises the key findings of the Panel.

The Commercialisation mindset

The Panel considered evidence from other councils regarding the importance of developing the appropriate mindset to enable the Council to maximise its commercial potential.

North West Leicestershire District Council (NWLDC) was at the start of its commercialisation journey and had focused particularly on building the appropriate culture within its organisation. This featured:

- a 'Think Tank & ToolKit' - a team that had been created for generating and reviewing ideas within the organisation;
- a desire to improve in-house commercial skills of staff through training and embedding commercial activity into team planning and the performance reporting processes.

The commercialisation mindset was well established at Rushcliffe Borough Council, as officers had attended courses to upskill and member development groups had been initiated with councillors.

The Panel also considered how to utilise the resources available to the Council to generate commercial ideas. It considered that staff and residents were a valuable source of ideas and consulting councillors with private sector experience could be of benefit.

Decision making and scrutiny

The Panel considered evidence from other councils regarding the importance of developing a streamlined but effective decision-making policy for commercial investment. Rushcliffe Borough Council (RBC) and Leicester City Council (LeCC) shared their approaches to decision making. The overarching policy at RBC had been agreed at Full Council, with a small team of six comprising three councillors and three senior officers approving the expenditure for commercial property. Scrutiny of the property portfolio's performance occurred after the investment.

At Leicester City Council processes in place to make fast decisions included a nominated Commercialisation Officer and officer group. If a project seemed viable the Lead Member would be consulted. North West Leicestershire DC had created a decision-making continuum, attached at **Appendix 3**. They also sought to embed a culture in its organisation which accepted failure that could be dealt with quickly and efficiently before moving onto new projects.

Investment in Commercial property

Initially the Panel focused its attention on why the Council had chosen to progress its investment in commercial property. Officers highlighted that the Council believed investment in commercial property was the correct approach in the short term to mitigate its budget pressures and that the income needed to be achievable at a scale that made a difference and come on stream at significant scale within a relatively short time (realistically within the 2020/21 financial year).

Evidence was provided to the Panel by RBC, Ashfield District Council and LeCC regarding the conflicts that purchasing of commercial property within the Borough's boundary could create between its need for pure commercial income and its strategic objectives, impacting the Council's decision making with respect to its relationship with residents, and its social and regeneration strategic objectives.

Examples of commercial property investment that were less successful in generating income were provided by case studies from Grant Thornton UK, Nottingham City Council, and Leicester City Council. The reasons ranged from shared services

projects struggling with austerity cuts, challenges with social care services linked to national minimum wage, local energy supplies being complex to set up, and shopping centres being susceptible to national chains moving away.

The criteria for assessing potential commercial opportunities was key to making fast decisions. RBC shared its Commercial Property Investment assessment matrix, attached at **Appendix 4**, which the Panel considered helpful. The key to property investment was managing the risk and being proportionate to the size of the council.

The Panel concluded that the Council was focusing its commercialisation strategy heavily in one area, namely commercial property development. The Panel considered this was because it was a risk averse strategy and there had been insufficient investigation made into other options.

Ways to generate income from existing assets

The Panel considered methods by which the Council could generate income from existing assets or by streamlining services. Considering evidence provided by other Councils, Grant Thornton, and Panel members, suggestions included:

- reviewing existing fees and charges.
- reviewing the Council's Asset Register – are assets being efficiently handled, review returns on assets.
- selling the Council's services to other businesses.
- progressing the Housing Development company (as agreed by Cabinet).
- consider bringing contracts in-house and reviewing whether older contracts were still fit for purpose.
- progressing the digitalisation of services.

Future commercialisation opportunities

Evidence provided to the Panel suggested that Charnwood Borough Council could consider other areas for generating commercial income in the longer-term including:

- working with partners such as Loughborough University, LLEP or companies in the private sector
- commercial development, social and private rental housing / building
- investing in warehouses, industrial and office space,
- investing in hotels, shopping centres,
- installing solar farms, developing enterprise zones,
- borrowing to fund infrastructure investment, local loan funding scheme to promote economic regeneration.

8. Observations made by the Panel

The Panel wished to make the following observations in respect of how the Council could generate commercial income:

1. that the Council ensures it develops individual performance targets relating to commercialisation for Council Service areas, and that these be included in the Key Performance Indicator (KPI) list for assessment annually.
2. That the Council considers how empty shops might be used to generate income.
3. That prior to undertaking any commercialisation activity the Council ensures that the purpose of its commercialisation strategy aligns fully with the key corporate objectives and robust risk management processes.
4. That the central Innovation unit (Think Tank) develops a clear and transparent process for evaluating all commercialisation projects using criteria important to the Council.

9. Recommendations made by the Panel

The Panel wishes to make the following recommendations in respect of how the Council could generate commercial income:

1. That all assets owned by the Council are reviewed immediately and annually thereafter to identify revenue and sale opportunities.
2. That the Council should consider hiring out other council facilities for corporate events, examples include, but are not exclusive to, the Charnwood museum, the Town Hall and Council meeting rooms.
3. That the Council develops criteria to maximise revenue opportunities from existing services and then pursue those that provide the best opportunity to generate income.
4. That the Council undertakes pricing analyses, e.g. competitor price analyses or cost analyses, to ascertain if the prices charged for its goods and services are appropriately priced.
5. That the Council reviews goods and services offered for a fee to residents by other similar councils to assess whether it may offer additional discretionary services for a charge or fee to Charnwood residents.
6. That all Council Service areas are evaluated to determine whether they may be subcontracted more efficiently and whether capabilities exist in house that may be sold to other organisations.

7. That a central innovation unit based on NWL DC's Think Tank is created to develop, monitor, evaluate, and control commercialisation projects and is part of the new Commercial Development strategic directorate.
8. That a training and development programme is developed and implemented for officers on the Council's commercialisation strategy and skills required to embed an entrepreneurial culture and innovative ways of working.
9. That an exercise is carried out to examine internal controls and eradicate those that are surplus with a view to increasing entrepreneurial activity and reducing bureaucracy.
10. That non-property related investments and other commercial opportunities considered by the Council are scrutinised prior to the decision being taken and that a monetary value / investment level is set above which decisions are assessed and scrutinised in advance of being made.
11. That given the budget pressures identified in the MTFS, the Council borrow more than £10million to invest in commercialisation projects including projects other than commercial property investment.
12. That the Council considers creating a balanced portfolio of commercial properties, whereby a proportion of properties are purchased within the borough's boundaries and aligned with the Council's strategic objectives.
13. That opportunities to improve and increase car parking and car parking enforcement are investigated.
14. That the ties between the Council and Loughborough University, other regional universities and further education colleges, and other economic development agencies such as the Midlands Engine, are explored and investigated to see if they can be further strengthened to enable all organisations to benefit commercially from joint initiatives.
15. That Council owned garage sites in the Borough be redeveloped for Council owned affordable housing.
16. that the Council creates a business case for a street cleaning, grounds maintenance company similar to the 'Streetwise Environmental Limited' company of Rushcliffe Borough Council.

Reasons

1. The Panel considered it important that the Council maximised on its current assets.
2. The Panel considered that the Council's facilities were not being fully utilised for corporate events, although it was aware that some of the facilities were being booked for non-corporate events.

- 3-6. The Panel were concerned to ensure that existing services were being robustly assessed for savings and the potential to generate income.
7. The Panel considered that the Think Tank utilized by NWL DC was effective in managing the implementation of commercialisation projects and wished to see a similar unit created at Charnwood Borough Council.
8. Training was perceived as a key element of engaging staff in the commercialisation mindset and also maximised on potential talent and skills within the Council.
9. The Panel were particularly keen that internal controls were assessed as it was aware that over time layers of controls tended to be created that, when reviewed, are no longer necessary.
10. The Panel accepted that as commercial property decisions would be made in 'real time' and would be required to be taken quickly, the Council would not be able to undertake pre decision scrutiny. However it considered that non-property related commercial decisions and other commercialisation projects incurring expenditure, should be scrutinised prior to the decision being taken and that projects above a set expenditure amount should be reviewed.
11. The Panel believed there was a need to borrow more to reduce the financial gap identified in the MTFS.
12. The Panel was aware that, in the short term, the Council wished to invest in properties for purely commercial income. However, it considered it was crucial that for future commercial property investment decisions, the Council takes into account its own overall strategic objectives, and purchases some properties within the borough.
13. The Panel was aware that a Scrutiny Panel looking into car parking had been proposed and wished to emphasise the value of scrutiny in this matter.
14. The Panel was keen to emphasise partnership working.
15. The Panel acknowledged that a review of garage sites within the borough had been completed and wished to see the sites identified, developed with council owned affordable housing.
16. The Panel considered that the 'StreetWise' company of Rushcliffe Borough Council was a good example of maximizing on skills and capabilities within a council and believed it would be a good opportunity for Charnwood Borough Council.

10. Background Papers

Agenda Papers and Notes of formal Panel meetings available on the Council's website at:

<https://charnwood.moderngov.co.uk/ieListMeetings.aspx?CIId=235&Year=0>

Informal meeting (1) notes as detailed in paragraph 5 of this report can be accessed at:

<https://charnwoodbc.sharepoint.com/sites/papers/exempt/Forms/AllItems.aspx?viewid=c950fdd3%2D963e%2D4777%2Da220%2D84dce826906e&id=%2Fsites%2Fpapers%2Fexempt%2FCommercialisation%20Scrutiny%20Panel>

Exempt Information considered by the Panel as detailed in Paragraph 4 of this report can be accessed at:

<https://charnwoodbc.sharepoint.com/sites/papers/exempt/Forms/AllItems.aspx?viewid=c950fdd3%2D963e%2D4777%2Da220%2D84dce826906e&id=%2Fsites%2Fpapers%2Fexempt%2FCommercialisation%20Scrutiny%20Panel>

11. Appendices

Appendix 1	Scope Document
Appendix 2	Notes of meetings nos. 2, 3, 4
Appendix 3	Decision making Continuum from North West Leicestershire District Council
Appendix 4	slide of Rushcliffe Borough Council's Commercial Property Investment assessment matrix



Charnwood

SCRUTINY REVIEW: SCOPE Commercialisation

REVIEW TITLE: How the Council can generate commercial income

SCOPE OF ITEM / TERMS OF REFERENCE

The Panel will:

- consider if there are any areas for improvement or change in the Council's existing commercialisation strategy, and whether other policies require updating, and how they relate to national policy framework.
- put forward recommendations for future strategy.
- undertake informal factfinding research to establish what income generating activities are already in place at the Council and compare with information gathered from other similar types of Councils locally and nationally.

REASON FOR SCRUTINY

Charnwood Borough Council has identified significant challenges within the MTFs and as some future income is highly uncertain, a need has been identified for potential new sources of revenue and to make recommendations as appropriate.

The Panel topic was suggested at the meeting of the Scrutiny Commission on 3th June 2019 and agreed to be taken forward as an informal Panel at its meeting on 4th August 2019. On 14th October 2019 it was resolved by the Commission to change the type of panel to a formal panel.

MEMBERSHIP OF THE GROUP

Councillor Baines (Chair)
Councillors Boldrin, Bolton, Charles, Hamilton, Ranson,

WHAT WILL BE INCLUDED

All non-statutory activity that generates income.

WHAT WILL BE EXCLUDED

All statutory activity that generates income.

KEY TASKS ** including consideration of efficiency savings

- Evaluate existing Council commercialisation initiatives and procedures
- Make recommendations on future strategy
- Review other Local Authority commercialisation programmes to learn best practice
- Provide input into the Council's Commercialisation Strategy
- Interviewing witnesses and Council officers

STAKEHOLDERS, OUTSIDE AGENCIES, OTHER ORGANISATIONS *

Other Local Authorities
 Local Government Association
 Strategic Director Charnwood Borough Council
 Relevant Borough Council departments
 Residents

EQUALITY IMPLICATIONS

Is an impact needs assessment required? – not required

LINKS/OVERLAPS TO OTHER REVIEWS

Digital Transformation Panel

RESOURCE REQUIREMENTS

Support from Democratic Services

REPORT REQUIREMENTS (Officer information)**REVIEW COMMENCEMENT DATE****COMPLETION DATE FOR DRAFT REPORT**

March 2020

* Key tasks and stakeholders may be subject to change as the review progresses.

PROGRESS OF PANEL WORK

MEETING DATE	PROGRESS TO DATE
5th November 2019 (informal)	Considered: <ul style="list-style-type: none"> • Updated Scope • Presentation by Strategic Director of Corporate Services and Chief Executive regarding Council's existing commercialization strategy • Review of research to be undertaken
Thursday 28th November 2019	Considered; <ul style="list-style-type: none"> • Update from Strategic Director of Corporate Services

	<ul style="list-style-type: none"> • Presentation by C. Sharpe Leicester City Council • Staff Consultation responses • Feedback from Cllr Bolton (LGiU Seminar) • Feedback from Cllr Boldrin (meeting with J Henry, Ashfield District Council) • Register of Assets owned by the Council
Thursday 21st January 2019	<p>Considered:</p> <ul style="list-style-type: none"> • Presentations by NWL District Council and Rushcliffe Borough Council • Presentation by Grant Thornton UK LLP • Question Session with Leader of Charnwood Borough Council • Update from Strategic Director of Corporate Services • Feedback from Cllr Baines (telecon with Notts City Council) • Staff Consultation - officer responses
Thursday 5th March 2020	<ul style="list-style-type: none"> • reviewed draft recommendations for inclusion in the Panel's final report • reviewed the Panel's final report for submission to the Scrutiny Commission

REPORT SUBMITTED TO SCRUTINY COMMISSION

The Panel completed its work and submits its report to the Scrutiny Commission meeting on 6th April 2020.

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.

**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.

**COMMERCIALISATION SCRUTINY PANEL
5TH MARCH 2020**

PRESENT: The Chair (Councillor Baines)
Councillors Boldrin, Bolton, Hamilton and Ranson
Democratic Services Officer (NC)

APOLOGIES: Councillor Charles

This meeting would be recorded and the sound recording subsequently made available via the Council's website. 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.

20. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

21. NOTES OF THE PREVIOUS MEETING

The notes of the previous meeting held on 21st January 2020 were confirmed as a true record subject to the correction of a typographical error on page 6 in the first bullet point of Notes: Febraury to be amended to February.

22. DRAFT PANEL REPORT AND RECOMMENDATIONS

Considered a draft report of the Scrutiny Panel compiled in consultation with the Chair of the Panel and proposed draft recommendations from Panel Members with a view to agreeing a final version for submission to the Scrutiny Commission. The Commission would be requested to recommend the Panel's report to the Cabinet at its meeting on 7th May 2020.

Summary of discussion:

- inclusion in the forward of the report the Panel's thanks to all those who acted as witnesses or had provided written evidence to assist the Panel with its deliberations.
- amendments to the key findings section of the draft report to reflect the Panel's observations.
- a detailed review of the draft recommendations from all Panel Members resulting in 16 recommendations and 4 observations proposed to be included in the final Panel report.
- whether the Council had focussed its commercialisation strategy heavily on commercial property investment and was risk averse.
- whether there had been insufficient investigation made into other commercialisation options and that the Council should consider property investment inside the borough.

- that the timings of the meetings of the Panel and the development of the Council's commercialisation strategy, as reflected in the report to be submitted to the Cabinet on 12th March had not been ideal, but the Panel considered it had influenced the Council's approach to commercialisation.

23. ACTIONS / TIMETABLE FOR REVIEW

Actions Agreed:

1. That the draft report of the Scrutiny Panel be amended in accordance with the comments and alterations made by the Panel during the meeting;
2. That the draft recommendations proposed by the Panel during the meeting be inserted into the draft report;
3. That following actions #1 and #2, the draft report be considered as final and circulated to the Panel for its last review before submission to the Scrutiny Commission;
4. That the final report as agreed by the Panel following action #3 is submitted to the Scrutiny Commission at its meeting on 6th April 2020;

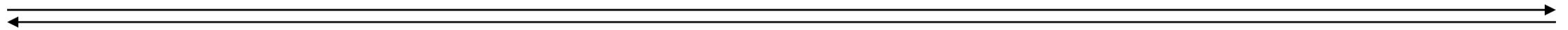
NOTES:

1. No reference may be made to these minutes at the Council meeting on 27th April 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.

Decision making

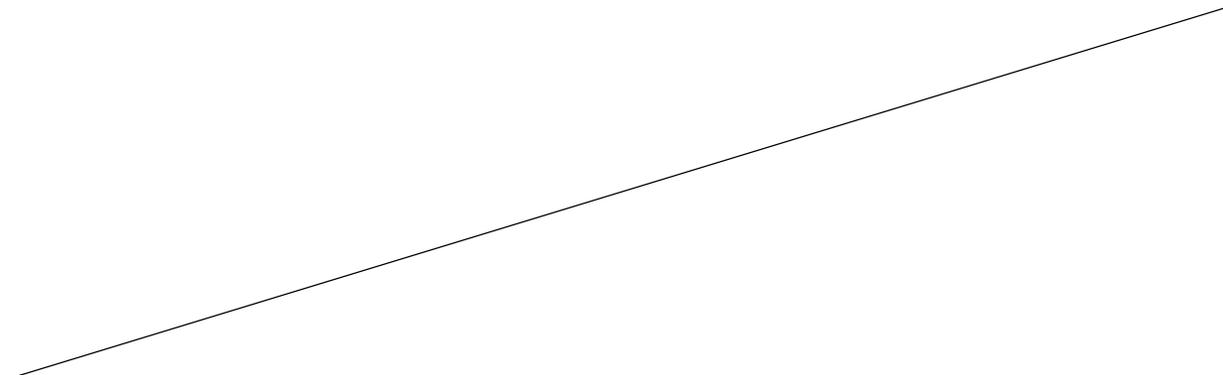
Ideas from all. Get on and do. Strong governance

Officer	Team Manager	Director / Head of Service	Think Tank Project Team	J2SS Board Chaired by Glyn Jones	Internal groups AMG Extended Leadership Team	CLT	Strategy Group	Cabinet or Council
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Continuum of decision making

- **Low value, low risk opportunities**
- **Efficiencies / service improvements**



- **High value**
- **High risk**
- **Political steer required**
- **Legal requirements around decision making**

COMMERCIAL PROPERTY INVESTMENT STRATEGY ASSESSMENT MATRIX

To complete, highlight the applicable box and 50% of answers should be in Excellent, Good or Satisfactory - to be appraised alongside the contextual information in tab 2

PROPERTY	Property address				
PROPERTY TYPE	Office				
TENANT	xxxxx				
ASSESSMENT CRITERIA	Excellent / very good	Good	Satisfactory	Marginal	Uncertain
Tenancy strength	Multiple tenants with strong financial covenant	Single tenant with strong financial covenant	Single or multiple tenants with good financial covenant	Tenants with average financial covenant	Tenants with poor financial covenant strength
Lease length and break (for main tenants/income)	>15 years	11 - 15 years	10 - 8 years	7 - 5 years	<5 years or vacant (unless reflected in price)
Rate of Return - % rent against capital	>8%	7%-8%	5%-7%	3%-5%	<3%
Portfolio mix (asset type is balanced in portfolio - no more than x% of portfolio)	<50%	50%-60%	>60%-70%	70%-80%	>80% of portfolio
Property Sector & Risk	Industrial (lower risk)	Office (lower-mid risk)	Warehouse Retail (med risk)	Retail, Leisure (higher risk)	Residential (not part of investment strategy)
Void (after Lease end including marketing, fit out and rent free)	0-9 months	9-12 months	12-18 months	18-24 months	>24 months
Location	Prime	Not prime but in established location	Secondary	Remote from other developments	Isolated, undeveloped area, limited infrastructure links
Tenure	Freehold	Lease >200 years	Lease 100 - 199 years	Lease 75 - 99 years	Lease <75 years
Repairing terms links to Building quality	Full repairing & insuring	Internal repairing 100% recoverable	Internal repairing partially recoverable	Internal repairing non recoverable	Landlord
Building Quality/Age	<10 years	10-20 years	21-30	31-35	>35
Rental Growth	within 1 year	within 2-5 years	within 6-7 years	within 8-10 years	>11 years
Purchase Price	<£2m	Between £2m and £3m	Between £3m and £4m	Between £4m and £7m	>£7m
Proximity to Borough	within Borough	within Nottinghamshire	within East Midlands	within the Midlands	National
Energy Rating (2018 legislation can't let with F/G assessment)	A/B	C	D	E	F/G