

TITLE OF REPORT: TASK AND FINISH GROUP REPORT ON THE COMMERCIALISATION OF COUNCIL SERVICES

REPORT OF THE SCRUTINY OFFICER

EXECUTIVE MEMBERS: COUNCILLORS TERRY HONE, DAVID LEVETT AND JULIAN CUNNINGHAM

1. SUMMARY

1.1 The report of the Task and Finish Group on the Commercialisation of Council Services is attached for Cabinet's consideration.

2. RECOMMENDATIONS

2.1 Cabinet is asked to

- consider the task and finish group's report and recommendations at Appendix A; and
- consider SMT's comments at Appendix B.

3. REASONS FOR RECOMMENDATIONS

3.1 To enable the Cabinet to consider the report of the Task and Finish Group and implement its recommendations.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 The Task and Finish Group considered the evidence presented to them and a number of different recommendations before concluding that the recommendations in paragraph 7.2 were appropriate.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 The task and finish group was composed of members representing Letchworth, Hitchin and the rural areas adjacent to Baldock and Royston. The Group heard evidence from the East of England Local Government Association and from Colchester Borough Council.

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

7. BACKGROUND / ISSUES

7.1 The report of the task and finish group was approved by the Overview and Scrutiny Committee at its meeting on 22 September and is attached at **Appendix A**. The conclusions and recommendations are in section 2 of the report and are reproduced in paragraph 7.2 below.

7.2 Recommendations

Recommendation 1: The Council should appoint a senior commercial manager to lead and coordinate its commercial activities; and to identify and develop new commercial opportunities.

Recommendation 2: The Council should appoint a high level commercial board comprised of councillors, officers and others with commercial experience. The board can advise the Cabinet about the feasibility of commercial opportunities and review the performance of existing ones.

Recommendation 3: The Council should pursue income generation opportunities where it has the skills, experience and resources to do so. These should be compatible with the Council's strategic objectives, and at a level of risk which would not threaten the Council's core services in the event of an enterprise's failure.

Recommendation 4: The Council should explore the possibilities of property investment as a means of generating revenue.

Recommendation 5: The Council should use the expertise of its strategic partners to help manage its property portfolio.

Recommendation 6: The Council should review its assets register to understand whether any of them could be used for property development or other commercial purposes.

Recommendation 7: Commercial activities should bear the true cost - but no more than that – of any support they receive from the Council.

Recommendation 8: The Council should review its training programmes for senior and other key staff to include more commercial training, networking and mentoring activities.

Recommendation 9: The Council should have a scheme that recognises officers who make useful commercialisation proposals or make significant contributions to their success.

7.3 SMT's comments are attached at **Appendix B**.

8. LEGAL IMPLICATIONS

8.1 The Overview and Scrutiny Committee's terms of reference include at paragraph 6.2.7(u) "to appoint time limited task and finish Topic Groups to undertake detailed scrutiny work [and] report back to the Overview and Scrutiny Committee to make recommendations to the Cabinet".

8.2 Specific legal implications of the suggested projects cited in the recommendations would need to be considered if/when they come forward and would include (but not be limited to) property, planning, contract, procurement and governance issues.

9. FINANCIAL AND RISK IMPLICATIONS

9.1 The Medium Term Financial Strategy makes clear that a combination of income generation, efficiencies in delivery and service transformation make up the key elements for setting a balanced budget for the coming years.

- 9.2 The Council would need to fund the salary of a commercial manager. He or she will need to be of sufficient seniority to have any impact. Typical employment costs, including National Insurance and pension contributions, for various grades are below:
- Service Managers (mainly grades 10 to 12): £41,200 - 63,119
 - Heads of Service (grade 13) £63,654 - 75,282
 - Directors (grade 15) £92,082 – 108,745
- 9.3 The Council may also need to consider whether some sort of remuneration for Trading Board members might be appropriate. There may be additional costs too for commercial training of key staff, and for a car allowance for the Commercial Manager.
- 9.4 These extra costs have to be offset against the benefits which are likely to accrue from having a more successful approach to commercial activities in NHDC.
- 9.5 There is a risk that employing a commercial manager might not yield the expected benefits - for a variety of reasons - despite incurring extra costs for the Council.
- 9.6 There is also a risk that by **not** employing a commercial manager, the Council's efforts to generate extra income will be less effective than they could be.
- 9.7 The risks to having a commercial approach more generally have been recorded on Covalent, the Council's performance and risk management system. Several risks have been identified:
- missing an opportunity to generate additional revenue to the Council;
 - any new or different venture fails;
 - rate of return on the Council's investment is below that predicted;
 - service delivery standards fall whilst staff consider and implement new commercial ideas.
- 9.8 These risks can be managed by
- ensuring ideas for generating revenue are explored;
 - having robust business plans for any new ventures;
 - ensuring new ventures are resourced either externally or internally and, where necessary, back filling of responsibilities is undertaken.

10. HUMAN RESOURCE IMPLICATIONS

- 10.1 Subject to agreement of the proposal, this would create a new post of Commercial Manager. The post would need to be created, evaluated and recruited. As for Recommendation 8, the proposal about commercialisation training, NHDC has already started to offer senior managers and other employees this sort of training. The Council will need to look at what it has done so far against the recommendation to see if it is the best fit.

11. EQUALITIES IMPLICATIONS

- 11.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a general duty, described below,

that public bodies must meet, and this is underpinned by more specific duties which are designed to help meet them.

11.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions: give due regard to the need to eliminate discrimination, harassment and victimisation; advance equality of opportunity; and foster good relations between those who share a protected characteristic and those who do not.

11.3 There are no equalities implications arising from this report.

12. SOCIAL VALUE IMPLICATIONS

12.1 There are no social value implications directly arising from this report.

13. APPENDICES

13.1 Appendix A – Task and Finish Group Report on Commercialisation of Council Services.

13.2 Appendix B – SMT Comments.

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15. BACKGROUND PAPERS

NHDC's Risk and Opportunities Management Strategy.
Recharges for 2014/15.
The Medium Term Financial Strategy.