



Committee report

Committee	CORPORATE SCRUTINY COMMITTEE
Date	9 JULY 2019
Title	COMMERCIALISATION TASK AND FINISH GROUP
Report of	COUNCILLOR MICHAEL LILLEY – LEAD MEMBER

SUMMARY

1. To consider the outcomes of the second phase of work undertaken by the task and finish group together with relevant recommendations.

BACKGROUND

2. The task and finish group was established by the committee on 11 September 2018. Its scope was to explore commercialisation within the Council and to track the emergence of a Commercialisation Strategy. The group comprised of Councillors Michael Lilley (lead member), Brian Tyndall, Julie Jones-Evans and Gill Kennett (IWALC)
3. The task group undertook this work in two phases with the first phase being reported to the 12 February 2019 meeting. This recommended the following :-
 - (i) That the Group and Relevant Officers visit other Local Authorities to explore successful implementation of Commercial Strategies. There is a commitment from the Development Manager at Aylesbury Vale District Council that they would be more than ready to discuss their approach to Commercialisation. Their approach over the last ten years has been very 'ground breaking'. It is noted IW Council has had visits from Commercialisation Officers from Essex County Council.
 - (ii) That the Task Group works with identified Commercialisation Cabinet Members and Officers in producing a Commercial Strategy.
 - (iii) That there is further exploration of the establishment of the Dorset Model and consider an IW Council Commercialisation and Income Generation Board. This would enable effective and focused Governance, Scrutiny, and Transparency.

- (iv) That Policy and Scrutiny Committee for Adult Social Care and Public Health be asked to investigate possible “anomalies” in regard Public Health Grant payments to Leisure Services. Please note the word “anomalies” is derived from the IW Council’s External Auditor’s Report 2017-18 which brought the attention of the Public Health Grant to Leisure Services to Members through the Audit Committee.
 - (v) That in Stage Two there is Scrutiny of IW Council’s policy on buying commercial property on the mainland and establishment of a House building and rental company.
4. The initial findings and conclusions of the task and finish group were approved by the committee together with the

STAGE TWO

5. Stage Two re-examined those existing ‘Commercial’ services within the Council and investigated other opportunities. As part of this work it had meetings with Wendy Perera, Chris Ashman, Colin Rowland, Kerry Huddleday and Alex Minns.
6. In Stage Two our after further consideration we believe these initial findings still stand and in addition to these we add the following:
- (i) The current management structure of the IOWC is not conducive to commercialisation. This is because it is based on a unitary structure where all decisions are centrally made, but commercialisation requires that these responsibilities need to be split, particularly in financial accountability, and management of the commercial side of Council business.
 - (ii) The size of the Council must be recognised as small and therefore lacks the size/mass to put in place stand alone commercialisation projects and would therefore have to consolidating these functions.
 - (iii) There needs to be a split/division between its statutory role and its non-statutory role; or commercialisation. These cannot work together as the aims and working arrangements by necessity are and need to be different.
 - (iv) The non-statutory/commercialisation division should have its/their own Cost Centres so the true costs and profit can be measured.
 - (v) The non-statutory/commercialisation division should have its/their own management structure to ensure its performance can be measured, both in the financial gains sort for and the management of the staff.
 - (vi) The non-statutory/commercialisation division should be run on a commercial basis and not necessarily be beholden to current rules governing other parts of the Council.

- (vii) So in this case it may be prudent to set this up as a separate one or a number of Local Authority Trading Company, each paying an agreed dividend to the Council out of its profits.
 - (viii) Management of this company would therefore fall outside the control of the Council but working within a defined Company Strategy and Objectives.
 - (ix) Effectively this would make the IOWC, outside of its statutory role, and act as a holding/management company and would require a separate Board to control this; probably meaning the employment of commercially minded individuals.
 - (x) The Task and Finish Group also recognise that any such change would greatly affect the current working practices of the IOWC, but this could be to its advantage as changing to working practices and use of new technology could result in a more effective and efficient organisation, and there more make financial savings.
 - (xi) The Task and Finish Group also recognise that a large investment is required in either training of staff, or employment of suitably trained personnel in the commercial skills necessary.
 - (xii) The Task and Finish Group also recognise that a large investment is required in new technology (IT) to support these changes. The current IT system is unsuitable for this role.
7. Regeneration. The Task and Finish Group recognises that there are many plans for the regeneration of various areas of the Island, but it has concluded that once these are nearing completion the control and running of these Commercial Properties should be moved to a Local Authority Trading Company so these can be operated on a commercial basis.
 8. The Task and Finish Group also recognise that a number of strategies are already in place to utilise the Council to greater effect, but that these may also need to be placed under the control of a Local Authority Trading Company.
 9. Social Value. The Task and Finish Group wish to re-emphasise the comments made in our original assessment that – Any commercialisation has the opportunity to bring Social Values to the Council and this “value” needs to be considered when looking at any new projects.

Commercialisation – its meaning?

10. Is the Council acting commercially? - that is actually working towards a financial gain under 'commercial practices'. Our conclusion is that where it is, at best this is patchy but not fully functioning commercially.
11. Is the Council thinking commercially? Our conclusion is that where a defined task has been identified, and with the correctly minded officers considering these there is proof of this commercial thinking. In many ways this is

recognising the shortcomings of the Council and that an idea is sometimes best implemented outside of a Council operation.

12. After further discussions with officers some of the suggestions and comments below are already, or have been under consideration by the Council, but not necessary to any positive conclusion.

These are:

12.1. **Leisure Centres.**

- 12.1.1. From our discussions it would appear that although Leisure could be a suitable area for a separate trading company bringing a financial gain to the Council there are a number of difficulties. There would not appear to be a separate Cost Centre for all its activities, so a commercial assessment of its stand alone capability is needed, i.e. its profitability. There would appear to be no Investment Fund or an instrument to reflect its capital investments and payback of these by Leisure. It would appear all capital investments come via the Council.
- 12.1.2. The Public Health Grant paid into this department confuses this further and this together with the recovery of overheads to the Council it produces a large imbalance, so much so that we challenge the belief that it is making a true profit.
- 12.1.3. The Public Health Grant is to promote health and well-being across the Island, but it seems limited to the Council run Leisure Centres and therefore only benefits those who are paying for these services and not other islander residents.
- 12.1.4. **Dinosaur Island** - The current plan of the Council to divest itself of this commitment by looking for suitable Partners to undertake, albeit part of a bigger, but private enterprise, would possibly be the best route to take. Our discussion did provide evidence alongside the discussions around Leisure Services that unpicking the statutory responsibilities (for example the statutory responsibilities for archives within Dinosaur Isle) from the trading operations is complex. Dinosaur Isle provides evidence that collaboration with community, a third sector (in case of Dinosaur World other Museums) and commercial partners is a viable way forward.
- 12.1.5. **Record Office. The need to secure proper premises for these has been** ongoing for years and is still awaiting a final decision on whether the current premises are acceptable and then the costly decision to build such a facility. What has not been considered is the ability to make this a tourist attraction and with fees for the use of the facilities. Placing this alongside Dinosaur Island could become the start of a Heritage Centre for the Island.
- 12.1.6. **Housing Company.** As we know the Council are actively pursuing setting up a Housing Company to build and operate their own housing

stock, but this is in its early stages, and will be a long term investment, and whilst it will give a good Social Value it will only offer short term profits. However, its use should show a gain in the reduction of social funding the Council has to make.

- 12.1.7. **Residential Adult Care and Children Services.** This needs further investigation, but it has been suggested the Council operates its own residential services – to save on its own outgoing funding – but opening up the opportunity to supply this service to other authorities which could offset the running costs.
- 12.1.8. **Bereavement Services.** This service could be widened to increase its profitability and a number of ways this could be done where discussed. A reasonable investment could reflect in a good financial gain. Although councils have set up their own Funeral Services, it is not believed this would be acceptable on the Island, where adequate services already exist.
- 12.1.9. **Commercial Rentals.** There are Council commercial rentals, but these need to be examined, to see if this to be more effective if it operated as a Local Authority Trading Company paying an agreed dividend to the Council. This in being used by other local authorities and has the blessing of removing any decisions (rent increases/leases etc.) away from the Council.
- 12.1.10. **Marketing/Advertising.** We believe there is the opportunity, with the various Council sites across the Island where advertising space could be used for commercial purposes and an income gained, but again run within a Local Authority Trading Company.
- 12.1.11. **Using Capacity in Professional Services to bring in extra income.** The Council is already selling its HR services to schools; and other options need to be considered as to what other services to could offer. However it is also noted that whilst a number of Councils share services, geographically this may be difficult for the Council, but it should be considered. As the nearest councils are the city councils Southampton and Portsmouth, this would impinge on the independence of the Council. A number of services are already working with Hampshire Council.
- 12.1.12. **One Island Strategy.** The One Island Strategy, working with the NHS, Police, Prison Service and other government agencies opens up the possibility of having common services serving all, and with the chances of rationalising (and therefore) sharing costs over common areas of operation and support. A long term project, but one that must not fall into the trap of adding management layers rather than rationalising them.

12.1.13. **Parking.**

- (i) The whole area of parking is under review to make this fairer across the Island, but also to enhance a good funding resource.
- (ii) These parking spaces occupy large areas within Newport and other town centres and could be considered prime building sites. The building of multi-storey car parks, trading land off the land for commercial gain; or granting outline building consent for developments which offer lower ground floor public parking.
- (iii) It is understood that this is already included within the 2016 Parking Strategy, but has not been acted on.
- (iv) Again as Parking is non-statutory we consider it could be set up as a Local Authority Trading Company. This would remove the responsibility of charges away from the Council freeing up valuable officer time.

12.1.14. **Buying Commercial Property outside area for rental income –** The Council has implemented this strategy and currently this is a Council responsibility, but if this portfolio was to grow it may be better placed in a Local Authority Company working within guide lines set by the Council.

12.1.15. **Investing in Utilities/Energy** – The Council has moved away from establishing an energy company which has been undertaken in other areas. However, it has invested in Wight Community Energy, a community owned solar farm.

12.1.16. **Floating Bridge.** It would be interesting to know the Business Case on this – investment against return etc. It is non-statutory and should therefore be viewed as a commercial venture; including a set aside fund for the replacement of the Floating Bridge at some future date.

12.1.17. **Medina Bridge. The Council plans to fund a feasibility study for such a bridge.** This should consider the impact this would have on the Floating Bridge, and if it comes to fruition to ensure the procurement is such that it does repeat recent failures with large projects.

12.1.18. **Data Centre.** There are a number of these on the Island and with Council funding it may be feasible, working with others to centralise these and gain a return

12.1.19. **Waste** – There are a number of Local Authorities who have been very successful in this area working with outside contractors, but some kept or have brought the operation back in house. It would be good to know the details of the Amey contract to see if there would be any gain in returning this to Council control.

FINAL CONCLUSIONS

13. Without a Council Commercial Strategy in place it is unable to move forward on commercialisation in an effective way that would provide additional revenue from the opportunities that this can bring.

RECOMMENDATION

14. That the Cabinet Member for Resources be recommended to urgently implement a Commercial Strategy which takes into account the content of this report.

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