

Minute from Overview & Scrutiny Meeting on 8 December 2022

Commercial Strategy Progress Update

Councillor Archer, Portfolio Holder for Investment and Companies, introduced the first annual update on the Council's Commercial Strategy, part one of which was agreed in November 2020 and part two in December 2021. Since the Commercial Strategy was approved, the Council has also implemented the Financial Sustainability Programme, covering a number of complementary activities. Updates on that Programme are provided quarterly to this Committee and to the Executive.

Commercial activities are guided by the three key principles set out in the Strategy. These are that the Council will be ethical and meet statutory responsibilities; that commercial decisions will be robust, consistent and supported by due diligence; and that income will be used to support financial sustainability and services for residents. The Council's commercial activity can be broken down into two main areas, commercial assets and commercial services. Information on company activity is available in the parallel Companies Performance Report, which was also on the agenda for this meeting.

Progress this year has been positive, with some work on commercial assets making a particular contribution. Noteworthy achievements include securing almost £1.2million from new property lettings, preventing nearly £400k of costs from void properties, and good progress on developments at The Rise and Wheatley Court enabling cautious income projections of £250k in 2025/26, increasing to £800k by 2027/28. The Council has also agreed to buy temporary emergency housing units to improve the housing offer and reduce costs, approved a programme of re-letting cafe premises in parks to improve income and is developing a pipeline of future opportunities around remaining key properties and potential land assembly. When it comes to making Council services more commercial, this year the focus has been on the review of fees and charges which has identified approximately £1million in savings and additional income. More information on those charges is available in the annual budget papers.

There have been areas where progress has not been as originally envisaged or where plans have had to change, following changes to regulations on Government funding. The Council is no longer progressing plans for a holding company and plans to strengthen the Council's procurement and contract management skills base have also been slower than first hoped due to recruitment challenges. The plan is to continue to work towards delivering identified actions in the coming year, ensuring that commercial activity continues to be a component in wider financial sustainability work.

Members discussed and asked questions on the following areas:

Commercial Assets – Page 56 of the report states that three projects (Camelia Close/Pitwood Park, Lee Street Horley and Wheatley Court/Cromwell Road) have been successfully concluded, Members asked for the details of the capital budget outturn for the projects. A written exempt response would be provided.

Members further asked for a "lessons learnt" report following completion of the projects at Cromwell Road and Pitwood Park. A written response would be provided.

Commercial Services – Members noted the option of establishing a housing company had been found not to be financially viable and asked for the reasons behind this decision. It was confirmed that this was due to increased Government constraints around funding for commercial activities. The possibility of setting up a company had

been explored, but the regulations surrounding lending meant that it would not be financially viable.

Members commended the decision not to move forward on the grounds of financial viability as this demonstrated good governance around decision-making.

Members asked whether possible options for joint working with Raven Housing Trust would be considered by the Partner Shareholder Trustee Sub-Committee (formerly Commercial Ventures Executive Sub-Committee). It was confirmed that any such options would be subject to the appropriate governance, including approval by the Sub-Committee.

Asset (Re-)Development – Members commented that the potential revenue income from The Rise and Cromwell Road were included in the report but were not broken down by property. Members requested a breakdown by property of funding, construction costs and net rental income to ascertain the return on investment for each asset. A written response would be provided.

Members further requested clarity on the Council's ability to build and let accommodation. The Portfolio Holder for Investment and Companies explained the 32 units at Cromwell Road were available for social rent to Council tenants on a secured long term tenancy. The possibility of developing a housing company would have provided an option to build units for rent on commercial terms to generate a return for the Council; however, this was the option that was found to be financially unviable. The Council was now considering options for working with social housing providers, such as Raven Housing Trust.

It was suggested by Members that the progress on the Housing Strategy should be reviewed following the successful projects at Pitwood Park, Cromwell Road and The Rise and that this should be added to the Forward Work Plan for the Overview & Scrutiny Committee.

It was also suggested that this could be reviewed alongside Surrey County Council's forthcoming Housing Strategy to maximise value for residents.

Asset reporting – The Committee welcomed the introduction of a formal quarterly asset performance report to the Partner Shareholder Trustee Sub-Committee on the Asset Management Plan. It was commented that it would also be useful for up to date project dashboards to be reported.

Revenues and Benefits – Members asked for an update on Revenues and Benefits trading activities. A written answer would be provided setting out the income received, costs incurred and contribution to fixed costs and overheads. The total cost of the services provided had been analysed to ensure there was no cross-subsidisation and to ensure that opportunities were maximised through appropriate pricing.

Maximising Use of Assets – Members asked whether future plans for employing renewable energy and plans to improve energy efficiency in Council buildings were proceeding. It was confirmed that the Council owns various assets, and these needed to be used in the best way. Some assets could be improved to become more energy-efficient, and in the light of rising energy costs, some projects which had not made economic sense in previous years might be more viable now. In addition, the Council was ensuring that the rolling maintenance programmes were working in line with the Environmental Sustainability Programme and using energy more wisely, such as

retrofitting insulation, installation of LED lighting, installation of new environmentally friendly boilers and exploring potential for the installation of solar panels.

Members suggested that larger plots of land could be used for wind turbines or other low carbon energy generation.

RESOLVED that the Committee:

Noted the Commercial Strategy Annual Progress Report at Annex 1 and made observations to the Executive.