

Overview & Scrutiny Committee - 9 December 2021

Commercial Strategy – Part 2 - Minute 52 (Agenda Item 7)

Observations for Executive Members

The Committee received the Commercial Strategy Part 2 Report and its Annexes 1 to 6 and the Summary of the O&S Commercial Strategy Scrutiny Panel which met on 2 November 2021 (Annex 2).

Councillor Archer, Portfolio Holder for Investments & Companies, introduced the Commercial Strategy Part 2 report (*Funding our Services: A Commercial Strategy Part 2 – Explaining the Reigate and Banstead approach to commercial investment*). This followed on from the Commercial Strategy (Part 1) which set the direction for the Council's commercial activity and was approved by Executive in November 2020. Part 2 of the Strategy set out the current approach, taking into account the challenges of the current financial position, latest borrowing rules and experiences with commercial activity to date. The 'Plan on a Page' Summary in the published agenda pack (p143) set out the proposed commercial approach. This includes to maintain existing income streams from our assets (currently around £4m a year); to grow income from these assets and also develop new income streams, such as repurposing poorly performing assets; to invest in new assets to deliver corporate objectives and income/savings; to continue to sell or trade services; and to take a more commercial approach to non-statutory fees and charges.

It was noted that the draft strategy approach was reviewed thoroughly by Panel Members at the O&S Commercial Strategy Scrutiny Panel in November with opportunity for further consultation on the final document. The final strategy was due to be approved by Executive on 16 December.

Commercial Strategy Scrutiny Panel Chair, Councillor Walsh, gave a verbal update of the Panel's discussions on 2 November. This included the need to learn from past commercial decisions both at Reigate and Banstead and in other local authorities. He highlighted the importance of effective commercial governance and oversight including robust business cases which were monitored as schemes developed.

In conclusion, Councillor Walsh recommended that the skills required for instigating, development of and managing commercial ventures by the Council is thoroughly reviewed and secured so that the Borough has all the necessary skills to undertake and successfully deliver the strategy.

Members discussed and made observations on the following areas:

Commercial skills – Members strongly supported the points raised by the Panel that the Council must ensure it has access to appropriate commercial skills, awareness and expertise for the strategy to succeed. This included drawing in additional expertise if needed such as use of external advisors to support in-house staff or provide specialist advice to oversee certain commercial projects.

Learning from experience – Members commented that it was important that lessons were learned, from previous projects and analysis of business cases. Best practice included listening to residents’ feedback from previous projects. Taking an evidence-based approach and applying the Council’s project management framework, including risk management, as set out in the report, was recognised as important to be able to deliver the income generation activities to build financial resilience as set out in the Corporate Plan, Reigate and Banstead 2025.

Environmental and social benefits – Members noted that these were also key elements to include as a measure of success when progressing commercial schemes in addition to financial gains such as in housing development projects and recognised that the Council is no longer able to invest purely for yield.

Reporting on commercial activity – quarterly commercial income updates were proposed to be reported to Overview and Scrutiny Committee as well as quarterly updates on portfolio performance to Commercial Ventures Executive Sub-Committee (CVESC) members. It was noted that these updates were to the Sub-Committee and information should be made available (on a Part 2 basis if required) to all Members of the Council to ensure accountability and performance of the portfolio. The Portfolio Holder agreed this would be clarified in the strategy. Six-monthly updates on the Council’s companies performance are also provided to the Committee. The Portfolio holder confirmed that there would be an annual report back on the Commercial Assets Action Plan (Annex 4) and the Commercial Services Action Plan (Annex 6). The Chairman also noted that the strategy encompassed the Council’s activity in housing projects.

The Leader, Councillor Brunt, told the Committee that the importance of in-house skill and expertise, investing in staff, fixed-term staff resources, working with a range of local partners and drawing on external advice with topic-specific experience, where needed, was recognised by the Executive and set out in the Commercial Strategy - Part 2 (p8 of the strategy, section 1, par 11 and p30 of the strategy, section 6, pars 96 to 98). He therefore supported the Committee’s observations in this regard.

RESOLVED – that the Committee:

1. Notes the Commercial Strategy Part 2 Report and Annex 1 and the Summary (Annex 1) and discussions from the O&S Commercial Strategy Scrutiny Panel meeting on 2 November 2021; and
2. Provides observations set out in the Minutes for consideration to Executive, including that the Commercial Strategy (Part 2) stresses the importance of in-house commercial skills needed to manage and support commercial activity, pulling in necessary external resource, if required, to successfully deliver the strategy.