

**Portsmouth**  
the **great** waterfront city



**Commercialisation, income generation & trading case study**











30 MINUTES TO NEAREST AIRPORT

TIPNER  
3,600 NEW JOBS  
2,370 NEW HOMES

NEW MOTORWAY JUNCTION  
NEW PARK & RIDE



£2BN INVESTMENT PLAN

TOP 20 AREA FOR START-UPS

£4.7M BOOST FOR SUPER FAST BROADBAND AND WI-FI

£17 MILLION INVESTMENT PROJECT FOR PORT

9.2M VISITORS PER YEAR

UP 7%

3,700 PERMANENT JOBS  
6,800 BUSINESSES

TOP 20 CITY FOR JOBS GROWTH

23,000 UNIVERSITY STUDENTS

ONLY 70 MILES FROM LONDON

HOME OF BEN AINSLIE RACING'S AMERICA'S CUP TEAM

50MPH FOILING

POPULATION 209,000  
WORKING AGE POPULATION 145,000

BIRTHPLACE OF CHARLES DICKENS

AND BIRTHPLACE OF SHERLOCK HOLMES

# Why a commercialisation and income generation focus?

- Since 2011-12 grant cut by £68m - 42% of our controllable budget
- Determined to avoid becoming a hollowed-out shell of a council
- Medium Term Resources Strategy - *‘In year’ expenditure matches ‘in year’ income over the medium term whilst **continuing the drive towards regeneration of the City, being entrepreneurial and protecting the most important and valued services***

# Four-strand Strategy:

- I. Transforming to an entrepreneurial council - through income generation*
- II. Reduce the extent to which the population needs council services - through improving prosperity and managing demand*
- III. Increasing efficiency & effectiveness - by improving value for money across all services*
- IV. Withdraw or offer minimal provision for low impact services*

# Transforming to an entrepreneurial council

- Income generation
- Maximise return from property and assets
- Invest for commercial gain
- Develop and establish commercial entities to sell services
- Capital investment for jobs and business growth (increase Business Rates)
- Establishing strategic partnerships / share service arrangements to reduce costs and increase resilience

# Property Investment Fund

Part of our approach:

- Borrow money from Public Works Loans Board
- Invest in commercial assets with established tenants with a revenue stream
- Sound investment and profitability are overriding objectives (more so than supporting local economy)
- Last year profit (allowing for cost of borrowing) was £4.3m pa



# Property portfolio - over £108m on 10 assets

<b>Waitrose supermarket - Somerset (£13.2m)</b>	<b>DHL warehouse - Warwickshire (£12.4m)</b>	<b>Mercedes Benz showroom - Eastleigh (£8.75m)</b>
Estate of trade units - Leeds (£13.75m)	Lidl and Dunelm retail units - Worcestershire (£8.3m)	Sharps Bedrooms factory -West Midlands (£11.5m)

***‘The great town hall property buying spree –***

*Cash-strapped authorities have become real estate investors to raise funds’*

Oliver Shah

The Sunday Times, April 9 2017



# Marketing our services

Shared services and shared resource increasingly important

- s151 officer is the s151 officer for Portsmouth, Isle of Wight and Gosport
- Joint DPH with Southampton
- Director of Adult Services is also the Chief Operating Officer of the Portsmouth CCG
- Internal audit for 11 external clients

# Marketing our services

- Website and a trading services booklet – but relationships really important
- Sometimes you don't need to market - reputation counts for a lot
- Existing sizeable market with schools - education and support services - worth £4m
- Move to academies threatens market - if it doesn't make much profit or add to core sustainability should we offer the service?



# Other income generation

## Maximise income from other assets

- Own and run Portsmouth International Port
- Taken over a shipping company
- Sold leasehold of Isle of Wight ferry terminal to an insurance company - £73m lump sum - £2m p.a. revenue funding
- Built road and warehouse to unlock new development - Fat Face moved in
- Setting up a charity for care leavers – not for statutory responsibility – adds social value and easier to raise funds





# Other income generation

- in-house utility management and energy efficiency driven engineering projects - Investment of £10.2m over 3 years; Annual Savings £1.3m; Annual Income £500k
- Solar panels - 3.5MW installed, 4 MW planned this year - income and savings over £600k pa
- LED lighting (6 year payback)
- CHP for leisure centre - £550k up front - 4 year payback

# Can we plug the gap?

We haven't yet but we are working towards it.  
Needed savings for 2017-18 of £9m:

- ❖ £6.7m efficiency savings
  - Property income
  - Prevention through earlier intervention
  - More efficient debt servicing
- ❖ £1.4m new income
- ❖ £0.9m through service cuts



# Some key issues

- Be crystal clear on objectives
- Only a small part of the total operation
- Explain strategy to staff, partners and public
- Recognise different perspectives
- Risk identification, analysis and management
- Access to top advice – internal and external
- Beware chasing the money and losing the (p)lot

# Some lessons we have learnt





# Some lessons we have learnt

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## Seeing red: Portsmouth FC fans react with outrage at plans to repaint the city's Spinnaker tower... in the colours of rival club Southampton

- Paint job is part of £3.5million sponsorship deal with Emirates Airlines
- Carrier's logo is red and white - but so is strip worn by Southampton FC
- Portsmouth fans started petition to block change with 6,500 signatures

By [CHRIS PLEASANCE FOR MAILONLINE](#)  
**PUBLISHED:** 20:49, 6 June 2015 | **UPDATED:** 11:32, 7 June 2015

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Portsmouth fans have reacted with outrage to plans to pain the town's Spinnaker tower white and red - the same colour as the football strip worn by their biggest rivals Southampton.

Portsmouth council agreed to the paint job as part of a £3.5million sponsorship deal with Emirates airline, whose colours are also white and red.

However, fans of long-suffering Portsmouth FC, which faced going bankrupt until being bought by its supporters in 2013, are less than pleased.





Good relationship with Emirates meant a solution was found - £3.5m over 3 years!



Thanks for listening

[david.williams@portsmouthcc.gov.uk](mailto:david.williams@portsmouthcc.gov.uk)

Tel: 023 9283 4010



**APSE Commercialisation, Income Generation & Trading Advisory  
Group**

# **The legal framework surrounding trading and charging powers**

20th April 2017

**Richard Auton  
Consultant  
Walker Morris LLP**

**WALKER  
MORRIS**





# What's the difference?



# Brief History of Charging and Trading





# Specific Powers



## Encourage Visitors

- S144 LGA 1972



## Provision of Entertainments

- S145 LGA 1972
- Power to charge



## Parking,

- Part iv Road Traffic Regulation Act 1984



## Recreational Facilities

- LG (MP) Act 1976



## Energy

- Sale of Electricity by Local Authorities (England and Wales) Regulations 2010/1910

# Providing Goods and Services to Public Bodies

- Local Authorities (Goods and Services) Act 1970
  - Authority may provide to a **Public Body**:
    - Goods and materials
    - Administrative Professional or Technical Services
    - Use of vehicles plant or apparatus
    - Works of maintenance
  - Such terms as to payment or otherwise as the parties consider appropriate

# General Power of Competence (Localism Act)

- Power to do anything that individuals may generally do
  - Even though in nature extent or otherwise
    - Unlike anything the authority may otherwise do
    - Unlike anything that other public bodies may do
  - Individual with full capacity
- Anywhere in the UK or anywhere else
- For a commercial purpose or for a charge or without a charge
- For or otherwise than for the benefit of the Authority or its area or residents



# Charging for Services

## Local Government Act 2003

- Relevant authority may charge for a service if—
  - authorised, but not required, to provide the service
  - the recipient has agreed to its provision.
  - does not apply if another power or express prohibition to charge for the provision of the service,
- Duty to secure that income from charges does not exceed the cost of provision
  - taking one financial year with another.

## Localism Act

- power to charge the person for providing a service only if—
- (not one that a statutory provision requires the authority to provide to the person,
- the person has agreed to its being provided, and
- the authority does not have power to charge for providing the service.
- taking one financial year with another, the income from charges does not exceed the costs of provision.

# Power to Trade

## Local Government Act 2003

- Authorised to do for a commercial purpose anything which authorised to do for the purpose of carrying on any of its ordinary functions.
  - Not where required or authorised under ordinary functions
- Power only exercisable through a company
  - part 5 of the Local Government and Housing Act 1989.
  - Prepare business case
  - Recover costs

## General Power of Competence

- Limits on doing things for commercial purpose under the General Power
  - Only through Company
  - Not if activity is a duty
  - Subject to
    - pre-commencement limitations
    - post commencement limitations



# **RUNNING AS A BUSINESS**

# Do you need a Company?

## Statutory Requirement

Trading  
Powers

### Choice

Limited  
Liability

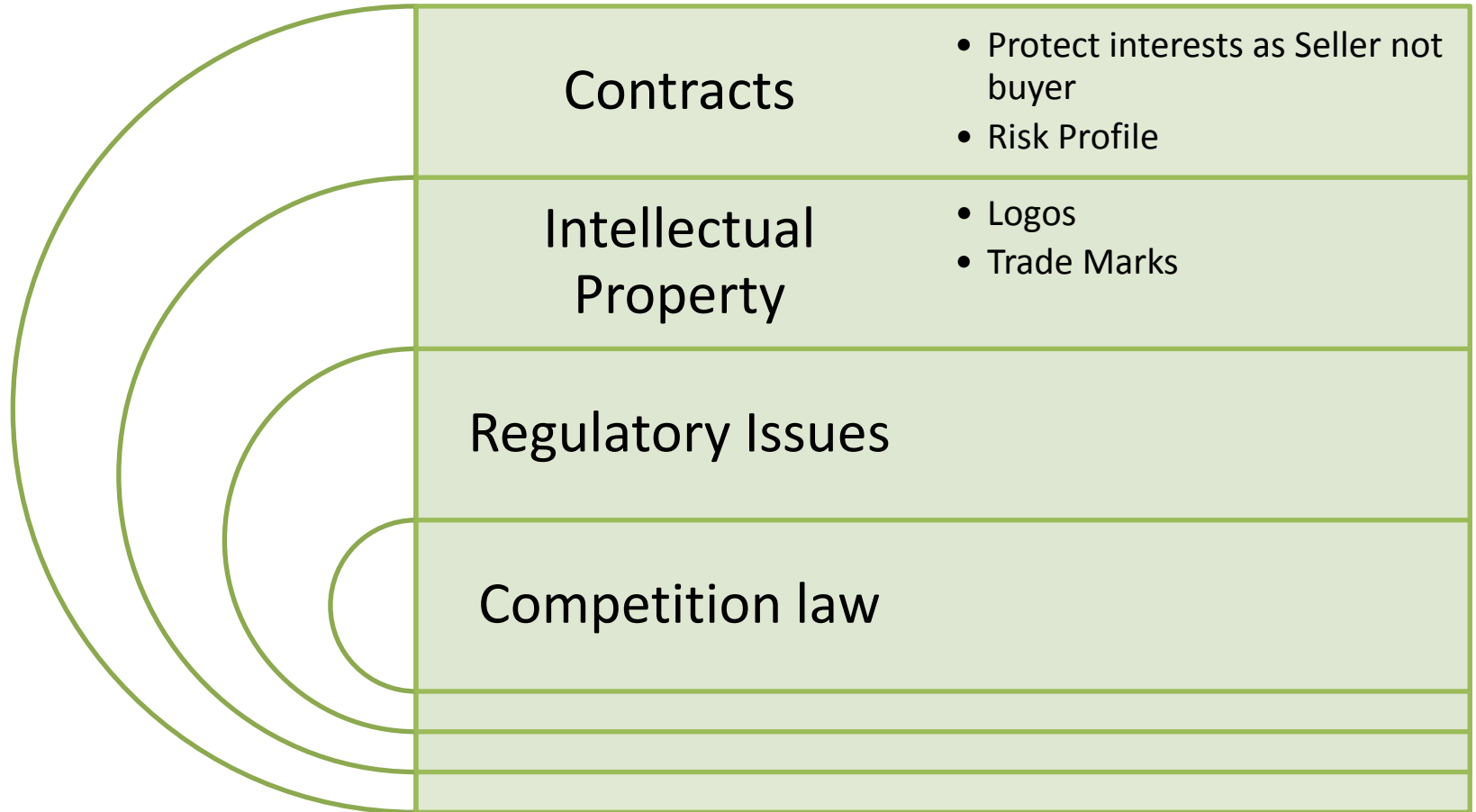
Tax

Governance

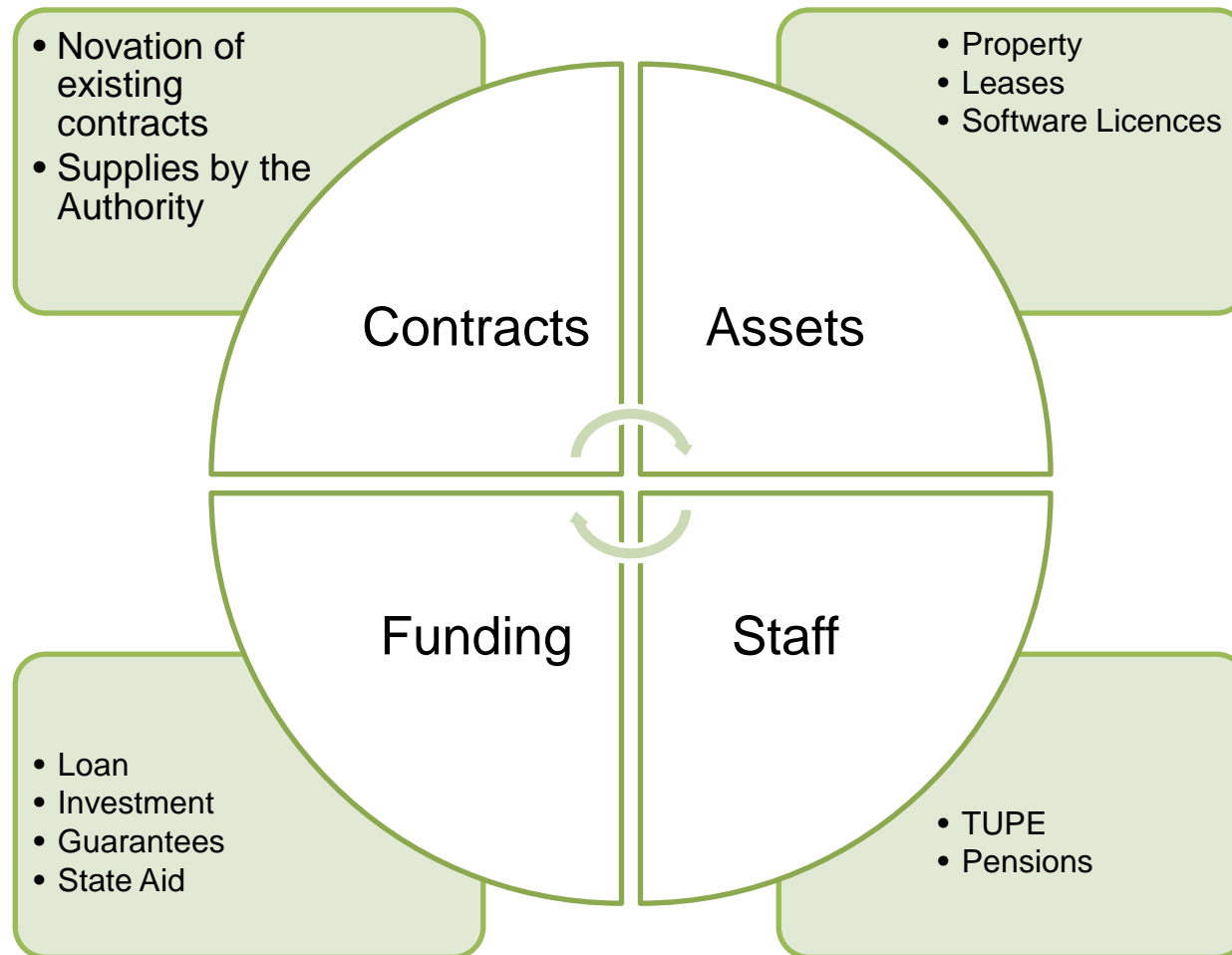
Procurement



# Other Business Issues



# Business Transfer Issues



# Contact

Richard Auton

Director

**Walker Morris LLP**

Kings Court  
12 King Street

Leeds  
LS1 2HL

0113 283 2500

07525 198953

[www.walkermorris.co.uk](http://www.walkermorris.co.uk)

[richard.auton@walkermorris.co.uk](mailto:richard.auton@walkermorris.co.uk)



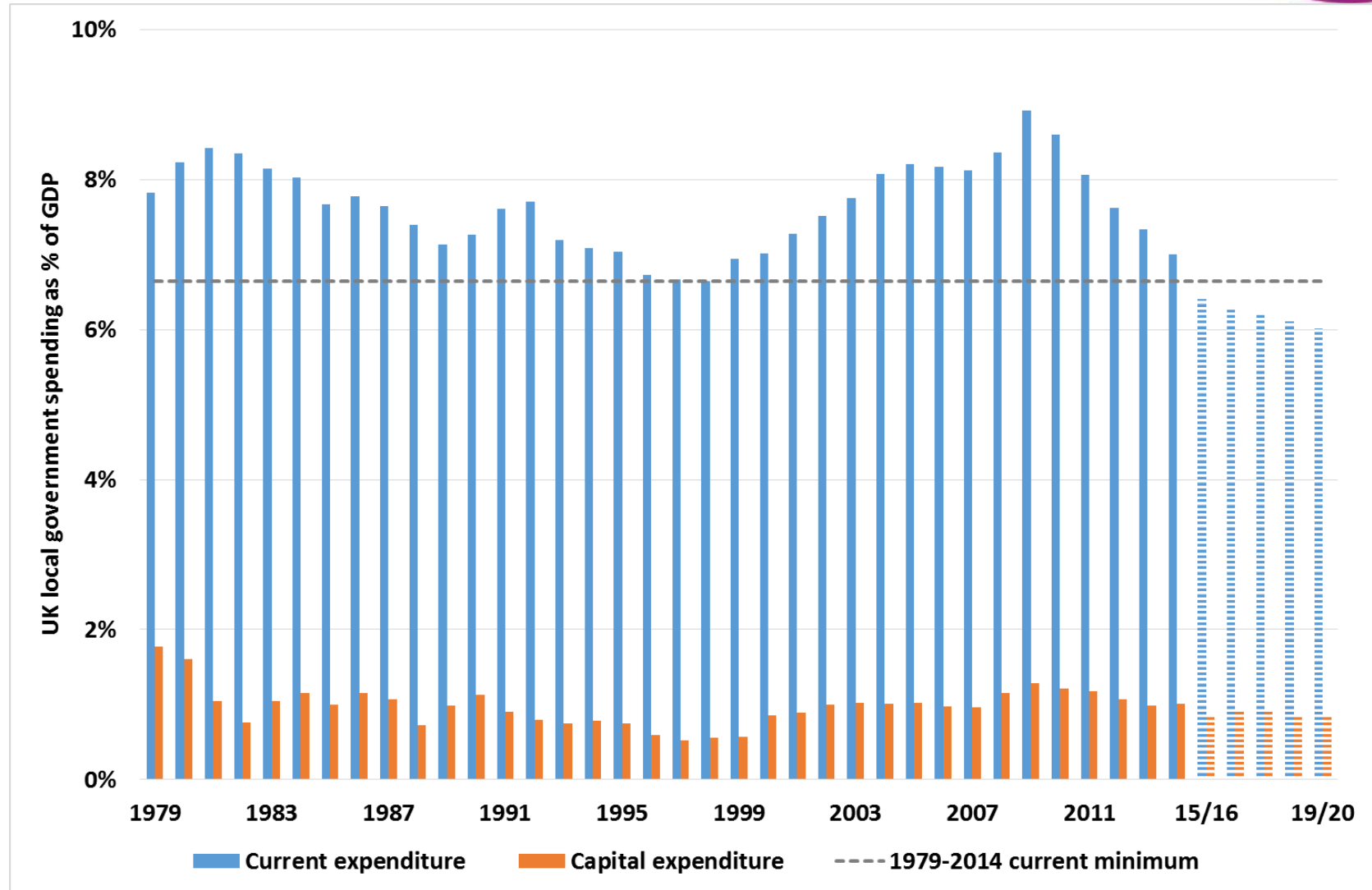


# **Commercialisation and income generation in local government**

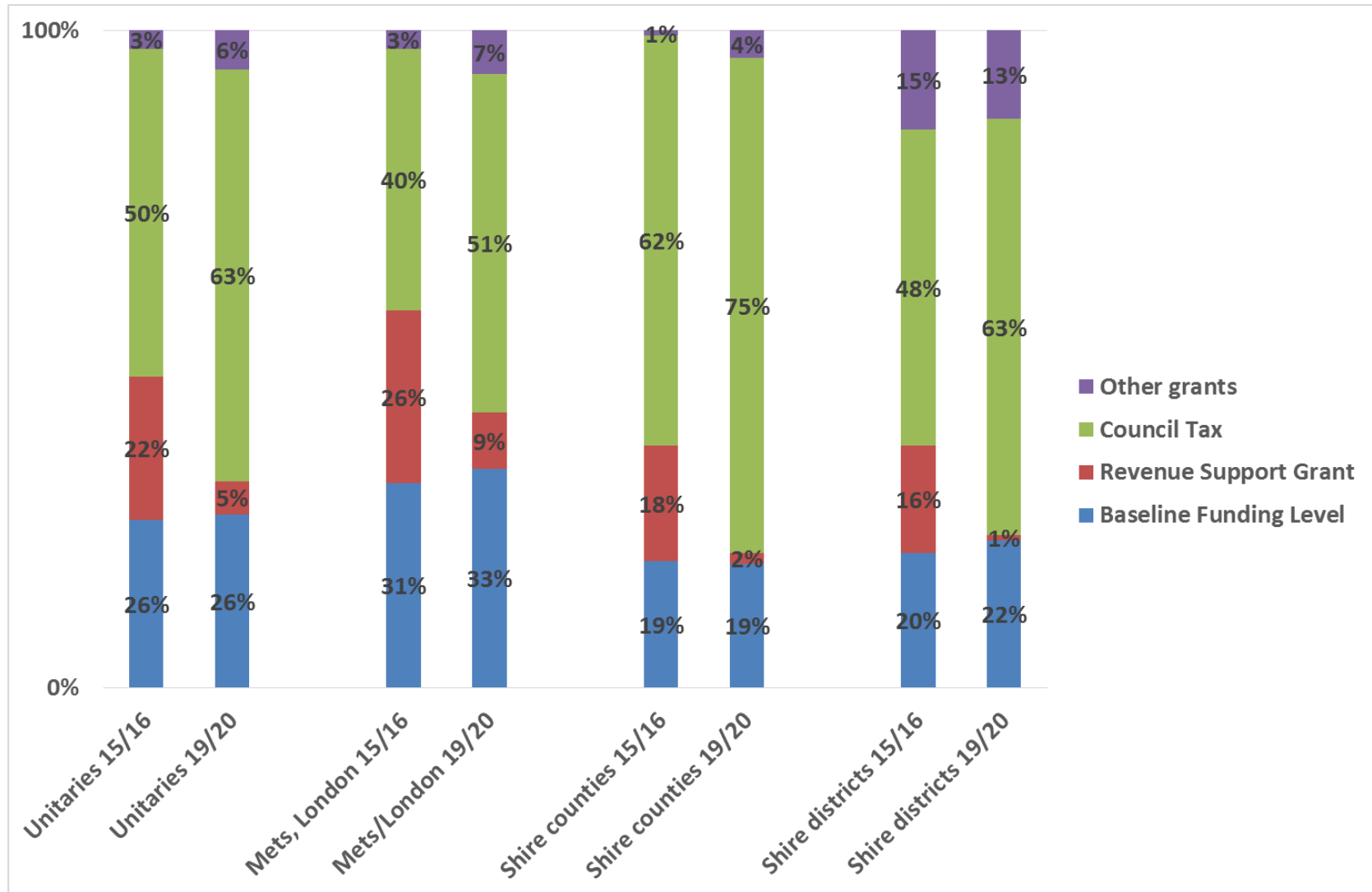
Paul O'Brien,  
Chief Executive, APSE



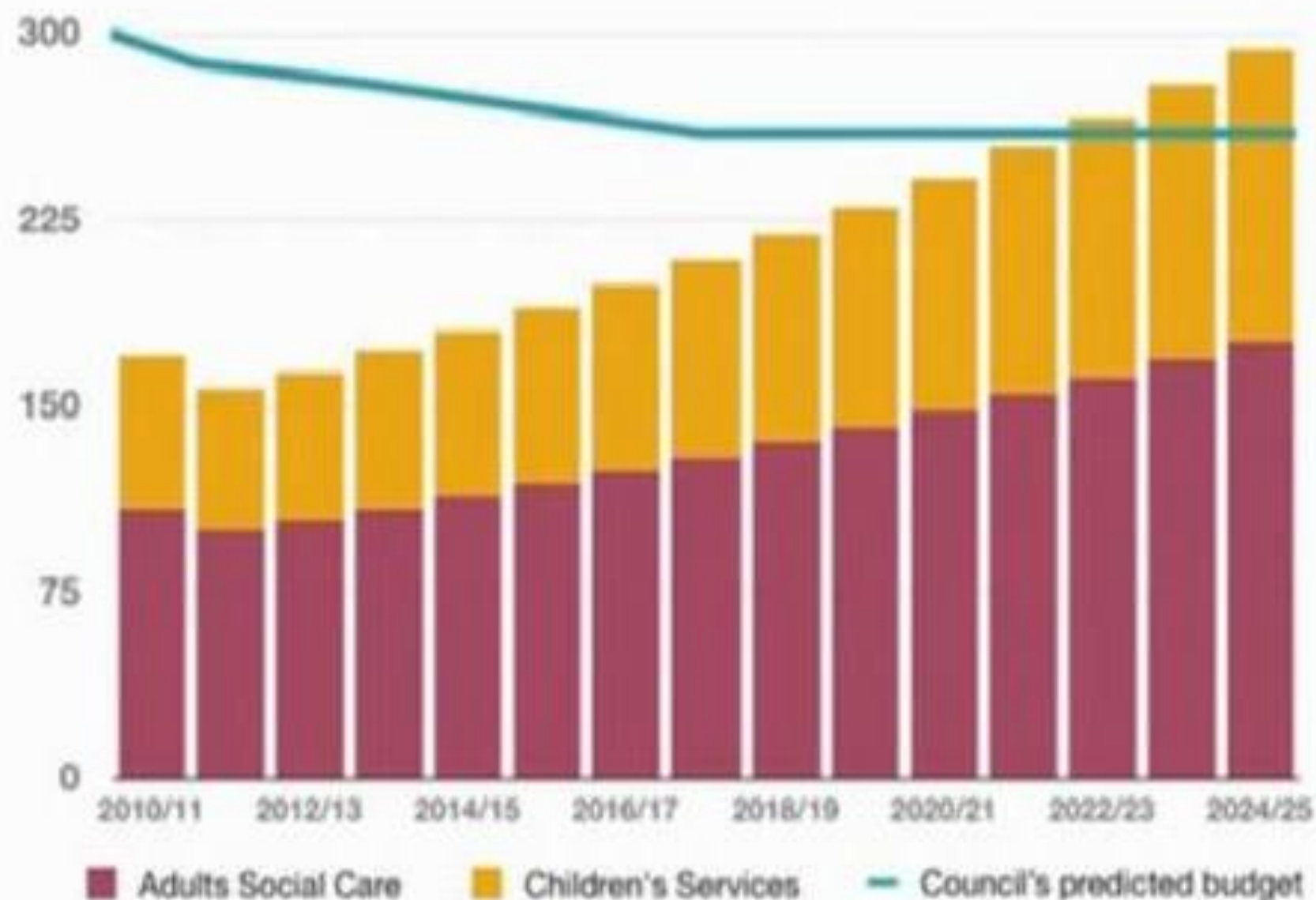
**UK local government spending as a share of GDP:** current spending, already below the 1979-2014 minimum, is projected to go on falling to 2020



# Balance of core spending power 15/16 and 19/20: as RSG shrivels beyond London and the Mets, most LA funding will come from council tax



# The 'Graph of Doom'



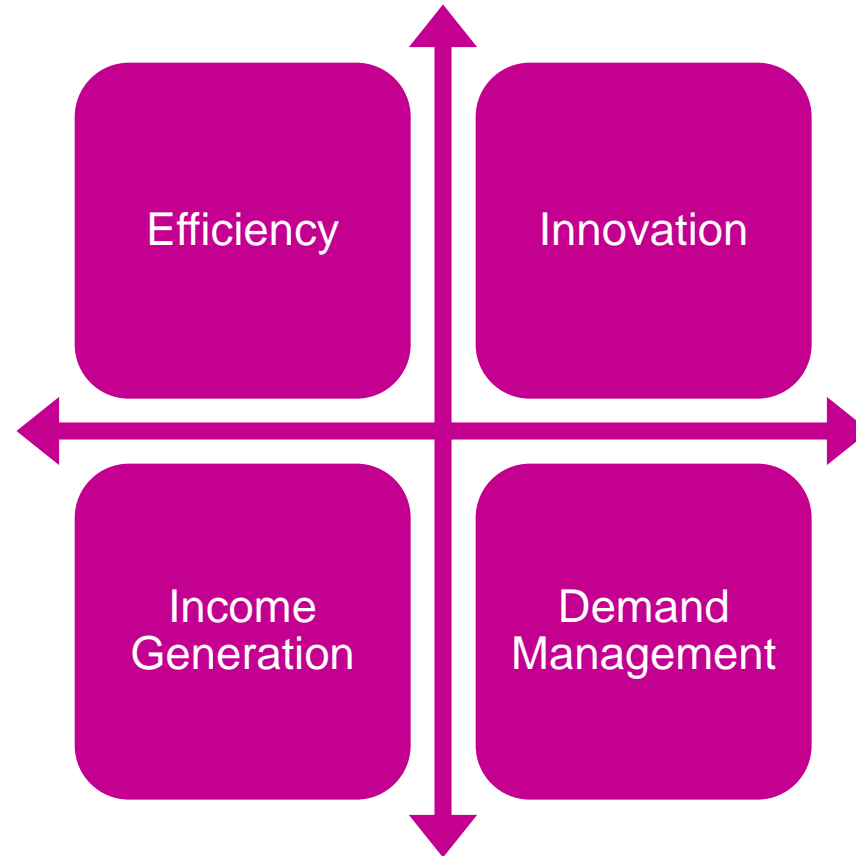




# What will local government look like in 2020?



# The pillars of excellence



# Public policy challenges



# Income generation





# Income generation



80% intend to increase fees & charges over next 2-3 years

- Sports pitch lettings (91%)
- Allotments (70%)
- Festivals/concerts/events (68%)
- Cafes in parks (66%)
- Bowling greens (64%)
- Ice cream vans/mobile caterers (60%)
- Fairgrounds (58%)
- Renting buildings and land (49%)
- Sponsorship (43%)
- Tennis courts (42%)
- Boot camps (32%)
- Mini golf (28%)
- Golf course green fees (26%)
- Sale of land (26%)

56% indicated that they have income generation schemes

- Selling recycling materials (97%)
- Renewable energy (9%)
- Anaerobic digester (6%)
- Solid fuel recovery (3%)

43% answered that they have income generation schemes

- Property clearance
- Private sector cleansing
- Cleansing for developers
- Sponsorship & advertising
- Events e.g. sporting events
- Care of garden charging
- Other in-house sections e.g. parks
- Services to parish councils
- Other public services e.g. NHS

50% currently sell their services outside of the local authority and over 20% considering it as an option

- Taxi testing (53%)
- MOT services (60%)
- Commercial body shop facility (11%)
- Authorised testing facility for VOSA testing (19%)
- Driver training (72%)
- CPC approved training provider (26%)

# Municipal entrepreneurship



**Local authority**

Innovative public services ahead

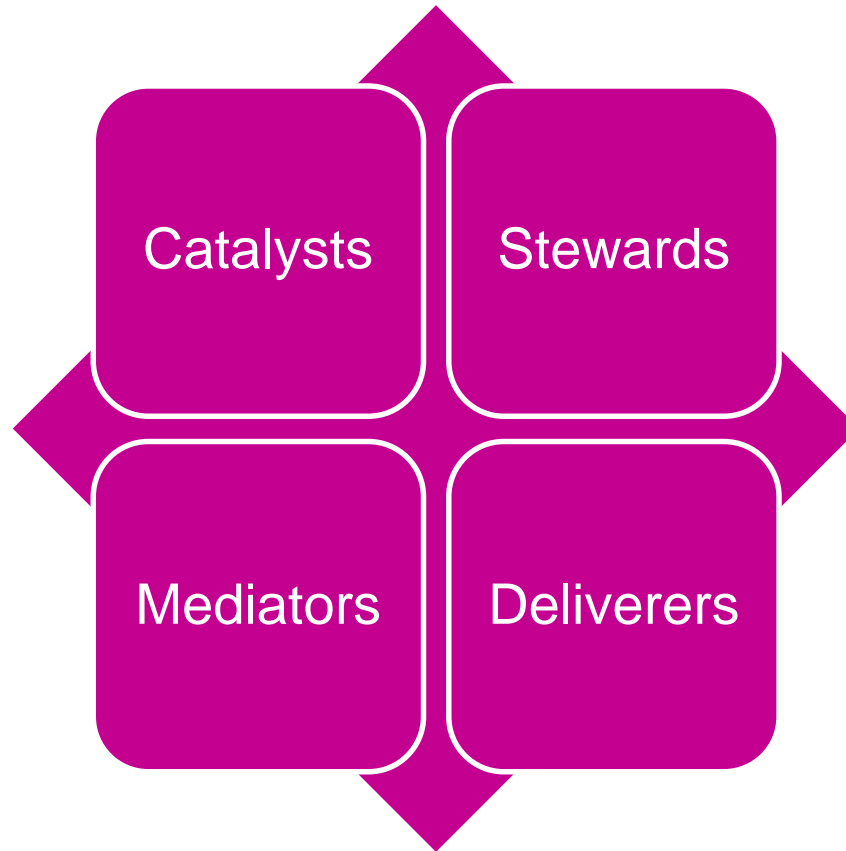
**NO**

Bureaucracy

Inefficiency

Stick-in-the-mud attitudes

# Who are the public entrepreneurs and innovators?



# Innovation



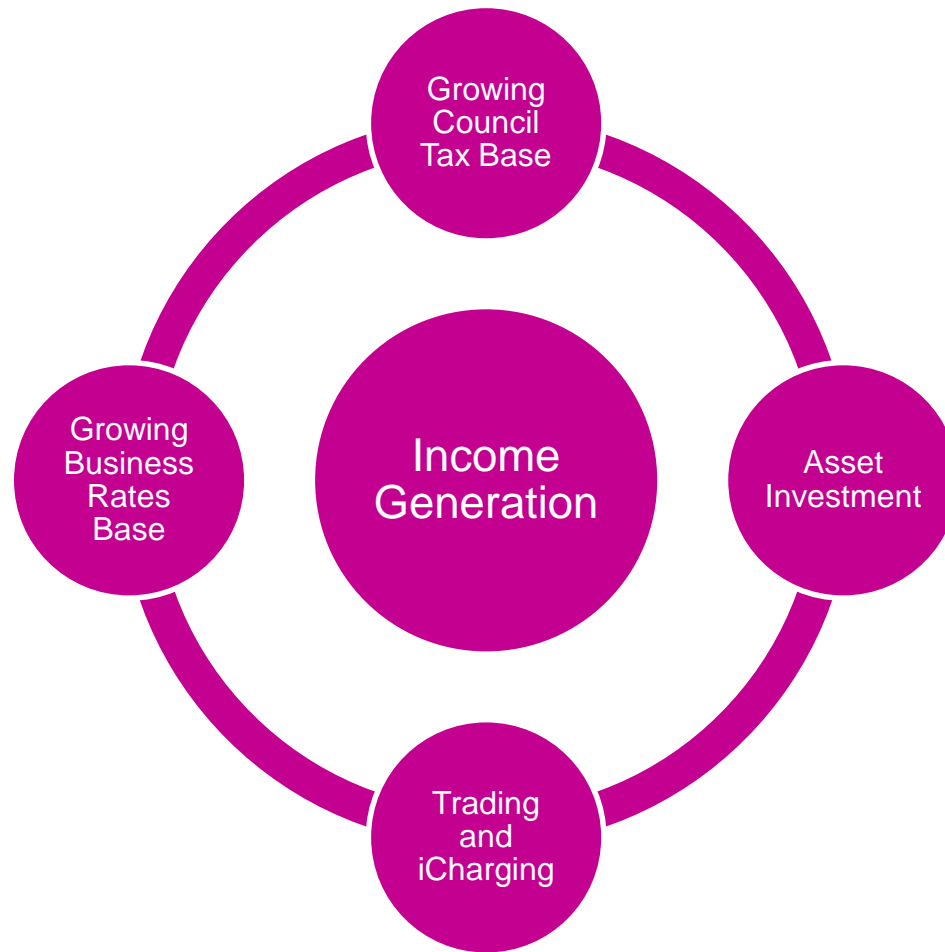
## **Innovation on the frontline:**

How engagement with the local government workforce can improve service delivery in austere times





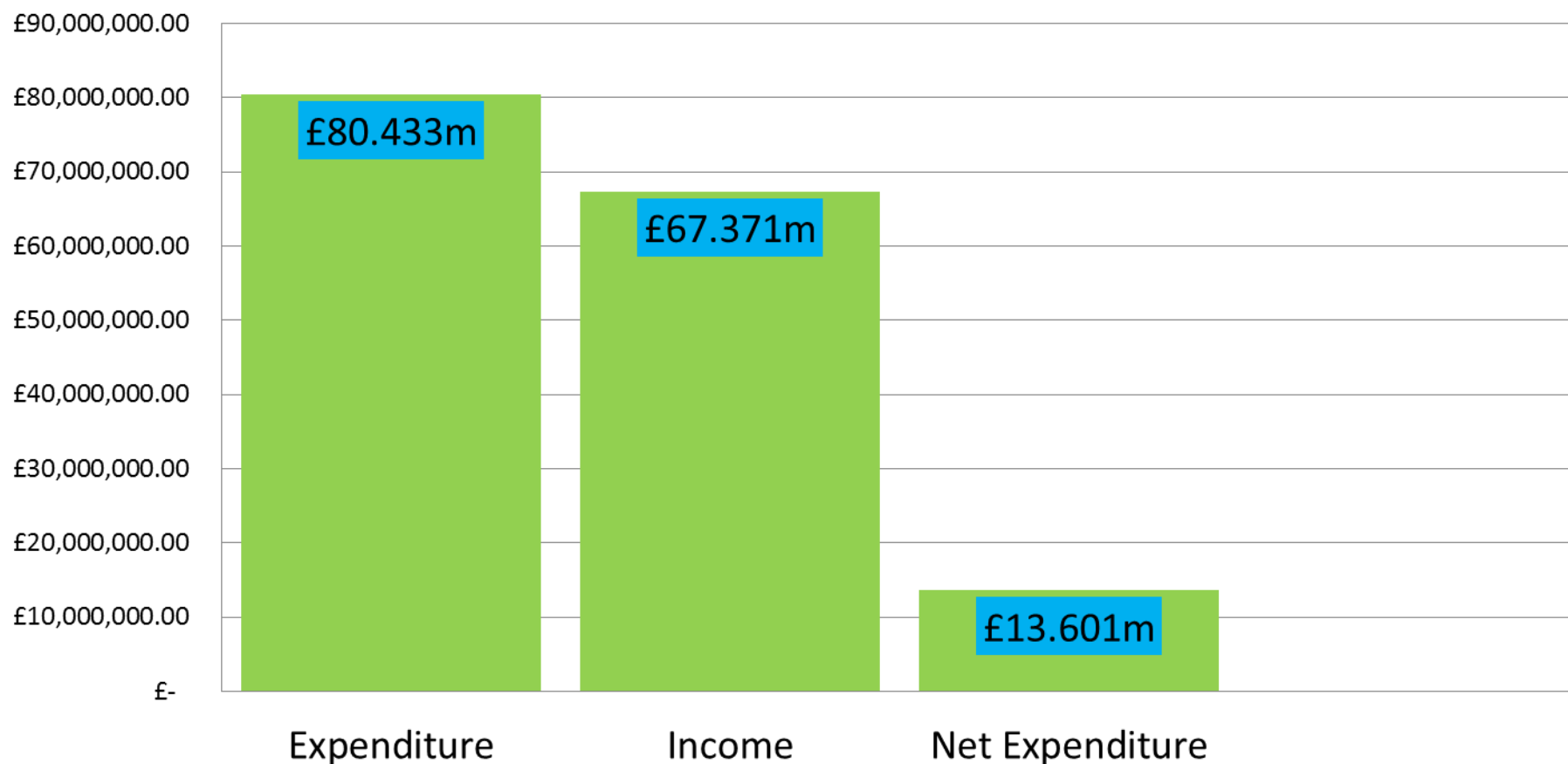
# Commercialisation Strategy



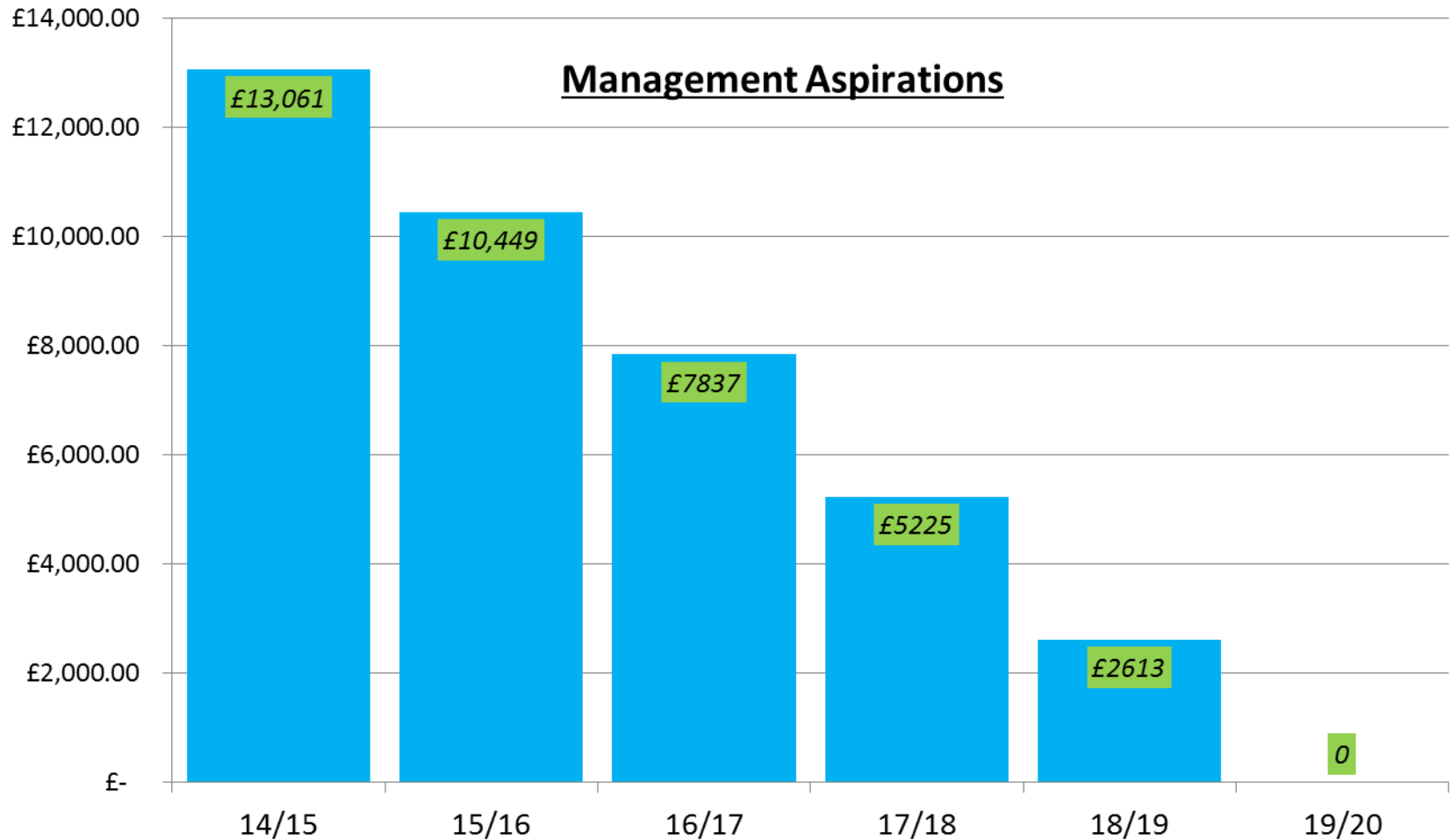
# Commercial & Neighbourhood Services – Management Manifesto



## 2014/15 Approved Budget



# Commercial & Neighbourhood Services – Management Manifesto



# Conclusions



- Budgets continuing to drop up to 2020
- Sector response been good in terms of cost reduction, efficiency and improving productivity
- This only takes us so far
- We now need to seek out income generation opportunities to offset budget cuts
- Need for a commercialisation strategy
- Time for a spirit of municipal entrepreneurialism



**LOCAL SERVICES**

**LOCAL SOLUTIONS**



# Contact details

**Paul O'Brien**

**Chief Executive**

**Email: [po'brien@apse.org.uk](mailto:po'brien@apse.org.uk)**

**Twitter: [@apsetweets](https://twitter.com/apsetweets)**

**Association for Public Service Excellence**

2nd floor Washbrook House, Lancastrian Office Centre, Talbot Road,  
Old Trafford, Manchester M32 0FP.

**telephone:** 0161 772 1810

**fax:** 0161 772 1811

**web:** [www.apse.org.uk](http://www.apse.org.uk)



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