

## **APSE Scotland Commercialisation Advisory Group**

**The Tolbooth, Stirling – 30 January 2018**

### **Minutes from this meeting**

#### **1. Introduction**

Councillor Jim Montgomerie welcomed all to the first meeting of 2018.

#### **2. Attendance and apologies**

See attached.

#### **3. Minutes of previous meeting (Wednesday 20<sup>th</sup> September 2017)**

The minutes of the previous meeting were deemed to be a true and accurate record.

#### **4. Matters arising from previous meeting**

There were no matters arising.

#### **5. Update on income and commercialisation work in Nottingham**

Councillor Dave Trimble from Nottingham City Council attended to provide an overview of the income and commercialisation work of the council. The forecast surplus for 2017/18 from commercial activity is £3.4 million, plus Nottingham City Transport pays a £1 million annual dividend.

The Council's commercial waste service has over 5,000 customers, £5.5 million turnover with 23,000 tonnes collected per annum and 3,600 tonnes of recycling collected. The fleet is consisted of 10 RCVs, 5 skip vehicles and a confidential shredding vehicle. They provide collections over 412 square miles.

The Council's has multiple catering outlets including their Loxley House HQ, leisure centres, joint service centres, heritage sites and parks. They serve 2 million school meals annually, with 275 FTE employees and £8.9 million turnover.

Energy projects at the Council are delivered in-house. They have installed the UK's largest solar car park canopy, solar panels are installed on over 4,000 Nottingham City Homes rooftops. There are over 40 solar systems on Nottingham City Council buildings generating 1,200,000kwh per year reducing the councils yearly energy bills by over £90,000. The turnover is £20 million.

Nottingham has a fantastic legacy of horticultural excellence, with over 20 years of national and internal bloom success. Their Woodthorpe Nursery is now producing 80% of plants for other local authorities and local landscape contractors, with around 1 million plants produced per year (30% grown direct from seed). The service moved from a £20,000 subsidy per year

to now contributing a £50,000 per year surplus. They also opened the Woodthorpe Retail Garden Centre, which is now delivering over £100,000 per year.

Nottingham Landscape Services do commercial landscape construction and grounds maintenance contracts, and has secured major contracts with the NHS, QMC, Salvation Army Social Housing areas, Highways England, etc.

Nottingham has 56 Green Flag awards, 32 for parks and open spaces, two Green Heritage Awards, 18 Green Flag Community awards, plus 3 contributed by the universities. Citizen satisfaction was 96% in 2016/17.

The Parks service budget has reduced from £8 million to £5.8 million, but during this time income has significantly increased to £5.09 million creating a net service cost of around £702,000. The team brings in 88% of service costs.

External funding since 2007 totals £37 million, which was achieved through bids, commercial activities and partnerships. Quality services have been retained and service improvements continue. Funding has been secured from Heritage Lottery Fund (£9.3m), ERDF (£5.7m), S106 (£3.0m), WREN (£2.2m), Area Capital Funds (£2.1m), Football Associations (£1.5m), the DCMS Play Funds (£1.4m) and many others.

Since 2009, the Parks and Open Spaces Team have won 4 APSE Best Service Team of the Year Awards, and the 2016 Best Private / Public Sector Partnership Award.

Dave answered a range of questions on topics including the Council's bus company, how they got started in commercialisation, who is responsible for negotiating with private companies and how they bid for funding, among others.

## **6. Future opportunities for commercialisation and tips for getting started**

Iain Waddell, Managing Director of Tayside Contracts delivered a presentation on how to get started with commercialisation and the future opportunities for local authorities.

Iain began by covering how Tayside Contracts is setup as a Joint Committee, providing services for Angus Council, Dundee City Council and Perth & Kinross Council. They are wholly owned by the 3 Councils and is their Direct Service Provider. They employ 2547 people in 3458 posts, with a turnover of £70 million for 2016/17. They currently provide the following services: catering, cleaning, construction, janitorial, school crossing patrollers and vehicle maintenance & fleet management. Tayside also undertake work for other authorities and the private sector.

He asked the group 2 main questions:

1. Do you believe that you are a commercial organisation?
2. Are you ready to compete in the marketplace, both public and private?

Tayside Contracts is a cost and service focussed organisation with a single management structure covering three Council areas. The main benefits of this in management terms are: they are flexible enough to respond to the differing needs of the three Councils, they have economies of scale, they can offer services which are too expensive for a single Council, they have the ability to retain specialist skills, they have the ability to go after large public contracts and have the ability to deal with budgetary difficulties which a Council may have.

There are also significant community benefits from Tayside Contracts. The majority of their materials are purchased from Tayside companies, the majority of sub-contractors are Tayside based, most employees live local to their work locations, surpluses they generate are returned to the Council to reinvest in local services. Tayside are also committed to working in partnership with local businesses and provide school meals in the holidays for the Dundee Food and Fun programme.

Some of the innovations developed by Tayside Contracts include:

- Reed bed treatment of gully waste
- Cold mix paving system utilising recycling materials (30% cheaper than conventional systems)
- Use of DERL incinerator ash
- Lean construction (business improvement techniques)

Iain broke down Tayside Contracts 2016/17 total income, total expenditure, construction expenditure, catering expenditure and facilities management expenditure to illustrate the importance of knowing and having control of all of your costs.

Since 1996, Tayside Contracts has returned £22 million to the three Councils as a financial benefit, and has invested around £40 million back into the organisation through the purchase of new plant and equipment and innovation. A good example of the savings potential of transferring services to Tayside Contracts comes from the transfer of janitorial and school crossing patrol services from the 3 Councils, which led to a total of £630,000 year-on-year savings.

As part of the presentation, Iain also showed Tayside's debt management process and a comparison of their bank balance position over time. He also answered a number of questions on topics including staffing, early lessons from the setup of the organisation, how the organisation is managed, whether they contract any services from the Councils, among others.

## **7. Income and investments (Property investment case studies, impact of proposed changes to the Prudential Framework on Capital Finance and update on the work of the National Commercialisation Network)**

Mo Baines, Head of Communication and Coordination at APSE presented on the findings of a recent publication 'Bricks – Mortar – Money', providing case studies on property investment, as well as the impact of proposed changes to the Prudential Framework on Capital Finance.

The current climate has seen reductions in core funding and a reliance on income generation (with £2.4 billion since 2010 on property investments). One county in the South of England spent £186 million outside of its area (78% of its investment properties).

Changes to the prudential framework on capital finance involves minimum revenue provision guidance. It recognises that reliance on commercial activity and investments could leave councils creating a 'structural deficit' in funding core services.

The proposed changes include transparency (an investment strategy to be prepared annually), disclosure on proportionality (reliance on commercial income and committed borrowing and impact on ability to deliver services), borrowing in advance of need (for out of area investments) and links to regeneration / local economic activity in local areas.

APSE's Bricks – Mortar – Money publication contains case studies on Southampton, Mansfield District Council, London Borough of Havering (Mercury Land Holdings) and Canterbury City Council. Those case studies and several others can be read at:

<http://apse.org.uk/apse/assets/File/Bricks%20Mortar.pdf>

The recommendations from the report are: to establish what you have got, measure how well you are doing, have a strategy, define geographic boundaries, establish funding, ensure the proper skills and capacity, look at delivery models, acquire properties carefully, look at the management of acquisitions and always monitor, review and adapt.

## **8. APSE update**

Garry Lee, Acting Principal Advisor from APSE Scotland provided a short update on the recent work of APSE, including the latest trend analysis briefings and upcoming publications, and provided dates of upcoming seminars and training events.

## **9. AOCB**

There was no other competent business.

## **10. Date of next meeting**

Tuesday 17<sup>th</sup> April 2018. Venue / location is still to be confirmed.

## Commercialisation

30-Jan-18

### Attendee List

<b>Name</b>	<b>Council</b>	<b>Count</b>
Willie Whyte	Aberdeen City Council	1
Kevin Robertson	Angus Council	1
Gordon Allan	Angus Council	1
Garry Lee	APSE	1
Jayne Jones	Argyll & Bute Council	1
Ronnie Dempster	Dumfries and Galloway	1
Lawrie Dinwoodie	East Ayrshire Council	1
Ruth Colston	East Lothian Council	1
Catherine McKay	East Renfrewshire Council	1
David Saleh	East Renfrewshire Council	1
Pat Taggart	Falkirk Council	1
Ross Grieve	Fife Council	1
Les Robertson	Fife Council	1
Stuart Fergie	Fife Council	1
Mike Kilbank	Fife Council	1
Cllr Judy Hamilton	Fife Council	1
Cllr Altany Craik	Fife Council	1
Keith Breasley	Fife Council	1
Ross Spalding	Fife Council	1
Elaine Downie	Fife Council	1
Tom Maclennan	Highland Council	1
Michael Kelly	Highland Council	1
Chris Lawson	Midlothian Council	1
Wayne Clarke	Midlothian Council	1
Joe Gordon	Midlothian Council	1
Louise Beattie	North Ayrshire Council	1
Ken Campbell	North Ayrshire Council	1
Russell McCutcheon	North Ayrshire Council	1
Cllr Jim Montgomerie	North Ayrshire Council	1
Caroline Mackie	Perth & Kinross Council	1
Sheila Best	Perth & Kinross Council	1
Cllr Ian Cochrane	South Ayrshire Council	1
Lesley Bloomer	South Ayrshire Council	1

Gavin Hutton	Stirling Council	1
Linda Daisley	Stirling Council	1
Iain Waddell	Tayside Contracts	1
Alan Young	West Dunbartonshire Council	1
<b><u>Total</u></b>		<b>37</b>

### **Apologies**

Pamela Bruce	Aberdeenshire Council
Robert Beattie	City of Edinburgh Council
Jennifer Rodden	South Ayrshire Council
Andrew Kennedy	East Ayrshire Council
Bruce Reekie	Perth & Kinross Council
Keith Breasley	Fife Council