

RISK AND COMMERCIALISATION – A GUIDE FOR LOCAL SCRUTINY COUNCILLORS

Executive Summary

At its meeting on 13 September 2021, the Committee was presented with a report which reviewed the facilities available to undertake scrutiny in light of the statutory guidance issued by the Ministry of Housing, Communities and Local Government (the MHCLG). This report looks at the guidance drawn up by the Association for Public Service Excellence (APSE) and the Centre for Governance and Scrutiny (CfGS) on the scrutiny of risk and commercialisation, noting the Council's significant investment in the economy of the Borough of Woking. Consideration of the guidance was one of the recommendations of the Committee.

The Guidance addresses the ways in which scrutiny can engage with issues arising from commercial activity. The report explores the current landscape around commercialisation and provides a toolkit and guide for councils to help build their own bespoke, locally-relevant governance and scrutiny systems for commercial activity.

The Guidance is attached at Appendix 1 for reference, to be used as a guide in future scrutiny reviews which deal with elements of commercial activities affecting the Borough. The Guidance, together with an extensive list of guidance on the many different areas scrutiny may consider, can be found through the website of the Centre for Governance and Scrutiny (www.cfgs.org.uk).

The Council has adopted an integrated service and financial planning approach through the Medium-Term Financial Strategy (MTFS) which incorporates its commercial, investment and financial resilience strategies. As part of the Overview and Scrutiny Committee's work programme in 2021/22, the Committee meeting on 24 January 2022 received a Comprehensive Statement report which represented a full, independent and comprehensive review of all the assets and liabilities of the Council and all companies of which it has an interest as a component part of the Medium-Term Financial Strategy and integrated service and financial planning.

The Overview and Scrutiny Committee provided the Executive with their observations from the review in order to inform the Council's strategic plans and Medium-Term Financial Strategy. The Comprehensive Statement and the Overview and Scrutiny Committees observations were reported within the **Medium Term Financial Strategy (MTFS), General Fund, Service Plans, Budgets and Prudential Indicators 2022-23 EXE22-001**  PDF 275 KB to the meeting of the Executive on 3 February 2022.

An update to the management actions that were agreed in response to the Comprehensive Statement are attached at Appendix 2 for reference and as an update on progress from the earlier scrutiny review of the Council's investment and commercial approach and strategies.

Recommendations

The Committee is requested to:

RESOLVE That

- (i) the guidance drawn up by the Association for Public Service Excellence (APSE) and the Centre for Governance and Scrutiny (CfGS) on the scrutiny of risk and commercialisation be noted;

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- (ii) the Council's integrated service and financial planning approach which has the Medium-Term Financial Strategy (MTFS) as its strategy for commercial, investment and financial resilience be noted;
- (iii) the Overview and Scrutiny Committees role in providing scrutiny on the Council's approach to risk and commercialisation through the MTFS and specifically the Comprehensive Statement be noted; and
- (iv) the update to the management actions that were agreed in response to the Comprehensive Statement as a report on progress from the earlier scrutiny review of the Council's investment and commercial approach and strategies be received and noted;

The Committee has the authority to determine the recommendations set out above.

Background Papers:	None.
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1.0 OVERVIEW

- 1.1 Woking Borough Council is an ambitious and forward-thinking Local Authority that has made significant investment into regeneration of the borough through residential, retail, office and leisure activity. In addition, the Council has invested to acquire commercial estate that brings significant income back to the council in order to enhance the services delivered to support the communities of Woking.
- 1.2 This level of ambition requires, and has taken, a bold 50-year vision and investment plan for the borough. The Council has committed, to this investment plan in areas where it can secure long-term improvements. The ambition recognises that it comes with a degree of risk and requires a high level of support in the short-term in order to build up sustainable operations that support the delivery of regeneration outcomes.
- 1.3 In support of the position the Council has taken, it has developed an integrated service and financial planning approach through the Medium-Term Financial Strategy (MTFS); the development of a Corporate Plan (and hierarchy of planning) and a Community Engagement programme that is targeting developing and maintaining effective connections between the Council and its communities.
- 1.4 The Medium-Term Financial Strategy (MTFS) incorporates its commercial, investment and financial resilience strategies. As part of the Overview and Scrutiny Committee's work programme in 2021/22, the Committee meeting on 24th January 2022 received a Comprehensive Statement report which represented a full, independent and comprehensive review of all the assets and liabilities of the Council and all companies of which it has an interest as a component part of the Medium-Term Financial Strategy and integrated service and financial planning.
- 1.5 The Comprehensive Statement provided an independent review and insight of the Council's:
 - Asset Position
 - Borrowing Position
 - Financial Interests
 - Contractual Obligations
- 1.6 The Comprehensive Statement and a Member Executive Summary can be accessed for reference through the following links:
 - Member Executive Summary [OSC22-006 Appendix 1 Woking Borough Council - Financial Review - Comprehensive Statement Member Bri.pdf](#)
 - Comprehensive Statement [Proposal of the Future 2.0 - Template 3](#)
- 1.7 The Overview and Scrutiny Committee provided the Executive with their observations from the review in order to inform the Council's strategic plans and Medium-Term Financial Strategy. The Comprehensive Statement and the Overview and Scrutiny Committee's observations were reported within the **Medium Term Financial Strategy (MTFS), General Fund, Service Plans, Budgets and Prudential Indicators 2022-23 EXE22-001**  PDF 275 KB to the 3rd February 2022 meeting of the Executive.

2.0 RISK AND COMMERCIALISATION SCRUTINY

- 2.1 Guidance has been drawn up by the Association for Public Service Excellence (APSE) and the Centre for Governance and Scrutiny (CfGS) on the scrutiny of risk and commercialisation, noting the relevance of this guidance in the context of the Council's significant investment in

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the economy of the Borough of Woking. Consideration of the guidance was one of the recommendations of the Committee.

- 2.2 The Guidance addresses the ways in which scrutiny can engage with issues arising from commercial activity. The guidance explores the current landscape around commercialisation and provides a toolkit and guide for councils to help build their own bespoke, locally relevant governance and scrutiny systems for commercial activity.
- 2.3 The Guidance is attached at Appendix 1 for reference, to be used as a guide in future scrutiny reviews which deal with elements of commercial activities affecting the Borough. The Guidance, together with an extensive list of guidance on the many different areas scrutiny may consider, can be found through the website of the Centre for Governance and Scrutiny (www.cfgs.org.uk).
- 2.4 The guidance concludes that scrutiny is best when it focuses on culture and the outcomes for local people. Scrutiny has to be underpinned by an understanding of the cultural transformation necessary in councils seeking to adopt more commercial approaches to their work. By developing a sensible approach to risk and ensuring Elected Members are engaged in the process of commercialisation, better outcomes will be assured for local residents.
- 2.5 The guide suggests that effective use of scrutiny provides five principal elements which support commercialisation activity:
 - Helping to drive forward cultural transformation (further work on the cultural dynamics of change);
 - Helping to make judgments about the rationale underpinning commercial activity;
 - A focus on risks;
 - Oversight of governance itself – executive side management systems and the relationships between partners; and
 - Oversight of performance monitoring (rather than performance monitoring itself, which will largely be managed by traditional means, and within contract).
- 2.6 An update to the management actions that were agreed in response to the Comprehensive Statement are attached at Appendix 2 for reference and as a report on progress from the earlier scrutiny review of the Council's investment and commercial approach and strategies.
- 2.7 The Woking for All Strategy and the Supplementary and amended priorities 2022 – 23 from the new administration outlines a more comprehensive range of priority commitments which includes actions related to issues of risk and commercialisation. A report on progress against the Woking for All priority actions is being reported to the 6th October 2022 meeting of the Executive.
- 2.8 Between the Woking for All Strategy, Medium Term Financial Strategy (MTFS) and management actions in response to the Comprehensive Statement the Council has encompassed a comprehensive response and set of actions that evidence progress and development to its approach to risk and commercialisation. For ease of reference a representation of this progress is highlighted below:
 - Review of project management and project reporting
 - Review corporate risk policy, strategy and risk appetite
 - Development of financial resilience framework

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- Establishment of a commercial officer post in the Place Directorate
- Draft Strategic Asset Management Plan by December 2022
- New arrangements for governance of companies and development of a Shareholder Advisory Service approved by Executive at its meeting in July 2022
- Victoria Square performance report to 6th October 2022 meeting of the Executive
- Review of Thamesway Business Plans to the November meeting of the Executive
- Development of a People Strategy planned for early 2023/24
- Establishment of a council-wide framework for the management of commercial activity and opportunities to follow the establishment of the shareholder advisory service

3.0 RECOMMENDATIONS

- 3.1 The guidance drawn up by the Association for Public Service Excellence (APSE) and the Centre for Governance and Scrutiny (CfGS) on the scrutiny of risk and commercialisation be noted.
- 3.2 The Council's integrated service and financial planning approach which has the Medium-Term Financial Strategy (MTFS) as its strategy for commercial, investment and financial resilience be noted.
- 3.3 The Overview and Scrutiny Committee's role in providing scrutiny on the Council's approach to risk and commercialisation through the MTFS and specifically the Comprehensive Statement be noted.
- 3.4 The update to the management actions that were agreed in response to the Comprehensive Statement as a report on progress from the earlier scrutiny review of the Council's investment and commercial approach and strategies be received and noted.

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