

Commercialisation update

Corporate Select Committee

11 July 2022

Background

This presentation and the accompanying report responds to the Corporate Select Committee's request for an update on commercialisation activity.

The presentation provides an overview of the following aspects:

- The commercial freedoms available to local authorities.
- The ways in which these commercial freedoms have been used by Norfolk.
- The scope for direct commercial property investments.
- Other opportunities which have been considered.

The basis for commercial activity

- The **Local Government Act 2003** allows councils to provide services to users beyond the designated public bodies permitted under The **Local Authorities (Goods and Services) Act 1970**. This includes the wider market, private individuals and other bodies or organisations.
- Government subsequently in 2009-10 permitted all best value authorities in England “*to do for a commercial purpose*” anything which they are authorised to do for the purpose of carrying out their ordinary functions.
- The **Localism Act 2011** then extended the scope to do things for a commercial purpose much further. Under the General Power of Competence (GPC), local authorities are allowed to expand trading activities into areas not related to their existing functions. The GPC also means that geographical boundaries to local authority activity are removed so that local authority trading companies can trade anywhere in the UK or elsewhere.
- Councils are however prevented from trading with individuals where they have a statutory duty to provide that service to them already.

Adapted from: <https://www.local.gov.uk/publications/enterprising-councils-supporting-councils-income-generation-activity>

Developing a commercial approach

The LGA recommends that consideration is initially given to the following issues when developing a commercial approach:

- What is the organisation's overarching strategy ?
- Is there a political drive for commercial activity and to what extent?
- What are the drivers for change?
- Where does the organisation want to be in five years?
- Are you comfortable competing against local businesses?
- Are you comfortable competing against public sector organisations?
- Will you operate in your locale or will you operate outside of your boundaries?
- Will investing in other geographical areas create conflict?
- Will going for business in different areas create issues or tensions for partnerships with neighbouring authorities?
- Will operating in other areas in a competitive way be Politically acceptable?
- Are you setting yourself up in direct competition or are you bringing something new to the market?

Commercial freedoms

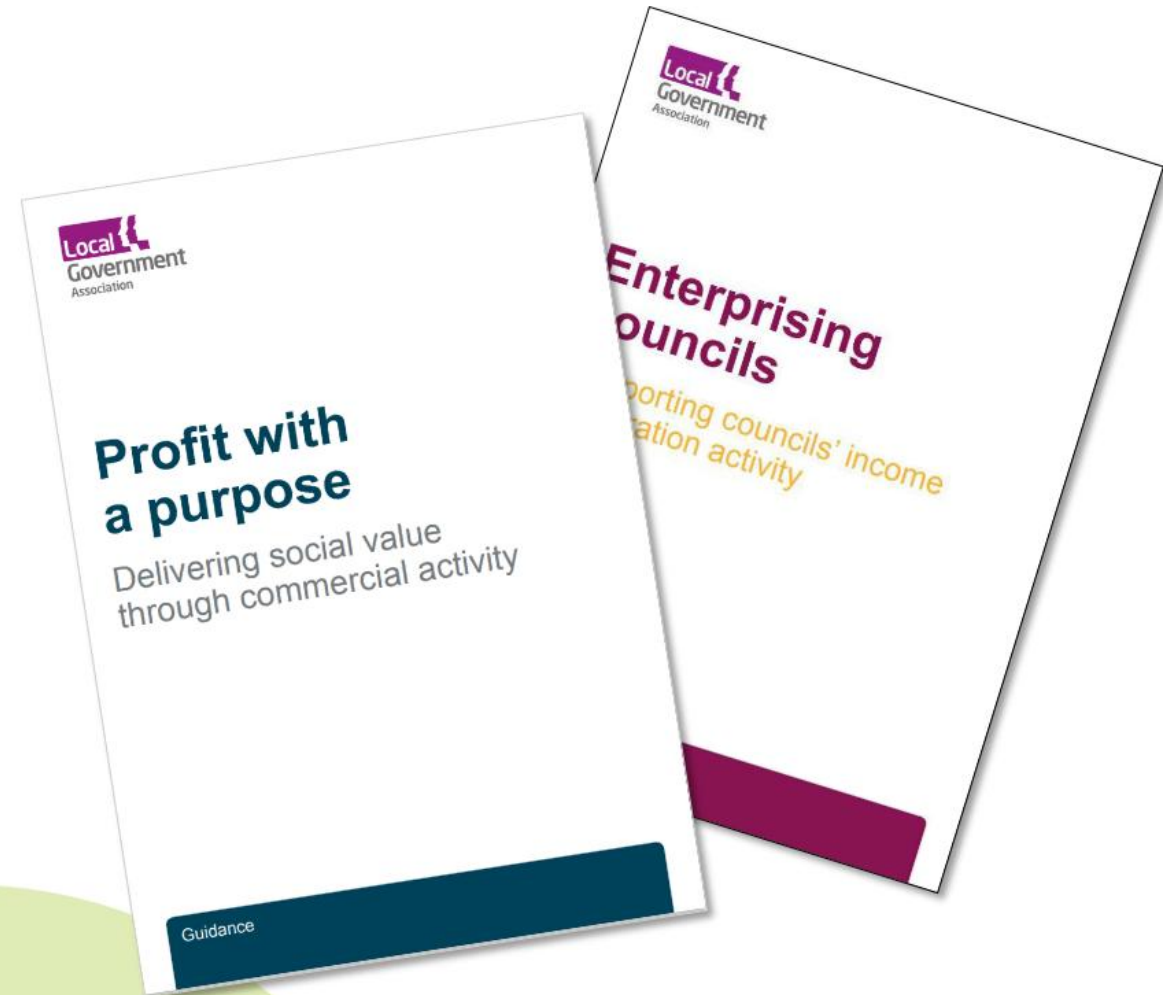
The LGA has published a range of literature about commercial opportunities for local authorities, including:

- [Profit with a purpose – delivering social value through commercial activity](#)
- [Enterprising councils: supporting councils' income generation activity](#)

The LGA emphasises the need to be clear about money flows, and to achieve the right balance between social return, a sustainable model and a commercial return.

The LGA literature identifies the following as some areas of opportunity (this list is not exhaustive):

- Economic growth and regeneration
- House building
- Facilities management and property services
- Energy companies



Norfolk response to key areas of commercial opportunity

Norfolk has already pursued, or assessed as not appropriate, most of the opportunities identified:

- economic regeneration (HIL at Scottow)
- housing (Repton)
- facilities management (Norse)
- invested in renewable energy through Norfolk Energy Futures Limited (ceased trading)
- delivering social value through commercial activity via Independence Matters CIC
- direct property investment (Scottow Enterprise Park, Hethel Engineering Centre)

Areas the Council has not pursued include:

- Community bank initiative to offer attractive rates and achieve policy objectives. Risks include market competition, level of investment capital required.
- Energy supply – direct energy supply to local residents. Risks include volatility of the energy market
- Investment in a property fund. Risks include volatility in the commercial property market, changes in government policy

Norfolk County Council – owned companies performance and Business Plans

The performance and management of the County Council's owned companies is monitored via the [Norfolk County Council owned Companies Governance Panel](#). The companies' 2022-23 Business Plans include the following forecasts:

- **Norse Group** revenues are forecast to total £339m in 2022-23, generating retained profits of £0.5m after rebates to NCC of £2.7m.
- **Hethel Innovation Limited** is forecasting turnover of over £3m in 2022-23, and net profit before tax of £0.137m.
- **Independence Matters Group** has a forecast turnover in 2022-23 of £19m, resulting in a surplus of £0.077m and a Block Refund to NCC of £0.950m.
- **Repton** is forecasting turnover of £37m in 2022-23, and net profit before tax of £0.089m and work in progress of around £28m at 31 March 2023. Increased profits forecast in 2023-24 mean a £1m pa dividend to the Council is being forecast.

Further details about Norfolk County Council owned companies

Further information about Norfolk County Council owned companies can be found as follows:

- **Company business plans:** Considered and approved by Cabinet in [March 2022](#)
- **Company financial performance:** Accounts consolidated into County Council [Statement of Accounts](#) where material, individual accounts available at [Companies House](#).
- **Details of all NCC companies and Director appointments:** Considered and approved by Cabinet in [July 2021](#), latest details also available at [Companies House](#).