

## **GROWTH SCRUTINY COMMITTEE**

### **MINUTES OF MEETING HELD ON 15 NOVEMBER 2018**

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## **GROWTH SCRUTINY COMMITTEE**

### **MINUTES OF MEETING HELD ON 15 NOVEMBER 2018**

#### **Present:**

Councillor J Windle ..... (Chair)

Councillor C Smith .....(Vice-Chair)

Councillor A Powell

Councillor K Tait

“ B Rice

#### **Also Present**

Matt Broughton – Head of Partnerships and Transformation (for Min No 363)

David Broom – Facilities and Contracts Manager (for Min No 363)

Dawn Clarke – Head of Finance and Resources & Section 151 Officer (for Min No 363)

Gareth Harper – Estates Manager (for Min No 363)

Rob Walker – Property Services Manager (for Min No 363)

Donna Cairns – Senior Governance Officer

Sue Veerman – Overview and Scrutiny Manager

#### **359 Apologies for Absence**

Apologies for absence were received from Councillors S Cornwell and C Cupit.

#### **360 Declarations of Interest**

Members were requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

There were no declarations of interest made at the meeting.

#### **361 Minutes of Last Meeting**

RESOLVED – That the Minutes of the meeting of the Growth Scrutiny Committee held on 27 September 2018 be approved as a correct record and signed by the Chair.

**362 Debt Monitoring**

The Committee received an update from the Head of Finance and Resources and Section 151 Officer on the Council's procedures for debt monitoring as part of its review of Business Centres and Industrial Units.

The Head of Finance and Resources and Section 151 Officer outlined the process by which debts were identified and recorded within the revenues system and reminders and collection activity were issued and undertaken.

The Committee discussed that the longer the time left before reminders were issued and collection activity was undertaken the less likely it was that the debt would be paid. Members also queried whether the tenants and leaseholders were visited by the Property and Estates Team in addition to the issuing of formal reminder letters by the Finance Department.

Members were advised that a monthly debt schedule was issued to every department and each debt has a budget manager identified against it. The business centres and industrial units managers receive these reports on a monthly basis and were expected to engage with the tenants and leaseholders through their tenancy management procedures. Arrangements had also been put in place for meetings to take place between the Revenues Department and budget managers on a monthly or bi-monthly basis to review the aged debt situation.

The Committee noted that the Audit and Corporate Governance Scrutiny Committee regularly considered the issue of debt performance. Members were advised that further reports on the corporate debt position would be brought to Audit with further information, which had been added to the Audit and Corporate Governance Scrutiny Committee Work Programme.

The Head of Finance and Resources and Section 151 Officer advised Members that a bench marking exercise would be undertaken to compare the Council's debt management procedures and the timescales within which reminders were issued to consider whether any improvements could be made to the Council's procedures.

A summary of the debt monitoring and recovery procedures and an anonymised version of the debt monitoring report issued to budget managers would be circulated to Members after the meeting.

**RESOLVED** – That the Committee note the update provided on debt monitoring.

*Councillor Powell entered the meeting.*

*Councillor Tait left the meeting.*

**363 Scrutiny Review – Business Centres and Industrial Units**

Interviews:-

Head of Partnerships and Transformation – Matt Broughton

The Head of Partnership and Transformation answered the questions based on his experience from his previous role with the Authority as Commercial Property and Development Manager, a position which he held until July 2018.

Q1 What are your main aims for the Service?

Two aspects of this Service were outlined; income generation via the rental income exceeding the costs of maintaining the facilities and support for economic development through the provision of facilities for small business units, not otherwise available on the market.

The size and nature of the units offered by the Authority, including the flexibility in terms of the available leases, were identified as key factors in the provision of service to small businesses who would otherwise be unable to access facilities on the private market.

Q2 How is it supporting the Council's Growth Agenda?

The provision of commercial business and industrial units contributed to the aims of supporting industry and employment growth as well as income generation.

Q3 What can we do to be more commercially aspirational?

Opportunities to improve on the marketing of the business centres and industrial units were identified, although the officer noted that the use of the commercial lettings agent over previous years had improved the on-line promotion of vacancies, such as through Right Move.

Further development could be undertaken to improve the impression of the sites, including the use of better signage and improving the overall image and appearance of the sites.

Q4 How do you measure how well the service is performing?

The profitability of the business centres and industrial units was the key factor in measuring their performance, occupancy levels played a significant part of this.

Q5 How well does the on-line tenant issue reporting system work?

The officer had no experience of this system.

Q6 Is the model we use for rent working and supporting businesses to thrive?

The Head of Partnerships and Transformation considered that the model was working and that there was no alternative that would meet the Council's aims and objectives.

The system for setting rent levels based on an independent valuation was explained, which ensured that the Council was not offering its facilities below market value.

The Council's operating model was to provide the facilities and flexibility to support small and growing/start-up businesses. However, this consequently entailed greater risk in respect of bad debt. A private sector model, aiming to minimise bad debt and focus on the longevity of tenancies, would involve setting a bar and criteria for the viability of potential tenants before entering into tenancy arrangements. However, this would place obstacles to supporting small businesses within the District.

Q7 How are we ensuring the service fits the needs of customers currently and in the future?

The need for programmed maintenance and investments in the Council's assets was described. However, it was commented that the majority of the current stock was very low maintenance and fit for purpose, with very few void or vacant properties.

Q8 How effective are we at advertising and marketing the units to businesses?

This question was addressed under Q3 above.

Q9 How are you ensuring the service is achieving value for money?

The independent valuation through an RICS evaluation prior to negotiating rent levels was referred to as a key aspect in ensuring the Council met the Section 123 duty from the Local Government Act.

Q10 What are your main barriers to success?

The Head of Partnerships and Transformation stated that the answer to this question depended upon what success looked like. If the Council wishes to expand its support for small businesses then further investment in new facilities would be required. If a reduction in the levels of debt was a target, then the type of businesses targeted for the facilities was not currently appropriate. It was therefore important to ensure that the Council's facilities remained fit for purpose going forward, with a clear target market.

Q11 Have you any suggestions for improvements?

The Head of Partnerships and Transformation commented that there was no documented policy from Members on the nature of the businesses or the market that was the target for the commercial units. He felt that a stated strategic focus from Members may support the service to re-inforce the goals which were not solely focussed on maximising income generation.

The Committee thanked the officer for his contribution to the review and for discussing the questions with Members.

*The Head of Partnership and Transformation then left the meeting.*

Facilities and Contracts Manager – David Broom

Q1 What are your main aims for the Service?

The officer outlined two elements of the service as the main aims; the provision of quality business centres, maintaining the standards in health and safety and an appropriate maintenance regime; and the estates function in marketing a quality service for tenants, attracting businesses to the District through the provision of units that were fit for purpose, well maintained and with up to date facilities.

Q2 How is it supporting the Council's Growth Agenda?

The service supports the Council's Growth Agenda through the portfolio of business centres and industrial units generating income. The sustainability of the service depended on looking at how future facilities could be provided through identifying areas of land and assets that could be used as commercial units.

Q3 What can we do to be more commercially aspirational?

In the officer's view, the promotional activities of the service could be expanded to improve public awareness of the commercial arm of the Council and the provision of these facilities. The better use of surplus land and facilities was also identified (for both residential and commercial uses).

The officer also mentioned the potential to market the positives of renting a commercial unit from the Council based on the Authority's skill set, facilities and support and its forward thinking approach for addressing new legislation, in particular health and safety compliance.

Q4 How do you measure how well the service is performing?

Revenue generation and occupancy levels were identified as the key performance measures in the letting of the business centres and industrial units.

In the maintenance of the facilities, the officer identified that there were no key performance indicators in place at the time. However, these were to be built in during a new tendering process, with the maintenance contractors.

Q5 How well does the on-line tenant issue reporting system work?

The officer had no experience of the system.

Q6 Is the model we use for rent working and supporting businesses to thrive?

The officer explained that he was new to the leasing/lettings side, however he was aware that new leases had been developed which introduced a clear distinction between the responsibilities of tenants and the Authority as landlord.

Q7 How are we ensuring the service fits the needs of customers currently and in the future?

The officer considered that the provision of modern commercial and industrial facilities ensured that the service would continue to meet the needs of customers.

He recognised that some facilities showed signs of age. However, an asset management survey had been undertaken that would identify the needs or gaps in the maintenance requirements of the facilities.

It was also important to ensure that the facilities continue to receive investment to keep its services up to date, for example the Coney Green Business Centre had very good ICT service provision.

The officer identified the need for the service not to be solely profit driven but to focus on providing a service to local businesses not otherwise available on the market.

Q8 How effective are we at advertising and marketing the units to businesses?

The officer commented that the use of letting agencies had improved the advertising and marketing of the commercial units which provided a more professional service including the literature and advertising material used on line. It was also identified that the benefits of a local authority landlord were key features in the marketing as the Council was more accountable to the community than private landlords.

Q9 How are you ensuring the service is achieving value for money?

The officer explained that value for money was important to tenants therefore the Council should ensure that the service and rent levels were satisfactory, as well as ensuring that the Council achieves a satisfactory level of income.

Q10 What are your main barriers to success?

In the officer's view, the service was under-resourced and could benefit from being more commercial. During the period of austerity in the public sector this had led to more of a focus on disposal of assets rather than investment.

The officer considered that historically the Council had not invested to improve the appearance of the commercial units and only maintained their structural soundness, ensuring their compliance with Health and Safety Standards. It was important to ensure that tenants also maintained the standards within their own responsibility.

Q11 Have you any suggestions for improvements?

The officer identified opportunities to expand the commercialisation of the service and discussed the need for succession planning to ensure that the knowledge and skills of the staff were passed on for the future.

The Committee thanked the officer for his contribution to the review and for discussing the questions with Members.

*The Facilities and Contracts Manager then left the meeting.*

Property Services Manager – Rob Walker

Q1 What are your main aims for the Service?

In terms of facilities management, the officer identified the need for statutory compliance in particular health and safety legislation, and that the facilities were fit for purpose, friendly and inviting for staff, visitors and customers.

Currently a reactive maintenance service was provided however, plans were in place to move to programmed maintenance over the next year.

Q2 How is it supporting the Council's Growth Agenda?

The service attracts tenants and the income generated supports the Growth Agenda, with the income being re-invested in the facilities for the future.

Q3 What can we do to be more commercially aspirational?

This question was not applicable to the officer's role.

Q4 How do you measure how well the service is performing?

There were no performance indicators for the service at the time. However new maintenance management software was being introduced which would include key performance indicators.



The officer also advised Members that he attended a regional group with other local authority facilities managers to share best practice which enabled the service to compare its performance to other authorities.

Q5 How well does the on-line tenant issue reporting system work?

The officer had no experience of this system.

Q6 Is the model we use for rent working and supporting businesses to thrive?

The officer was not involved in this aspect of the service.

Q7 How are we ensuring the service fits the needs of customers currently and in the future?

The officer commented that the commercial properties units and offices needed to be suitable, fit for purpose, and well maintained to ensure that the level of tenancy turnover was low.

Q8 How effective are we at advertising and marketing the units to businesses?

The officer was not involved in this aspect of the service.

Q9 How are you ensuring the service is achieving value for money?

To achieve value for money, efficiencies in the service were identified wherever possible to minimise running costs.

Q10 What are your main barriers to success?

The officer identified that lack of funds and resources were the main barrier to success.

Q11 Have you any suggestions for improvements?

The officer commented on a number of possibilities for asset rationalisation, to dispose of properties that cost the Council money and that could generate income and to identify efficiencies that could be achieved through sharing or leasing office accommodation such as at Mill Lane.

The Committee thanked the Property Services Manager for his contribution to this review and discussing the questions with Members.

*The Property Services Manager then left the meeting.*

Estates Manager – Gareth Harper

Q1 What are your main aims for the Service?

The provision of commercial properties bringing in revenue to the Authority. The service focussed on lettings to small businesses such as start ups and sole traders due to the small scale and nature of the industrial units.

Q2 How is it supporting the Council's Growth Agenda?

The service supports local businesses by providing suitable facilities and accommodation for them.

The service would also be implementing the asset management survey information gathered to assess the sites and identify areas for growth and sites that had reached the end of their use.

Members noted that they had discussed the asset management survey at the last meeting having received a brief demonstration of the nature of the data obtained.

Q3 What can we do to be more commercially aspirational?

The officer identified that the use of external marketing agents had improved the Council's promotional activities including the use of on-line facilities. Members queried whether the Council's own website could be better used to market the commercial units. The Estates Manager advised Members that the website was used jointly with economic development to provide information about the sites and opportunities for businesses in the area. However, when looking for office or industrial accommodation businesses do not tend to search local authority websites in the first instance so it was important for the Council to use a professional letting service to market the Council on lettings websites such as Right Move.

Q4 How do you measure how well the service is performing?

On a commercial basis, the income and revenue maximisation were important targets. The occupation rates were also a key measure and Members were informed that there were only two vacancies at the time with the current stock.

Q5 How well does the on-line tenant issue reporting system work?

The officer explained to Members that the tenants of the industrial units notify staff of any issues and the staff input these onto on-line reporting system. In the officer's view this seemed to work quite well.

Q6 Is the model we use for rent working and supporting businesses to thrive?

The Estates Manager considered that the system was working well. He explained that all rents were set following an RICS evaluation based on market value and any

rents negotiated with the tenant were in line with this market value range. Due to the high occupancy rates the Council had no need to offer incentives.

The Council's flexibility in the leases that it provides were an incentive in itself to businesses as the terms available through the Council were not normally available privately. The Council's standard lease also provides an option for termination with a notice period of three months.

Q7 How are we ensuring the service fits the needs of customers currently and in the future?

The Council had recently introduced a revised lease format with greater clarity in the roles and responsibilities of the tenant and Council as landlord. This sought to ensure that tenants had a greater sense of responsibility for their property in respect of health and safety and compliance checks.

Q8 How effective are we at advertising and marketing the units to businesses?

The officer identified that the use of external letting agencies was more effective than in previous years.

Q9 How are you ensuring the service is achieving value for money?

Having pre-set budgets was important to ensure that the profit generated exceeded the expenditure in running the service.

Q10 What are your main barriers to success?

The main barriers identified by the Estates Manager were external forces such as the state of the economy. The need for tenants to fulfil their responsibilities within their agreements was also identified, as well as the level of resource in staffing to ensure the service is run to a satisfactory level of performance.

Q11 Have you any suggestions for improvements?

The Estates Manager explained a recent initiative to improve the service - moving all paper documentation onto a Uniform system database.

The service also developed a checklist for the issuing and management of leases to ensure that there was continuity and consistency in the service provided should there be any changes in staffing.

The Committee thanked the Estates Manager for his contribution to the review and for discussing the questions with Members.

*The Estates Manager then left the meeting.*

Members noted the responses given to the questions during the interviews which would form the part of the evidence base for the ongoing review.

**364 Scrutiny Review – A61**

The Committee considered the report of the Joint Housing Strategy and Growth Manager with an update on the A61 Scrutiny Review Action Plan. The report provided details of the Derbyshire County Council investment strategy for the A61 growth corridor.

Members noted that a consultation exercise was underway in respect of the proposals for Whittington Moor roundabout.

Members were advised that the action identified from the A61 Corridor Scrutiny Review had now been achieved and it was proposed that the Action Plan be signed off as complete.

RESOLVED – That the A61 Scrutiny Review Action Plan be signed off as complete.

**365 List of Key Decisions – Issue No 79**

The Committee considered Issue No 79 of the List of Key Decisions which set out the major decisions being taken over the next few months.

The Committee confirmed that there were no key decisions it wished to look at, at this time.

RESOLVED – that the list of Key Decisions Issue No 79 be noted.

**366 Work Programme**

The Committee noted its Work Programme for 2018/19 and the amendments that would be made as a result of today's meeting.

RESOLVED – That the Work Programme for 2018/19 be noted.

**367 Additional Urgent Items**

There were no additional urgent items to be considered at this meeting.

**368 Date of Next Meeting**

The next scheduled meeting of the Growth Scrutiny Committee was 13 December 2018 at 1.00 pm at Coney Green Business Centre.