

Workshop D:



Financial Scrutiny of Commercial Ventures

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Typical commercial ventures



- Outsourcing a major operational or key corporate service to a private contactor
- Transferring a service or function to an external business (with various shareholding or ownership arrangements)
- Creating a separate company to take a core activity and plan organic growth within a market
- Partnerships with private/NFP/charity/ LG
- Arms-length NFPs
- External businesses or JVs to manage council assets – and grow others
- External arrangements to manage investments, acquisitions, assets
- Franchises ? NFPs ? Co-operatives ? Social enterprise
- Employee buy-ins/outs – professional, technical, social

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Perceived benefits



- **Reduced cost – private companies achieve lower cost model**
- **Transfer of risk**
- **Remove non-core activity**
- **Allow commercialism to provide innovation**
- **Improve UX**
- **Encourage market and business growth**
- **Better asset utilisation or asset management**
- **Creative investment**
- **Build reliable income streams**
- **Stimulate local economy**

- **BUT – Commercialisation starts internally !!**

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What can scrutiny test and achieve



- That the taxpayers interests are served
- That the service / activity meets expectations
- That the business fits the council's objectives and values
- That the business plan is realistic
- That employee and service user are treated fairly
- That business progress and outcomes match expectations
- That risks are identified and managed effectively
- That recklessness is avoided
- That exit arrangements are in place and are realistic
- That contractual arrangements have been adequately checked

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Risk and reward



- How is risk appetite measured and managed ?
- What is acceptable risk ?
- Who is responsible and accountable ?
- Risk registers
- Role of audit
- Monitoring and reporting

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Typical scrutiny experience



- **Members feel left out**
- **Service delivery is remote**
- **Hard to feed in user concerns / issues**
- **Businesses are less responsive to member concerns**
- **Hard to get information**
- **Scrutiny seems ineffective**
- **There is too little time and its too big a subject**
- **Cabinet member has limited knowledge so fails to be properly accountable**
- **Confidentiality means information is restricted**

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What is the role of scrutiny?

- **Greater transparency and accountability – shining a light**
- **Added challenge to improve decisions/plans**
- **Test suitability – fit for purpose**
- **Generated ideas – recommendations**
- **Offer solutions – where weakness may exist**
- **Avoid unintended consequences – uncover weakness**
- **Provide public voice**

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Scrutiny members role in scrutinising ext businesses



- **Member role is different – (control, influence, trust, expectations)**
- **You are still responsible for council services**
- **Your task is more complicated – (information, scale, commercial)**
- **The world has changed (commercialisation is now a feature of LG)**
- **Different levels of accountability**
- **Different structures of governance and ownership**
- **Big, technical subject – essential to stay strategic (but aware of user experience)**
- **You don't run these businesses – so don't try**

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How can commercial scrutiny be improved



- Check consistent member understanding
- Sets clear scrutiny objectives and organise
- Clarity on who is accountable to scrutiny
- How is public/user interest assessed and included
- Check process, frequency and effectiveness of current scrutiny arrangements
- What barriers may prevent effective scrutiny
- How effectively can scrutiny constructively challenge plans, objectives and business success
- How scrutiny use information, evidence and witnesses
- How members are trained and supported to undertake this more intricate area of scrutiny and what gaps may exist

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