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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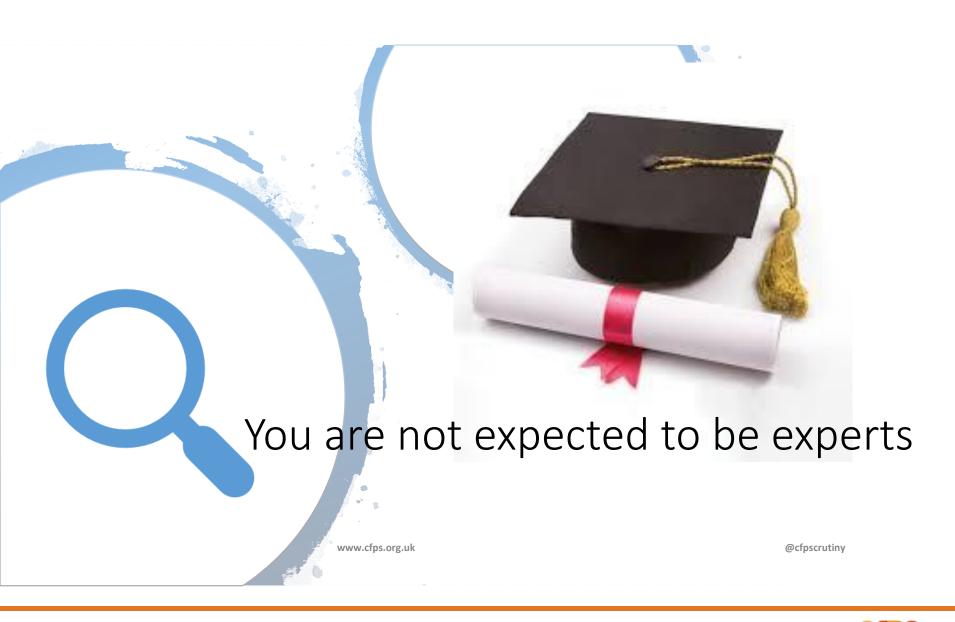


How can commercial scrutiny be improved

- 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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