

**HUNTINGDONSHIRE DISTRICT COUNCIL**

<b>Title/Subject Matter:</b>	Procurement of a Joint Venture partnership for the commercial development of HDC's CCTV service
<b>Meeting/Date:</b>	Overview & Scrutiny (Performance and Customers) Panel – 5 July 2017 Cabinet – 20 July 2017
<b>Executive Portfolio:</b>	Executive Councillor for Commercialisation and Shared Services - Councillor D Brown
<b>Report by:</b>	Head of Community - Chris Stopford
<b>Ward(s) affected:</b>	All

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**Executive Summary:**

Cabinet approved the creation of a Local Authority Trading Company (LATC) at its meeting on 17<sup>th</sup> November 2016. This was determined as an essential stage in enabling the Council to develop a range of commercial, income generating, activities in line with its strategic objectives. It will also make an essential contribution to the Council achieving its aim of achieving financial self-sufficiency by 2020.

In June 2017, Cabinet approved the creation of HDC Ventures Ltd, as the LATC Holding Company, and set in place the management arrangements for the company. This was a significant step in the commercialisation agenda, and enables the commercialisation of the CCTV Service.

This report presents an commercialisation update to support the viability of procuring a joint venture to develop HDC's CCTV service. The update is presented as Appendix 1.

**Recommendation(s):**

The Overview and Scrutiny Panel are invited to comment on:

- The suitability of the proposed business model which is based on the formation of a joint venture company which will encompass:
  - The supply and maintenance of CCTV cameras and associated hardware
  - Wireless/fibre connectivity to a technologically robust 24/7/365 control room.
  - Monitoring of alarm activated cameras, with 24/7 recording and alarm response, and evidence retrieval on demand by SIA accredited staff.
  - Development of added value services for the control room, including lone worker monitoring, security monitoring and related activities.
  - Integration with wider CCTV coverage and/or Police services

- The strategic objectives of seeking to establish a joint venture company, including:
  - Enabling HDC to achieve cost-neutrality for this service by 2021.
  - To enhance the resilience of the Council's, and its Shared Service partners, public space CCTV monitoring services
  - Providing HDC with a more robust and cost-effective supply chain for CCTV equipment and resources.
  - Introducing the experience, skills and capacity necessary to drive commercial development.
- Any omissions, amendments or additions that it is felt would improve this document.
- The proposed timetable for the procurement of a suitable joint venture partner for HDC's CCTV service (Appendix 1)

Cabinet are recommended to approve:

1. That the CCTV Development Overview presents a fair reflection of the broad potential benefits of establishing a partnership with an external joint venture partner.
2. The model described in the CCTV Development Overview is used, as part of an EU compliant procurement process (Restricted Procedure with Competitive Dialogue), as the framework for negotiations with potential joint venture partners.
3. That the Head of Community be authorised to undertake the procurement process, and to present information to the Executive Councillor for Commercialisation and Shared Services, and the HDC Ventures Ltd Board on the preferred partner.
4. That the Head of Community, in consultation with the Executive Councillor for Shared Services and Commercialisation, and the HDC Ventures Ltd Board be empowered to determine the preferred partner, and award the Contract.

## **1. PURPOSE OF THE REPORT**

- 1.1 This report is provided to enable Members to approve the proposed basis for the procurement of a suitably qualified and experienced commercial partner to form a joint venture company to facilitate the commercial development of HDC's CCTV Service.

The attached Development Overview describes an operating model that will allow HDC's CCTV Service to contribute its existing skills, experience and resources to a joint venture that will be capable of achieving significant commercial growth.

## **2. WHY IS THIS REPORT NECESSARY**

- 2.1 This report will ensure that Members have a clear understanding of the relative levels of risk and reward roles that this proposed strategy presents to HDC. In addition, it provides an overview of the resource commitments that HDC will be required to ensure that the projected outcomes are achieved.

## **3. COMMENTS OF OVERVIEW & SCRUTINY**

- 3.1 The comments of the relevant Overview and Scrutiny Panel will be included in this section prior to its consideration by the Cabinet.

## **4. KEY IMPACTS**

- 4.1 The cost to HDC of providing a CCTV service will be neutralised by 2021.
- 4.2 The potential to generate income from 'external' customers, including those in the commercial sector and outside of HDC's District borders will be increased.
- 4.3 The range of operational expertise, alongside commercial capability and capacity, will be extended.

## **5. WHAT ACTIONS WILL BE TAKEN**

- 5.1 An OJEU compliant procurement process– Restricted Procedure with Competitive Dialogue - will be initiated with the intention of awarding a contract during the latter part of 2017.

## **6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES**

- Implementing our Transformation Programme.  
Establishing this joint venture will contribute to the way HDC functions in the future. The creation of a de facto trading entity forms one of the key elements of the transformation plan.
- Ensuring our Medium Term Financial Strategy is focused on strategic priorities.  
The anticipated revenue income from the extended commercial activity of this joint venture, as well as the anticipated cost savings, will play an important role in ensuring the Council's future financial stability.
- Maximising income opportunities, where appropriate.  
This commercial activity will require the Council to take a measured approach to market opportunities. Robust business planning will ensure that the joint venture generates revenue within an acceptable a sustainable cost base.

- Identifying new opportunities for income generation, where appropriate. This will be achieved via the introduction of key commercial capabilities such as marketing, business development and account management.
- Having a more engaged and motivated workforce. Combining the existing CCTV team with expertise from a commercial partner will introduce new ways of thinking and working into the Council, which will provide opportunities for professional and personal development across the organisation.

## 7. LEGAL IMPLICATIONS

7.1 Trowers & Hamlin have assessed HDC's planned actions in regards to incorporating trading companies and have confirmed that this is within the Council's legal powers as defined in:

- Local Authorities such as Huntingdonshire District Council are able to create Local Authority Trading Companies (LATC) under:
- Local Government Act 2003 allows local authorities to trade in any of their ordinary functions.
- The Localism Act 2011 enables local authorities to undertake activities for a "commercial purpose" in order to make a profit but only if delivered within a company
- Local Government Best Value Authorities Power to Trade England Order 2009.

7.2 Further legal advice will be commissioned, as necessary, to validate the specific form and governance structure of the proposed joint venture company.

## 8. RESOURCE IMPLICATIONS

8.1 The joint venture company will also require a range of support services in areas such as HR, Finance and IT. It is anticipated that these services will be competitively sourced and that HDC will be provided with an opportunity to submit a bid for each contract.

## 9. OTHER IMPLICATIONS

9.1 Key risks

**Acting outside law:** external legal advice has been taken to establish legal basis for local authority trading.

**Business return may not be there:** the attached CCTV Development Overview has been developed with external support to validate the anticipated commercial proposition.

**Higher risk profile:** procurement of a joint venture will help to spread risk.

**Loss of control over services:** HDC shareholding in the company will ensure that influence is maintained, but the Council will not retain sole control of services.

9.2 As noted above, input from the Monitoring Officer will be required to support any required changes to the Council's constitution.

Should operational support for the joint venture be provided by HDC, this will be a market rates and under the terms of a Resourcing Agreement which will be negotiated between the company and the Council.

Any rental agreement for office accommodation in Pathfinder House will be at market rate and configured as a contractual arrangement between the two parties.

## **10. REASONS FOR THE RECOMMENDED DECISIONS**

- 10.1 In order that HDC can proactively pursue its intention to be financially self-sufficient by 2020, it is essential that the Council establishes the commercial vehicles necessary to provide opportunities to increase income and, where possible, reduce costs.

The establishment of this joint venture company will enable to Council to protect its existing investment in CCTV services (people and equipment) whilst also creating opportunities to enhance the commercial potential of a business that is equipped to service a wider range of customers across the public, private and third sectors.

## **11. LIST OF APPENDICES INCLUDED**

Appendix 1 – CCTV Development Overview  
Appendix 2 – Draft procurement timeline

## **CONTACT OFFICER**

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