

Report to: Overview and Scrutiny Committee

Subject: Report and Recommendations of the Income Generation Scrutiny Working Group

Date: 17th July 2017

Author: Democratic Services Officer

Working Group Members: Councillors Lawrence (Chair), Paling, Andrews, Miller and Scoggie.

Purpose of the Report

To present the final report and recommendations of the Income Generation Scrutiny working group.

Background

The Overview and Scrutiny Committee established a working group to explore how the authority could develop a stronger commercial and entrepreneurial culture, and consider how new service delivery models, could generate income or reduce costs. This review is different to other working group reviews, in that it is not scrutinising existing services but looking to the future, seeking to make recommendations that will raise awareness of the authorities need to develop a trading culture and explore new areas of business. A key priority of the authority is to provide high quality services, and value for money, and thus far, efficiency savings have been used to maintain a level of service. However, because of reductions in government funding, it is necessary to consider how to increase income through commercial activity, identifying and investigating additional potential sources that could generate income. Raising awareness of the trading opportunities available to either produce efficiencies, surpluses and profits, or charging to recover costs for a service, are the two elements that make up income generation opportunities. Members received briefings from senior officers and information about how other Councils across the country are exploring a wide variety of commercial opportunities.

Why we need to generate additional sources of income

It has become necessary to consider how to generate additional sources of income as by 2020, the authority will no longer be able to rely on the Revenue Support Grant funding from Central Government. For services to be sustainable, a fundamental review of income streams will be necessary. Currently, the authority has various funding streams, including retained business rates, the New Homes bonus, withdrawal from reserves and fees and charges levied. The reduction in future funding available requires that the authority looks at innovative ways to save money and increase revenue.

Research shows that Council's income generation activity fall broadly into three areas

1. Generating income through council assets, for example, buildings, parks and open spaces
2. Through service delivery by trading services with other councils, or winning new business to deliver services to other parts of the public sector
3. Through selling commodities¹.

Legal powers to trade

Local authorities have, for some time, had the option to trade. The Local Authorities (Good and Services) Act, allows local authorities to supply goods and services to other public bodies on a commercial basis. The 2003 Local Government Act introduced a general power to charge for the provision of discretionary services. The charging powers do not apply to services which an authority is mandated, or has a duty to provide. Councils can charge for these discretionary services on a cost recovery basis. The general power of competence contained in the Localism Act 2011, allows a local authority to do anything that an individual can do, which is not prohibited by legislation. This can include charging on a cost recovery basis and the option to establish local authority trading companies. Under both the Local Government Act 2003 and Localism Act 2011, the power to trade has to be through a trading company and generated profits go back to the council through dividends or service charges.

Trading allows local authorities to recover costs or make profits from 'selling' services to customers and external individuals and organisations through the development of local authority trading companies (LATCo), also known as Teckal companies. As a LATCo company, the local authority controls all the shares in the company and effectively exercises day to day control of the affairs. The company must be 'inwardly, not outwardly' focused, that is 80% of its turnover must be for its public service owners. Trading 'outside' the LATCo permits up to 20% of turnover based on a three year average. 'Outside' refers to trading beyond the authority i.e. voluntary and community sector etc. LATCos offer benefits in that any profits can be

¹ Local Government Association. Enterprising Councils

reinvested back into the local authorities' services, circumventing traditional local authority decision making processes and can attract new financial arrangements. For example charitable status can enable them to be business rate exempt and able to claim back VAT.

Current and potential future trading arrangements

Members learnt about current work within the authority, how service managers have been consulted and other local authority initiatives reviewed. A commercial plan is being developed which will have four themes:

- Strengthening the Council's commercial culture and capacity
- Increasing income from Council Services through trading and charging
- Increasing external funding to the council
- Increasing capital revenue income through housing development and economic/employment growth.

There are two distinct strategies to increasing income generation within the authority

- I. Strengthening the Council's commercial culture and capability this includes:
 - a. Identifying a lead member
 - b. Holding commercial workshops
 - c. Holding money saving/income generation sessions with officers
 - d. Adopting a project and programme management approach
 - e. Revising the business planning process to encourage income generation proposals in addition to efficiency proposals.
- II. Increasing income from Council's services through trading and charging. Ideas under consideration include:
 - a. Establishing a Parks and Street Care Teckal Company – tree services , grounds maintenance
 - b. Establishing a Leisure Teckal Company
 - c. Pet cremation and ashes burial service
 - d. Increased trade waste market
 - e. MOT services at the depot
 - f. Housing Development

Members commended work undertaken by the authority's in house City and Guilds accredited training section, which has generated just under £20,000 from selling training courses to other authorities, training for taxi drivers and providing training to local small businesses.

Collaboration with other local authorities is an approach that has been used as a mechanism to save money and protect service standards. A Collaboration Agreements between Rushcliffe, Gedling and Newark and Sherwood d was agreed

in 2013. Collaboration allows for the sharing of officer's time and shared service agreements; the feasibility of shared services for legal, elections constitutional services and human resources has been investigated.

Conclusions

The working group started this review enthusiastically, and suggested a range of schemes that could be investigated as potential income generation proposals; some of these ideas are attached at **Appendix 1**. After initial assessment many suggestions were deemed to be unviable, or beyond the legal remit of the authority. Whilst the Authority is being encouraged to consider new and innovative ways to generate income, any service traded has to be within the legal and constitutional framework. The law in this area is extremely complex. The Council can only provide a service and make a surplus where it has a specific statutory duty, or it provides the services via a trading company. All commercial activity involves risk for potential losses, and therefore diligent investigation as to a schemes feasibility and long term viability is vital.

However, it was agreed that due to diminishing central government funding there is a need to move towards becoming a more commercially aware organisation and this will require a change in the culture of the authority. This needs to start at member level. Members felt that they should have an active role in reviewing and challenging any income generation initiatives, and how these activities could impact on service users and, in particular, should the authority start to trade locally, how it could affect the viability of established commercial enterprises in the borough. Any new trading arrangement established should not have a detrimental effect on any existing private business.

Nevertheless, it was acknowledged that failure to adopt a more commercial attitude to selling services and generating income could have a wide reaching effect. Service managers were recognised as having an important role in highlighting opportunities and will need to become more business and commercially aware. Members felt it was important to create a shift in the culture of the authority, and for Members and managers to disseminate the requirement to generate income and seek staff suggestions. This will need not only a 'top down' approach to identifying income streams, but also a 'bottom up' approach which encourages front line staff to relate cases where they consider fees to be wrong, and where they identify new income schemes. A mechanism for staff to do this should be created. Consultation with the public should also be considered, using the Gedling Conversation or Contact magazine, and development of an online system to accept suggestions should also be explored.

It was recognised that commercial competitiveness is important to the success of any service that the authority markets, this is particularly relevant to the leisure offer. How we treat and manage current customers, retain existing business and attract

new customers is fundamental. People have a choice and do not have to use the authority's leisure facilities or attend our events. It is therefore necessary to generate customer loyalty and ensure that the services that the authority offers are efficient and effective. A focus on improving customer experience rather than just supplying a service was discussed, to make sure that customers feel they are getting an enjoyable experience, value for money and want to return and use our services. It is also important to consider the amount raised through fees and charges and that the real cost of Council services is clear, ensuring that when full cost recovery is required it is based on accurate information.

Members acknowledged that a rigorous programme of debt recovery by the Council is pursued, and that the percentage of Council Tax collected is above target, but considered that it is vital to continue to pursue a stringent policy for the collection of money owed. They also thought that there needed to be a maximisation of external funding streams, looking further afield to explore where pots of money are available. It was recognised that to do this successfully requires knowledge of funding available, and the skills to effectively complete applications. Members considered it essential that a funding specialist is available to assist all departments who would benefit from expert advice.

In conclusion, Members felt that although there are moves to become more commercially aware, the restriction of the legal and constitutional framework were impeding many of the initiatives that could make a real contribution to funding available for the future, and that it would be necessary to be creative and innovative if traded services are going to make a real contribution to future income.

Recommendations

The Portfolio of one Cabinet Member is amended to include specific responsibilities and accountability for income generation. In addition there needs to be Member involvement in any initiatives that affect the way services are delivered.

Establishing an online route for staff and members of the public to raise suggestions. This should include a mechanism to feed back on their viability.

Maintain a focus on customer experience; customer loyalty has to be maintained.

A comprehensive review of fees and charges across the authority is undertaken.

Ensure that the authority has expertise to successfully seek out and bid for external funding.

Examples of best practice from other local authorities continue to be studied to make sure that all potential opportunities are considered.

Income Generation Working Group	
Income generation ideas discussed by the working group	
Service Area	Ideas/Opportunities suggested
Waste Services	<p>Response in bold from Service Manager, Waste Services</p> <p>Chargeable fortnightly bin collections. This would be the weeks when the normal bin collection didn't take place and was seen as being particularly useful in the hot summer months, and for large families and those using nappies.</p> <p><i>There is a statutory duty to collect this waste free of charge under the Environmental Protection Act 1990 therefore we cannot levy a charge. The Controlled Waste (England and Wales) Regulations 2012 also does not allow us to do this.</i></p>
	Chargeable additional glass collections. <i>We offer additional boxes on request; there is also the option to take glass to bring sites at supermarkets etc.</i>
	A wheelie bin washing service following the refuse lorry. <i>Not sure how viable it would be. At present there are several local companies who provide this service so there could be an impact on local employment and the economy</i>
	Selling green waste for composting <i>The waste is contract waste and does not belong to GBC but is used as soil conditioner on the farm that processes it</i>
Customer Services and Communication	Out sourcing of graphic design
	A review of opportunities for generating sponsorship and advertising income including website advertising. Review of equipment, for example refuse lorries, and estate including parks and leisure centres to see if there is space that could be sold for advertising or if it could be sponsored by a private organisation.
Parks and Street Care	Garden services for the elderly
Property	Sale of surplus land, without line planning permission prior to auction
Organisational Development	Training for Taxi drivers, a possible NVQ including customer care.
	Training, IT training and increased use of the Accredited Training Centre for local businesses
Leisure	Investigate the possibility of hiring out parks for concerts.
	Consider ways to capitalise on using Arnot Hill Park as a wedding reception venue using marquees.