

Buckinghamshire County Council

# Income Generation

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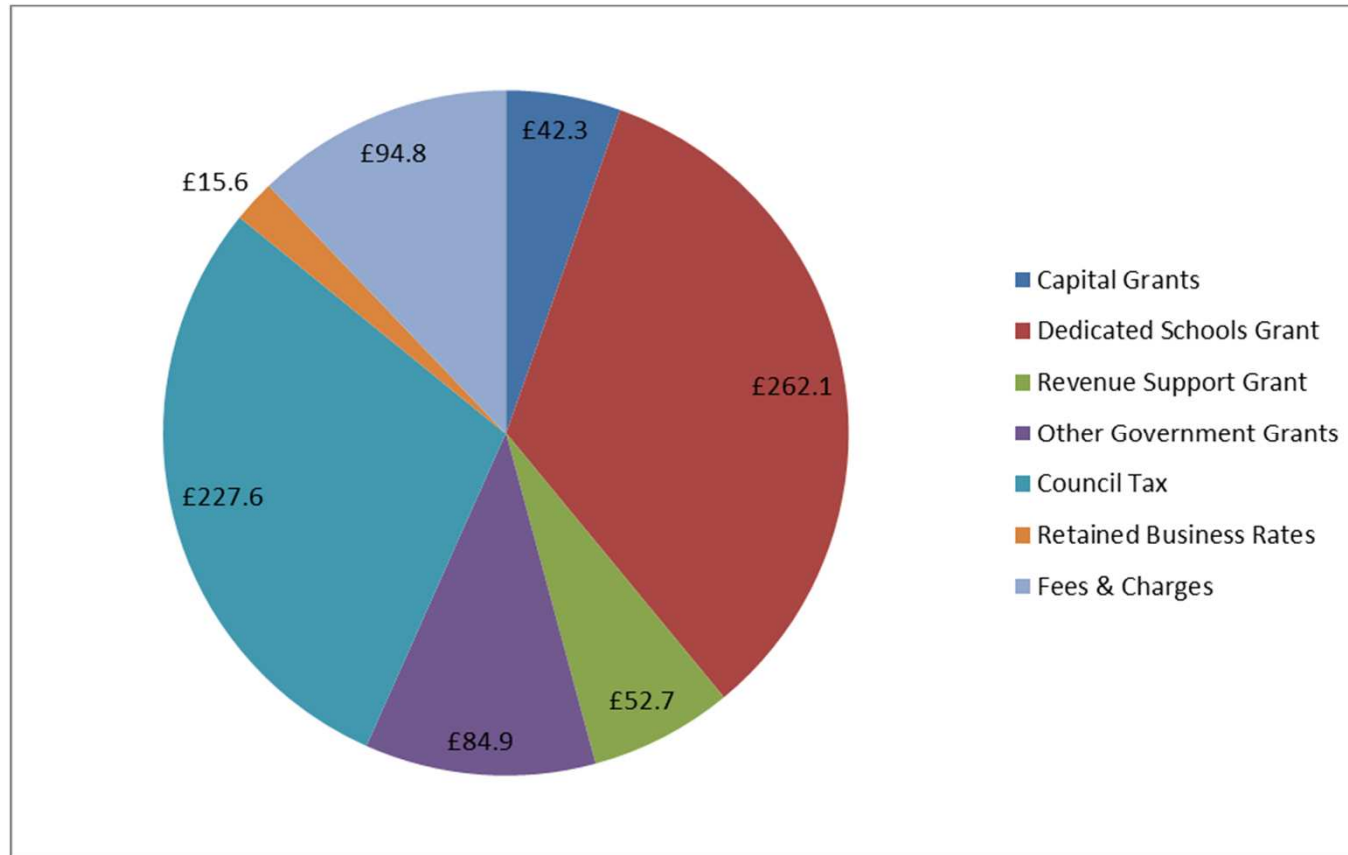


# Why Do we Need to Generate Income

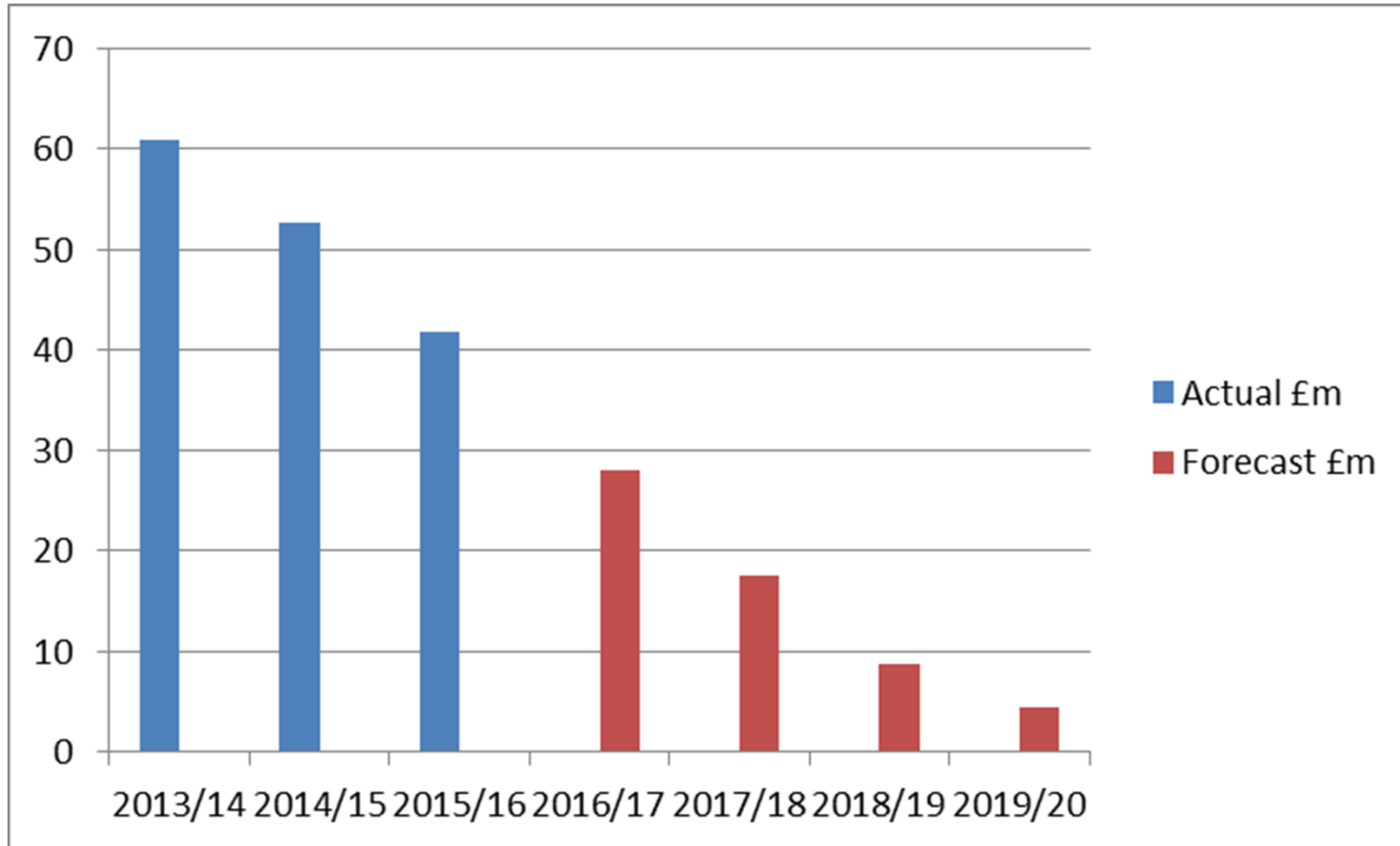
- Simply, to Fund our Service Expenditure
- Rising Demand and Falling Government Funding
- A Range of Strategies, including:
  - Demand Management
  - Improve efficiency
  - Prioritise (i.e. stop doing stuff)
  - Innovation
  - **Income Generation**



# Our Current Income (£m)

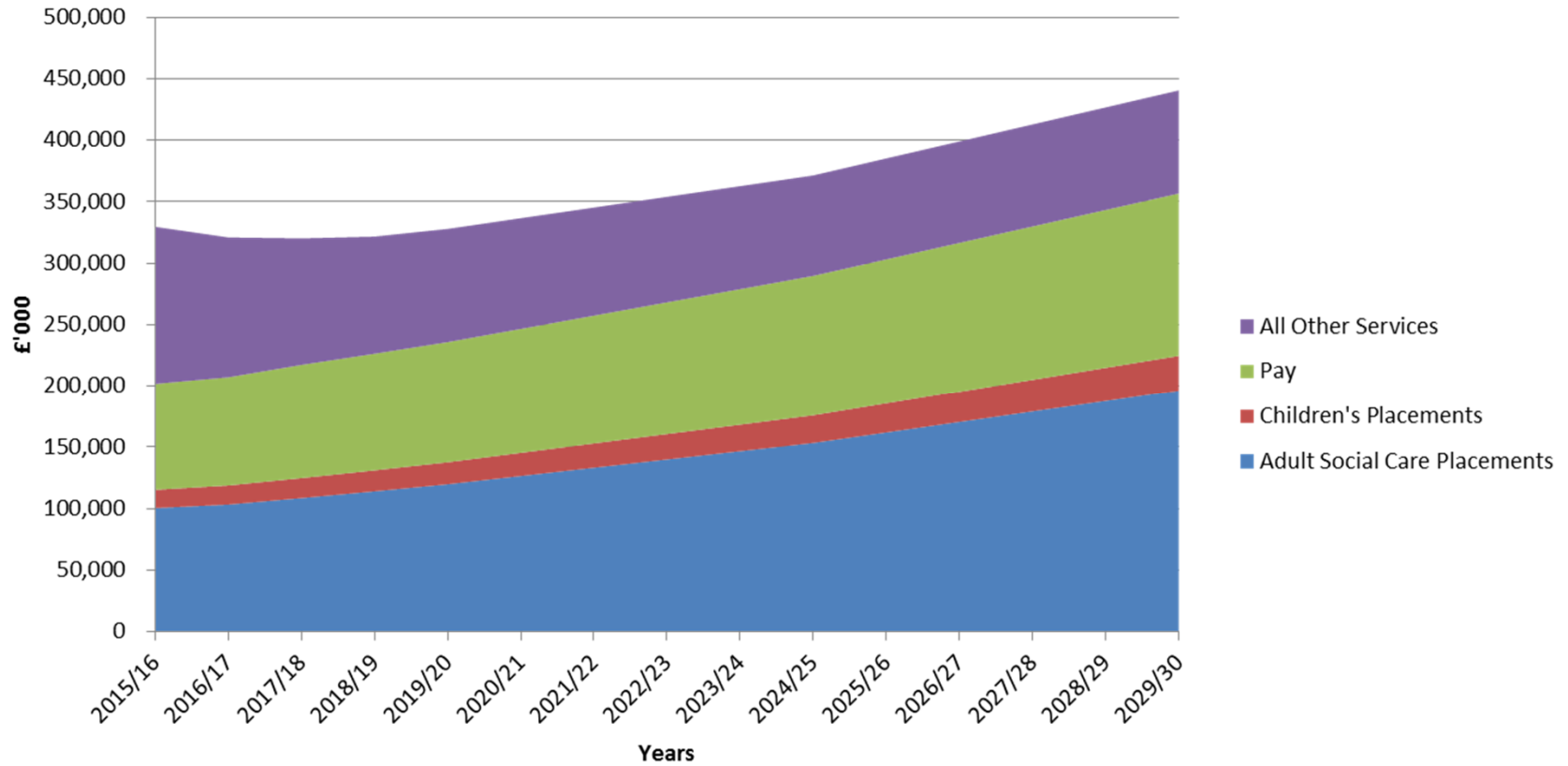


# Revenue Support Grant





# Graph of doom



# Income Prospects

- DSG – Ring-fenced funding and activity
- RSG – rapid reduction, removed by end of Parliament
- Other Grants – Uncertain, but vulnerable e.g. PH
- Council Tax – Referendum limit 2%, + 2% Social Care
  - » 29% of all income, 48% excl. DSG & Capital grants
- Business Rates – linked to RPI, economic growth
  - » Greater retention for Councils by end of Parliament
- Fees & Charges – What can we achieve?



# The Income Generation Challenge

- Ignoring Demand side pressures, to replace a loss of RSG of £48m over five years Fees & Charges income needs to rise by 15% p.a.
- Net income not gross income, i.e. after any additional cost of generating that additional income.
- Additional Income targets in the MTFP are nowhere near this level.
- Shows the importance of other parallel strategies, including in respect of Council Tax and Business Rates



# The Income Generation Strategy (IGS)

- Current IGS - To maximise income via 3 key principles
  - Change the culture of the organisation
  - Change approaches
  - Introduce new methods of working
- Much of this is now reflected in our Future Shape model
- The new IGS will aim to be more specific to income
- The new IGS will incorporate the Charging Policy and the Trading Policy
- Cover all income, but focus on Fees & Charges
- Touch on Recharges





## Some Principles (1) - funding

- The Council will aim to keep Council Tax as low as possible for Residents, whilst providing appropriate funding for its services.
- However, through the period of deficit reduction, with substantial reductions in Government funding, the Council Tax will rise more than it otherwise would.
- The County Council will work with Districts to maximise the local taxation yield. E.g. Anti-fraud, manage arrears, rates pooling, facilitate growth, etc.
- The Council will bid for grants where this aligns with its Strategic Aims.



## Some Principles (2) - Charges

- Wherever legally permissible we will aim to charge service users at least the cost of providing the service.
- Where market prices are below cost we will aim to drive our costs down to below that market price. If we cannot do that, we will outsource to the market.
- Where market prices are above cost we will aim to charge the market rate.
- Where charges are reduced/subsidised this will be explicit.
- We will aim to leverage our assets and skills base to generate income.



## Some Principles – Charges (cont.)

- The Council will follow a what works best approach, therefore being prepared to establish Alternative Delivery Vehicles where appropriate.
- The Council is willing to invest in income generating opportunities based on a sound business case.
- Charges should be levied in advance, or at the point of service delivery wherever possible
- As a default the Council will adopt an average cost basis for pricing new business (rather than a marginal cost basis)



# Some Exceptions

- Cost of collection is prohibitive
- To establish a market, or gain access to one
- Charges result in cost displacement
- Concessions/Subsidy is provided for policy reasons
- When Members explicitly decide to make one
- A contractual arrangement limits the ability to charge



## Some Principles (3) - Recharges

- Internal charges will aim at full cost recovery. No more, no less.
- Recharges should aim to strike a balance between simplicity and transparency.
- Recharges are important to allow external facing services to understand their full costs.
- We should aim to avoid hidden subsidies of external services by over-charging internally.



# Legal Framework

- Historically LG could only do what the law permitted
- LG Acts 2000 & 2003 created the Power of Well-being
- This allows the trading of Council “functions”, i.e. things that councils are required/permitted to do
- Localism Act 2011 gave a general power of competence
- Trading opens up new requirements and risks, e.g.
  - Corporation Tax, VAT, State Aid, etc.
- Need to take appropriate advice



## Case Study 1 – Thinking Differently

- Training Need for 3 or 4 of our managers
- Option 1 – send on a course @ £400 per head
- Option 2 – Buy trainer/venue @£6,000
  - Course capacity 24 delegates
  - 4 delegates from BCC free
  - Sell 20 places @ £400 per head = £8,000 income
  - Surplus of £2,000 and BCC get free training



## Case Study 2 – Property Investment Portfolio

- Council Borrows, say £20m @ 2% p.a. = £400k p.a.
- Council buys Property to generate income
  - Diverse portfolio to spread risk
  - Strong covenant to reduce risk
  - Property in Bucks, wider local, anywhere?
- Minimum of 6% p.a. estimate return = £1.2m p.a.
- Professional advice, fee @ £100k p.a.
- £700k p.a. to put back into core services







**Any questions?**

