

Report to Cabinet

DRAFT

Income Generation

A Report of the Finance, Resources and Performance
Select Committee

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Purpose of Report

To seek the agreement of Cabinet to the report and recommendations of the Finance, Performance and Resources Select Committee

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Inquiry Purpose

Council driver to become more self-financing

Budget Scrutiny 2016 – through questioning Members:

- Felt more could be done on Income Generation
- Considered potential inconsistency across portfolios
- Heard not enough people with commercial skills to drive strategy

Inquiry set up to:

- Explore whether enough is being done to identify opportunities and increase income across the Council, and
- Identify what, if anything, needed to be put into place to maximise income generation opportunities



Methodology

- Scope agreed by FPR Select Committee on 3 May 2016
- Inquiry conducted by Bill Chapple OBC (Chairman), Steven Lambert, David Martin, Richard Scott and Netta Glover
- Summer 2016 – evidence gathering meetings with:
 - Business Unit Managing Directors
 - Business Unit Finance Directors
 - Richard Schmidt, Head of Strategic Finance
 - Matt Strevens, Corporate Finance Business Partner
 - Jonathon Noble, Commercial Director, BSP
 - Frances Mills, Head of People & Organisational Development
 - Gill Harding, Commercial Development Director, TEE
 - Joe Nethercoat, Head of Strategic Assets
 - Oster Milambo, Deputy Head of Strategic Assets
 - Andrew Fowler, Head of Country Parks & Green Spaces
 - Michelle Granat, Head of Strategy & Innovation
- Desk top research to provide national context alongside local intelligence and examples of income generation from other authorities




Background – the Context

National context

- Local Government Acts 2000 & 2003 created ‘Power of Wellbeing’, allowing the trading of Council functions
- Localism Act 2011 provided ‘General Power of Competence’
- Changes to Business Rate retention
- Limitations to Council Tax rises

Local context

- Income from traditional sources is rapidly reducing
 - Revenue Support Grant removal by end of Parliament
 - Continuing demand for services, particularly demographic
 - Would need to increase net income by 15% per annum over next five years to recompense the loss of Government funding
 - The aim of the Future Shape strategy was for BCC to be more “commercial”
 - Parallel strategies to address the financial gap include:
 - Council Tax
 - Business Rates, and
 - Income Generation (agreed by Cabinet, February 2016)
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Background – the Committee

In 2014 the Environment, Transport and Locality Select Committee looked at external funding opportunities in the light of Future Shape proposals.

- The Select Committee identified the need for sharing of information to avoid an ad-hoc approach to bids
- The Cabinet Member explained that Business Unit Plans would include a section on external funding opportunities & how these were being pursued
- The Budget Scrutiny 2016/17 report highlighted :
 - In 2015 Budget Scrutiny was told Future Shape aimed to make £7.6m savings and that creating and maximising income generation opportunities was critical in delivering the strategy
 - In 2016 Budget Scrutiny heard from two portfolios who said opportunities were limited as they were demand-led services



Key Findings – Income Generation Strategy

The organisation has agreed an Income Generation Strategy which provides a good, clear statement of intent.

We recognise that income generation is not necessarily about fees and charges for services and that the Council's general power of competency gives the organisation new opportunities for income generation activity.



Key Findings – the Strategy

Evidence	Conclusion
<p>The Head of Strategic Finance told us of the offer made to Business Units to promote the Income Generation Strategy to Business Units but that take-up had not been universal.</p>	<p>We are concerned that the Strategy has not yet been embedded within the organisation. Although the Strategy document is the responsibility of HQ Finance, we remain unclear about how well the Strategy is being driven within Business Units.</p>
<p>In the meeting with Finance Directors we heard that for some Business Units, the statutory nature of services meant that income generation activity was not possible.</p> <p>The Head of Strategy & Innovation told us of a team within one of these Business Units who had asked for help with exploring income ideas for the service.</p>	<p>All Business Units need to be clear about their approach to income generation and to articulate this to all staff.</p> <p>We think this could result in the identification of more income generation opportunities. For example, could some of our outstanding services or expertise, even in statutory care situations, be sold to other authorities to create income.</p>



Key Findings – Being more Commercial

There is recognition across the organisation that BCC is a ‘commercial’ organisation.

Evidence	Conclusion
<p>We explored what ‘being more commercial’ meant and found that it is commonly articulated in terms of making savings and being more efficient in delivering our services. It did not always include exploring opportunities for additional income through selling our services. It was recognised that this requires a different skill set.</p>	<p>The organisation could benefit from clarity around what we mean by “being more commercial” and what we mean by “additional income through selling our services” and these should be promoted to all staff to aid understanding. We feel there needs to be more clarity around how income generation is reported so that savings made through efficiencies are separate to additional income made through selling our services. See slides 9 & 10 for “financial reporting on additional income” – for example, whilst laundry reimbursement is additional income, it hasn’t derived from selling a service. By contrast, bidding for additional income to support some children in education is additional income.</p>

Financial Reporting on Additional Income (1)

BU	Portfolio	Activity	MTP Reason	Description	MTFP Target				Savings class
					2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	
BSP	Resources	Business Services Plus Transform Saving	Additional Income	Shared Services	(65)	(111)	(111)	(111)	Current
BSP	Resources	Facilities Management	Additional Income	Property rental income	(30)	(60)	(60)	(60)	Current
CHASC	Community Engagement	Trading Standards	Additional Income	Trading Standards, additional income	(17)	(17)	(32)	(32)	Less than £50k
CHASC	Community Engagement	Registrars	Additional Income	Registrars - Fee Increase	0	(20)	(40)	(60)	Due in 17/18
CHASC	Community Engagement	Wellbeing Centre	Additional Income	Chesham Wellbeing Centre	(26)	(26)	(26)	(26)	Less than £50k
CHASC	Health & Wellbeing	LD Residential Care	Additional Income	Joint funding of packages with NHS	(125)	(125)	(125)	(799)	Current
CHASC	Health & Wellbeing	Buckinghamshire Care Contract	Additional Income	Laundry reimbursement	(100)	(100)	(100)	(100)	Current
CHASC	Health & Wellbeing	OP/OPMH Residential Care	Additional Income	Joint funding of packages with NHS	(125)	(125)	(125)	(125)	Current
CSCL	Children's Services	LA Children in Care	Additional Income	Bidding for external funding to support some children in further education.	(25)	(25)	(25)	(25)	Less than £50k
CSCL	Education & Skills (LA)	Home to School Transport	Additional Income	Home to School Transport - further income	(250)	(250)	(250)	(250)	Current
CSCL	Education & Skills (LA)	LA Learning Trust	Additional Income	Additional Income generation	(97)	(97)	(97)	(97)	Current
CSCL	Education & Skills (LA)	LA Prevention & Commissioning	Additional Income	Clinical Commission Group Income	(100)	(100)	(100)	(100)	Current



Financial Reporting on Additional Income (2)

BU	Portfolio	Activity	MTP Reason	Description	MTFP Target				Savings class
					2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	
HQ	Resources	Strategic Assets	Additional Income	Property Asset income generation	(350)	(850)	(1,100)	(1,350)	Current
TEE	Planning & Environment	Waste	Additional Income	Energy from waste income	(80)	(108)	(80)	(80)	Current
TEE	Planning & Environment	Waste	Additional Income	Recycling credit recharge	0	(120)	(120)	(120)	Due in 17/18
TEE	Planning & Environment	Waste	Additional Income	Trade waste recharges	0	(230)	(230)	(230)	Due in 17/18
TEE	Planning & Environment	Waste	Additional Income	Waste re-use - Income from waste re-use storage/ Cleaning Facility	(50)	(50)	(50)	(50)	Current
TEE	Planning & Environment	Waste	Additional Income	Additional bulky waste income from capital investment	0	(175)	(175)	(175)	Due in 17/18
TEE	Planning & Environment	Waste	Additional Income	Feasibility study and outline business case for an energy company	0	0	(570)	(570)	Not due for 2+ years
TEE	Planning & Environment	Resource Strategy	Additional Income	Roof mounted solar panels - income	(20)	(20)	(20)	(20)	Less than £50k
TEE	Planning & Environment	Unallocated budget	Additional Income	Small increases in income across teams	(58)	(58)	(58)	(58)	Current
TEE	Transportation	Highways Development Control	Additional Income	Highways Development Management increased income	(75)	(75)	(75)	(75)	Current
TEE	Transportation	Contract	Additional Income	Advertising & sponsorship income	(50)	(100)	(100)	(100)	Current
TEE	Transportation	Contract	Additional Income	Green Claims - 3rd party recovery	(80)	(80)	(80)	(80)	Current
TEE	Transportation	Contract	Additional Income	third party damage, improved recovery	0	(50)	(75)	(100)	Due in 17/18
TEE	Transportation	Contract	Additional Income	Pay & Display Revised Income	(8)	(66)	(124)	(182)	Current
TEE	Transportation	Contract	Additional Income	License fees additional income	(70)	(80)	(95)	(110)	Current
TEE	Transportation	Transportation Unallocated Budget	Additional Income	Car park at Winslow - Income form capital investment	0	0	0	(155)	Not due for 2+ years

Key Findings – the Organisation

Evidence	Conclusion
<p>We learned that there is no central co-ordination of funding bids, and that on one occasion BCC applied twice for the same funding stream (different Business Units).</p> <p>We heard from the Commercial Director that there was no mechanism for sharing practice around income generation and although there was a willingness to meet Business Units, capacity was an issue.</p>	<p>The organisation needs a way of sharing information about income generation activity, including external bids which are being developed. There could also be benefit in sharing information about successful bids and good practice guidance. We have concerns that by not sharing information, the Council could be missing out on opportunities.</p>



Key Findings – the Workforce (1)

We found that there is a difference in approach between Business Units, perhaps understandably because of the nature of the services they deliver. We heard about Business Units who are ahead in their thinking, for example the Country Parks’ use of a hackathon, and who proactively seek income generation opportunities.

Evidence	Conclusion
<p>The indicative budget target/achievement figures shared with us by the Head of Strategic Finance showed that some Business Units were not achieving their income generation targets.</p>	<p>Combining this evidence with evidence from the meeting with Finance Directors about statutory services (slide 12), we question whether all Business Units have the right support, skills and capacity in place to drive the maximum benefit from income generation opportunities.</p>
<p>We heard that a Risk Management Champions Group has recently been established whereby each Business Unit has a nominated Risk Champion.</p>	<p>We feel that the Business Units could benefit from a dedicated income generation champion who would be responsible for co-ordinating and reporting on the income generation activity, as well as developing best practice across the organisation.</p>

Key Findings – the Workforce (2)

We asked about the skills of the workforce in relation to creating and making the most of income opportunities.

Bid-writing training courses have been provided for staff, which is an excellent way to improve skills provided the trainee is able to put theory into practice in a timely manner.

Evidence	Conclusion
The Head of People and Organisational Development (OD) told us that Business Units are currently identifying skills gaps and that the analysis will be used to inform an organisational OD programme.	Combining this with earlier evidence, we are keen to ensure that income generation skills are included in the OD programme. Where Business Units have not identified such skills, we would like to see work done with the BU to increase understanding of the need for such skills.



Key Findings – Culture and Behaviour (1)

Given the speed of change in the organisation’s financial environment, we are concerned that our culture and behaviour are not changing quickly enough to adopt the mind-set necessary to meet the financial challenges ahead.

Evidence	Conclusion
We heard that there is no corporate policy around charging for credit card payments.	Whilst acknowledging that, in some cases, the workload involved outweighs the cost benefit, we felt that this issue should be reviewed again to see how many people across the Council are paying for our services by credit card. The Council is now in a different position & we would like everyone in the organisation to consider all possibilities, even those tried before, with a new perspective.



Key Findings – Culture and Behaviour (2)

Evidence	Conclusion
<p>The Head of Strategic Finance is the lead for the Income Generation Strategy although we understand that limitations on capacity meant that he is unable to do much more than promote the strategy. The Managing Director's are responsible for driving the Strategy forward and for monitoring the income generation activities within their Business Unit.</p>	<p>The Income Generation Strategy provides a valuable tool by which change in behaviour and culture can be effected.</p> <p>We believe that the income generation activities in each Business Unit need to be reviewed and action plans developed for each activity to be shared amongst the Managing Directors'.</p>



Key Findings – the Successes

We heard from the Head of Strategic Finance that although work was underway to establish accurate reporting of income generated, indications were that income targets were exceeded in 2015/16.

Throughout our evidence gathering, we learned of excellent work already taking place within the organisation, including:

- Evidence of working with partners to identify new opportunities e.g. TEE exploring the possibility of BBF alerting the authority to external funding opportunities
- The possibility of selling to other local authorities the CMA tool developed in-house
- Country parks considering creative ways to maximise income e.g. filming location, leasing properties, Go Ape, investing in car parking & cafe
- Using capital funds to create revenue income for the organisation through the Council's investment portfolio



Key Findings – Celebrating the Successes

We felt that the income generation successes should be publicised across the Organisation so that Members and Officers are made aware of what has been achieved.

We also felt that key messages around what the Organisation is doing to create additional income opportunities should be publicised to all so that everyone is part of this and can play a collective role in moving any income generation activity forward.



Potential Income Generation ideas (1)

In discussions with officers, and our own research, we would like to suggest the following ideas which we believe offer additional potential around income generation:

- Exploiting the “Buckinghamshire” brand – is there more we could be doing in terms of tourism and sponsorship?
- TfB – could we offer services to private roads & estates?
- Economy – could we provide start-up incubator units for businesses or pop-up retail units for local businesses through our property assets?
- Increased income from capital – could we better use our property assets to generate income?
- Partners – foster partnership working and provide a better experience for communities - for example through a hub model?



Potential Income Generation ideas (2)

- Innovation – use a pump-priming pot of money (which could be recycled) for services to use to explore opportunities? The mechanism for this is outlined in the Income Generation Strategy but remains under-utilised.

We appreciate the challenges of the current financial climate but consider that there could be a net financial benefit to the organisation from an investment in the recruitment of an appropriately experienced officer who would have the responsibility for driving Income Generation activity across the organisation.




Examples of Income Generation activity from other authorities

- Wolverhampton City Council – set-up “YOO Recruit” as a wholly owned recruitment company. YOO is currently providing 10% of all temporary workers into the Council.
- Portsmouth City Council – advertising and sponsorship opportunities are now generating more than £200,000 per year and have become a key consideration when planning new projects and events.
- Hammersmith & Fulham – staff are being trained and encouraged to cross-sell other services to customers. For example, the marriage registrar offering details of the ceremonial rooms at the council to hold the ceremony as well. **The importance of engaging with heads of services rather than just the finance team, as was traditionally the case with income generation work, has been a key lesson learnt by the Council.**



Recommendations (1)

- 1. That governance arrangements are put in place to ensure oversight and delivery of Income Generation targets across the Council. The Inquiry Group recommends that this includes:**
 - The establishment of a One Council Board sponsor for income generation**
 - The regular consideration of the Council's income generation activity by One Council Board**
 - The establishment of Income Generation champions within Business Units to encourage innovative thinking and to report on activity (see slide 20 – highlighted green text from Hammersmith & Fulham)**
 - Plans to deliver the Income Generation Strategy are specified as part of Business Unit Plans**
 - Income Generation plans are reported to Business Unit Boards on a regular basis**
 - 2. That a mechanism is established by which income generation information, best practice and support can be shared across Business Units, including skills development resources.**
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Recommendations (2)

3. That the Council maximises income from external funding by:
 - a. Establishing and adopting the most effective and efficient model for identifying external funding for all Business Units, and
 - b. Developing a central register of bids to avoid duplication of work, enable oversight of activity and early identification of support needed to realise opportunities.
 4. That the “investing for income generation” section in the Income Generation Strategy be widely publicised to enable ‘pump priming’ activities to be considered by the Business Units to deliver income generation projects which require initial funding.
 5. That the speed of culture change in relation to Income Generation be improved by:
 - a. Developing a corporate policy for credit card payment charges
 - b. Ensuring income generation targets are specified in the objectives for Managing Directors, and
 - c. Exploring the potential for incentivising staff who have identified income generation activity and whose ideas have be realised
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