

NAME OF COMMITTEE	COUNCIL
DATE	18 th February 2014
REPORT TITLE	Income Generation Opportunities
Joint Report of	Head of Environment Services; Head of Environmental Health & Housing and Head of Assets
WARDS AFFECTED	All

Summary of report:

The purpose of this report is to inform Members of the work undertaken to date in progressing opportunities for West Devon Borough Council (WDBC) and South Hams District Council (SHDC)s to increase income through existing and new channels in the future. This work focuses on short and medium term income generation opportunities and recommends some specific actions which could progress this work area.

Financial implications:

Significant income potential will be based on the business cases which Members choose to pursue. Each major individual income generation opportunity will be subject to a full business case which will outline minimum income generation expectations and any required investment.

RECOMMENDATIONS:

1. It is recommended that officers proceed to identify income potential through charging powers and these are pursued through existing work streams and under constitutional rulings wherever applicable.
2. It is recommended that an in principle decision to form a trading company is made as outlined at 2.6, 2.7 and 2.8 in order to allow the Council to pursue appropriate business avenues at commercially advantageous points.
3. It is recommended that officers gather quotes for professional external assistance to undertake market research looking at potential market opportunities which match our existing skill base and service provision with a view to a final work award being delegated to the Corporate Director (Resources) in consultation with the Leader and Deputy Leader, to a maximum value of £25,000.
4. It is recommended that sponsorship and advertising revenue potential be explored as detailed in 2.9

5. It is recommended that a working group is created to explore the in principle trading company as well as individual business case concepts with officers in greater detail reporting back to the Resources Committee.

Officer contact:

Helen Dobby – helen.dobby@swdevon.gov.uk; 01822 813522

Ian Bollans – ian.bollans@swdevon.gov.uk;

Kate Cassar – kate.cassar@swdevon.gov.uk

1. BACKGROUND

- 1.1 Over the past few months the Council has looked at various methods of alternative service delivery modelling in order to optimise income generation for the shared Councils. A copy of a PowerPoint presentation summarising this work is attached via the electronic link at Appendix A. This information was initially studied generically in terms of best practice and suitability, but is now suitably developed to be used to inform an action plan for specific streams of income generation for the Council in future budget years.
- 1.2 It is important for the Council to progress with the income generation work stream in order to:
 - Maintain front line services
 - Develop commercial acumen in tandem with transformation programme efficiencies
 - Ensure a culture of self reliance is promoted which sends a positive message around the potential for growth
 - Ensure that the Council is not left behind on market opportunities
- 1.3 In essence income can be generated for the Council in the following ways
 - Reviewing current fees and charges to ensure they achieve cost recovery
 - Reviewing the opportunity for introducing new fees and charges linked to current business
 - Developing new business ventures linked to current business
 - Developing new ventures outside of current business
 - Sponsorship and/or advertising of current assets and/or services
- 1.4 The areas for income generation identified then need to be tested against a set of basic criteria or questions to establish its worth as a venture. This needs to be wider than purely financial benefit as the fit with corporate priorities, customer benefit and knock on service impact also need to be considered. For more complex ventures a more detailed business case would be required for individual approval.

2. ISSUES FOR CONSIDERATION

- 2.1 In order to progress this work it is important that some basic fundamental principles are agreed in order that the Council can begin to achieve some of its income potential whilst protecting organisational integrity. Income generation ventures may require some considered risks being taken to achieve longer term benefits but these can be balanced against future projections and risks analysis and would be considered by the Council at an early stage.
- 2.2 Consideration needs to be given to whether a specific resource could be usefully employed in this work area and whether this resource would be best placed identifying market conditions suitable for business development in order for optimum business cases to be developed. This area of work is considered through recommendation 3.
- 2.3 **Charging powers**
The Council currently has a number of services which have established fees and charges for various functions and activities that are undertaken. Some of these are set by statute and some are discretionary. These are reviewed annually. The introduction of new fees and charges where they constitute a variance in policy will be considered by the relevant committee. This does not create any additional workload and should fully explore the impact of the charges, if made. For example, the waste services task and finish group have examined and made recommendation to the Communities Committee on the discretionary charges which can be applied to the waste services contract.
- 2.4 It is suggested as a general principle that all fees and charges applied should aim to cover the full cost of the service (including a forecast of the effects of inflation and a share of corporate establishment charges) except where the Council determines that the level of charges shall be varied in line with specific factors. This currently happens in a case by case basis but without a generally shared set of criteria from which Members can base their decision. In affect this work makes the current process more robust and easier for both officers and Members to deliver.
- 2.5 Where charges are not made for a service, or are reduced from full cost recovery, the reasons shall be reconsidered as part of the annual review of fees and charges using the methodology outlined above.
- 2.6 **Trading powers**
The PowerPoint presentation at Appendix A identifies the importance of being able to respond to business opportunities when they present themselves. A first step which enables the Council(s) to trade commercially is the creation of a trading body. This can be achieved quickly and at low cost and places the Council(s) at an advantage when suitable business cases are proven. The cost of the initial registration can be as little as £50.00 to £300.00; there is additional capacity required from officers initially for legal and financial guidance on the governance arrangements for the company.

2.7 If the Council(s) were to establish a trading body it might initially be used for a low risk activity in order to test the method. For example, in the past Environmental Health and Housing Service has offered external training for business in food hygiene. Areas such as this could be expanded more formally with the use of a trading account at a low risk to the Council. It could however benefit partners and local businesses and assist in enabling the wider local economy.

2.8 There may be specific trading opportunities which are unique to either West Devon or South Hams. The formation of a trading company would not present any barriers to individual authorities developing any areas of individual trading opportunity. It may in fact present potential opportunities for trading which would not otherwise exist in a cost effective way.

2.9 **Sponsorship and advertising**

The Council now has an adopted framework for sponsorship and advertising. This area of work is currently addressed in a reasonably low key manner with potential sponsors contacting the council. It is suggested that a working group is established to explore a more commercially focused approach and look at the potential for an external partner to realise income for the Council on a profit share basis in line with the parameters of the current framework.

2.10 **Other issues**

It is important that this work stream is looked at alongside the transformation programme in order that the Council can ensure it chooses the best possible initial income opportunities. Those which will give the maximum return and not compromise the delivery of the transformation savings. The recommendation to market test for these opportunities using external expertise will be able to turn the initial harvest of ideas from officers and Members into a commercially focused programme with a medium term strategic focus. This will inform future business case development and ensure any required investment can be fully justified.

2.11 Income generation potential within South Hams District Council is being looked at through a task and finish group reporting back to the Executive through the relevant scrutiny panel. There are many areas of commonality between the 2 Councils particularly in the provision of shared work areas from which an income might be generated. It would be possible in the first instance to look at the commissioning of specialist advice as outlined in recommendation 3 which benefits both authorities.

3. LEGAL IMPLICATIONS

3.1 Guidance has been sought on the legal implications of all income generation concepts considered. Whilst some elements of commercial trading would require greater input from legal officers than others, this will be considered in detail as part of each individual business case.

4. FINANCIAL IMPLICATIONS

- 4.1 This report looks to improve the financial position of the council for future budget years. Income generation will be dependant on specific decisions made on individual service and trading elements.
- 4.2 External market testing will add pace to the process and could be funded either 1) from reserves to be returned via income generated in the first instance or 2) from the savings made on the Chief Executives post during 2014/2015. The rationale for 2) is outlined at 2.11.
- 4.3 The cost of creating a registered trading company in the first instance is between £50 and £300 and can be met from existing revenue funds.

5. RISK MANAGEMENT

Corporate priorities engaged:	Community well-being; Access to services; Towards excellence; Customer first
Statutory powers:	<i>Local Authorities(Goods and Services) Act 1970</i> <i>Local Government Act 2003</i> <i>Localism Act 2011</i>
Considerations of equality and human rights:	N/a
Biodiversity considerations:	N/a
Sustainability considerations:	N/a
Crime and disorder implications:	None
Background papers:	Sponsorship framework
Appendices attached:	Appendix A – PowerPoint presentation

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status			Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel		
1	Failure to maximise opportunity by not acting	Budget gap cannot be met in future.	↑	↔		If the Council does not take up opportunities to generate income then the risk to the Council from reduced funding and increasing budgetary pressures is heightened.	All HoS/Members
2	Market failure	Market collapse on areas identified for income potential.	↔	↔		Individual schemes would need to be separately risk assessed before any scheme were to be entered into. Trading vehicles would be appropriate to the scheme.	As appropriate to scheme

Direction of travel symbols ↓ ↑ ↔