

DERBYSHIRE COUNTY COUNCIL

CABINET

12 July 2016

**Report of the Vice-Chair of the Improvement and Scrutiny Committee –
Resources**

REVIEW OF INCOME GENERATION POTENTIAL

1. Purpose of the Report

To present Cabinet with the final report of the Scrutiny Review of the potential for Income Generation.

2. Information and Analysis

The Improvement and Scrutiny Committee – Resources has completed a review of the potential for income generation for the Council to offset budget reductions and protect services.

A working group of Committee Members was established to conduct the review comprising of Councillors Kath Lauro (Working Group Chair) Michelle Booth, Dave Lomax and Steve Bull.

The final report is attached and gives details of the research, meetings and evidence gathering which informed the review and helped develop the outcomes and recommendations.

Cabinet is asked to indicate whether it accepts some or all of the actionable review recommendations (5.2, 5.3 and 5.4 on page 7 and 8 of the report). If Cabinet is unable to do this at the meeting, it should do so within two months of the Cabinet meeting.

As recommendations are implemented, progress will be monitored by the Improvement and Scrutiny Committee – Resources through an action plan, a template of which is appended to the report. This action plan should be completed and provided to the Committee for information within two months of the date of this report being submitted to Cabinet.

3. Considerations

In preparing this report the relevance of the following factors have been considered: financial, legal, prevention of crime and disorder, equality of opportunity, human rights, personnel, environmental, health, property and transport considerations.

4. Key Decision – No

5. Call-in

Is it required that call-in be waived in respect of the decisions proposed in the report? – No

6. Background Papers

Documents held on file by Improvement and Scrutiny Committee review working group and Minutes of Improvement and Scrutiny Committee meetings.

7. RECOMMENDATIONS

- (a) Cabinet notes the report of the Improvement and Scrutiny Committee - Resources on its review of the potential for income generation for the Council and receives the recommendations of the Scrutiny Review as set out on page 7 and 8 of the report.
- (b) Cabinet indicates which of the recommendations 5.2 to 5.4 (set out in the Action Plan appended to the report) it accepts.
- (c) Cabinet notes that, as agreed recommendations are implemented, progress will be monitored by the Improvement and Scrutiny Committee - Resources at strategic intervals through the completed Action Plan which will be provided to the Scrutiny Committee within 2 months of the date of this report.

Councillor Kath Lauro

**Chair of the Income Generation Potential Review Working Group
Improvement and Scrutiny Committee – Resources**

**DERBYSHIRE COUNTY COUNCIL
IMPROVEMENT AND SCRUTINY COMMITTEE – RESOURCES**

26 May 2016

**Report of the Chair of the Income Generation
Review Working Group**

Review of the Potential for Income Generation – Final Report

1. Purpose of the Report

To inform Members of the outcome of a review of the potential for income generation for the Council's services.

2. Information

At the request of the Cabinet Member for Council Services, the Committee undertook a review of the potential for income generation for the Council to offset budget reductions and protect services.

A Member working group was established to conduct the review with Cllrs Lauro, Booth, Freeborn, Bull and Lomax being appointed to the working group. Cllr Lauro, Chaired the working group meetings.

2.1 Consultation with Cabinet Member

An initial meeting with the review proposer, Cllr. Andy Botham, Cabinet Member for Council Services, explored his ideas for potential income generation and suggestions for further research into the options open to Derbyshire County Council. Cllr. Botham's main areas of interest in this respect focussed on;

- Advertising on DCC properties
- Selling advertising space in DCC publications
- The sponsorship of some council services by local companies.
- It was important to ensure that any advertising and sponsorship was ethical and displayed "compassionate capitalism".
- The use of DCC owned buildings to create income streams.
 - It was noted that a Registry Office has opened at County Hall and there are plans to further the use of other parts of the building, such as the Members Room, Bar and the Terrace lawn area/car park for marquee facilities (at weekends).

- There is also, potentially, scope for the better commercial use of premises such as Lea Green and The Wharf at Cromford. Cllr Botham is overseeing the establishment of a Development Company which would include the better commercial use of the County Council's buildings in its remit.
- It is proposed that a cash point machine be installed at County Hall for use by anyone visiting or working in the building. This would help with purchases made, for example, at the Members Room Bar which didn't have bank card processing machines.
- DCC should publish as much of its own advertising, including statutory public notices, in its own publications, as possible.

In order to achieve "quick results" from such initiatives, there needed to be a culture change within the Council to prevent any delays brought about by the bureaucratic process.

The working group Members referred to the SCAPE Group which is a Local Authority controlled company wholly owned by Derbyshire County, Derby City, Gateshead Metropolitan Borough, Nottingham City, Nottinghamshire County and Warwickshire County Councils in equal shares.

It was noted that SCAPE is a Contracting Authority and Central Purchasing Body as defined in the EU Procurement Directives. The Group provides design, construction and engineering products covering all aspects of work carried out under the broad headlines of building and civil engineering services. Through its commercially focused structure SCAPE service cover all aspect of the procurement process and generate significant savings and efficiencies for its public authority clients.

Other suggestions for income generation included advertising billboards on DCC land adjacent to the M1 and other major roads.

2.3 Achievements by other Local Authorities

Initial research showed that there were a number of examples of Local Authorities successfully obtaining income from selling some of their services and the working group Members met with an officer from Nottinghamshire County Council and the Deputy Leader of Nottingham City Council, along with an officer from the City Council.

Meeting with Nottinghamshire County Council

The Working group Members met with Paul Belfield, the Senior Marketing Officer of Nottinghamshire County Council (NCC) to discuss the work already

undertaken by NCC in developing sponsorship and income generation opportunities.

The following key points were noted;

- NCC are members of a Cross Council Revenue group which is made up of Council's from across the country and is aimed at developing income generation options for local authorities, Membership is free and it is a very useful network to share ideas and experience. Paul recommended that DCC look into the possibility of joining this group to help progress its own income generation possibilities and he undertook to share the contact details of the Group Chair.
- In considering potential for income generation it was initially important to have a full assessment of all the Council's assets to include buildings, vehicles, structures such as traffic islands, bridges and other infrastructure such as street lamps and bus shelters.
- Secondly, consideration should be given to what is attractive to businesses and sponsors. This could include access to "target" audiences at specific events (such as age specific events for children, families or older people) or big name events such as the Robin Hood Festival in Nottingham which is a world-wide recognised name.
- A further consideration was calculating the value of the offer of sponsorship or advertising to the business community to ensure the price was aimed at the right level.
- It is important to develop a good relationship with potential advertiser/sponsors and it is sensible to use specialist marketing companies to undertake this role. This approach of using market experts also helps with the biggest stumbling block which is the planning process. Expert companies will undertake all the planning approval work and negotiate with the District Councils to get the necessary permissions.
- NCC uses the latter approach for its own scheme. Following a procurement process a company has been appointed to conduct all the necessary work to acquire planning permissions and negotiate deals with companies who now advertise with the Council or sponsor events. The process took approximately 6 months to get the marketing specialists appointed and undertaking work on behalf of the Council. There is now very little cost to the Council as the contractor is paid a proportion of the revenue generated.
- An important part of the programme was the introduction of new Council publications. It moved away from a regular newspaper to 4 specific publications. These are;
 - "*County Life*" the annual residents guide published every April and distributed directly to 349,500 homes.
 - "*Family Life*" aimed at families with school age children is distributed through primary schools, libraries, leisure centres,

country parks and children's centres each June with a guide to what is on during the school holidays.

- "*Your Life*" is aimed at the over 50s with a distribution of 105,000 via targeted venues and groups.
- "*What's on Guide*" features information about activities, events, arts and exhibitions throughout autumn and winter. 80,000 copies are distributed via schools, libraries, colleges, children's centres and leisure centres

The specific "target" audiences for these publications together with their publication dates, are attractive to advertisers who want to reach a target audience or promote their services at a specific time of year. NCC bears the cost of the publications but this is partially offset by advertising revenue and allows the Council to get its own news and messages across at a reduced rate. It was noted that NCC was currently looking to appoint a specialist company to sell advertising in the publications (to date this has been done in-house) to generate more income and further offset the production costs.

- Other advertising opportunities included lamp post banners and these, as well as the traffic island advertising were organised by the marketing company. NCC use banners for their own campaigns (such as adoption/fostering campaigns) and for this type of promotion the banners are considered to have "deemed consent" and don't need planning permission. (Planning permission is required for commercial advertising but is not required for promoting the Council's own services/campaigns on its own property or assets). Where planning permission is necessary, the marketing company organises and pays for this as part of their contractual obligations.
- The Council is working to attract advertising income from other public sector organisations, such as Health Services, as these are also allowed with "deemed consent"
- It was noted that using the Council's property to generate advertising income might incur liability for business rates and this needed to be taken into account when calculating anticipated income.
- It was considered that the "key players" needed to ensure a successful campaign were the Council's Highways, Procurement and PR/Comms teams. A good relationship with District/Borough Planning Authorities was also needed to secure the appropriate permissions.
- Setting the right pricing rate was also vital to attract enough business whilst maintaining a maximum level of income.

Although the NCC scheme was in its early days, income for last year (the first year of operation) was £32,000 which was just above its target. The target for the current year is £48,000 and this should be achieved, with a further £72,000 targeted for the following year.

Meeting with Nottingham City Council

The Improvement and Scrutiny – Resources Committee Chair, Cllr Clive Moesby, and the Scrutiny Officer met with Cllr Graham Chapman (portfolio holder for Resources and Neighbourhood Regeneration) and Ken Lyon (Portfolio and Performance Manager - Organisational Transformation) of Nottingham City Council, to discuss that Authority's work on income generation. Findings from this meeting included;

- Nottingham City Council has undertaken a major programme of initiatives to generate income and has achieved a total of £17m new income from projects such as offering fleet maintenance services to other public organisations, focusing skip services on commercial customers, offering building maintenance services, a commercial offer of Occupational Health services and the development of the not-for-profit RobinHoodEnergy Company.
- The latter was of particular note and could potentially offer a cheaper energy supply to Derbyshire County Council for its properties *and* to Derbyshire residents. There was scope for the RobinHoodEnergy Company to provide its services through a “white label” option whereby Derbyshire County Council could offer cheap energy to its residents and local businesses – branded as *DerbyshireEnergy* – although the service would continue to be operated and provided by RobinHoodEnergy.
- The Council's Business Development Programme is led by a Strategic Director who is specifically responsible for managing the whole programme, drawing on input from each Strategic Director in respect of income potential from across their service areas.
- Cllr. Chapman emphasised the need for strong leadership, both at a Cabinet Member and Strategic Director level to develop a successful business culture. It was important to have this work included as a high priority in the portfolio of a Cabinet Member and to appoint a Strategic Director to “champion” and oversee the development of income generation streams. A professional approach, drawing together all potential income sources from across the Council's departments, was crucial to success.

Cllr Moesby referred the information gathered at the meeting with Nottingham City Council to Cllr Anne Western who undertook to refer it to the appropriate Cabinet Members for their consideration.

3. The Current Position at Derbyshire County Council

The working group had subsequent meetings with key officers of Derbyshire County Council to ascertain the work already on-going to generate income from services.

An initial meeting with the Assistant Chief Executive, Mags Young, and Jennie Hodgkinson, Senior Communications Officer was held to explore the current income achieved by the Council through the Public Relations/Communications service stream – and the potential to increase that income. It was noted that;

- Currently, the PR/Communications team had been concentrating on cost reductions, for example, re-negotiating the contract for the publication of the “Your Derbyshire” magazine and furthering the use of Digital Media.
- The fees and charges currently imposed for the provision of some services such as permits for the siting of skips and scaffolding was being reviewed to increase this income stream.
- Although the Council does not gather a great deal of income through selling advertising opportunities, the PR team does sell its services to local schools.
- It was noted that the Council’s Innovations and Transformation Team, which was the responsibility of the Assistant Chief Executive, was facilitating the establishment of a Development Company for the Council (already referred to in discussions with Cllr Botham) and this should help draw together potential income streams

A further meeting was held with Angela Beighton, Assistant Director – Traded Services at which Angela informed Members that her responsibility was for the discretionary services the Council provided to a range of customers. Traded Services accounted for £57m income, £46m of which came from school “customers” and the rest from other trading.

The following points were noted during the meeting;

- There is a focus on services provided to schools being developed on a more commercial basis so that the Council was well placed to compete with the growing number of private companies offering similar services.
- The Council was also considering extending trading activities where there is potential. The skills and resources available to the Council need to be developed and funding had just been released to help facilitate this on a pilot basis.
- The establishment of either separate trading accounts or other similar costing models for the Council’s services was necessary so that costs and potential profit can be assessed. This would enable services to be offered to further generate income and will facilitate accurate tracking of traded services to measure profitability.
- Members suggested that there was more scope to offer services such as Human Resources, Legal Services, Procurement, Administrative Services and Grounds Maintenance to District, Town and Parish Councils. This would require the Council to be more pro-active in promoting its own services to these potential customers. This, again,

would have resource implications for the officers responsible for trading the Council's services.

- It was apparent that a more co-ordinated approach, with resources provided to facilitate this, was needed to bring together, assess and promote all those Council services which could generate additional income.

3. Conclusions

The working group has concluded that the County Council has untapped potential to achieve additional income through selling its services more widely. There appears to be a muddled, ad hoc approach at present, across the Council's Departments, with individual officers doing the best they can under the current circumstances and with the resources they have available to them.

It is evident that a much more co-ordinated approach is required to consolidate and maximise income potential. This will only be achieved through strong leadership, with both senior Members and Strategic Directors making this a priority.

Learning from the approach adopted by Nottingham City Council, a "champion" Member and Officer should be given the responsibility to promote a co-ordinated, Council-wide, income generation initiative.

4. Considerations

In preparing this report the relevance of the following factors has been considered: financial, human relations, legal and human rights, prevention of crime and disorder, equality and diversity, environmental, health, property and transport considerations.

5. Recommendations

- 5.1 The Committee notes the work currently underway to generate income for the Council and the potential for this to be increased.
- 5.2 A Cabinet Member and a Strategic Director be assigned responsibility for leading and developing a co-ordinated Income Generation approach across the Council's Departments.
- 5.3 A business plan be developed for all Council services which could potentially be offered to generate income and help alleviate the cuts to the Council's budget.

- 5.4 The Cabinet Member and Strategic Director appointed to lead on this initiative be invited to report back to the Committee after an appropriate period of time to report on progress.

Councillor Kath Lauro
Chair of the Income Generation Review Working Group

I & S Committee - Resources

Review of potential for Income Generation – July 2016

Recommendations Action Plan

Rec No.	Recommendation Wording	Implementation (Y/N)	Responsible Officer (Strategic Director or their nominated officer)	Progress report to Committee	Action taken
5.2	A Cabinet Member and Strategic Director be assigned responsibility for leading and developing a co-ordinated Income Generation approach across the Council's Departments				
5.3	A business plan be developed for all Council services which could potentially be offered to generate income and help alleviate the cuts to the Council's budget				
5.4	The Cabinet Member and Strategic Director appointed to lead on this initiative be invited to report back to the Committee after an appropriate period of time to report on progress.				