

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

**10 December 2015**

**Report of the Director of Legal Services**

**Review of Potential for Income Generation and Sponsorship of  
Derbyshire County Council Services – Progress Report**

**1. Purpose of the Report**

To inform Members of the progress of the review on the potential for income generation and external sponsorship of County Council services.

**2 Information**

The Committee, at its meeting on 23 July, and at the request of the Cabinet Member for Council Services, agreed to undertake a review of the potential for obtaining sponsorship for Council services. The Cabinet Member, as part of his discussion at the Committee meeting, put forward a review proposal asking the Committee to undertake a review of the potential to generate income for the Council through an Authority-wide approach to sponsorship.

A working group was established with Cllrs. Booth, Lauro, Freeborn, Lomax and Bull appointed to undertake the review. Cllr Lauro would Chair the working group.

***2.1 Initial 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.

Cllr Lauro outlined the remit of the Derbyshire County Council (DCC) review and Paul Belfield gave details of the experiences of NCC in developing their own programme.

The following key points were noted;

- NCC are members of a Cross Council Revenue group which is made up of Councils 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 send 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.
- Also, 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 was also important to develop a good relationship with potential advertisers and 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 but there is now very little cost to the Council as the contractor is paid a contribution from 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 audiences for these publications, and their publication times, 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 source 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 noted that the “key players” needed to ensure a successful campaign were the Council’s Highways, Procurement and PR/Communications teams. Good relationships with District/Borough Planning Authorities were 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.

## **2.2 Meeting with Cabinet Member – Andy Botham**

Further to the Committee meeting at which Cllr Botham (Cabinet Member – Council Services) proposed this review, the working group members met with him to discuss his own ideas in respect of the review, and the outcomes he anticipated.

- Cllr Botham set out the initial ideas he had for income generation for the County Council to help offset the cost of providing council services. These included advertising on DCC properties, selling advertising space in DCC publications and the sponsorship of some council services by local companies.
- It was important to ensure that any advertising was ethical and displayed “compassionate capitalism”
- The use of DCC owned buildings should be considered to create income streams. It was noted that a Registry Office was to be developed at County Hall and the use of other parts of the building, such as the Members Room, Bar, Winter Gardens and the Terrace lawn area/car park for marquee facilities (at weekends) should be developed.
- It was 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, over the Members Room bar which didn’t have bank card processing machines.
- DCC should publish as many of its own advertising, including statutory public notices, as possible.
- Members were of the opinion that in order to achieve “quick results” from such initiatives, there needed to be a culture change within the Council to prevent delays brought about by the bureaucratic process.
- Cllr Freeborn referred to the SCAPE Group of which the County Council was a part owner. SCAPE Group is a Local Authority controlled company wholly owned by Derby City, Derbyshire County, Gateshead, Nottingham City, Nottinghamshire County and Warwickshire County Councils in equal shares. SCAPE Group acts as a Contracting Authority and Central Purchasing Body as defined in the EU Procurement Directives. The Group helps procurement at reduced rates due to bulk purchasing and contracting. NCC has handed over all

its building maintenance work to SCAPE and DCC should consider this approach.

- There was potentially also scope for more commercial use of premises such as Lea Green and The Wharf at Cromford.
- Cllr Botham was promoting the establishment of a Development Company and the lead officer on this was Ratna Taylor, of the Council's Innovation and Transformation Team. It was agreed that the working group would meet with Ratna to discuss this further.
- Reference was also made to the potential for advertising/promotion on the reverse of the Council's payslips and it was agreed that the working group would explore this further.
- Other suggestions for income generation included advertising billboards on DCC land adjacent to the M1 and other major roads and the potential to sell demographic data collated by the Council's Policy and Research team. The Scrutiny Officer undertook to discuss this further with the Head of Policy and Research.

### **2.3 Information from Nottingham City Council**

During a meeting of the East Midlands Scrutiny Network, attended by Cllr Clive Moesby and the Scrutiny Officer, Jackie Wardle, an invitation was extended for them to meet with Cllr Graham Chapman of Nottingham City Council. Cllr Chapman was the Cabinet Member for Resources and Neighbourhood Regeneration and had responsibility for the Council's own income generation programme.

Nottingham City Council has made impressive inroads into income generation to fund the Council's services. At the meeting with Cllr Chapman, the City Council's officer provided Cllr Moesby and the Scrutiny Officer with the following information;

#### ***Commercialism at Nottingham City Council***

*Commercialism is a key part of Nottingham City Council's response to reductions in funding and changing demand pressures. Commercialism at Nottingham City Council has focussed on embedding a more business-like approach across the organisation, supporting risk based thinking and investment. The commercial approach has enabled the Council to generate income and surplus by:*

- *In-sourcing delivery of services where appropriate, using internal talent*

*and expertise and then selling it to others*

- *Investing in services, enabling them to compete in the market place and focus on delivery of high quality services*
- *Building a commercial development team, with account managers, sales representatives and a bid manager to enable NCC to exploit opportunities*
- *Having confidence in our own ability to deliver, enabling us to take on managed risks (e.g. setting up an energy company)*
- *Supporting all managers and colleagues to think about how they can operate more commercially in their services*

*There have been a range of **successes** and **ventures** at the Council which include the following:*

#### *Growth in Soft Facilities Management*

*The Council has traditionally provided soft facilities management services but it has taken a proactive approach to growing these services over the past 3 years. The Commercial development team have focussed on achieving growth and greater profitability in these areas. Examples include:*

- **Commercial Waste** - *Over the past 3 years we have increased our Commercial Waste business by more than 20%, growing in a highly competitive market - generating an income of £3.5m and a significant increase in market share. Our Commercial Waste customers stretch far beyond the city boundary into Derbyshire, wider Nottinghamshire and Leicestershire.*
- **Skips** - *We have increased our revenue generated from skips from £580k to £1m pa over the past 3 years- this has been achieved by focussing on commercial customers and offering a competitive, reliable product.*
- **Fleet Maintenance** - *Our highly skilled fleet maintenance team provides services to a range of public sector bodies including Nottinghamshire Fire and Rescue and Rushcliffe Borough Council increasing income by approx. £0.5m pa. We have also improved efficiency by increasing the operating hours of our workshop. The commercial way of working has also reduced the proportion of reactive maintenance on our own fleet from over 50% to less than 30%.*
- **Catering**- *We have recently successful rolled out free school meals*

*across our schools and in addition have in-sourced the provision of the commercial catering at NCC. This has enabled us to create our own 'Eat Culture' brand -which is being used to grow our commercial catering arm.*

- ***Integrated Facilities Management*** - We have developed an integrated facilities management package, which we are able to offer to customers as a turnkey soft FM solution.
- ***Parking Services*** - We have adopted a range of high quality, flexible parking products - enabling us to improve our already strong position in the local market and growing our revenue by over £1m pa.

#### *Highways, Energy and Building Maintenance.*

- ***Highways Services*** - We have embedded a systematic programme of in-sourcing the delivery of highways works at NCC, which has delivered better outcomes for the Council, saved us money and utilised internal labour. This has resulted in the level of work delivered internally growing from £2m to £7m per year (including our ring road Improvement scheme), with a plan to increase internal delivery to £10m per year over the next 3 years. We have adopted a procurement model that ensures that we secure value for money and enables us to maximise the amount of work delivered internally.
- ***Energy Services*** - Nottingham has developed as a centre of expertise in the energy industry. Areas of success include:
  - *Provision of district heating services, in-sourcing the delivery of EnviroEnergy and returning a profit*
  - *Development of a heat monitoring system, which we have sold via competitive tender to Peabody Homes and are currently installing across homes in London*
  - *Delivery of solar panels across Nottingham, using our own energy expertise -we are currently working in partnership with Nottingham City Homes to expand the installation scheme*
  - *Provision of energy consultancy to other organisations*
  - *Delivery of commercial gas, plumbing and electrical works through an internal team of experts.*
- ***Building Maintenance*** - We have developed a business case to work

*alongside our housing organisation, Nottingham City Homes, to insource the delivery of some of the capital and revenue building maintenance. The business case identifies a £1.3m annual saving to be achieved from year 3. Some pilot schemes are underway which are demonstrating good value for money.*

### **Other Areas**

- **Cemeteries and Crematoria** - We have developed a commercial approach to the delivery of these services, which has enabled the Council to turn a £0.3m deficit into a £0.5m surplus- with a business plan to support further growth.
- **Gym Membership** - Our 'Flexible Fitness' offer continues to grow in a very competitive market, with a range of offers, service improvements and effective marketing supporting a growth in surplus from £1.06m to £1.24m this year.
- **Theatre Royal and Royal Concert Hall** - A focussed business approach at this Council owned theatre and concert hall, is producing a range of more commercially viable events, leading to an annual net cost reduction of £0.5m and advancing an ambitious partnership self-financing capital investment programme of c£10m over the next 5 years.
- **Other Areas** - Across the Council there have been a range of ventures which have generated income or saved money through a more commercial way of thinking. These include:
  - Provision of a fast track registration service - generating £100k per year
  - In-sourcing and selling the delivery of first aid training - saving £50k per year
  - Development of a commercial offer for Occupational Health, enabling us to sell the service to neighbouring Councils and other organisations- generating £75k per year.
  - Council owned companies- We own, or part own, a range of companies, including a bus company, the national ice centre and the Nottingham Contemporary and are proactive in looking to use these assets to generate surplus for the Council.

### **Ingredients for Success**

*Having reflected on the success of Commercialism at the Council over the past few years - some of the key ingredients are:*



- **Leadership** - Commercialism has been strongly championed by Cllr Chapman (Deputy Leader), Andy Vaughan (Strategic Director for Commercialism) and Carole Mills (Former Deputy Chief Executive). This strong leadership has been critical in creating the environment for success and the opportunities to grow.
- **Confidence in Public Services & in-sourcing** - As an organisation we believe that strong public services are critical to the success of an organisation and that we can deliver them. This approach has been demonstrated by in-sourcing, where we have improved the quality and cost of service delivery by using internal resources. Examples include Parking Enforcement, Catering and Building Maintenance.
- **Honesty and Commitment to Improve** -As part of Commercialism we have adopted a commitment to continually improve our services, providing each other with honest feedback on how to improve delivery. This approach has seen service standards, response times and efficiency improve significantly and has underpinned our ability to sell and therefore grow our services.

#### **Challenges/Lessons Learned:**

- **Focus on the areas of the biggest impact-** One of the key lessons learned from Nottingham around Commercialism is the need to focus on the area with the biggest impact. As the programme has developed we have invested a greater percentage of resources in the services that are operating in trading environments and particularly the services that generate in excess of £1m per year.
- **Financial Transparency (P&L accounting)** -We have had a number of issues in achieving clarity and transparency of our financial performance, which has created difficulties with setting prices, making decisions on whether to bid for tenders and getting an overall understanding of commercial performance. There is a project on-going to tackle this issue and we are anticipating that this will have a positive impact on our business.
- **Historical issues with internal services** - We have identified some cultural resistance to using internal services, which has created barriers to in-sourcing. The majority of these issues stem from two sources - perceptions of a service related to issues 10 -15 years ago and a perceived loss of control over services. We have made some significant progress in tackling this, but it has required strong leadership by both politicians and officers to overcome these issues.

It should be noted that Nottingham City Council, being a unitary authority, potentially has more opportunities for income generation from its services.

However, the innovative approach the Council has to commercialism – and the emphasis on the need for strong leadership to achieve success – are important findings for the review working group.

### **3. 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.

### **4. Officer's Recommendations**

The Committee is requested to note the progress of the review of the Potential for Income Generation and Sponsorship of Derbyshire County Council services.

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**Director of Legal Services**