

Scrutiny Report

North East Derbyshire District Council

Overview and Scrutiny

Income Generation

April 2012

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Chairs Forward

I present this report on income generation on behalf of the Economic Regeneration Skills and Environment Scrutiny Committee. Looking for new sources to generate income in this age of austerity has become a major feature for all councils.

It is encouraging to note that there is willingness and commitment from all the staff we contacted and interviewed, to be prepared to think outside the box with a view to improve the income which the council receives.

The recommendations that are put forward within this document are meant to be realistic and objective with the aim of seeking additional income for the council.

In conclusion I would like to express my thanks to all who participated in this review.

Review Panel

The review panel comprised the following members:

Councillor M Gordon (Chair) (Labour)
Councillor N Barker (Labour)
Councillor W Lilleyman (Labour)
Councillor B Rice (Labour)
Councillor M Emmens (Conservative)
Councillor A Foster (Conservative)
Councillor A Cooper (Independent)

The panel was supported by the Overview and Scrutiny Manager and the Principal Governance Officer

1. Recommendations

- 1.1 That a clear framework be developed that identifies how the Council charged for its services.
- 1.2 That positive stories of teams efforts be shared across the Council and where appropriate with the public.
- 1.3 That Ned News be used frequently to advertise the chargeable services that the Council has to offer.
- 1.4 That service areas be allowed to reinvest a proportion of any efficiency savings made into service improvement to incentivise teams to be innovative and proactive.
- 1.5 That officers be involved in the setting of realistic targets but these should not be repeatedly raised if reached as this discouraged achievement.
- 1.6 That consideration be given to allowing individual departments to negotiate their own level of chargeable fees to allow them the opportunity to use their professional expertise to obtain the best price.
- 1.7 That officers should be given more opportunity to suggest and discuss areas they could levy charges for and share good practice.
- 1.8 That a clear message be communicated to all Managers that they be proactive where possible in seeking income generation.
- 1.9 That the Council consider renting space within its buildings here at Council House and other outside offices.
- 1.10 That the level of service charge to Rykneld Homes be reviewed.

2. Introduction

- 2.1 At its meeting on 15th September, 2011 the Economic Regeneration Skills and Environment Scrutiny Committee decided to review income generation within the Council. The Committee felt it was timely to review how the Council is maximizing income generation in response to the current challenging financial environment of Local Government.
- 2.2 The Council has been able to charge for certain services for a period of time where it has the power to do so but this ability was extended by Section 93 of the Local Government Act 2003. This included the right to charge for discretionary services particularly those provided under Well Being powers.
- 2.3 However, there are still some restrictions and Councils have to be mindful not to seek to make a surplus unless there are powers that allow it to do so. Additionally the Committee was also very aware of the difficult financial situation for many of its residents and the need to carefully assess income generation against the impact it could have on local residents.

3. Scope of Review

- 3.1 The main aims of the review were to:
 - Review what the Council is currently doing to generate income and identify any best practice
 - Identify and where possible remove any barriers for services to generate additional income
 - Maximise income generation where possible and appropriate
 - Review the support in place to assist managers in generating income
 - Support managers and services in this process

4. Method of Review

- 4.1 The principle method used to undertake the review was interviews with a range of District Council officers to develop an understanding of what was currently happening within the Authority.
- 4.2 Additionally a questionnaire was sent to officers who were unable to attend the review meeting so their experience could be captured.
- 4.3 A large amount of information was gathered from the various interviews and questionnaires and the supporting evidence that was provided by officers.

5. Evidence and Research

- 5.1 The Overview and Scrutiny Manager provided a Scene setting presentation on the legal framework the Council must work within, what opportunities are being taken currently and potential areas that could be explored.
- 5.2 The Review Committee also considered a Cabinet Working Group Report on Marketing Council Services which analysed the opportunities the Council had to sell its services and generate income.

6. Key Findings

- 6.1 A number of NEDDC services and function were currently generating income covering three main areas
- Statutory functions such as planning and 'enviro' crime fixed penalty notices
 - Discretionary services supporting corporate priorities that are required to generate income as part of their core activities such as sports centres and business centres
 - Services or functions not established to generate income but evolved ad hoc such as corporate website, communication, MoT testing.
- 6.2 It was recognised that income generation was an increasingly necessary part of local government. However, the Review Committee found that the process of charging for services could be complicated and affected by a number of factors including political choices on whether the Council wished to recover the full cost of the service or achieve its policy objectives by providing subsidies to benefit its residents. Other considerations the Council had to consider and balance were the competitive market and the impact on the local community.
- 6.3 Examples of Opportunities/good practice

6.3.1 Leisure Services

One example of innovative working was demonstrated within Leisure Services. A new approach to the use of resources specifically aimed at increasing participation income through more proactive, effective and efficient marketing of services, activities and facilities had been trialled. The approach included working with the Council's Communications Team to produce a Leisure Marketing Plan in conjunction with Sport England.

A number of impressive outcomes had been achieved which had increased customer attendance at specific activities which had generated additional income and allowed the overall financial subsidy to the service to be significantly reduced. Equally the service had been aware of the need to remain competitive against private providers and offered initiatives that reduced the cost of activities but this was offset by the additional uptake produced.

Other potential opportunities identified included more innovative use of health referrals, price reduction in charges at certain times and sporting parties/ birthdays.

6.3.2 Waste service and street scene

The service currently generated income across a number of areas including MOT testing, Grounds Maintenance, Bulk Collection charges, Fleet Transport, Taxi Testing and Trade Works. This income generation was carefully balanced against available resources within the organisation and legislative barriers

The Manager was proactive in looking for ways to generate income and identified other opportunities including increasing private works, the review of the fleet garage, sponsorship of roundabouts and flower beds, additional income from trade waste, bulk collection charges, internment of the dead, charges to Parish Councils and use of Section 106 monies. The point was emphasised that generally Councils were only allowed to cover the reasonable costs of operation and not seek to make profit beyond cost recover. However, the manager provided examples of how these measures might work.

6.3.3 Communications

A further area of good practice identified was the work of the Communications Section. From evidence gathered from stakeholders it was apparent that the section was involved in many of the income generating projects including rebranding the leisure service, helping produce the Leisure Marketing Plan and innovative ways to market such as through SMS messaging, QR codes and Twitter. This had led to the Leisure Service being approached by services at other councils to share best practice with them. The section had also worked with Economic Development in relation to its marketing the markets and major regeneration site initiatives. This section appeared to be providing an informal central point of reference which had proved useful advice for many stakeholders.

In its own right the team operated on a semi commercial basis. It generated income through the print and design service, E-communications including the Councils website, intranet and social media and through support of campaigns and advice to other sections. It aimed to be cost neutral but did often make a small surplus.

6.3.4 Consultancy

Some services identified occasions where they had sold their teams expertise to other authorities. Examples of this were Scrutiny, Performance and Equality and Diversity. This provided an opportunity to raise income and share expertise between authorities and where appropriate other agencies. Another example of this was a secondment from

Communications to the Sheffield City Regions to provide advice. These initiatives alone had generated £49,000 income.

6.3.5 Other opportunities

Other areas identified as worth investigation included Pre planning advice, increase search fees, stronger enforcement of fixed penalty notices and the creation of social enterprises where the authority gifts a piece of land and central government provides funding. This type of initiative could be a different way but has the potential to be an option.

With all these suggestions came a mix on views on ensuring that the proposal was viable and properly assessed based on available resource, the impact on staff and/or residents and the actual monitoring and collection of all money raised to ensure the proposal actually generated income that could be measured.

6.4 Areas for Improvement

6.4.1 Charging framework

The way in which the Council and individual sections decided how to raise income varied. Evidence suggested that this could lead to confusion amongst officers about what involvement they could have in setting fees. Charges could be increased by a figure assessed to be what a user was prepared to pay, based on a percentage increase on the previous years charges, a comparative charge with a neighbouring authority or on a subsidised cost where it supported vulnerable groups or an objective of the Council such as the health of its communities.

The role Cabinet played in determining fees was also not completely understood although it was appreciated that the Council had a significant role in the well being of its residents and this could have an affect on the decision to charge at all or at what level. A regular review of the charging approaches being used by the council would be useful. It was felt that the authority would benefit from having a clear framework for how it charged for services and this would ensure the impact was properly assessed.

6.4.2 Publicity

The Council needs to ensure it recognises and shares positive stories of team's efforts.

The Council had a very well received newspaper and this had been used to advertise services in the past. Stakeholders felt that there was still opportunity to use this media more frequently to advertise the services that the Council has to offer.

6.4.3 Promoting an income generating culture

Currently levels of activity varied between services to generate income. Some services undertook little or no action, others sought to cover costs and some sort to make where permitted a small surplus. Amounts raised were usually taken into the corporate pot. Several interviewees suggested that sections should be allowed to reinvest a proportion of the savings made into service improvement to incentivise teams to be innovative and proactive. It was fully understood the need to contribute to overall efficiency savings but it was felt a small amount for improvement of the service would be a strong motivator.

Several officers commented that they would like more involvement in setting targets. There was some concern that teams agreed realistic targets that they worked hard to achieve. However, on some occasions targets were reached after significant efforts only to then be replaced with a further target. Whilst it was appreciated that targets needed to be stretching this could be a disincentive and actually discourage achievement

This linked to the issue raised by stakeholders regarding the setting of fees. Several interviewees said they would be encouraged to look at generating income if consideration could be given to allowing individual departments to negotiate their own level of fees to allow them the opportunity to use their professional expertise to get the best price. One example provided was the lack of fees charged when head of terms on sales are negotiated

The Council has already undertaken a lot of work in encouraging its managers to develop a culture of efficiency and income generation. Some managers had embraced this culture and had been innovative in their approach. However, it was commented that this needed to be transferred across all Managers in the authority to ensure everyone was being proactive on income generation. Some areas had the opportunity to generate more significant sums but even smaller amounts collectively would be worthwhile. Linked to this was the need to ensure that officers had the opportunity and mechanisms in place to share any good practice or initiatives that they were taking forward.

6.4.4 Space within Council Buildings

Several stakeholders suggested that the Council explore the opportunity further of selling space within its buildings. Due to the changes in the way in which the Council delivered services and structures and staffing levels there was far more office space available within Council House that could be rented out to other agencies thereby generating income. Equally the Council owned other premises within the district where it might be appropriate to provide this facility.

6.4.5 Rykneld Homes

The level of service charge to Rykneld Homes was raised by one stakeholder who stated that this did not appear to have been increased since its formation.

7 Conclusions

- 7.1 The Committee concluded that there was a positive emerging culture within the Council of looking for income generating opportunities. There was evidence that demonstrated how effective this could be in generating significant sums of income both through efficiency reviews and direct selling of services.
- 7.2 However, a number of improvement had been identified which it was hoped would further support the development of a structured approach.

8 List of stakeholders engaged during the review process:

- Mick Blythe – Assistant Director Leisure and Culture
- Steve Brunt – Street Scene Manager
- John Chamber –Office Manager -Licensing and Systems Administration Officer
- Adrian Kirkham – Planning Services Manager
- Naomi Smith – Principal Solicitor
- Chris Taylor – Communications and Marketing Manager
- Alison Westray-Chapman – Assistant Director Economic Development and Customer Services