

Report of: Executive Member for Finance and Performance

Executive	Date: 14 January 2016	Ward(s): All
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SUBJECT: Income Generation - Executive Member's response to recommendations of the Policy and Performance Scrutiny Committee**1. Synopsis**

- 1.1 The Executive would like to thank the Policy and Performance Scrutiny Committee for their review of income generation. The Executive appreciates the time and effort that the committee put into this scrutiny and acknowledges the strength of the Committee's recommendations.

2. Recommendations

- 2.1 To agree the response to the Policy and Performance Scrutiny Committee's recommendations.

3. Background

- 3.1 The Council continually looks to maximise external income as an alternative to cuts in frontline services, especially over recent years where our government funding has been dramatically reduced.
- 3.2 Since 2010, the Council has increased its annual income generation by £15m. In 2015/16 alone, £7.3m additional income has been built into the budget through a range of initiatives. In addition to directly generating income, service departments have increasingly taken a commercial approach to managing their supply chain, resulting in millions of pounds of savings over the last five years.
- 3.3 Income generation activity broadly falls into three categories: -
- Maximising our assets
 - Increasing revenue from existing services by selling them to other organisations
 - Identifying new opportunities that we can exploit.

- 3.4 This paper responds to the findings and recommendations of the Policy and Performance Scrutiny Committee's investigation into the Council's approach to income generation. This covering paper sets out the overall response from the Executive and reports back on general progress since the Scrutiny Committee reported in March 2015. A detailed response to each of the recommendations is found in Appendix 1.
- 3.5 The Executive accepts the recommendations of the Committee and was pleased to be able to fast-track one of the findings, Photovoltaic Panels on Council premises, into the 2015/16 budget. This was a good example of the Council responding to a commercial idea in a timely manner and being able to generate additional income, estimated at £44k for this financial year.
- 3.6 In terms of overall progress on income generation, much of what can be described as the background work on the foundations to allow further progress has been put in place. This includes:
- The re-establishment of the Commercial Board – which meets on a three-weekly cycle with membership across all departments. The Commercial Board oversees a work programme that aims to generate an additional £3m of income over the next three years in addition to income already included in the MTFS.
 - The Commercial Board will be leading on the creation of a commercial culture within the Council. Workstreams include a **Training Programme** which has been developed with an experienced Commercial Director; **Awareness Raising** – with a programme to engage with staff and identify new ideas that may have commercial potential; **Incentivising Staff** – exploring ideas for how staff might be incentivised to contribute more ideas and for their effort in terms of implementing these ideas; **Commercial accounting practices** – our Finance department is considering the best way of helping staff to understand the costs in building up business cases and be able to communicate this simply in terms of profit and loss.
 - The Commercial Board has established a business planning process as a first step to help understanding costs and potential income and the assumptions that support these ideas
 - The creation of iCo – Islington Council's wholly owned trading Company. The company has now been set up as a legal entity and has in the first months of its existence concentrated on establishing basic principles and necessary policies and building blocks in advance of trading.

4. Maximising our assets

- 4.1 Our Public Realm team has identified a number of locations across the borough where commercial **advertising** may be possible. The first tranche of these sites was considered by the Planning Committee on 1st December.
- 4.2 Our Property Services team has identified several options to maximise **commercial rental income**, particularly in the Old Street area where demand is high. A number of properties are now already let out and further arrangements will follow next year. £1m additional income was built into the 2015/16 budget with more to follow in future years as the deals are made. The full amount of income received is slightly delayed due to the nature of the industry – for example granting a short introductory rent-free period is common place – but we are confident that this is an avenue that will generate significant income for the Council.
- 4.3 The Committee recommended that we consider additional **office rationalisation**. We have now vacated office accommodation at Old Street to allow a commercial let, and are actively considering other options, including co-locating services with partners. Although hot-desking has been successful in allowing us to shrink our office portfolio, we need to be cautious that further remote working does not compromise the level of service that we provide.
- 4.4 Additional income from **wifi and wireless initiatives**. Wifi transmitters are now attached to street furniture by a mobile operator, and the Council receives income from this. We are leasing additional rooftop space to mobile operators to install mobile phone masts, and are progressing with our plans to lease space on our radio network infrastructure. £1.2m of additional income is already built into the MTFS from these 3 initiatives.

- 4.5 The Committee recommended that income generation from **Photovoltaic (PV) solar panels** be included in the budget proposal for 2015/16. The Government's decision to consult on drastic cuts in the Feed in Tariff (FIT) rates from 1st January 2016 has meant we have had to reduce the number of systems we install. Our new approach is to install larger installations on four buildings (222 Upper St, Sobell Leisure Centre, Islington Tennis Centre & 1 Cottage Road) where we will be installing 85% of the original proposed capacity. The anticipated financial return has subsequently reduced to £46k from £68k with an annual energy bill saving of £44k.
- 4.6 A cross-council approach to allowing **filming in the borough** is now in place, and we have generated £150k additional income from this.
- 4.7 Our Planning Team has been offering a fee-based pre-application Duty Planning Service. Initial feedback is that this service is working well.

5. Increasing revenues from existing services

- 5.1 Street Environment Services is working on a number of initiatives to increase Islington's share of **Commercial Waste** collection to the point where we are the dominant service in the borough. Opportunities to trade this service are also being pursued outside of the borough and would be provided through iCo.
- 5.2 **Highways** have increased activity in operational services such as grounds maintenance, house clearance and mechanical fitters. Clients include schools, housing associations and other regulated businesses, generating £200K pa.
- 5.3 The **Energy Service** has completed energy sector projects with Hackney, Crawley, Hampshire, Hackney Homes and Haringey in 2015/16. They are also actively pursuing other contracts that together are expected to provide an annual income of £60k. An energy purchasing service that generates a fee income of £7,750pa has also been introduced.
- 5.4 Plans to utilise the expertise in the **Tree Service** and within **Pest Control** to deliver services beyond the regulatory remit are currently underway. Whilst these are still to be reviewed by the Commercial Board, other councils have already demonstrated that additional income opportunities can be generated through the use of these in-house skills.

6. Balancing risk and return and maintaining the Council's values.

- 6.1 The Executive recognises the Committee's concerns that we balance income maximisation with the values of the Council and the interests of our residents. The services we provide to residents will always be our priority and will not suffer as a result of commercial activities. To achieve this we are investigating options to backfill staff via the use of temporary or fixed term contracts to ensure LBI services are fully delivered.
- 6.2 The Committee is right to highlight the balance between risk and the potential financial return, and the Commercial Board will review all income generating activity to ensure that this balance is struck. Legal and Finance staff are represented on the Board to help ensure that these issues are picked up.

7. London Living Wage and local businesses

- 7.1 The Executive agree with the Committee's view that services that participate in income generating projects must adhere to the Council's policy of paying the London Living Wage. The Executive have made great progress in ensuring that the Council pays the London Living wage to all staff, as well as to staff employed by the Council's contractors. It also notes that this approach may make some of our services less competitive in the market place, especially where potential customers are highly cost-focused.
- 7.2 The Committee recommended that income generation must not come at the expense of local

businesses within the borough. The Executive has some sympathy with this sentiment, but notes that the Council must seek to get the best deal possible for the borough's residents when dealing with local businesses.

8. Implications

Financial implications:

- 8.1 Detailed financial implications will be considered as part of the report for any approved project taken forward.

Legal Implications: to follow for Executive

- 8.2 Any legal implications will be included within the relevant reports.

Environmental Implications:

- 8.3 There are no environmental issues.

Resident Impact Assessment:

- 8.4 A Resident Impact Assessment will be completed and included within the relevant reports for approved projects where applicable.

9. Reasons for the recommendations / decision:

- 9.1 This report responds to the Scrutiny on Income Generation. The Executive has considered this Scrutiny report and accepts the recommendations made. The report provides a high level overview of progress with comments on detailed points made and sets out further areas where income may be generated in future years.

Signed by:



23 December 2015

Executive Member for Finance and Performance Date

Appendices

- Appendix 1- Detailed Recommendations

Background papers: None

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