

Policy and Performance Scrutiny Review

INCOME GENERATION EXECUTIVE SUMMARY

REPORT OF THE POLICY AND PERFORMANCE SCRUTINY COMMITTEE

EXECUTIVE SUMMARY

Income Generation Scrutiny Review

Aim

Evidence

The review ran from **July 2014** until **March 2015** and evidence was received from a variety of sources:

1. **Presentations from witnesses** – Jonathan Flowers – Capita, Andrew Grant – Aylesbury District Council
2. **Presentations from council officers** – Kevin O’Leary, Bram Kainth, Martin Holland, James Gilchrist – Environment and Regeneration, Steve Key – Finance and Property Services, David Salenius, Matt West – Housing and Adult Social Services
3. Documentary evidence – Staff Mutuels, Council Tax and Student Exemptions/Discounts, Vanguard and systems thinking, Photovoltaic and solar panel deployment options on Council roofs, Staff Briefing ideas

Recommendations

Current Income Generation Proposals

1.1 The Committee supports the following projects identified by the newly established Commercial Board:

- Advertising (advertising boards, fleet vehicles and green space locations)
- Commercial rent (refurbished property in Old Street)
- Wireless Radio Network
- Commercial Waste Service
- Film
- Energy Consultancy
- Planning – Duty Planning service

1.2 The Committee noted that there are many dimensions to the generation of income and that the example of increasing advertising income and that the example of increasing advertising income whether this be on street or using our green spaces or encouraging more commercial activity in the Borough brought with it dilemmas for the Council. It is therefore recommended that some guiding principles be adopted to allow the Council to maximise income in these areas but not at the expense of general amenity

1.3 The Director of Finance and Property Services will prepare detailed costing for the savings proposals for consideration to the Executive

1.4 That it be noted that this scrutiny has already recommended an amendment to the Budget proposals for 2015/16 in relation to income generation from photovoltaic solar panels, which has been agreed by Executive and which was included in the Budget proposals agreed by Council on 27 February 2015

2. Future Income Generation opportunities

2.1 The Committee considered a number of potential areas where further income growth may be possible. The Committee suggests that the Executive consider a risk based approach to considering these options based on the challenges in terms of delivery weighed up against the potential income opportunity. This should be considered through the Commercial Board and/or Islington Company Ltd. (iCO) if this is the optimal route.

2.2 The Committee identified a number of thematic areas for further investigation, subject to assessment of an acceptable business case – these include:

- Selling of a range of existing services as set out in the Executive summary e.g. caretaking, grounds maintenance, building maintenance services to schools, pest control and Telecare. (This is not an exhaustive list and the Committee request that officers undertake wide ranging review of all opportunities) and that there may be opportunities to package a range of services to make them more competitive
- Investigate whether Local Housing Management Services could be offered to RSL's
- Receiving and securing courier deliveries and allowing access to utility companies for residents for a fee
- Working with other Councils
- Encouraging commercial events in the Borough e.g. markets, ice rinks etc.
- Wider use of sponsorship and advertising
- Sharing of services with other boroughs/organisations
- Alternative models e.g. the consideration of Co-operatives or Mutuals
- Extension of heat and power schemes and consideration of additional heat and power schemes throughout the borough
- Further use of remote working and 'hot-desking' for staff to free up office accommodation and to consider whether additional savings can be made in this regard
- Introducing the concept of Local Development Orders to shorten the planning process
- Review all services that have or come back 'in house' to ascertain whether there are any additional income generation opportunities that can be pursued
- Call out services/other services that could be offered to leaseholders
- Out of hours service to landlords – this could be marketed through the 'in house' lettings agency
- The selling of services provided by the 'in house' repairs team to Partners, RSL's and private residents and, if the scaffolding scrutiny review, currently being undertaken by the Housing Scrutiny Committee recommends an 'in house' scaffolding team, assess whether there is a business case for marketing this service. It should be noted that there will be 'peaks and troughs' in demand for work, which will necessitate some use of agency staff, however we feel that in the longer term this could be managed effectively, both in resource and financial terms, when the 'in house' employment agency is established

The Committee request that the Executive consider the other issues raised above and consider a plan to implement those ideas that offer the best return

3. Becoming more commercial

3.1 The Committee was pleased to hear of the creation of the Commercial Board and progress made so far on commercialism and income maximisation. The Committee believes that the following, set out below, will enhance the progress made to date

- Invest in staff training to develop commercial awareness and skills within the organisation
- Complete a skills/expertise audit across the Council to determine what other services could compete in the market place
- Develop a means of incentivising staff to generate commercial ideas for the Council, for example, through a competition
- Develop clear policy and guidelines for the use of parks and public spaces for events, such as ice rinks and farmers/Christmas markets
- Develop a financial accounting process that assesses the business case for trading a particular service and subsequently that reports profit and loss for services participating in commercial activity
- Develop a performance framework, governed by the Commercial Board to measure progress of the Council becoming more commercial
- Effectively publicise and market the services that the Council offers in order to maximise income generation opportunities
- Utilise the trading company and recognise what other services could be placed in the trading company to enable greater flexibility for services to generate profit

3.2 The Committee recommend that all Directorates set an income generation target in percentage terms in relation to their budget and progress be assessed regularly to ensure they are meeting these targets, and if not, the reasons therefore

4. Considerations

4.1 The Committee request the Executive to endorse that –

- Commercial activity should not come at the expense of local businesses or the London Living Wage
- A progress report is submitted to the Policy and Performance Scrutiny Committee for the consideration of the Committee in 12 months

Main Findings

The Government spending review period from 2010/2014 has seen the biggest ever post-war cut in Local Government funding and the one year spending round announced for 2015/16 will see further significant reductions to unprotected Government departments, such as Communities and Local Government.

In order to protect front line services and mitigate the impact on residents of these funding restrictions imposed by Central Government, the Committee undertook a scrutiny into measures that the Council could take to generate and maximise income, bearing in mind the restraints that the Council faces in adopting a more commercial approach.

The Committee felt that it was imperative to focus on income generation proposals that could both 'feed into' the 2015/16 budget process and also to focus on medium/longer term proposals for future budget cycles and our recommendations reflect this approach.

The Committee would firstly like to congratulate the Executive on the creation of the Commercial Board. This officer led Board will help develop and promote commercial trading throughout the Council and make recommendations for the preferred route for trading activity. The Committee also heard about the creation of the Islington Trading Company iCo. We were pleased to note that political accountability that will exist with the Executive Members for Finance and Performance and Environment and Transport being Members of the Board of Directors of iCO.

In addition, the Committee support the initiatives identified by the newly created Commercial Board to date, which include increased income generation from advertising and sponsorship of council vehicles and events, the exploration of commercial opportunities for the LBI wireless network and seeking growth in commercial rent from property owned on Old Street, as well as growth by exploiting Islington as a location for film production.

The Committee feel that there is also the potential to increase income substantially by expanding the Commercial Waste service to businesses in the borough. Additional proposals are to provide consultancy services in relation to energy advice and other technical and engineering opportunities, primarily in the Environment and Regeneration Directorate to start with

As stated earlier, the Committee are aware of the restraints on the Council in introducing a more commercial approach, which include a lack of resources, meaning that Council managers may tend to focus on core service delivery, rather than maximising income. However we are convinced that from skills audits carried out to date, the Council does have 'in house' staff with the ability to adopt commercial practices and we feel this approach should be encouraged, and further skills audits carried out.

The Committee are of the view therefore that there should be investment in staff training, in order to develop commercial awareness and skills within the organisation and develop expertise across the Council to determine what other services could compete in the market place. There should also be a means of identifying staff to generate commercial ideas for the Council, for example by incentivising them through a competition with a prize for the best idea. The Committee received a number of initial suggestions from staff that had been identified and we propose that these should be looked at in terms of feasibility by the Commercial Board.

In addition, there needs to be a robust business case made to trade services and a clear accounting process that reports profit and loss for the services participating in commercial activity and a performance framework, governed by the Commercial Board, to measure progress of the Council in

becoming more commercial. iCo our new Trading company can also be utilised as appropriate . However we feel that commercial activity should not come at the expense of local businesses or compromise the payment of the London Living Wage to staff.

The Committee also received evidence from Aylesbury DC in relation to savings that they had made in dealing with planning applications. The Committee heard that Aylesbury DC had introduced a shorter turnaround of the planning process, which had reduced the process from an average of 8 weeks to 2 weeks and had resulted in savings to the Council. This was achieved by allowing applicants and their agents to self-determine against an agreed set of policies and guidelines. The Committee felt that this was an area worthy of further investigation.

In addition we were informed that Aylesbury DC had introduced a charge for removal of garden waste for residents, however the Committee noted that Islington would be developing a communal recycling scheme or encouraging residents to take garden waste to the recycling centre and we are of the view that charging should only be instituted as the last mechanism in any revised service offer..

The Committee reviewed the possibility of increasing fees and charges to maximise income, however in the current financial climate and to limit the impact on residents and businesses the Committee felt that these should at present only be increased in line with inflation.

The Committee also considered evidence from CAPITA concerning the selling off of land from the commercial property portfolio, in a similar manner to that adopted by the London Borough of Barnet. The Committee did not feel however that the selling off of housing land would be in accordance with the Council's political priorities, but where there were office space premises or space that could be rented out or sold off this could be looked at.

The possibility of whether the Council could also generate further income by rationalising additional surplus office accommodation and using 'hot-desking' and remote/digital working to free up office space was also looked at. Whilst recognising that the Council has made great strides in this area in recent years, the Committee were of the view that this should be investigated further by the Commercial Board, in order to ascertain whether any further savings could be made.

The Committee also focused on maximising income from the provision of solar panels on housing estates schools, in order that this that could generate income. The Committee considered evidence in relation to an opportunity to install photovoltaic solar panels on Council roofs and noted that the cost of solar panels had fallen significantly in the United Kingdom over the last few years and could now represent a feasible investment. The Committee had also received evidence from Councillor O'Sullivan in relation to the work that his Task and Finish group had undertaken in this area.

The Committee were aware that the Environment and Regeneration Scrutiny Committee were looking at the provision of solar panels and that the Committee are of the view that their recommendations should be fully considered by the Executive when the findings of the scrutiny are available.

The Committee are of the view that the Executive should include a capital bid in the budget, plus associated revenue costs, to take advantage of this and include any additional income in the Budget 2015/16 proposals to reflect this. However we recommend that investment is limited to properties with an energy performance rating of D or higher, which attract the mid-rate tariff. (Note this recommendation was submitted to the Executive on 12 February 2015 in order to be included in the 2015/16 Budget).

The Committee also consider that the selling of energy from schemes such as the Bunhill Heat and Power scheme should be extended if possible and there should be consideration given to whether any further similar schemes could be introduced in the borough or to consider the setting up of Energy co-operatives again the Committee noted that the ER Scrutiny Committee was actively considering these matters.

Consideration was also given to the provision of events and sponsorship at open spaces in the borough and we heard that events had often had not been able to be held in the past due to objections from residents. However, we feel that the Council's open spaces, particularly Finsbury Square and Highbury Fields presented opportunities to generate income for the Council to the benefit of all residents of the borough. The Committee does recognise however that residents, particularly those around Highbury Fields had concerns over the suitability of some events and therefore the Committee recommend that suitable guidelines and protocols are put in place for consultation with residents to allay concerns that they may have.

The Committee heard evidence from Officers from the Public Realm Division where investigations are in hand to potentially install a number of smaller scale digital billboards across the borough where there is high footfall. The sites identified include Old Street, Archway and Highbury Corner, but this is subject to receiving permission from planning and if agreed this could generate considerable income – this does however come with challenges in terms of our street scene and planning policies. We do urge the Executive to consider these matters carefully.

Additionally, Islington has a fleet of 252 vehicles – another source of income if advertising panels were secured to the vehicles

There are also opportunities around the festive period for generating income and we recommend that the provision of a Festive market and sponsorship of festive lights be looked at. In addition, there would be opportunities to develop Farmers markets throughout the borough during the remainder of the year. An ice rink at Finsbury Square over the festive season which would generate high income. We consider that initially, in our view, these schemes should be run by a commercial events operator in order to minimise financial risk to the Council and, if it was successful, consideration could be given to the Council running similar events in future years.

We also considered evidence in relation to the Telecare service. We consider that it may be possible to increase charges to clients for 'out of hours services' and also possibly generate income by tendering this service for other boroughs Telecare services or providing a shared service with another organisation, such as Age UK. We noted that the Council are at present in the mid-range of charges to service users compared to other organisations and therefore did not feel it would be justified in raising charges to users at the current time.

A further source of income could be generated by Greenspace undertaking work for other Councils and RSL's and by offering services to local residents. The implications of the Council paying the London Living Wage, whereas many of its competitors did not, may result in some services not being competitive, but the Committee felt that this was an area worth pursuing in the medium/long term.

The Committee also received evidence from the Director of Housing and Adult Social Services that the services of caretaking staff and the repairs service could be offered to RSL's and schools. Whilst this would obviously need negotiation with staff and Trade Unions this could also be an area to be considered in the medium/long term.

The Committee were also of the view that caretakers may be able to undertake additional duties that could be developed to market to RSL's, other partner organisations and residents. These could include linking up with services such as the Telecare service, undertaking preventative maintenance

work, carrying out minor works on voids etc. In addition, there could be a look at packaging services together in order to make them more competitive and attractive to RSL's, Partners etc.

The repairs service is another area where there may be opportunities to generate income with the forthcoming creation of the Joinery shop which will enable joinery services to be offered to RSL's, Partners and local residents at very competitive prices based on a schedule of rates. The Committee were also pleased to note that there will be apprenticeships created and opportunities for training for the long term unemployed.

The Committee noted that the Housing Scrutiny Committee are currently looking at this area in more detail and consider that the Executive should take consideration of any recommendations made.

It was felt that call out services and other services could be marketed to leaseholders and with the creation of the 'in house' lettings agency there was an opportunity to offer this to landlords, in addition to an out of hours landlord service. We are of the view that whatever services are marketed there needs to be a robust business case established to ascertain whether income can be generated at a profit and other organisations/residents are willing to pay for.

The Committee recognise that any marketing of services may create 'peaks and troughs' in workload. The Committee are however of the view that following the creation of the 'in house' employment agency the facilitation of resources to manage these 'peaks and troughs' in workload could be effectively managed.

The Committee also noted that there may be potential for income generation for residents who, sue to working hours or appointments, miss courier company deliveries. The Committee believed an opportunity existed to have their parcels held at local Libraries or other Council buildings for collection and this could be investigated. There may also be opportunities for the Council to allow utility companies access to residents properties if they were at work to perform work, take meter readings or annual gas safety checks, if residents paid fees for these services.

One of the largest areas of potential income generation that has been proposed is the selling of services of the CCTV network and wi-fi facility that the Council has. The opportunity here is that the organisation could allow its existing infrastructure to be used by a third party for commercial purposes. Typically this would involve providing network services to businesses and general consumers with the Council receiving a share of the profits. This could generate significant income opportunities and the Commercial Board should monitor this area of work.

The borough has always been a popular location for filming and has brought in valuable income for the Council. Islington because of its architecture and location has frequently been used for film and television and we feel that there is scope to increase this given that there are suitable guidelines in place for residents. A partnership film service function exists across Islington, Camden and Lambeth facilitated by Film Fixer (partner organisation). The joint film service was developed to provide a one stop shop for film productions, improving the process for filming across each borough. Camden Council have been very successful in maximising financial opportunities from films (£486,180), offering competitively priced products and a proactive service that responds quickly to the needs of film productions working in the borough.

The Committee also heard evidence of the joint venture taking place between CAPITA and London Borough of Barnet in relation to offering additional services from the Council's Pest Control team. Capita had put in initial investment to provide equipment and vehicles for Pest Control services that the Council did not currently provide. The Committee feel that this is an area worthy of further investigation together with other potential services provided by Council where additional things could be offered that may be appropriate.

Conclusions

The Committee are aware of the increasing financial reductions imposed on the Council by reduced central Government funding and the likelihood that these funding restrictions will continue for some year to come.

The scrutiny sought, as far as possible, to mitigate the impact on front line services to residents by recommending measures for income generation and maximisation of income and we have sought to recommend measures that can or are already built in to the 2015/16 budget process or are worthy of investigation for future years.

The Committee welcome the creation of the Commercial Board and the iCo Trading Company as a first step to adopting a more commercial approach and feel it is necessary to use and develop the skills of our staff to develop commercial skills to the benefit of the Council.

The Committee hope that the Executive will adopt its recommendations and continue, through the Commercial Board, to develop opportunities for income generation for the Council whilst at the same time ensuring the LLW is paid to all staff and that the Council are not in direct competition with local businesses.

MEMBERSHIP OF THE POLICY AND PERFORMANCE SCRUTINY COMMITTEE – 2014/15

COUNCILLORS

Councillors:

Councillor Troy Gallagher (Chair)
Councillor Asima Shaikh (Vice-Chair) – Until January 2015
Councillor Gary Doolan
Councillor Michael O’Sullivan
Councillor Martin Klute
Councillor Kaya Makarau-Schwartz
Councillor Osh Gantly
Councillor Una O’Halloran
Councillor Olly Parker
Councillor Caroline Russell
Councillor James Court
Councillor Satnam Gill
Councillor Aysegul Erdogan –replaced by Councillor Jenny Kay (October 2014)

Substitutes:

Councillor Alice Perry
Councillor Alex Diner
Councillor Gary Heather
Councillor Raphael Andrews
Councillor Paul Smith
Councillor Clare Jeapes
Councillor Jilani Chowdhury
Councillor Richard Greening
Councillor Robert Khan
Councillor Nick Wayne
Councillor Flora Williamson
Councillor Mouna Hamitouche MBE

Acknowledgements: The Committee would like to thank all the witnesses who gave evidence to the review.

Officer Support:

Peter Moore – Democratic Services

Lead officer/s – Kevin O’Leary, Craig Smith

APPENDICES – APPENDIX A – SCRUTINY INITIATION DOCUMENT

SCRUTINY REVIEW INITIATION DOCUMENT (SID)	
Review:	Outline SID to be developed for Commercialism and Income Maximisation after consultation with regional and national bodies, for example; LGA, CIPFA, NLGN.
Scrutiny Review Committee:	
Director leading the Review:	Kevin O’Leary – Corporate Director of Environment and Regeneration
Lead Officer:	Craig Smith, Transformation Officer (Transformation and Efficiency Team)
Overall aim:	To review the commercialisation and income maximisation of council services, with the aim of maximising income opportunities.
Objectives of the review:	<ol style="list-style-type: none"> 1. To define what commercialism and income maximisation means within local authorities. 2. To identify further specific income generation opportunities for 2014-2018 which will generate an annual income of £xxx. 3. To understand identified opportunities for further commercialisation and income maximisation, and map out a four year business plan. 4. To consider and review alternative cost saving measures which will save the Council money in order to protect frontline services from the efficiency savings that LBI has been instructed by Central Government to make over the next 4 years. 5. To understand and alleviate the current limitations and barriers to further commercialisation and income maximisation. 6. To examine existing models of commercialism within other Local Authorities that have successfully generated income, understanding; policy, culture and operational practice. 7. To consider alternative models of commercialism and income maximisation such as a ‘workers cooperative.’ 8. To identify what culture and practice could be adopted by Islington Council from the private sector that would enable greater commercialisation and income maximisation by council services. 9. To identify and mitigate for the gap in skills and commercial acumen within the council. 10. To understand and determine how the LBI trading company will be used as a vehicle towards commercialism and income maximisation. 11. To determine the political, legal and financial risks and implications of pursuing specific commercial and income maximising activity for the council and to offer appropriate mitigation strategies. 12. To develop a short, medium and long term strategy for commercialisation and income maximisation in line with the council’s overall financial objectives.
How is the review to be carried out:	(Use separate sheets as necessary for 1-4 below)
Scope of the Review	
To review the commercialisation and income maximisation within Islington Council and examine alternative	

models delivered in other local authorities.

Types of evidence will be assessed by the review: (add additional categories as needed)

1. Documentary submissions:
 - a) Commercial Board Discussion Paper
 - b) LB Hammersmith and Fulham – Commercialisation: a great alternative to cutting costs.
 - c) The London Borough of Camden – Generating income from 4G internet.
 - d) Scrutiny and Income generation presentation by Steve Key.

2. It is proposed that witness evidence potentially be taken from:

To be identified

3. Visits

To be identified

Additional Information:

Programme

Key output:	To be submitted to Committee on:
1. Scrutiny Initiation Document	
2. Timetable	
3. Interim Report	
4. Final Report	