

Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report reference: FED-014-2011/12

**Date of meeting: 21 November
2011**

Portfolio: Finance and Economic Development

Subject: Revenue Income Optimisation

Responsible Officer: Stephen Tautz (01992 564180)

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That the Committee consider the report of the Revenue Income Optimisation exercise recently undertaken by Pricewaterhouse Coopers (PwC);

(2) That the Committee agree in principle, the preferred approach to each of the following possible revenue generation options identified by PwC:

Advertising and Sponsorship

(a) the introduction of advertising on:

- (i) the Council's website;**
- (ii) the Council's land and property assets;**
- (iii) billboards at prime locations in the ownership of the Council;**
- (iv) lamp columns and closed-circuit television columns etc managed by the Council;**
- (v) other street furniture managed by the Council; and**
- (vi) the Council's vehicle fleet;**

(b) the introduction of sponsorship for events and services;

(c) the development of existing advertising sources;

Off-Street Car Parking

(d) the restructure of the Council's existing off-street car parking charges;

(e) the reintroduction of charges for long-stay car parks on Saturdays;

(f) the introduction of charges for off-street car parking on Sundays and Bank Holidays;

(g) the introduction of charges for evening off-street car parking;

(h) the reintroduction of off-street car parking charges throughout the pre-Christmas period each year;

(i) the introduction of off-street car parking charges for Blue-Badge holders;

(j) the investigation of opportunities for the expansion and development of the Council's car parks;

(k) the investigation of other business opportunities for the Council's car parks;

and;

Solar Photovoltaic Energy Generation

(1) the installation of renewable energy initiatives for the Council's operational property portfolio;

(3) That a further report in respect of the implementation of each of the options agreed in principle pursuant to recommendation (2) above, be made to the meeting of the Committee to be held on 16 January 2012, and that members of the Finance and Performance Management Scrutiny Panel be specifically invited to attend the meeting in view of the Panel's role in scrutinising the Council's annual fees and charges; and

(4) That the report of PwC and the views of this Committee and members of the Finance and Performance Management Scrutiny Panel on the implementation of the revenue generation options identified by the RIO exercise, be considered by the Cabinet at its meeting on 30 January 2012, as part of the budget setting process for 2012/13.

Executive Summary:

(Acting Chief Executive) In July 2011, the Council commissioned Pricewaterhouse Coopers (PwC) to undertake an exercise to identify options for the generation of increased revenue income, as part of Improvement East's Efficiency Challenge for 2011/12. This exercise was carried out using PwC's 'Revenue Income Optimisation' (RIO) methodology, which seeks to identify opportunities for new or increased income generation and possibilities for improved structures for fees and charges.

The RIO project has identified a number of business case opportunities which could deliver increased revenue income for the Council. The relatively low number of possible opportunities recognises the work that the authority has already undertaken in relation to the 'selling' of services and expertise to its partners, in securing external funding, and in ensuring cost recovery in specific service provision. Additional opportunities raised through the RIO exercise are being reviewed to determine whether anticipated business benefits are realisable, and these may further increase overall levels of income if implemented.

Reasons for Proposed Decision:

In view of the need to consider the identified opportunities for the generation of increased revenue income and revised fees and charges, as part of the budget setting process for 2012/13.

Other Options for Action:

None. This report sets out the outcomes from the RIO project and details a number of proposed opportunities that could be implemented. Failure to consider the outcomes from the RIO exercise could mean that options for the generation of increased revenue income were lost, and might adversely affect the reputation of the authority.

Report:

1. In common with all local authorities, the Council is facing financial pressures and it is therefore important that the authority considers all opportunities for increasing income. Whilst revenue income makes a significant contribution to the way that authorities are funded, there is a common consensus that this is an area that is not necessarily being exploited to the full,

either to reduce cost pressures or to improve services. In January 2008, the Audit Commission published a report entitled 'Positively Charged - Maximising The Benefits Of Local Public Service Charges', which examined the contribution made by charging to council finances, and highlighted that councils do not always make the most effective use of their charging powers.

2. In October 2010, Improvement East, the Regional Improvement and Efficiency Partnership, launched an 'Efficiency Challenge' initiative to support local authorities in the region to manage the impact of the Comprehensive Spending Review on budgets and services. Following a benchmarking exercise which analysed a wide range of comparative information, Improvement East identified the Council as an authority eligible for assistance and offered a package of financial support towards the undertaking of programmes and projects designed to increase capacity. On 18 April 2011, the Cabinet agreed that £40,000 of the assistance received from Improvement East be utilised to help identify options for the generation of increased revenue income, in the context of the financial pressures faced by the authority.

3. Although Improvement East did not directly procure the consultancy expertise required to deliver individual projects supported by the Efficiency Challenge, they did make specific recommendations based on their experience of the consultancy market, and the specific products on offer. The revenue income exercise was therefore proposed to be undertaken by Pricewaterhouse Coopers (PwC), using their adopted and tested 'Revenue Income Optimisation' (RIO) methodology, which provides public sector organisations with an opportunity to maximise income by:

- reviewing services to determine the possibilities of charging;
- exploring options for charging at a premium for differentiated services;
- ensuring that charges are in-line with appropriate public and private sector benchmarks;
- ensuring that charges reflect not just incremental costs, but fully absorbed costs; and
- reviewing opportunities for business to business trading, licensing, and sponsorship etc.

4. In proposing the commissioning of PwC to undertake the revenue income project, Improvement East stated that they were satisfied as to the quality and value for money of the services provided by the consultants.

The Revenue Income Optimisation Exercise

5. The RIO project commenced in early August 2011 and has recently been concluded. The project comprised three main elements:

- initial analysis of revenue outturn data and existing revenue generation initiatives;
- detailed analysis and development of new revenue generation opportunities; and
- development and reporting of detailed new revenue generation business cases.

6. The work carried out by PwC was based on an analysis of the cost recovery performance of the Council based on 2009/10 revenue out-turn data, and engagement with services to consider opportunities for increased revenue generation. The project sought to explore innovative ways to provide additional income streams, and PwC used their experience of working with other local authorities on similar RIO exercises, to identify income opportunities which may not have previously been considered by the Council.

7. The initial analysis undertaken by PwC highlighted that a significant amount of work to

increase income had already taken place or is currently in progress, through the supply of services to the Council's partners, the securing of external funding, and in relation to cost recovery initiatives. Although this work reduced the opportunities available to generate further additional revenue streams, PwC's experience of other RIO projects suggested that it would still be possible to identify opportunities for further improvement. As part of this initial phase of the exercise, PwC also conducted a benchmarking review of the Council's current fees and charges, against those charged by comparator (the CIPFA nearest neighbour 'family group') councils. This analysis showed that in many service areas, the Council's charges varied between being some of the lowest amongst the comparator authorities, to being just above average. However, PwC identified some variation in approaches to the setting of fees and charges, particularly around benchmarking, which did not always appear to be undertaken as a routine element of fee setting exercises. Although income generation has clearly had a high profile in the current economic climate and a corporate approach to the setting of fees and charges is in place, PwC have suggested that this may not always be effective in setting the best fees and charges to maximise income.

8. Through further detailed analysis and a series of workshops, the RIO project engaged with officers across a number of service areas to identify revenue generation opportunities. As a result of this engagement and the work that the Council has already undertaken in relation to income generation, a number of the opportunities identified were either discounted or not recommended to be taken forward for the development of high-level business cases.

9. Throughout the RIO exercise, Management Board has provided governance for the project. The Board has prioritised the opportunities identified in the initial stages of the project, and agreed those areas which were subsequently taken forward for the development of high-level business cases. These related to advertising and sponsorship, off-street car parking, and the introduction of renewable energy initiatives for elements of the Council's property portfolio. The final report of the RIO exercise is attached as Appendix 1 to this report, and addresses all three of these business cases, setting out the following possible opportunities for additional revenue generation and the financial impact of each proposal:

Advertising and Sponsorship

- the introduction of advertising on the Council's website, billboards and advertising on the Council's land and property assets and at prime locations owned by the authority, advertising on lamp columns, closed-circuit television columns and other street furniture managed by the Council, and advertising on the Council's vehicle fleet;
- the introduction of sponsorship for events and services;
- the development of existing advertising opportunities, such as the 'Forester' and other publications;

Off-Street Car Parking

- various options for the restructure of the Council's existing parking charges;
- the reintroduction of charges for long-stay car parks on Saturdays;
- the introduction of charges for parking on Sundays, Bank Holidays and evenings, and the reintroduction of parking charges where currently no charge is made on specific days during the pre-Christmas period each year;
- the introduction of parking charges for Blue-Badge holders;
- the investigation of opportunities for the expansion and development of the Council's car parks, including other business opportunities such as the provision of car-wash services; and

Solar Photovoltaic Energy Generation

- the installation of renewable energy initiatives for the Council's operational property portfolio, initially for the Civic Offices complex.

10. The Cabinet Committee will be aware that the current Capital Strategy indicates the Council's commitment to make resources available to fund capital investment where this will maximise the generation of income. The opportunities for increased income generation set out in PwCs report, particularly in respect of the introduction of renewable energy initiatives, clearly support this commitment. A separate report will be considered by the Cabinet at its meeting on 5 December 2011, in respect of options for the introduction of renewable energy initiatives for the Council's residential property portfolio.

11. The RIO project identified that in many areas, the Council has appropriate approaches in place to address income generation and fees and charges, in order to support the future financial position of the authority. In addition to the development of the three high-level business cases, the RIO exercise identified other potential opportunities to provide income streams, although these were not included as part of the final project. An initial business case covering fees and charges for a number of licensing and regulatory services was, for example, also approved by Management Board as a low priority, and this issue is being taken forward separately as part of the fee and charges setting process for 2012/13.

12. Mark Stephenson (Director) and Richard Holmes (RIO Manager/Consultant) of PwC will be in attendance at the meeting to respond to any issues in respect of the findings of the RIO project. The work of PwC in this respect has now concluded, and the Council should assume responsibility for the implementation of any of the identified income opportunities that it wishes to take forward. Each of the business cases prepared by PwC includes an implementation plan for taking forward proposals for additional income generation. The Cabinet Committee is therefore requested to consider issues arising from the RIO exercise, and to agree in principle, the preferred approach to each of the options identified.

13. In reviewing the income opportunities highlighted by PwC, it is considered that the Cabinet should identify the Council's future overall expenditure reduction objectives as a basis for assessing the various RIO options. This is considered to be particularly important in respect of any possible revisions to charges and existing arrangements for off-street car parking provision within the district, and should include consideration of any target for the generation of increased income from off-street parking and the timescale for any future review of parking charges beyond the RIO exercise. It is considered that this will allow any decisions on issues such as the off-street parking element of the RIO exercise to be considered in the round, and not purely on a financial basis.

14. Subject to the consideration of the individual business cases prepared by PwC, it is proposed that a further detailed report in respect of the implementation of each of the agreed options, and the issues set out in paragraph 17 above, be made to the meeting of the Committee to be held on 16 January 2012. As the Council's fees and charges for 2012/13 have recently been considered by the Finance and Performance Management Scrutiny Panel, it is proposed that members of the Scrutiny Panel be specifically invited to attend the Cabinet Committee meeting in January 2012.

15. The report of PwC and the views of this Committee and the Finance and Performance Management Scrutiny Panel on the implementation of the revenue generation options identified by PwC, will be considered by the Cabinet at its meeting on 30 January 2012, in order that any identified savings and revised fees and charges for off-street car parking, can be considered by the Cabinet as part of the budget setting process for 2012/13.

Resource Implications:

The cost of the undertaking of the RIO project has been met from funding allocated to the Council as part of the Improvement East Efficiency Challenge. Administrative and other support to the project has been met from the budget of the Performance Improvement Unit for 2011/12.

Legal and Governance Implications:

There are no legal implications or Human Rights Act issues arising from this report, which seeks to ensure that appropriate arrangements are in place to secure continuous improvement in the way in which the Council's functions and services are exercised.

Safer, Cleaner and Greener Implications:

There are no legal implications arising from this report in respect of the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative, or any Crime and Disorder issues within the district.

Consultation Undertaken:

Management Board has provided governance for the RIO project, and has considered progress with the exercise at regular intervals. The Board has reviewed the final report of PwC in respect of the exercise, and it is proposed that a further detailed report in respect of the Council's approach to each of the options identified by PwC be made to the meeting of the Finance and Performance Management Cabinet Committee on 16 January 2012. Members of the Finance and Performance Management Scrutiny Panel will be specifically invited to attend that meeting.

Background Papers:

PwC engagement letter for the provision of RIO services (12 July 2011). Final report of RIO exercise (3 November 2011).

Impact Assessments:

Risk Management

A failure on the part of the Council to consider the outcomes from the RIO exercise could mean that opportunities for the generation of increased revenue income are lost, and might adversely affect the reputation of the authority.

Equality and Diversity:

No. However, issues arising from proposals to introduce or increase fees and charges for specific services will be identified as necessary, as specific actions are progressed.

No. However, issues arising from proposals to introduce or increase fees and charges for specific services will be identified as necessary, as specific actions are progressed.

Where equality implications were identified through the initial assessment N/A process, has a formal Equality Impact Assessment been undertaken?

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A