

Theme and Overview: 6. Self-Sufficient Council: Income Generation

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Overview of proposal:

The County Council continues to provide a wide variety of services to the public with good customer satisfaction. The majority of these services are free at the point of delivery. However, in some cases the law allows or requires a charge or contribution to be levied on the recipient. Income from sales, fees and charges was around £65 million in 2015/16.

Once fees and charges are discounted in relation to Adult Social Care (these are covered by the County Councils Fairer Access to Care Services Policy), those elements of income where fees are either set by statute, included as part of the Dedicated Schools Grant or the risk and reward of changes in income have been transferred to commissioned providers, the County Council receives approximately £20 million of income on which charges can be considered. This represents approximately 6% of the County Council's net revenue funding or 4% of gross expenditure. Two thirds of this income is generated by the Economy and Infrastructure Directorate.

A set of principles were approved by Cabinet in September 2015, to form the basis for charging across the County Council. This yielded approximately £80k of additional income for 2016/17 against an aspiration of £50k. Services are now incorporating future increases within their FutureFit Plans across the Medium Term Financial Plan (MTFP). This will continue to be monitored to ensure income is optimised.

The new aspiration around income generation is four-fold:

1. Optimising the approach to current and new income generation from services will yield £50k in 2017/18 and a further £25k in 2018/19

A review has been undertaken of the County Council's existing policies on generating income and forecasts have been revised as progress towards full cost recovery has improved over original forecasts undertaken in 2015/16.

2. £50k 2017/18 - Expanding opportunities for additional income from surplus cash

Currently the County Council achieves £0.3 million from investing surplus cash in accordance with its Treasury Strategy. The intent is to expand opportunities to invest Treasury cash to gain the potential for greater returns through working with newly commissioned Treasury Advisors. This will need to be continually reviewed in light of the Bank of England's changes to the base rate.

3. £100k 2017/18 and then a further £200k in 2018/19 - Traded services and increases in income generation from the County Council's estate.

Following discussion at full Council in February 2016, the intent is to create an 'invest to

generate income' scheme. This will develop areas of the County Council identified as good practice to trade its expertise commercially to other organisations in return for its costs being recovered in full and a margin to recognise the future investment required to improve services and risks being taken in trading these services. The investment required for this is £0.1 million from those monies set aside at the end of the 2015/16 financial year to pump prime the development of business models to charge for services. The target return will be 3 to 1 on investment (full year effect) no later than two years following the investment, with returns commencing from mid-2017.

In terms of income generation from the County Council's Estate, ideas are being developed through the County Council's Estates team to generate further income from the County Council's Estate in 2017/18.

4. £75k 2018/19 - Revolving Door Investment Fund increased dividend

The idea of a Revolving Door Investment Fund was introduced within a previous budget cycle with the aim of increasing income generation through investment in cash generating assets around Worcestershire. The intention is to make use of income generated from existing 'seed' investments in rail stations, business parks and the Energy from Waste facility and recycle this into further economic development opportunities. The majority of benefit will be delivered by increasing the investments into schemes which themselves generate sufficient income to repay the investment over time and generate a surplus which could either be reinvested into new schemes (the "revolving" element), or used to support the delivery of the County Council's key priorities. In addition, financial modelling has confirmed the opportunity, already included in the County Council's MTFP, to provide income to support Council services through a £0.5 million dividend per annum from 2018/19 as well as stretching this target by a further £75k per annum.

A set of principles have been drafted (Appendix 1) and potential partners are being formally engaged to support development of the financial framework, structures and draft an Outline Business Case. A set of site visits to existing revolving door funds are planned for 2016/17 and subject to a Cabinet paper at the beginning of 2017, the first investments will be made in the 2017/18 financial year with dividends and/or capital return to be delivered in 2018/19.

What additional savings/income is targeted and when is this expected to be delivered?

Budget				
2016/17	£20 million			
Savings				
Initiative	2017/18 £,000	2018/19 £,000	2019/20 £,000	Post 2020 £,000
Income Generation	200	300		
Total	200	300		

Cost of delivery e.g. redundancy, additional resources to deliver, investment in technology and assets etc.

An investment requirement of £0.1 million (Action 3) may be required from resources set aside at the end of the 2015/16 financial year and up to £0.5 million (Action 4) again from previous set-asides

What will be the key outcomes?

Optimising income generation in order to ensure continued protection of frontline services.

What will be the key work streams that will enable the delivery of this theme and who will lead their ongoing development?

1.	Workstream – Review of the financial effective of the County Council's Income Generation policies
	Lead Head of Service: Sue Alexander
2a.	Workstream – Traded Services income generation
	Lead Head of Service: Sean Pearce
2b.	Workstream – Estate advertising , sponsorship, utilisation and Income Generation
	Lead Head of Service: Peter Bishop
3.	Workstream – Revolving Door Fund
	Lead Head of Service: Steph Simcox

What are the key milestones for delivery?

Workstream	Key Milestones	Planned Date
1	Fee Setting	December 2016
2	Traded Services/Estate Utilisation Business Case	December 2016
3	RDF Business Case for Council	January 2017

Risks

#	There is a risk that.....	Which could (impact).....	Mitigation
1	Diversion of tasks – particularly on 2 and 3. – this may be resource intensive with relatively small gains typically available from upper tier services	Delivery of other projects	Resource prioritisation
2	Ultra Vires Income raising	Refunds and penalties	Legal Services advice

Appendix 1: Worcestershire Revolving Door Investment Fund DRAFT Design Principles

1. The purpose of the Revolving Door Fund (RDF) is to create a fund to invest into infrastructure, property or other capital related schemes which themselves generate sufficient income to repay the investment over time and generate a surplus for future re-investment. The surpluses generated are then "revolved" to fund other infrastructure investment opportunities
2. Any excess income (or reduction in costs) generated above the "original base case" for seeded capital schemes is pooled into the RDF
3. The RDF financial model will estimate the expected income receivable over an open-ended basis (starting with 10 year period)
4. Income received from the schemes could be revenue or sale of assets.
5. This income will then be used to invest into a number of infrastructure, property or other capital related schemes. Examples include working with a developer to fund the building of industrial units which are then occupied by local firms to generate rental income in the short term with the opportunity to sell at a later date, or the investment into companies in order for them to grow and the council takes an equity slice of the company
6. The schemes must generate sufficient income to repay the investment and generate a surplus, over a period of time.
7. The surplus will create a dividend back to the council which will then could either be reinvested into new schemes (the "revolving" element), or used to support the revenue account. £500k "dividend receivable" has already been included in the MTFP per annum from 2018/19 onwards
8. A set of parameters will be developed to enable a long list, and subsequently a short list, to be drawn up of potential schemes. The parameters could include appetite for risk, viability of investment opportunity, repayment period, return on investment, impact on economic regeneration / jobs created, links to Strategic Economic Plan (SEP), and degree of match funding and risk sharing
9. WCC to understand whether there is an appetite to lever in other partners to create a Worcestershire RDF (rather than just WCC) e.g. District Councils, LEP, private sector, and / or education sector. Equity can be injected at any time by partners or other schemes, subject to existing shareholder discretion.
10. Advice from other councils and financial institutions who have undertaken similar schemes will be sought to understand best practice and lessons learnt.