

Public Accounts Select Committee		
Title	Income generation and commercialisation update	
Contributor	Strategic Procurement and Commercial Services Manager	Item 7
Class	Part 1 (open)	21 March 2018

1. Summary and Purpose of the Report

- 1.1 To update the Public Accounts Select Committee on the progress being made on activities around income generation and commercialisation since the previous substantive report in June 2017.

2. Recommendations

- 2.1 The Public Accounts Select Committee is recommended to:
- 2.1.1 Note the contents of this report, making reference to the elements of income generating activity which has contributed to enable this Council to set a balanced budget over recent years.

3. Background and the story so far

- 3.1 Since March 2015 the Public Accounts Select Committee has continued to actively engage with officers to seek to ensure that the Council demonstrates its effectiveness in the management and generation of income.
- 3.2 This has been delivered in part through:
- the establishment of the Income Generation Board which has been tasked with the oversight of the delivery of certain new income streams and service initiatives; and
 - the production of a review by an independent consultant whose findings and recommendations were summarised into four key areas of: vision and strategy; leadership and accountability; modelling and best practice; and culture and communication.
- 3.3 Over the period there has been a number of proposed ways of delivering both the consultant's recommendations and for more generally advancing the income generation and commercialisation agenda. This has culminated in the creation in November 2017 of an 18 month interim post of Strategic Procurement and Commercial Services Manager, which will be responsible for the delivery of the Council's procurement function, contract management and income generation. In December 2017 an internal Council candidate was appointed to this role and started in January 2018.
- 3.4 The purpose of this paper is to update members of this committee on the latest position with procurement, contract management and income generation for the local authority. This particular paper covers:

- The policy context;
- An update on the linkages between procurement and contract management and how these play a vital role in ensuring that the Council remain commercially astute, particularly when transacting with the private sector;
- An update on the approach to income generation and the proposed timeline;
- An update on how the procurement, contract management and income generation work links with the transformation, digitisation, organisational and cultural change programmes currently being developed by the Council.

4. Policy Context

- 4.1 Over the course of the last six years, the Council has undertaken a significant revenue budget reduction programme to manage the difficult financial challenge it has been faced with. The Council has already made savings of £160.6m to meet its revenue budget requirements since May 2010 and is proposing further savings of £4.8m in 2018/19.
- 4.2 The Lewisham Future Programme Board (LFPB) was established to transform the way in which Council services are delivered by 2020. The LFPB manages delivery of these changes and has worked with Heads of Service and officers across the Council to develop options to be considered at Mayor & Cabinet and Council. The work to date has focused on developing a range of options via 18 service and cross-cutting based reviews, each led by a Head of Service.
- 4.3 The LFPB continues to assess, challenge and support work strand leads bringing forward a range of possible revenue budget savings options. Members will have already noted that contained within this has been a focus on generating higher levels of sustainable income.
- 4.4 To this end, various proposals have been and continue to be pursued by council officers as part of the LFPB income generation strategy. Those proposals previously agreed in earlier budget rounds and delivered as part of the programme include:
- Increasing the amount of Council tax collected;
 - Generating more income from School Service Level Agreements;
 - Maximising investment income;
 - Increasing income from advertising;
 - Extending Trade Waste services to Lewisham businesses; and
 - Reviewing fees and charges with *a view to increasing income*.
- 4.5 In November 2015, Mayor and Cabinet considered the income generating recommendations developed by the Public Accounts Select Committee. To recap, these recommendations and proposals included:

- *To identify and appoint a partner to deliver income through a wireless concession*
- *That a commercialisation ethos be endorsed and embedded throughout the Council*
- *To appoint a commercialisation specialist at Senior Officer Level*
- *That the portfolio of one cabinet post be amended to include specific responsibility and accountability for commercialisation and income generation*
- *That support for staff be embedded in any process or culture change within the Council*
- *That all Heads of Service be engaged in the process of moving to an increasingly commercial culture and in identifying income streams*
- *That in addition to a “top down” approach to identifying commercial strategies and income streams, a “bottom up” approach be encouraged for front line staff to report areas where they feel fee levels are wrong and to identify new areas of potential income streams. A platform for staff to do this should be created with clear feedback provided.*
- *That the true costs of Council services be understood*
- *That any restructures within the Council ensure the right grade of staff for the work.*

4.6 Since these recommendations were agreed as a result of this committee’s review, officers continue to make progress on these and this report provides members with the progress to date and the intended timescales for the further development of these aims. Officers will be able to expand further on these during the discussion at the meeting.

5. Procurement and Contract Management

5.1 As a Council we self-deliver only a small percentage of services directly. The majority of services are commissioned and delivered through contractors or partners, often in the private sector.

5.2 This evolution to a primarily commissioning led Council places a natural emphasis on ensuring that we can demonstrate both best value and economy, efficiency and effectiveness through the way we both procure and manage these contracts for goods and services. The Council retains overall responsibility for the strategy and policy for service delivery which provides clarity and focus on what is required to deliver this vision, but as we are reliant on other parties for the actual service delivery we need to ensure that we know how to effectively procure and manage these contracts to ensure that we achieve the best possible outcomes for residents. Therefore a significant factor in being a commercially astute Council is through the effectiveness in our procurement and contract management to ensure that we can maximise service delivery whilst minimising cost to the Council.

5.3 The interim role of Strategic Procurement and Commercial Services Manager brings responsibility for both procurement and contract management into a single central role and function. Part of the role’s remit is to consider and propose how

the Council can ensure that it not only remains legally compliant but that it looks to adopt good and best practice over the lifecycle of all commissioned services.

- 5.4 The current delivery of central procurement advice and support is provided through an SLA with the London Borough of Lambeth and this arrangement will continue whilst the wider review of both procurement and contract management is undertaken. There is a continual review of policy and process to ensure compliance with both procurement and wider legislation such as the Transparency Code and the changes in GDPR which take effect on the 25 May 2018. Further changes to our procurement approach will be needed to reflect the increased emphasis on social value and the outcomes of the Poverty Commission report.
- 5.5 To supplement the LBL resources we are looking to appoint two apprentices and the shortlisting for this is taking place. This will help build greater capacity within the Council and ensure learning and development opportunities are maximised for Lewisham apprenticeships.
- 5.6 A key change is the introduction of the contract management module within the existing procurement software which will enable significantly improved central monitoring of contracts. The system will be introduced in May 2018 with training delivered in June 2018 and Council wide roll out of the module. It is anticipated that this will assist in the creation of a single central register of contracts (currently held by individual Directorates) and will allow more sophisticated analysis of spend across the Council.
- 5.7 In conjunction with the ability to extract key contract management information from the new system, a review of supplier spend will be undertaken to also highlight those suppliers which account for the largest value per annum. This analysis will be cross referenced with the findings highlighted in the annual contract management audits undertaken to establish both a financial metric (value) and risk based approach to targeting areas for review and improvement.
- 5.8 Corporately this work is coordinated with the Directorates through the Commissioning and Procurement Board, chaired by the Commercial and Procurement Manager with legal and procurement officer support and Head of Service representation from all the Directorates. There is also a Joint Commissioning Board, established in January 2018, which follows the same gateway model focusing on adults and children joint Council and Health spend on commissioning services. The Commercial and Procurement Manager attends these meetings to provide advice and challenge and to ensure governance is aligned.

6. Income Generation

- 6.1 Each of the LFPB savings has been designated to particular strands. To date, there has been a number of revenue savings achieved through increased levels of income generation and this has come as a result of the work developed by this committee and the key message continues to be spread more widely throughout the organisation in that our ability to generate higher levels of income will in turn alleviate the pressure of making cuts to services.
- 6.2 It has been made clear that sustainable income generating activities have supported the council in being able to set a balanced budget over these years. For instance, in the 2015/16, there was a total £3.12m of income generation

targets to be achieved over three years with an additional £4.8m agreed as part of the 2016/17 and 2017/18 budget setting process. Currently, there is a further £0.5m of income generation targets in development which have been included within the 2018/19 budget.

- 6.3 It is important to note that not all the income has been fully realised, but given that have been formally agreed and endorsed by full Council, it is essential that officers continue to actively pursue these and develop other opportunities.
- 6.4 A key outcome expected from the creation of the post to oversee procurement, contract management and income generation for the Council is the drafting and agreement of a Council income generation and commercialisation strategy. This will reflect that commercialisation is a spectrum from 'money out' to 'money in', which starts with procurement, runs through the contract management lifecycle and then moves into traditional fees and charges before considering new models and ways of working, particularly under the increased powers that Local Authorities now have.
- 6.5 The initial stages of drafting a Commercial and Income Generation Strategy involve a wider review of practice elsewhere and benchmarking with other Local Authorities, this is building on the previous consultant's report and findings. The recent admittance to the Association of Public Sector Excellence has provided access to resources and materials as well as networking and benchmarking opportunities. The most recent Commercialisation, Income Generation and Trading Advisory day on the 22 February 2018 had a number of interesting presentations focusing on driving revenue and value through capital investment, operating a shared Teckal company, and an income and investments review of the most recent budget. The agenda and slides from this day have been appended to this report for information.
- 6.6 In addition to the establishment of a Commercial and Income Generation Strategy one of the first deliverables of the new role is an immediate review of fees and charges to ensure that the inflationary uplift of 3%, as agreed by full Council on the 21 February 2018 as part of the 2018/19 Budget, has been applied to all services where appropriate. This review will include all fee paying services, including those under service level agreements with partners. This review has commenced and will be undertaken in accordance with the constitutional requirements for reporting with the intention of being effective as soon as practicable after the 1 April 2018.
 - 6.6.1 Officers now have a complete and up to date database of fees and charges activity across the council. What is being developed now, is a consistent cost modelling approach. This continues to move forward, however due to capacity issues in the organisation, progress has been slow. Therefore, at this stage, it is not yet possible to be clear on how much additional income may be secured simply by ensuring full cost recovery.
- 6.7 During the summer a wider review will take place, (building on the previous work undertaken to establish a complete database of fees and charges), to establish an annual Council wide process for this. This process will review all current fees and charges but will also look to challenge services to introduce new fees and charges as appropriate. An example being the introduction in July 2016 of cost recovery charges for street naming and numbering, a service previously provided at nil cost to applicants and therefore at a cost to all residents. The annual process will consider: i) the legal framework; ii) the basis of charging; iii) the methodology for calculating charges; and iv) the way in charges are applied and

collected. The intention is to standardise the Council's approach to certain elements of charging (eg. overheads) and to ensure that there is full transparency for decision making.

- 6.8 In terms of some of the separate projects identified separately and reported on, and brief update is provided below.

Advertising Income (Large Format)

- 6.8.1 The original income target of £300k per annum was based on the assumption that numerous feasible sites existed within the Borough.
- 6.8.2 This was then reduced to four key sites (two in Lewisham and two in Catford) where large format digital advertising could raise additional and sustainable revenue and the budget was reduced to £100k.
- 6.8.3 Of these four sites two (one in Catford and one in Lewisham) have successfully achieved planning but this has taken far longer than expected. It is intended that these be offered to the market this month. However, the Council currently receives annual income of circa £30k for these sites and therefore whilst they are now expected to bring in improved income under the new planning approval, it is the net new income that will be generated will be circa £50k and the 2018/19 budget has recognised this position and adjusted the budget to reflect this. Officers will report back in due course once the leases have been let and the actual annual income is known.

Wireless Concession

- 6.8.4 A key recommendation from the committee's in-depth review was to appoint a partner to develop a wireless concession and or small cell network across the borough, the benefit being to increase Wifi coverage and speeds for residents and those visiting the borough.
- 6.8.5 The council then partnered with Shared Access (SA) Ltd, who were set the target of identifying and delivering, as a minimum 10 sites across the borough within the previous financial year, where each of these sites will be host to two small cell antennae. The expected revenue from these sites would be in the region of £50k of sustainable income.
- 6.8.6 Despite assurances from SA that they would market the council's sites to the mobile operators to stimulate the market and generate further interest, there has been no interest from the mobile operators. The structure of the agreement with SA is that whilst there was no exclusivity offered by the Council there is no obligation on SA to bring forward sites.
- 6.8.7 Given the lack of market demand and the failure to secure any sites in the borough the revised income target of £50k has been removed altogether from the 2018/19 budget. However Officers continue to review options for increasing Wifi coverage and speeds for residents and visitors due to the wider social and economic benefits this achieves. The current option being explored is to access grant funding from the Department for Culture, Media and Sport (DCMS) Challenge Fund for local full fibre networks which would bring fibre into publicly owned assets.

7. New Models for Sustainable Income Generation

- 7.1.1 In agreeing the Lewisham Commercialisation and Income Generation strategy it will be important that as a Council we define what is meant by commercial astuteness, and it is being widely recognised that for Local Authorities it is vital that commercial initiatives deliver both a financial and social dividend. Attached in appendix 2 is a report by Grant Thornton that discusses the concept of social return and provides examples of how this is being delivered by Local Authorities.
- 7.1.2 Lewisham has already developed its own vehicle for delivering both a financial and social return through the Besson Street joint venture. This scheme will see the establishment of a separate company between Lewisham and the private sector (on a 50:50 basis) for the delivery of build to rent homes, of which a minimum of 35% will be offered at London Living Rent levels. This structure will allow the Council to actively influence the standard of privately rented accommodation whilst also generating a sustainable income stream from the investment.
- 7.1.3 Officers, as part of the Catford masterplanning work, will review the role of the wholly owned company Catford Regeneration Partnership Limited (CRPL) to ensure its financial and operational focus continues to support the wider Council objectives for this regeneration as it develops. Their business plan will be coming forward to Members before the summer recess in 2018.
- 7.1.4 Models such as this will continue to be assessed and adopted as part of the process of defining and agreeing the Commercialisation and Income Generating Strategy.

8. Financial implications

- 8.1 There are no specific financial implications directly arising from agreeing the recommendations to this report.

9. Legal Implications

- 9.1 There are no specific legal implications arising from the report. Any legal issues arising from the implementation of the deliverables referred to in the report will be considered in relation to that deliverable.

10. Crime and Disorder, Environmental and Equalities Implications

- 10.1 There are no crime and disorder, environmental or equalities implications relevant to this report.

BACKGROUND PAPERS AND APPENDICES

Short Title of Report	Date	Location	Contact
Income Generation Review (Scope and Sessions 1, 2 & 3)	10 th March 2015, 14 th April 2015, 14 th July 2015, 29 th September 2015 (Public Accounts Committee)	5 th Floor Laurence House	Selwyn Thompson
Income Generation and Commercialisation – Update	28 June 2017	5 th Floor Laurence House	Selwyn Thompson
APSE - Commercialisation, Income Generation and Trading Advisory Group Agenda and Papers	22 February 2018	5 th Floor Laurence House	Katharine Nidd
The Income Spectrum – Grant Thornton LLP	2017	5 th Floor Laurence House	Katharine Nidd

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