

<b>Public Accounts Select Committee</b>		
<b>Title</b>	Income Generation Update	
<b>Contributor</b>	Strategic Procurement and Commercial Services Manager	
<b>Class</b>	Part 1 (open)	13 June 2019

## **1. Purpose of paper**

- 1.1. To provide an update on the progress of the income generation and commercial services function in terms of both work plan and resources and consideration of the EFQM business excellence model for this service and for income generation within the Council.

## **2. Recommendations**

- 2.1. The Public Accounts Select Committee is recommended to:

- note the update on income generation provided by this report;
- note the EFQM business excellence model and how it can be adopted by the commercial services team for income generation activities;
- note the progress against developing capacity within service group;

## **3. Policy context**

- 3.1. This work has been undertaken in line with the Corporate Strategy 2018-22:
- Directly supporting the objective to build an economy for the many; and
  - Indirectly supporting the remaining six objectives through supporting a sustainable financial position which will fund activity in these areas.

## **4. Background**

- 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 arising from austerity. The Council has already made cuts of £163m to meet its revenue budget requirements since May 2010 and is seeking to find £30m in savings in the medium term, by 2020/21. In addition, the Council faced an unprecedented overspend of £17.8m in 2017/18 which has created additional pressures.
- 4.2. The Council has identified the need to develop a clear income generation strategy and culture and ethos to ensure that vital levels of service delivery can continue throughout a period of sustained austerity and funding cuts.

- 4.3. Further to the Committee's work programme commitment to consider regularly the Council's approach to income generation, as well as the work by Committee under the previous administration of income generation and commercialisation, three key lines of enquiry were established. Those lines of enquiry are set out below:

#### Understanding and benchmarking

- How much money does Lewisham currently generate through its income generating activities?
- Where does Lewisham sit in relation to its peers?
- What is a realistic target in terms of income generation?

#### Progress

- What progress has been made on implementing the recommendations of the income generation opportunities review?
  - How is the development of a new income generation strategy progressing?
  - How well do the fees and charges and the income board operate?
- 4.4. This paper will consider progress since the last report in March 2019 and the comments and recommendations made at that meeting.

### **5. Income Generation Strategy**

- 5.1. The new Income Generation Strategy was approved by Mayor and Cabinet in February 2019. This strategy is now live and services will be expected to align their work with its objectives and follow the processes set-out within.
- 5.2. A programme of culture change to move the organisation towards a more commercial mind-set is key to embedding the strategy and part of its objectives. In order to progress this, the following action has taken place:
- The new strategy has been to the organisation's Executive Management Team meeting, where the Interim Chief Executive and Executive Directors have signed up to the new approach and endorsed it to provide top-tier sponsorship.
  - Work has been undertaken to consider change theory and models which could be used to support the development of the culture piece. This is discussed further at point 5.3 onwards.
  - The Organisational Development team have been made aware of the new strategy and work has begun with them to review opportunities to address the cultural shift required, including existing learning and development, new tailored training and softer transmission across the organisation in partnership with our Communications team.

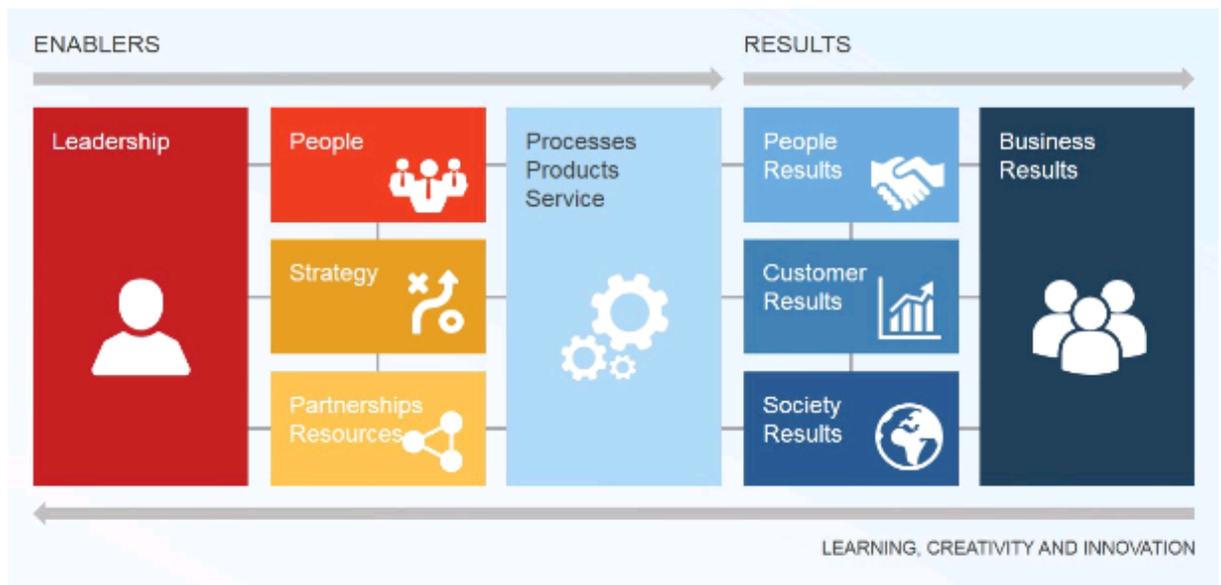
- Initial work has taken place with select services to develop tools for the organisation to support the work. A cost-model has been developed using feedback from work with initial services reviewing their charges, and this forms the basis of a guidance and toolkit package to support work in the organisation and reduce barriers to engagement.
- APSE have supported work with Environment Services around commercialisation, doing specific work to review their income generating activity across the division and providing a workshop on the new business case model and basic training on economic principles and concepts relevant to commercial delivery, which will be drawn on to some extent for the wider organisational piece.
- The EFQM Business Model is proposed be adopted to support both the embedding of the change in culture and the functioning and annual processes within the Income Generation Strategy.

## **6. What is the EFQM Excellence Model**

6.1. Developed in 1990, the EFQM Excellence Model was created to help organisations examine the effectiveness of their strategy development and implementation. The 2013 edition is the latest model and it incorporates legislative and regulatory compliance into its focus, which is made up of three parts:

- The Fundamental Concepts of Excellence: there are 8 concepts of excellence providing a holistic overview of the model.
- The 9 Box Model: there are 32 criterion grouped under the 9 boxes used to understand the details within the organisation.
- RADAR: this is used to assess the score during an assessment process based on a cycle of continuous learning and improvement.

6.2. This simple model allows organisations the ability to institute a top level 'success' formula to their processes, change as needed and measure the results.



- 6.3. The EFQM Excellence Model represented in the diagram above is a non-prescriptive framework based on the nine criteria. Five of these are 'Enablers' and four are 'Results'. The 'Enabler' criteria cover what an organisation does and how it does it. The 'Results' criteria cover what an organisation achieves. 'Results' are caused by 'Enablers' and 'Enablers' are improved using feedback from 'Results'.
- 6.4. The arrows emphasise the dynamic nature of the Model, showing learning, creativity and innovation helping to improve the Enablers that in turn lead to improved Results.
- 6.5. When considering the Income Generation Strategy and its application, and the required change in corporate culture to develop a more commercial mind-set, the application of this model can be incredibly useful in identifying the roles and functions of the various Council processes and structures and how these should be most effectively deployed to support the success of income generation.
- 6.6. The Lewisham application of this mode with reference to income generation and commercialisation would be:

#### Enablers

- Leadership: the role of all Member forums, both executive and non-executive, as well as EMT's, DMT's and the Income Generation Board;
- People: this includes all staff, but with particular emphasis on the identified leads for fees and charges within services, as well as the various income generation champions and those who bring forward business cases for new income streams;
- Strategy: this is primarily the Income Generation Strategy, but is also supported by the Corporate Strategy and all other Council strategies and policies where these touch on commercialisation;
- Partnerships / Resources: the key resource is the business case template and cost model, supported by the partnership with organisational development and its roll out of the commercial toolkit and training. As section xx sets out below, another key resource is the new Income Generation and Commercial Services Manager

post which is in the process of being recruited to, but without which a number of key activities are not being driven forward;

- Processes / products / services: this is the income generation strategy applied. It is the annual cycle of fees and charges review, the creation and revision of the light touch business cases, culminating in the presentation of these to the Income Generation Board, challenge and review and then final acceptance into the annual Fees and Charges report and the upcoming Budget. It is also the same iterative business case development process for new ideas, be these project, service or asset based, and then the challenge and scrutiny by DMT, the Income Generation Board, EMT and finally Members;

### Results

- People results: the successful adoption and implementation of the Income Generation Strategy will not be enough to create the necessary culture change to a commercial mind-set and approach that will be required to produce the necessary 'people results'. What is needed is a full training and development programme to ensure an engaged workforce who see the value in commercialisation and income generation and who understand that it's not 'not core business' but rather critical to the protection of front line services elsewhere. Once this is achieved the full potential of the entire workforce can be harnessed.
- Customer results: in the Lewisham interpretation of the EFQM model 'customer results' means the direct recipients or customers of any income generation initiatives/services, therefore this would be those users of our services who pay a fee or charge. The result we are seeking to achieve is that our customers perceive our services to offer genuine value for money and best value and that we are the preferred provider for these, especially where these are discretionary or commercial services and are competing with the private or commercial sectors.
- Society results: this is the achievement of wider social value for all of our residents in the Borough who, through the generation of income will benefit from our increased financial resilience, which in turn allows us to protect front line services. A wider ambition will be to obtain increased societal benefit through cross borough partnerships and our ability to set precedent and shape the market to allow others to follow.
- Business results: this is the core result from successful income generation, the actual increase in the financial resilience and sustainability for the Council. This will be coupled with improved efficiency and effectiveness and the confidence in the achievement of best value.

6.7. What is important to recognise is that the model defines the first 5 items as 'enablers' and the last 4 as 'results', therefore whilst it may be natural to think of the development and acceptance of the various income generation business cases as a result in itself, it is in fact not. It is only through the actual implementation and embedding of it, not simply the creation and approval of it that the results above will be achieved.

6.8. From the above it's clear that Members have a vital role to play as an enabler in this model, through the clear articulation of the priority placed on income generation and the necessary culture change required to support this. APSE have recently written an interesting article titled "Risk and commercialisation: A guide for local scrutiny

councillors” which discusses the current landscape around commercialisation, names five key areas in which scrutiny can make a difference, offers seven scrutiny questions that can kick start scrutiny activity in that area, and finishes with the three main principles of involving scrutiny. This is appended as Appendix A.

## **7. Fees and charges work programme**

- 7.1. A full programme has been developed to ensure that all fee-charging services are worked with to establish cost-modelling and up-to-date charging levels.
- 7.2. Some work has already begun, particularly with services within the schools service level agreement and environment services, which has been facilitated by APSE. This work will be rolled out more widely with the newly developed toolkit that was produced and iterated using the learning from these initial reviews.
- 7.3. A full work programme was appended to the previous report and reported to PASC. This was discussed with members and changes were proposed, which have been incorporated.
- 7.4. However, as was also flagged by the Strategic Procurement and Commercial Services Manager in the meeting, the current levels of resourcing and capacity may impact on the delivery of this timetable.
- 7.5. As set out in the section below the current capacity levels mean that this programme of work will experience slippage, however this has been re-programmed and officers are confident that the annual plan can be maintained.

## **8. Income function resourcing update**

- 8.1. Members will be aware that the pilot to create a central function for the oversight of income, procurement and contract management was agreed 28 June 2017 and as a result an interim internal appointment made in December 2017 and taking effect in January 2018.
- 8.2. A work programme for this function has been designed, published and is being delivered against, with Committee kept regularly apprised of the work being undertaken.
- 8.3. Alongside the income generation work programme set out in the update in July, this function is wide ranging in its scope and has been serving as the commercial link across services in the Council and has been involved in the following activity, either delivering directly or serving in an advisory capacity:
  - Work to exit the Kier contract and bring facilities management in-house;
  - Design and testing of an in-sourcing model;
  - Leading and strengthening the procurement function across the Council;
  - Work to support Adult Social Care in contracts and business case development;
  - Publication of the procurement measures within the first modern slavery statement for the Council;

- Delivery of a new procurement social value policy and metrics for measurement of social value and publication in an annual report;
  - Chairing the procurement sub-group of the Lewisham Deal for wider community wealth building;
  - Joint lead on the consideration of new models of delivery for care services;
  - Consideration of the in-house recruitment managed service model (as established by Kent and Hampshire); and
  - Besson Street joint venture procurement, initiation and governance.
- 8.4. Further to the value this function drives and acknowledgment of progress against the income work plan and the range of other duties, there has been recognition of additional resources required. This is being addressed through agreement of £200k of growth in the 2019/20 budget and was initially raised in Financial Forecasts 2018/19 tabled to PASC on 25 September this year. This will be required to ensure that the strategy is properly embedded and the benefits realised.
- 8.5. Formal agreement has been granted to bring in three additional resources under the umbrella of the Procurement and Commercial Services team, plus an extension of the current interim role until the 31 March 2020. The three resources will report into the interim Strategic Procurement and Commercial Services Manager and will add significant resilience to the Council's procurement function whilst taking forward the hands on delivery of the Income Generation Strategy and the development of a Council wide contract management framework including systems and processes.
- 8.6. Procurement - to ensure that this continues to support the Council and to ensure robust and effective procurement which maximises value for money and minimises the risk of a successful challenge. We have seen a sharp and steady increase in the challenges received from tenderers which is requiring increased and senior support from the procurement function. This suggests that to mitigate this we require more investment in the process from the start to ensure that at every stage we minimise these risks. This role was recently advertised, and interviews are currently taking place with the hope that the successful post holder in place by September 2019.
- 8.7. Income generation - to effectively roll out the newly adopted income generation strategy, to continue to cost model all services within the Council for the annual fees and charges report, as well as developing the training and development piece which will ensure a cultural change to a commercial mind-set across the Council. The governance structure as set out in the Income Generation Strategy, coupled with the senior support, will ensure Council wide support from all services but without a dedicated resource the identified fees and charges work plan and required cultural change will not be able to be successfully and properly implemented. This role was advertised, with applications received on the 6 May 2019 and interviews held within a fortnight. A successful applicant has been offered the role and has accepted, subject to the required HR on boarding processes, and officers are optimistic will start before the end of June 2019.
- 8.8. Contract management - the design and implementation of a Council wide system and processes for contract management (linked to the newly published contracts register) will ensure that we share good and best practice across the Council and will assist in driving efficiencies through the terms of our contracts. Improved contract management

practice will also ensure consistently good levels of service delivery. This role was advertised and interviewed for and the successful applicant joined the team on a one year basis on the 13 May 2019.

- 8.9. It is to be noted that the interim internal support offered by other services in 2018 and early 2019 has now reduced which has impacted on the revised fees and charges work plan.

## 9. Financial implications

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

## 10. Legal implications

- 10.1. 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.

## 11. Further implications

- 11.1. There are no further implications, environmental, public safety or equalities related, arising from this report. These will be considered again as the work progresses.

## 12. Background documents

- 12.1. The table below contains background reports to Committee which informed this work as well as the existing Income Generation Strategy and Guidance published in 2015:

<b>Title:</b>	<b>Date:</b>
<a href="#">Lewisham Council Income Strategy and Guidance</a>	February 2015
<a href="#">Income generation review scoping report</a>	March 2015
<a href="#">Income generation review evidence session 1</a>	April 2015
<a href="#">Income generation review evidence session 2</a>	July 2015
<a href="#">Income generation review evidence session 3</a>	September 2015
<a href="#">Income generation review final report and recommendations</a>	October 2015
<a href="#">Response from Mayor and Cabinet to the recommendations of PASC on income generation</a>	March 2016
<a href="#">Income generation 6 month update</a>	July 2016
<a href="#">Income generation opportunities review</a>	October 2016
<a href="#">Income generation update</a>	November 2016
<a href="#">Income generation and commercialisation</a>	June 2017
<a href="#">Income generation and commercialisation update</a>	September 2017
<a href="#">Income generation and commercialisation update</a>	March 2018
<a href="#">Income strategy update</a>	September 2018
<a href="#">Income strategy update</a>	December 2018
<a href="#">Income strategy report for Mayor and Cabinet</a>	February 2019
<a href="#">Income Strategy Update</a>	March 2019

- 12.2. The table below outlines the appendices to this report:

Appendix A	APSE: Risk and Commercialisation: A guide for local scrutiny councillors
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