

Mayor and Cabinet			
Report Title	Income Generation Update		
Key decision	No	Item No	
Contributors	Strategic Procurement and Commercial Services Manager		
Class	Part 1	Date	6 February 2019

1. Purpose of paper

- 1.1. To provide Mayor and Cabinet a draft Income Generation Strategy, along with proposals to develop a structure which could support in delivering and governing its implementation. A report was presented to Public Accounts Select Committee (hereafter 'the Committee') on 20 December 2018 on this matter, and this paper sets out the same considerations with their feedback incorporated.

2. Recommendations

- 2.1. Mayor and Cabinet is recommended to:

- approve the draft Income Generation Strategy to be adopted and implemented; and
- approve that the current pilot to centrally resource income generation activity should convert to permanent using the identified funding of £200k as per section 7.

3. Policy context

- 3.1. The Council's vision is to work together to 'make Lewisham the best place in London to live, work and learn'. This vision is set out in '*Shaping our future*' - Lewisham's Sustainable Community Strategy 2008-20. The contents of this report are consistent with the Council's policy framework and it supports the achievement of a number of Lewisham's Sustainable Community Strategy priority outcomes. These six priorities are: ambitious and achieving; safer; empowered and responsible; clean, green and liveable; healthy, active and enjoyable; and dynamic and prosperous.

- 3.2. Lewisham's core values are to:

- Put service to the public first
- Respect all people and all communities
- Invest in employees
- Be open, honest and fair in all we do

- 3.3. Lewisham has corporate priorities for action which outline the Council's distinctive contribution to the delivery of shaping our future – Lewisham's Sustainable Community Strategy. These include: improve the wellbeing of the people of Lewisham; develop and engage local communities; and improve public sector performance and delivery. This work has been undertaken in line with the corporate priority of improving public sector performance and delivery.
- 3.4. This work has been undertaken in line with the Sustainable Community Strategy policy objectives:
- Ambitious and achieving: where people are inspired to and supported to their potential; and
 - Dynamic and prosperous: where people can actively participate in maintaining and improving their health and well-being.

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 £160.6m 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 £16.5m 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.

5. Income Generation Strategy

- 5.1. The existing Income Strategy and Guidance was published in February of 2015 but not fully or properly implemented and delivered. Nearly five years on, the national and local context has developed, as have examples of good practice from the sector, as well as an increasing need to balance commercial ambition with financial resilience and rigour. A new strategy has therefore been drafted, and is appended to this report.
- 5.2. The Income Generation Strategy is closely related to the Corporate Charging Policy which supports the Fees and Charges Report. Once implemented the Strategy will have these two documents located alongside it for ease of use by officers. The Charging Policy is appended to this document, and a template for the Fees and Charges Report is also appended. The status of the Fees and Charges Report is addressed in the next section.
- 5.3. The draft Income Generation Strategy is formed around key objectives, with clear principles to support each objective and clarity around the process and governance surrounding new and revised income generating and commercial proposals. It is appended to this report and sets out the strategic approach in full.

- 5.4. The five objectives contained in the strategy aim to capture the ambition for financial resilience and commercial thinking underpinned by robust processes and corporate grip, balanced with the Council's enduring efforts to generate social value.
- 5.5. The principles are designed to translate these strategic aims into clear expectations to shape officer work across the council, and these are supported by templates for a new business case approach to income proposals based on the Treasury Green Book Five Case Model and guidance on legislation and terminology.
- 5.6. The strategy also sets out a new governance structure and protocol for evaluating these business cases, which is designed to feed into DMTs, EMT and complement all the usual good practice processes officers currently follow, including the requirement to engage early with both legal and financial services.
- 5.7. As part of this, the strategy introduces income stream owners, so each line of income generated has a named role responsible for it. This officer would be responsible for managing the income stream, as well as evaluating actual benefits realised against benefits proposed in the business case to ensure that outputs and outcomes are achieved and any lessons learnt logged for future projects. This creates an environment of continuous improvement and learning which assists in the reduction and management of risk.
- 5.8. A significant aspect of the strategy work stream will be the implementation and behaviour change associated with it. Work to design the implementation and culture piece will take place through January-March as part of Phase 2 of the work stream. This will then be programmed and rolled out after April 2019.
- 5.9. It will also be an ongoing task for officers directly involved in income generation to maintain a collaborative network with peers and to keep up to date with best practice. There will need to be, as part of the closing phases of this project, an engagement plan for officers more widely with appropriate communications to support uptake and ongoing compliance. Channels such as management meetings, team meetings, the intranet and others will be looked at with the communications team to understand how best this can be done. Workshops will also be rolled out with certain teams to help them understand the new approach and maximise its benefits for their work.
- 5.10. It will also be important to acknowledge and accept the different risk profile that the Council will need to manage. The increasing constraint on finances mean that the Council is inherently taking on greater risk. Add to this a more ambitious and entrepreneurial approach, and further risks, of a new and different kind, may be taken on. The strategy appreciates and attempts to mitigate these types of risk through the governance structures and appraisal approach set out therein.
- 5.11. Part of the necessary entrepreneurial approach involves the testing of new ideas through the business case model. Resources will be required up front – both human and financial – to enable this investment, and to progress proposals. It should be recognised that some new ideas will not be successful and subsequently there will be

a certain percentage abandoned. The business case process, through development and iteration, alongside the learning cycle aim to minimise this.

- 5.12. Work is underway already to look into specific areas of income potential, with a review of the commercial services in Environment taking place with the Association of Public Sector Excellence (APSE).
- 5.13. Lessons from this will be used to inform the organisational development piece, with workshops and support and training for services to take place once the strategy is implemented to develop a widespread commercial culture at the Council.
- 5.14. It is the intention that this strategy, proposed for three years, will be periodically evaluated with a review at the end of the first year and that lessons will be used to inform the next strategy. The organisation should be well positioned, at the point of renewal, for a strategy with a longer term and an evidenced approach borne of the work this strategy facilitates, enabling new and larger ambitions for entrepreneurial activity.

6. Fees and charges

- 6.1. A key objective of the Income generation Strategy is the shared understanding and language of how the Council defines commercialism. Linked to this is a clear understanding of both what the Council is able to charge for, the basis and maximum value of these charges and the proportionality of this income in relation to the Council's overall financial position.
- 6.2. The annual Fees and Charges Report is a deliverable under the Income Generation Strategy and annually will set out clearly each fee or charge alongside the rate for the previous year and any proposed increase, as well as the legal basis for the charge. The business case process described in the Income Generation Strategy will ensure that these are robustly tested prior to introduction and then remain fit for purpose throughout the period that they are in existence.
- 6.3. It is intended that the Fees and Charges Report will allow for full transparency and clarity about each and every fee and charge, as well as the collective impact that these have towards underpinning the financial resilience of the Council, allowing for both grip and perspective by officers and members.
- 6.4. Fees and charges have an important role to play in the financial sustainability of the Council, and Lewisham Council generated £15.6m in fees and charges and £56.8m in other income (£72.4m) in total as published in the 2018/19 budget book. Historic figures show that this amount has remained fairly stable when compared to previous years but that as a percentage of total funds available to the Council (including grants), fees and charges accounts for circa 2%.
- 6.5. Work is ongoing to enable robust oversight of the charging landscape. A best practice example fees and charges report is being developed with lines for every charge in the Council as well as information on current and proposed levels of fees and the legal

basis for each income stream. Legal services have carried out an initial review of the powers for charging and work is ongoing to better understand our fees and charges ahead of populating the appended spreadsheet.

7. Income function

7.1. Members will be aware that the pilot to create a central function for the oversight of income, procurement and contract management was agreed on 28 June 2017 and as a result an interim internal appointment was made and took effect in December 2017.

7.2. 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.

7.3. 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 6 Lewisham anchor institutions for wider community wealth building; and
- Besson Street joint venture procurement, initiation and governance.

7.4. Further to the value this function (including strategic procurement and contract management) 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 in the budget and was initially raised in Financial Forecasts 2018/19 tabled to PASC on 25 September 2018. This will be required to ensure that the strategy is properly embedded and the benefits realised.

7.5. The proposal to increase base budget by £200k would enable a redesign of the current procurement function, as well as the creation of posts specifically to implement the Income Generation Strategy and to ensure that the proposed culture change, business case processes and overall governance functions were effective. The detailed proposals will be developed and implemented in 2019/20 in line with corporate HR policies and processes.

8. Next steps

8.1. Officers will continue work in line with Committee's programme as outlined in the previous sections.

- 8.2. Once approved, the Income Generation Strategy implementation work will be progressed, with particular regard towards developing a commercial culture to support the strategy's objectives.
- 8.3. For the coming financial year it is the intention to make provision in the Budget Report for all services to uplift their fees and charges in line with CPI or for full cost recovery if this is higher to allow for stability in real terms while further work to review current levels is undertaken.
- 8.4. A work programme is being developed for review of fees and charges in specific areas to ensure appropriate charging. This will see batches of areas reviewed across the next six months and allow a full Fees and Charges report to be published ahead of the 2020/21 financial year with the outcomes of those reviews.

9. Financial implications

- 9.1. There are no specific financial implications directly arising from agreeing the recommendations to this report.
- 9.2. This report recommends that Mayor & Cabinet approves that the current pilot to centrally resource income generation activity should convert to permanent using a budget growth allocation of £200k per annum. This is consistent with the recommendations of the 2019/20 Budget Report.

10. Legal implications

- 10.1 Decisions about making and increasing fees and charges often involve consideration of legally complex issues and are such decisions are regularly challenged in the courts. As set out in the draft Corporate Charging Policy 2018 (paragraph 3):

'There is a variety of statutory provisions regarding local authorities' powers to make charges or to charge fees. Some statutory powers relate to individual types of activity; others are wider (such as the power to levy discretionary charges for some services and to facilitate commercial trading activities - Local Government Act 2003; and the 'general power of competence' – Localism Act 2011). To the extent that it is wished to trade on a commercial basis particular limitations apply, including the requirement to establish a company to carry out the activity.

Where a power to charge exists, the amount which can be charged is similarly dependant on the legal position. For example in some cases, authorities are under a duty to secure that, taking one year with another, the income from charges do not exceed the cost of provision; in other cases, the position may be different.

Even where a statutory power exists authorities must still ensure that the decision to use the power is made in a lawful manner including taking account of any limitations and prohibitions.

Finally, decisions about individual charges – such as management, administration, and increases - will need to be made in the light of statutory powers and decision-making principles. That will include the need to ensure that the policy is not applied in a ‘blanket’ manner so that the Council’s discretion in making individual decisions is not fettered.

Accordingly, advice should be obtained from Legal Services.’

- 10.2 The approach to these issues set out in the draft Corporate Charging Policy 2018 is one which is likely to minimise the risks in this area. Consideration of and decisions about charging and the implementation of the deliverables referred to in the report will need to be considered with Legal Services in relation to that deliverable.

11. Equalities implications

- 11.1. This paper introduces a new strategy to provide a framework around income generating activity including fees and charges. Any changes to services around income will be subject to the strategy, but also to all corporate policies. As such, any change to, introduction of or withdrawal of a service will be subject to an Equalities Analysis Assessment in line with the Corporate Equality Policy and services will retain their responsibility to ensure equalities implications will be considered on a case by case basis through this mechanism.

- 11.2. The strategy itself places emphasis on the Council’s particular responsibilities in commercial activity through the fifth and final strategic objective:

Generation of social value, through work within an established framework of values and principles, to balance commercial ambitions with positive outcomes for the community.

- 11.3. It is intended that all proposals around income generation be taken in the context of the Council’s wider duties, including the Public Sector Equality Duty, and subsequently while there are no equalities implications arising directly from this report, it puts in place measures to promote corporate duties and values, which include the promotion of equalities.

12. Further implications

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

13. Background documents

- 13.1. 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:

Title:	Date:
Lewisham Council Income Strategy and Guidance	February 2015
Income generation review scoping report	March 2015
Income generation review evidence session 1	April 2015
Income generation review evidence session 2	July 2015

Income generation review evidence session 3	September 2015
Income generation review final report and recommendations	October 2015
Response from Mayor and Cabinet to the recommendations of PASC on income generation	March 2016
Income generation 6 month update	July 2016
Income generation opportunities review	October 2016
Income generation update	November 2016
Income generation and commercialisation	June 2017
Income generation and commercialisation update	September 2017
Income generation and commercialisation update	March 2018
Income strategy update	September 2018
Income generation update	December 2018

13.2. The table below outlines the appendices to this report:

Appendix A	Income Generation Strategy 2019-2022
Appendix B	Corporate Charging Policy