

## **Internal Scrutiny Committee**

Meeting to be held on Friday, 15 March 2019

Electoral Division affected: (All Divisions);
--

## **Local Authority Funding and Income Generation**

(Appendix 'A' refers)

Contact for further information:

Khadija Saeed, Head of Corporate Finance, (01772) 536195

khadija.saeed@lancashire.gov.uk

### **Executive Summary**

An update is provided on the actions taken by officers in response to the Internal Scrutiny Committee task group recommendations for income generation in support of the council achieving financial sustainability.

### **Recommendation**

The Internal Scrutiny Committee is asked to note the progress detailed in the report.

### **Background and Advice**

In September 2017, the Internal Scrutiny Committee formed a task and finish group to look at local authority funding and income generation. Following a series of meetings and evidence gathering sessions, a report on the conclusions and recommendations of the task group was produced.

The report concluded that, whilst Lancashire County Council, facing an unprecedented period of financial challenge, had made good progress in addressing the forecast financial shortfall, further work was needed to ensure the county council could achieve a financially sustainable position.

From the reviews conducted by the task group, a number of areas were identified for further exploration which could potentially increase income to support the financial sustainability of the county council; offer different ways in maximising services that have a community benefit or contribute to economic regeneration.

In particular, the task group recommended that consideration could be given to exploring and/or undertaking feasibility studies in the following areas:

- Traded Services
- Statutory and non-statutory services
- Property portfolio
- Commercialisation

In February 2018, the council's operational plan presented a summary of the organisation's focus and methodology for supporting the delivery of the council's aspirations. Developing a sustainable financial strategy is identified as one of the four organisational priorities with increasing income, both from commercial activities and from fees and charges being a key lever.

To this end, the council undertook a number of work programmes, which included the following:

### **Service Challenges**

The objective of the service challenge was to secure a better service at a lower cost and included the identification of opportunities for maximising income streams from fees and charges.

The service challenge involved a focused piece of work for each service area consisting of four stages including:

- Evidence – understanding the dimensions of the existing service including demand, delivery methodology, costing, relative performance, qualitative data and future expectations.
- Research – establish best in class service providers in terms of customer experience, quality of service and efficiency, undertake field work, consult users and knowledgeable partners (including elected members), record findings.
- Design – rapid design for Lancashire; build alpha concept, stress test and develop beta model. Present demonstrator and outline business case.
- Implementation plan – full business case and delivery plan.

The outcome of the service challenges has yielded a number of recommendations to the Full Council resulting in actions agreed to deliver savings of £77m over the next 3 years.

### **Commercialisation**

In the operational plan, commercialisation for the council was defined as maximising current income and the identification of new income streams. It also includes 'sweating' those assets which are critical to service delivery (with appropriate investment) and realising assets no longer required where the flexibility to utilise capital receipts to support the revenue budget continues to exist.

A board was established to oversee those initiatives whose primary purpose was to generate income, and this board considered the specific recommendations made by the task and finish group (as at Appendix A), and each are considered in turn.

### Traded Services

Lancaster Castle has hosted 8 weddings for this financial year (2018-19) and this number has built up steadily over a number of years since the Castle was first licensed for weddings and civil partnerships.

Clitheroe Castle has hosted 8 weddings for 2018 and other events too such as naming ceremonies.

The museum manager at Gawthorpe Hall has had detailed discussions with her colleagues at Lancaster Castle and Clitheroe Castle about their experience of hosting wedding events, covering the pros and cons, details etc. Discussions will then need to be held with the National Trust (from whom the council leases the Hall) about introducing weddings into the venue as they are not covered by the existing lease agreement.

The museum manager at the Judges' Lodgings Museum in Lancaster that re-opens on 8 March after 2 years of closure is also preparing to register the premises with the county council's Registration Service as a wedding venue.

The experience at Lancaster Castle suggests that there is limited demand for a wedding service to be conducted at one location and then re-locate to another location for food and entertainment. That is as much to do with the competition between wedding venues in the area as it is to do with the inconvenience of parking large numbers of wedding guests around the limited parking available at the Castle for guests who are usually dressed for the occasion. This is also a consideration at Clitheroe Castle, which is also a unique proposition but not that easy in terms of access. However, Clitheroe Castle does offer an on-site bar/café that can cater for wedding parties as well as hosting the ceremony.

The grounds surrounding Gawthorpe Hall and the availability of parking (especially on Saturdays when Burnley Football Club's training ground is in use and results in the car parks being filled to capacity with cars then lining the drive) are factors that have deterred events from being held at the Hall and may prove to be as discouraging for weddings. However, week days are not as busy and so could be used for weddings.

Only by registering Gawthorpe Hall as a wedding venue and then promoting it will determine the true level of interest in the venue and prove if it can generate income. The intention is to seek approval from the National Trust and then register the premises during 2019/20 and then promote it. However, as experience at Lancaster and Clitheroe has proven, most marriages are booked at least one if not up to two years in advance so opening a new income stream at Gawthorpe Hall might only generate a small but steadily growing income over coming years.

Progress has also been made around a number of other existing business areas, which were identified by the task and finish group as areas where expansion could potentially take place:

Educational Resources - Participation at the Education Show 2019 has resulted in over 100 credible leads (with over 80% being from the international schools market). It has already led to sales to schools in both Hungary and Lithuania, and we are currently working on a deal to roll out some of our National Curriculum support materials to almost 100 schools in Nigeria.

Outdoor Education - Work has commenced on delivering non-school activities at Towerwood and Borwick Hall. Support is also being provided to the council's corporate parent role with events at Borwick Hall.

Catering services – New contracts have been secured to provide services in neighbouring local authorities, and this contracted work has commenced.

Although additional income may be raised through the expansion in these business areas, the additional income will contribute towards existing budget commitments made.

#### Statutory and Non-Statutory Services

The Executive Director of Adult Services and Health & Wellbeing convened a work shop in December 2018 that all health partners from across Lancashire and South Cumbria were invited to along with our upper tier authorities to discuss how we could work together better in articulating our 'ask' of the market and more collaborative commissioning to support that. This was ostensibly to help us start to shape a market position statement. This was a positive session but just the start of that work.

An agreement was reached with one of the Integrated Care System (ICS) executive team around how we can put some pace behind issues where we are both spending significant amounts, particular around population groups e.g. Mental Health /Learning Disability & Autism (adults) and could achieve greater value for money and outcomes by working differently. We plan to have a half day with key commissioners to take this agenda forward recognising the need to do business differently.

In addition, actions were agreed by Full Council which encouraged improved working in achieving a more equitable cost distribution between health services and social care. This fits with the work we have been doing on the vision for adult social care which has been presented to nearly all Integrated Care Providers.

Telecare – we now have some independent research which shows cost effectiveness which we need to build on with the NHS, as this can also guide us on where and what we fund not just for those who have eligible care needs but as those approaches that are preventative.

Richard Jones a former Director of Adult Social Care at the council, has been asked to lead some work between the council and the ICS to achieve greater connection between local government and health services.

## Property Portfolio

A review of all assets owned by the council was undertaken, identifying the scope and nature of the opportunities that may exist in relation to those assets that were non-operational in nature. To further progress this work into realisable opportunities, it is resolved that an external organisation will be appointed to identify specific income generation opportunities for consideration by the council. Officers will follow the existing procurement protocols to secure this appointment.

The Woodlands Conference Centre was one of a number of sites operated by the county council for hosting a variety of in-house conferences and meetings for council staff, and courses delivered by the Learning and Skills service. In 2017, the county council, as part of a programme of property rationalisation, closed the Woodlands Conference Centre along with Alston Hall near Preston and the Leyland Learning Centre.

The staff training delivered by the Learning and Development Service from Leyland Learning Centre was transferred to the Exchange Conference & Training venue, which is located at County Hall in Preston.

The commercialisation board considered the scope to reopen the Woodlands Conference Centre to provide a North West Regional Conferencing and Training Centre, commissioning a study to ascertain if there was sufficient scope and potential for this.

The outcome of the study has been received by the council, and in particular concluded that there are significant risks in positioning the Centre within a commercial, primarily corporate, market. The Centre would require significant investment and there are major barriers and challenges to it reaching a breakeven operating point – let alone generating a surplus.

In relation to recommendations for income generation through renewable energy, an exercise was undertaken approximately five years ago by the Carbon Trust/Partnership for Renewables with central government funding, to look at renewables on public sector land. This study looked at all our land holding within the county apart from that held for development purposes. Unfortunately the limiting factors whether it was, for example, location, neighbouring properties, elevation, aspect etc. meant that the consultants concluded that we did not have any viable land opportunities for these purposes.

## Commercialisation

Income generation initiatives have been identified through the service challenge process and recommendations have been made to the Cabinet and Full Council as part of the budget setting process for 2019/20.

The task and finish group specifically requested consideration of the potential for an 'Energy from Waste' option. This initiative is already being considered as part of a strategy to replace our existing landfill contract and is being progressed. Consultants

have been appointed to advise on different contract models. A formal procurement exercise will then be conducted.

To be clear, it is not guaranteed that this option will generate income and is dependent upon the contract model chosen. For example, the revenue generated from electricity production may simply offset the gate price for processing waste, reducing costs this way. There are models where income can be generated based on electricity revenue but it will be a case of understanding the risk of such a model against other options and deciding which is likely to deliver best value for the council.

Although it is considered that there is no question of feasibility to deliver an energy from waste solution, as the technology is widely used, it would be anticipated that the delivery of the option would take a number of years to bring to fruition.

In relation to the car charging points suggestion from the task group, 150 electric charging points are in the process of being placed on highway or other county council land in Lancashire. The work has been commissioned as part of the commitment the county council made around changing our present street lighting to LED lamps that in turn will reduce the council's carbon footprint and electricity bill for street lighting.

The electric charging point programme is set up to be financially neutral. Once the units are in place our partners, BP Chargemaster, will take the funds from selling the electricity and maintain the machines. This will mean that the management will be fully completed by BP Chargemaster and the work needed to chase up problems with payment will also be managed by them.

Although this programme of work has been ongoing for a long period of time, we are now in a position where we will have the first few units in place and functioning by the end of March.

Once the on-road charging points have been put in place we will look into the provision of charging points in residential areas, taking guidance from both unit suppliers and the experience of other highway authorities. It is already anticipated that there will be a number of concerns to overcome in taking this forward, for example with regard to the cables needed to charge vehicles and laws around the use of these on the public highway. There will also be challenges with the perception of the public with regard to the permissions to park outside residential properties. It has to be noted that a financially neutral outcome will be sought, rather than an income generation outcome, given the economics of this type of business in its current stages i.e. it is highly developmental.

## **Consultations**

NA

## **Risk management**

The council's commercialisation board has overseen the work to provide this report to the committee.

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact/Tel
-------	------	-------------

NA

Reason for inclusion in Part II, if appropriate

N/A