



# Local Authority Funding and Income Generation

## Overview and Scrutiny Review – May 2018

For further information regarding this report, please contact

Samantha Parker

Senior Democratic Services Officer – Overview and Scrutiny

01772 538221

[sam.parker@lancashire.gov.uk](mailto:sam.parker@lancashire.gov.uk)

[www.lancashire.gov.uk](http://www.lancashire.gov.uk)



## Contents

	Page No
Background to the review	2
Membership of the task and finish group	2
Scope of the scrutiny review	2
Methodology	3
• Officers	3
• Documents	3
• Websites	4
Glossary of Terms and Abbreviations	5
Context	6
Key Findings	8
Conclusions	12
Recommendations	13
Acknowledgements	14

## **Background to the Review**

At the 21 July and 22 September meetings of the Internal Scrutiny Committee, the following presentations were provided to members:

- Local Authority Funding Update
- Statutory and non-statutory services
- Lancashire County Council Income Update

From discussions following the presentations, it was agreed that a task and finish group would be established to consider options in the following areas:

- Statutory/non-statutory services
- Income generation – funding streams/traded services
- Commercialisation
- Property portfolio

## **Membership of the Task and Finish Group**

The following County Councillors were appointed to the task and finish group:

- Jayne Rear (chair)
- Steven Holgate
- Erica Lewis
- Edward Nash
- Paul Rigby
- John Shedwick
- David Whipp

## **Scope of the Scrutiny Review**

The focus of the task and finish group was to identify various areas that could potentially provide an increase in income to support the financial sustainability of the county council.

The review sought to:

- Investigate further the current traded services available across the county council to identify any possible areas where traded services could be introduced/further enhanced.

- Understand and consider the current property portfolio to identify any potential scope for further streamlining.
- Further understand the statutory and non-statutory services with a view to making recommendations on potential scope to reduce any non-statutory services further.
- Understand and investigate funding streams not currently utilised by the county council and current income streams such as business rates, revenue funding grants etc. with a view to identifying potential ways to further maximise this area of funding.
- Understand and consider the possibilities around commercialisation from the documentation provided, case studies and/or discussion with other authorities who have used this method successfully.
- Make recommendations on how the county council could improve income generation through the use of additional funding streams, traded services and/or commercialisation.

### **Methodology**

The task group considered documentary evidence from a variety of sources both through internal services and external sources. Meetings were held with senior officers within the county council representing a range of services.

### **Officers**

The following senior officers were consulted with by members as part of this review:

Local Authorities:

- Neil Kissock, Director of Financial Services, Lancashire County Council
- Andrew Good, Head of Financial Management, Lancashire County Council
- Ajay Sethi, Head of Learning and Skills(Start Well), Lancashire County Council
- Mel Ormesher, Head of Asset Management, Lancashire County Council

## Documents

[Enterprising councils: Supporting councils' income generation activity. From the Local Government Association](#)

[Public Finance innovation Awards 2017: Winners Guide](#)

[Delivering change: How city partnerships make the most of public assets. From the Centre for Cities](#)

## Websites

All information provided via reports and presentations from the Internal Scrutiny Committee meetings:

[Browse meetings - Internal Scrutiny Committee](#)

Traded Services information:

<http://www.lancashire.gov.uk/council/organisation-and-partnerships/traded-services.aspx>

Eco-commerce useful websites:

<https://solartribune.com/how-to-store-solar-energy/>

<https://www.azocleantech.com/article.aspx?ArticleID=488>

<https://swedishcleantech.se/english/cleantechsectors/recyclingandwaste.4.32e88512143a83807392852.html>

<http://www.thechargingpoint.com/beginners-guide.html>

<https://www.nationalgrid.com/uk/about-grid/our-networks-and-assets/how-we-balance-electricity-transmission-system>

<http://www.whytelight.co.uk/>

<http://www.alderking.com/energy-project>

LGiU Investing in Prevention – information on a project undertaken by Camden Borough Council to look more closely at spend on 'preventative' or 'early action' services:

<https://www.lgiu.org.uk/investing-in-prevention/>

## Glossary of Terms and Abbreviations

- PROP Scheme - Pooled Resources Operational Plan: non-profit making building and maintenance scheme for all primary, nursery, special schools and ACERS
- SEND - Lancashire Special Educational Needs and Disabilities service provides support for children with identified additional educational needs.
- LPDS - Lancashire Professional Development Service: Provision of professional training and development through a range of courses and conferences covering curriculum subjects and cross-curricular issues.
- LCDL - Lancashire County Developments Ltd: A company limited by guarantee which is overseen by Lancashire County Council's Economic Development Service.
- PwC - PricewaterhouseCoopers: A multinational professional services network.
- Schools' Portal - An information service provided to schools, giving a whole host of information for head teachers, clerical staff, teaching staff, non-teaching staff and governors.
- Eco-commerce - Business, investment and technology development model that employs market based solutions balancing energy needs and environmental integrity.

## Context

Lancashire County Council is the fourth largest council in the UK and serves a population of 1,198,800.

Lancashire has 593 maintained schools and 38 academies serving 166,300 children and young people with five University campuses located in the county. In addition, Lancashire has one of the largest economies in the North of England with almost 52,000 businesses.

## Lancashire County Council's Budget 2017/18

The county council's net budget for 2017/18 was £724.822m. The "funding gap" is the difference between the Council's forecast income and expenditure. If steps are not taken to reduce the funding gap by 2021/2022 it is forecast to be around £144m. This is driven both by reductions in central government funding and also increases in demand for services, especially relating to social care.

## Income

The Council's core funding comes from Council Tax, Business Rates, and Revenue Support Grant.

## Funding Streams

### ❖ Revenue Support Grant

This is the main funding support received by councils from central government. The government has been reducing the level of this grant in recent years, with the aim of removing it completely by 2020, to be replaced by Business Rate Retention (see below). Reductions in this funding has had a significant impact on the budget of the county council.

### ❖ Council Tax

From information provided in July 2017, benchmarking information completed by PwC comparator analysis with the other 26 county councils showed that Council Tax income in Lancashire was the third lowest nationally based on income per head.

### ❖ New Homes Bonus

The New Homes Bonus was introduced to encourage local authorities to grant planning permissions for building new homes in return for additional revenue. As part of the provisional settlement announced in December 2016, the Secretary of State announced that payments would be received for five years from 2017/18.

❖ Business Rates Retention Scheme

In 2015 the Chancellor announced that local government would be able to keep 100% of business rates by 2020. Although work on this is progressing, the impact on the county council is not yet known.

**Service Areas with Commercial Activity**

There are a number of service areas with commercial activity. The following list is a sample of such service areas. It is not exhaustive and in no particular order.

Service	Service areas
Estates	Funding traveller sites External client services
Design Group	Design work for externally funded schemes PROP scheme
Children's Services	Outdoor Education Lancashire Music Service School Catering Learning Excellence Governor Services HR - Schools Health and Safety Services to Schools Aspects of School Improvement SEND Teaching and Educational Psychology Service
Libraries, Museums, Culture and Registrars	Lancashire Museum Service Conservation Studios Community Heritage Service Arts Development
Waste	Refuse derived fuel Recycling activity
Assets	Income from properties



## Key Findings

### Traded Services

As part of the review of traded services, several aspects of the portfolio were reviewed around the possibilities for improved revenue streams.

#### ❖ Catering

A review undertaken on the current position of service delivery across Lancashire identified that approximately 85% of schools in Lancashire buy into the catering service and in addition around 17 residential homes run by the county council. From this, the possibility of increasing the opportunities for the provision of catering services was discussed to open up the service provision to more schools, borough councils and hospitals.

#### ❖ Buildings

A review of the buildings currently identified as part of traded services highlighted that further, more detailed reviews would be appropriate in order to explore potential additional service provision to generate further income streams including:

- Woodlands – this site was recently closed down for teacher training and as a conference centre. It is a highly accessible venue with good parking facilities.
- Outdoor Education Sites – namely Hothersall Lodge, Borwick Hall, and Tower Wood. Whilst term time uptake at these sites is good, better use could be made of the facilities at weekends and during school holidays.
- Use of Gawthorpe Hall and other appropriate buildings as locations for weddings and other celebrations.

#### ❖ Governor Services

Approximately 95% of schools engage with some aspect of the traded Governor Services, and there was limited opportunity to extend the service within Lancashire. However, the service was highly valued by schools and enjoys a good reputation for the quality of its work. It was felt that there could be an opportunity to explore the option of taking the service beyond Lancashire, although noting that it would be important that such a step would not affect the service to Lancashire's own schools.

#### ❖ Schools' Portal

This is an information service provided to schools across Lancashire. It was identified that there could be an opportunity to explore whether this system could be provided to other local authorities.

#### ❖ Teacher Training – LPDS

The constraints on school budgets and logistics have resulted in a fall in numbers at teacher training events. However, there is potential scope for income generation by offering educational resources prepared by a well-respected group of Teaching Consultants using an online service. The success of this online service is

highlighted by the fact that schools in Hong Kong, Russia the UAE, Uzbekistan and the Philippines have previously or already buy into the online service provided by the county council and there is the potential to offer this service across the UK and more widely.

### **Statutory and Non-Statutory Services**

The county council has a statutory responsibility to deliver services across a number of services areas including adult and children's services, public health and wellbeing, community services, and support services such as HR, Legal and Finance. Although the county council has a statutory responsibility to deliver these services, there is no specific remit as to how those services should be provided.

Further to this the county council has a number of services that are regarded as non-statutory. There are elements of non-statutory services which sit within and support statutory functions. In addition, non-statutory services may be delivered for a number of reasons:

- Reduction or withdrawal in service would increase risks e.g. street lighting
- To prevent escalation to higher cost services
- The service generates a net income to the county council to support overheads

It was concluded that as the non-statutory elements of the 2017/18 budget largely supported the delivery of statutory services, there was little scope to cut these further.

However, it was felt that with some services which support health and wellbeing activities, in particular where services work very closely with NHS, there was an opportunity to identify overlap, duplication and develop better co-ordination which could reduce costs to the county council. Therefore the task group, in assessing the review of statutory and non-statutory services concluded that a working group could be established by the Health Scrutiny Committee to assess and identify better joint working opportunities that might exist between the county council and the NHS.

In addition, it was acknowledged that although it was outside of the remit of the task group work, an awareness and understanding of better investment in prevention across all services provided by the county council could further support the reduction in costs in intervention.

## Property Portfolio

To understand the current property portfolio with a view to identifying any potential scope for further streamlining, a number of services were considered.

### ❖ Estates

The Estates service covers a wide range of areas which includes the estates management activity. This area of work incorporates the management of the operational premises, surplus sites and/or premises and the commercial activity required. The Estates services also provides the management of the LCDL commercial portfolio. This portfolio includes 170 tenants with c£4million annual turnover, and covering about 1 million square feet of commercial property.

### ❖ Facilities Management

The key services provided by Facilities Management include managing the county councils office space allocation, property management traded services and the provision of the building cleaning service, which is a traded service to a number of external partners. It also provides services for external clients and manages relations with internal occupiers of county council's building space.

### ❖ Asset Management

The Asset Management service has a number of key service areas. Their main focus areas are to maintain the asset register, delivery lead for Property Strategy and delivery of Community Asset Transfer. In addition, the team provide support in relation to the potential co-location of services with other public sector partners, management of the council's energy use, premises compliance and capital programme for condition and suitability works.

It was concluded that there was a need to conduct a county wide review of the portfolio to further understand existing capacity and to identify any areas for further analysis which could include:

- Solar panel installation on county council properties.
- Installation of wind or solar farms on existing land.
- Infra-red heating and low cost lighting installation in existing county council buildings where appropriate.

## Commercialisation

Many of the findings included as part of this review were carried out through web based research, particularly around the eco-commerce potential. Also of particular interest is the work undertaken by the LGA to understand this area of income generation activity in response to reducing budgets, increasing costs and demand for services.

From initial research into the various county council services, the following areas were identified for further income generation exploration:

- Transport service – as the county council currently has a large fleet, there could be scope for commercial use.
- Highways service – scope for the county council to build for private construction.
- Installation of additional electric car charging points.

From this research, the task group felt that further consideration could be given for a thorough review to be undertaken of what the county council own and what services are in place that may have commercial viability (assets, expertise and market potential).

In relation to eco-commerce for Lancashire County Council, a number of options were identified for further exploration which included the installation and use of solar energy utilising the current council buildings and land. Further to this would be the potential scope to utilise existing land or buildings to store electricity to sell back to the National Grid or to provide electricity to supply charging points for electric cars.

Another option in relation to the production of electricity would be to explore the possibility of wind farms utilising any existing land that could be identified in the property portfolio.

In relation to the recycling of waste, information was sourced through a desktop exercise on the process utilised in Sweden to produce electricity from waste. They are recognised as global leaders when it comes to dealing with and recycling waste with 99% of all household waste recycled as either energy or materials, and this could be an option to further explore.

## Conclusions

Lancashire County Council has faced an unprecedented period of financial challenge and whilst good progress has been made in addressing the forecast financial shortfall, further work is needed to ensure the county council can achieve a financially sustainable position.

From the reviews conducted across all areas identified by the task group, it was concluded that there were many areas that could be explored further which could potentially increase income to support the financial sustainability of the county council or to consider different ways in maximising services that have a community benefit or contribute to economic regeneration. Depending on the outcome to be achieved the county council will need to consider the most appropriate operating model to achieve this.

One of the challenges facing Lancashire County Council in maximising the potential income generation identified as part of the work completed by this task group, is the skills mix and expertise required to further investigate, identify and manage the potential risks against the advantages particularly around commercialisation projects. Lancashire has excellent staff with a wealth of experience and skills, but to properly explore innovation in income generation, would require specialist knowledge and expertise and the county council may need to consider investment in outside support to help deliver long term benefits. In addition, the county council would need to look more closely at the current governance arrangements in place to ensure they are robust enough to manage the risk variance.

It appears to be widely acknowledged that there is an opportunity for further exploration of the potential scope of commercialisation, which is further highlighted by the inclusion of this in the recently published county council Operational Plan. In addition, a number of government agencies are providing conferences and events on this subject matter.

However, one clear message that has been consistent throughout this work is that Lancashire County Council acknowledges the changing landscape of local government funding but needs to continue to further explore a variety of new potential income streams to become more sustainable in the future.

## Recommendations

The task group recommends that consideration could be given for further exploration and/or the undertaking of feasibility studies and risk assessments to the following identified areas within:

### 1) Traded Services:

- a. The scope to reopen the Woodlands site in Chorley not only for teacher training and conferences in Lancashire but due to its location, as a suggested North West Regional Training Centre and offer to space to private businesses, colleges, universities, LEP etc.
- b. The scope to open Borwick Hall, Towerwood and Hothersall Lodge for weekend and out of term time conferences and also for outdoor learning opportunities for families and groups.
- c. The marketing of Gawthorpe Hall and other appropriate buildings as part of the county council's portfolio as a location for weddings and other celebrations.
- d. The use of Tower Wood (in the Lake District) during the school holidays and its potential use for:
  - A high quality hotel or B&B facility operating on a commercial basis in the open market.
  - Vulnerable families for breaks and opportunities to work together.
  - Clubs using the Lake District.
  - Technical and specialist training facilities – for example sailing courses, fell walking centre, mountaineering, mountain biking, etc.
- e. The scope to extend the Governor Services provision to schools outside of Lancashire.
- f. The opportunity to extend the Schools' Portal service to other local authorities.
- g. The opportunity to generate additional income through the offer of educational resources using an online service.
- h. The possibility of increasing the opportunities for the provision of catering services.

2) Statutory and non-statutory services:

- a. The Health Scrutiny Committee or its Steering Group undertake of a review to assess and identify better joint working opportunities that might exist between the county council and the NHS.
- b. A review by all of the scrutiny committees to understand opportunities available for better investment in prevention across all services provided by the county council which could further support the reduction in costs in intervention.

3) Property portfolio:

- a. A county wide review of the property portfolio with the aim to better understand the existing activity and identify areas for further analysis.
- b. Assessment of the possibility of solar panel installation on county council's properties.
- c. Exploration of the use of county council land to install wind or solar farms.
- d. Exploration of the installation of infra-red heating and low cost lighting in all county council buildings.

4) Commercialisation:

- a. Building on the current programme of car charging points across Lancashire, the exploration of a charging mechanism to generate income from additional electric car charging points.
- b. Further to 3 c), exploration of the use of county council land to install battery farms to store excess electricity to sell back to the National Grid or to provide electricity to car charging points.
- c. Assessment of the options available to produce electricity from waste.
- d. A thorough audit of what the county council have and own that have commercial viability.

**The task group is grateful for the support and advice of those who provided information and evidence to support its work.**