

## **Update on the Joint Scrutiny Committee Income Generation Task Group Report, September 2016**

Report of the Head of Economy, Enterprise and Skills

### **1 Recommendations**

The Corporate, Infrastructure & Regulatory Services Scrutiny Committee are requested to note the progress made to date against the recommendations.

It is recommended that a further update be provided to the Committee in six months' time, enabling the Committee to input into the development of practical measures for improving the Council's approach to income generation activities.

### **2 Introduction**

- 2.1 At the January 2016 meeting of the Corporate Services Scrutiny Committee, Members established a Joint Scrutiny Task Group to investigate how the County Council can generate income, in order to safeguard council services. The Task Group reported in September 2016 with a list of recommendations which were subsequently endorsed by Cabinet.
- 2.2 This report provides an update on the progress made against each of those individual recommendations and a summary of general developments since September 2016. It also highlights further planned activity in respect of the issues identified.
- 2.3 The responsibility for considering and progressing the recommendations made by the Corporate Services Scrutiny Committee in its report of September 2016 was delegated to the Head of Economy, Enterprise & Skills as part of the new Council Leadership structure agreed and implemented in 2017. A new team structure for the Economy, Enterprise and Skills Service was put into place in August 2017 and as part of this the lead role for raising commercial awareness across the Council has been allocated to two of the senior managers in the service. Work has started on a benchmarking and research exercise both within Devon County Council (DCC) and across other councils and relevant organisations. These changes have meant there has been a delay on taking forward all the recommendations.
- 2.4 In the meantime, some practical progress has been made against a number of the individual recommendations made by the Joint Scrutiny Task Group, as outlined below.

### **3 Joint Scrutiny Income Generation Task Group Recommendations**

- 3.1 ***The Council should investigate, identify and take forward new and innovative opportunities for income generation***
  - 3.1.1 Most of the recommendations under this section are currently being researched and benchmarked within DCC and across other councils and relevant organisations and

a full report with recommendations for action will be made available to DCC's Leadership Team for consideration.

- 3.1.2 Research to date has identified that to be successful in developing a "commercial council" approach there are a number of issues that need to be considered. A number of examples are given below but are illustrative only whilst a full report is developed.
- 3.1.3 Balance between providing a public service and a charged for service  
What is the appropriate balance between core public sector activity and income generation? For example, stimulating local economic growth by providing a free of charge service to businesses to access business support or charging for this as an "additional" services.
- 3.1.4 Create a dedicated team within the Council or embed across all teams  
The Council needs to consider whether commercial activity can be satisfactorily developed by officers working across services on top of their substantive role, or whether it should be supported by a dedicated team? A dedicated team could be funded corporately, adopting a standard approach and using professional business development and marketing analytical tools to aid decision making and agreeing appropriate levels of return on investment for a programme of commercial activity.
- 3.1.5 Capacity within Support Services  
A decision needs to be taken as to what on-going support is needed and how this will be provided. Are current corporate structures and processes sufficiently flexible to facilitate commercial transactions and where not can these be adapted.
- 3.1.6 Scope for all services, or prioritise those with greatest potential  
How widely should the drive for a more commercial approach be applied across DCC? Would it be better to identify at an early stage those service areas where there is the greater potential for income generation and focus on these only, or consider how all service areas could contribute to raising income.
- 3.1.7 Resources and Funding  
How should the Council consider funding a commercial awareness approach, and how best to distribute these costs and income across the Council. Should there be some agreed formula for planned retention of some income by "commercial" business areas to allow for investment and depreciation of capital and for redistribution of any excess income back to corporate funds?
- 3.1.8 Appetite for risk and appropriate role for a local authority  
The Council needs to decide on its appetite for risk. There must be an agreed acceptance that some business plans may fail otherwise there will be no risks taken. The Council has statutory duties and certain powers. A more commercial approach will need to be considered alongside these accountabilities and ensure the council works within all legal frameworks and requirements. Understanding the degrees of latitude within these frameworks and alternative models will be a key consideration.
- 3.1.9 Skills and Expertise  
Consideration needs to be given to identifying, recruiting and retaining the right staff for commercial activities. It might be that commercial activities are focussed on a small core of officers within a larger service area.

- 3.1.10 Asset management and maximising returns  
Finally, and pertinent to the manner in which the recommendations in the September 2016 Report are progressed further, should the One Public Estate and related property initiatives be dealt separately from other efforts to identify services which might be suitable for development commercially? Do they require different officer skill-sets and governance procedures?
- 3.1.11 This set of recommendations in particular has been most affected by the delays in organisational restructure and remain work in progress. However, significant inroads have been made into researching the challenges involved and the different approaches taken in addressing them. As indicated above, a full report should be available over the next few months.
- 3.2 *The Council should maximise the potential for capital receipts or income generation from assets identified for disposal or development, as soon as possible***
- 3.2.1 **By progressing the nine farm buildings already identified as being viable for permitted development to a point of planning and then to sale, as quickly as possible:** The subsequent detailed feasibility work at these sites associated with the potential to develop former agricultural buildings through 'General Permitted Development' concluded that the majority of sites were either not viable for development (and would not be granted planning permission) or that the level of investment required to obtain planning was disproportionate to the anticipated capital receipt. One site is suitable for progression. On this basis a greater focus has been given to the development potential of our strategic land holdings for residential development. DCC is looking at the opportunities to bid for the government's Land Release Fund to facilitate housing development under the One Public Estates programme.
- 3.2.2 **By progressing the Council's current asset review to identify those assets which can be disposed of, and once identified, for assets to be disposed of as quickly as possible, taking into account market conditions to achieve best value:** From September 2016 (the date of the task group report) to January 2018 £16.5 million of capital receipts have been generated through the sale of identified surplus property as DCC continues to review and rationalise DCC's property portfolio under the current Estates Strategy.
- 3.2.3 **By ensuring a commercial approach is taken towards preparing assets for sale, to ensure that the maximum value for each asset is realised, and to consider, where applicable, a business case to fund this through borrowing:** NPS SW Ltd provide advice to DCC officers on the most appropriate method of sale (including whether, for example, planning permission should be obtained for a particular site to maximise its value).
- 3.3 *The Council should maximise the potential of the council's corporate assets into the medium and long-term future***
- 3.3.1 **Through developing a future Estates Strategy which focuses on optimising the income potential of the Council's remaining assets, reviewing the use of all Council buildings to realise this.** The current Estates Strategy 2012 -2017 has focused on property rationalisation. The new strategy is being developed and will include consideration of both any income opportunities and reducing costs of the estate.

- 3.3.2 **By actively seeking grant funding opportunities which will enable the Council's strategic centres to be retrofitted to improve energy efficiency, and to produce its own energy through solar PV.** DCC's dedicated Corporate Energy Manager actively pursues potential funding opportunities, most recently DCC have been successful in obtaining funding through the ZebCat (Zero Carbon) initiative which seeks to reduce consumption by circa 60% in an office building. The detailed planning for this project is now progressing.
- 3.3.3 **By ensuring that an up to date asset list by division is publicly available for County Councillors and community use, enabling Members to influence the future use of their local buildings:** This information is updated on a regular basis for elected members.

#### 4 Conclusion

- 4.1 Progress in acting on certain of the recommendations contained in the September 2016 report of the Joint Scrutiny Task Group has been delayed by the organisational restructure of 2016/17. However, the first steps to developing a considered and more cohesive approach to income generation activity have now begun in earnest.
- 4.2 The initial view of the lead officers tasked with developing this initiative is that to be successful there needs to be some structure and coordination around attempts to commercialise services. This approach requires some strategic decisions to be made by the Council's Leadership Group and Cabinet and may entail subsequent allocation of resource.
- 4.3 In contrast, DCCs Estates Strategy has continued to deliver significant capital receipts and revenue budget reductions
- 4.4 It is proposed that the current Lead officers continue their research into the issues involved and produce a paper for consideration by Leadership Group and Cabinet.

Keri Denton  
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#### Electoral Divisions: All

Cabinet Member for Economy and Skills: Councillor Stuart Barker

*Chief Officer for Communities, Public Health, Environment and Prosperity: Virginia Pearson*

Local Government Act 1972: List of Background Papers

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Background Paper	Date	File Ref.
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Nil