

Corporate, Infrastructure and Regulatory Services Scrutiny Committee
26 March 2019

Income Generation report

Joint report of the Head of Digital Transformation and Business Support, and the Head of Economy, Enterprise and Skills

1. Introduction

- 1.1 At the January 2016 meeting of the former 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.
- 1.2 An update on the progress made against each of those individual recommendations and a summary of general developments was made to the Corporate, Infrastructure & Regulatory Services Scrutiny Committee on 31 January 2018 and a further report was provided on 25 September 2018.
- 1.3 On this latter occasion, an update was requested on the progress made by the three service areas highlighted as examples of best practice by the Task Group in September 2016; namely Asset Management, Scomis and Trading Standards.
- 1.4 This report also provides further information on areas across DCC where income is generated.

2. Trading Standards

- 2.1 Devon, Somerset & Torbay Trading Standards Service (DST TSS) is one of the largest trading standards services in the country. The overall 2017/18 budget expenditure figure increased to £3.5 millions from £3.1 millions due the expansion of the joint trading standards service to include Torbay Council and an increase in income generation activity.
- 2.2 The Service retains its strong consumer protection ethos and has a dedicated Intelligence and Investigations Team to conduct criminal investigations. It would not be appropriate for a regulatory service to be wholly focussed on income generation and the objective of the Service is to develop additional commercial offerings, over and above its regulatory role, which will contribute to operational costs. The focus of this section of the report though will be those business support activities with a commercial element.
- 2.3 In 2017/18 Torbay Council Trading Standards Service became a partner in the joint service. This had a dampening effect on income generation percentages in two ways. Firstly, it increased the overall base budget figure and, secondly, at that time Torbay Trading Standards generated less than 1% of its budget from external income. However, despite these factors the joint Service increased annual income in 2017/18 to £456,509, equating to 13% of total budget expenditure. This was up from approximately 10% of a total budget expenditure of £3.1 millions in 2016/17. (This general income generation figure excludes income from the Buy With Confidence national partnership).

- 2.4. Predicted income for 2018/19 is similar to 2017/18. However, during the course 2018/19 the Service has carried out a redesign intended, in part, to ensure that it is better placed to develop its commercial offer to local businesses, whilst at the same time guaranteeing that accurate, easy to understand guidance in achieving regulatory compliance remains free and readily accessible. An expanded Business Support Group, which now includes Economic Development Officers has been tasked with producing a more comprehensive business support package, additional training has been provided and Customer Relationships Managers will be allocated to commercial clients. The commercial strategy has been to build upon four key products:
- 2.4.1 Primary Authority Partnerships: these are enhanced, legally assured regulatory advice contractual agreements with the business concerned. At the end of 2016/17, the Service has 11 of these partnerships in place and they generated very little income. The financial year 2018/19, has seen a focus on developing the structure and increasing numbers and the Service now has 27 partnerships, with another 6 current expressions of interest. The Service has also led the development of an innovative joint arrangement with South Hams District Council and Torbay Council to provide legally assured advice across a range of regulatory disciplines and are currently in discussion with Devon and Somerset Fire and Rescue Service about expanding this further. This new offer will be available to businesses all around the country. Without any promotion, in fact development work is still on-going, the joint initiative has 3 business members and a further 3 expressions of interest. For both Primary Authority options, a new pricing structure has been implemented and 2019/20 should see the financial benefits of these changes.
- 2.4.2 Buy With Confidence (BWC): in addition to running this approved trader scheme locally, which contributed £80,166 to the 2017/18 total income figure, Devon County Council is one of three partners who own the BWC brand which now operates on a national basis. DST TSS take the lead partner role and operate a Central Hub, responsible for the maintenance and administration of the Scheme, with the objective of growing and developing it further at a national level. 60 local authorities now operate BWC either through a licence agreement or through a managed service. The national operation is fully self-funding and in 2017/18 generated income of £103,467. During this development stage all income from the national operation is reinvested in the Scheme (this sum is additional to the income generation figure given in paragraph 2.3).
- 2.4.3 Metrology Laboratory: the Services' metrology laboratory is one of the most accurate in the country. There are three more accurate (two of those are the National Weights & Measures Laboratory and the National Measurement Laboratory) and five at the same level of accuracy (including the Ministry of Defence). In the past, however, it has not engaged in any commercial marketing. Over the course of the year promotional material has been developed, potential target trade sectors identified, and an additional resource allocated to the laboratory to carry out a more proactive engagement with businesses.
- 2.4.4. Specialist Skills: adopting a more commercial approach to commissioning out specialist skills. The joint service model has enabled retention of specialist skills across the range of functions for which Trading Standards are responsible, something which has been beyond the capacity of smaller services. For example, a significant part of the Service income is from our activity in protecting the animal feed chain, which attracts central government funding in a trade sector of particular importance to the South West economy. As well as drawing down the allocated

funding for its own geographical area, the Service was also able to take on work for other local authorities and to successfully bid for one-off, funded project work.

- 2.5 To support its income generation activity the Service has now introduced a fee for bespoke business advice. It is not anticipated that this will generate significant income in itself but is designed to encourage regular users of the service who need more than general advice to purchase one of the commercial packages on offer through our Primary Authority Partnerships or the Buy With Confidence Scheme.
- 2.6 To ensure, however, that local businesses are not deprived of the essential regulatory advice needed to obtain legal compliance, the Service is also devoting efforts to creating guidance and self-help packages available from the Service website. The objective is to create a free, high-quality product which will also act as a “shop-window” for the more commercial offerings available.

3. Asset Management

3.1 Devon Norse

- 3.1.1 DCC hold a 20% equity share in Devon Norse which provides Facilities Management, cleaning and catering services. Devon Norse is a joint venture company between Norse Commercial Services and Devon County Council.
- 3.1.2 The company has seen significant growth since it was created in 2011 and has a strong South West customer base, with currently over 300 customers for cleaning, 120 for catering and 20 for building facilities management. In addition to DCC provision Devon Norse provide services to schools, Housing Associations and the NHS.
- 3.1.3 The company employee in excess of 1000 staff, the majority of whom live in Devon with a further 30 jobs supported through supply chain activity. The business contributes Gross Value Added (GVA) of c.£15 millions to the Devon economy.
- 3.1.4 Devon Norse's gross income to date for this financial year (2018/19) is £11.8 millions and DCC will benefit from a predicted profit share of £225,000 which contribute towards offsetting DCCs costs.
- 3.1.5 The joint venture contract will expire in 2021 and DCC officers are currently undertaking a review to consider future options for the delivery of facilities management, catering and cleaning.
- 3.1.6 Since 2011, Devon Norse have returned a profit share to DCC of £738,000 (up to 2017/18) this will exceed £1 million when the current financial year profit share is received.

3.2 NPS SW Ltd

- 3.2.1 NPS SW Ltd is a Joint Venture Company with DCC holding 20% equity in the company and its profit share reducing the overall costs of the property management services provided to DCC.
- 3.2.2 The company provides a range of property services including design, property disposal, surveying and engineering.

- 3.2.3 The JV contract will expire in 2022 and DCC officers are currently undertaking a review to consider future options for the delivery of property services.
- 3.2.4 Since the commencement of the joint venture contract in 2007, a profit share income totalling £2.4 millions has been received by DCC, which has enabled to costs of property services received to be reduced.
- 3.2.5 Over the last 3 years there has been a decline in the profit share received from NPS SW Ltd, largely reflecting a reduction in public sector funding including school provision and major capital projects.
- 3.2.6 The forecast project share for DCC for 2019/20 is c.£78,000.

3.3 Capital Receipts

- 3.3.1 Since the previous report to Scrutiny in 2016 a further £20.5 millions (cumulative total of 2017/18 and 2018/19 financial years) has been generated from the sale of surplus property to fund DCC's capital programme. This has exceeded the forecast capital receipt income for this period by £6.5 millions.

4. **Scomis**

- 4.1 Scomis currently operates as a 'traded business service' within DCC. 'Scomis Education' currently supports over 736 schools (having successfully taken on contracts with an additional 36 schools since the task group report in 2016) across 27 authorities. In addition, Scomis are providing ICT services for Torridge District Council.
- 4.2 In 2015 Scomis were commissioned to provide DCC's ICT service (including the helpdesk and the delivery of DCC's ICT Roadmap), supporting over 4000 staff across the County.
- 4.3 The increase in the number of school contracts, together with the provision of DCC corporate support services has led to an overall increase in income year on year with a 2019/20 gross income figure projected to be £9.7 millions which covers all costs associated with running the service including direct and indirect overheads. Examples of indirect overheads include elements of senior officer oversight and other strategic units such as HR and Finance Strategy.
- 4.4 The income is split between DCC corporate (£5.6 millions) and Schools/other (£4.1 millions).
- 4.5 Scomis have been highlighted as an example of excellence and innovation in the government's parliamentary review document published last week, and as part of this review Scomis were invited to share best practice as a learning tool within the public and private sector.
- 4.6 Scomis have successfully reached the finalist stage of the 2019 British Educational Training and Technology Award (BETT) for Best ICT Support Unit and have achieved Customer Service Excellence Accreditation for the Scomis Group including corporate ICT, schools and DCCs Customer Service Centre, being praised through the accreditation process for 'striving to be the best, winning new business and delivering quality services'

5. Other DCC Services

- 5.1 Across DCC there are a number of services which generate external income to offset some of the costs of running the service. Examples of services budgeted to generate external income for this purpose in 2019/20 are Active Devon and Learn Devon.
- 5.2 In addition, there are two DCC services which are required to generate a revenue budget surplus in 2019/20; those being the Registration Service and County Farms. There are also a number of DCC services which have a net cost to DCC but generate some level of income to reduce overall cost 'strain' to DCC which include HR, Legal conveyancing services, Procurement (including the management of the Southern Construction Framework), Highways, Devon Audit Partnership and Peninsula Pensions.

6. Conclusion

- 6.1 DCC continue to generate income and review opportunities for increasing income where appropriate and within the parameters set out in the Treasury Management Report.
- 6.2 DCCs Estates Strategy has delivered significant capital receipts and revenue budget reductions; exceeding targets set out in the Estate Strategy. Scomis and Trading Standards have both increased their respective levels of income generation and undertaken innovative new initiatives.

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Local Government Act 1972: List of Background Papers

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Background Paper	Date	File Reference
Nil		