

SUPPLEMENTARY AGENDA

Corporate Resources Overview & Scrutiny Panel

Date: **Tuesday 15 October 2013**

Time: **10.00 am**

Venue: **Edwards Room, County Hall, Norwich**

Supplementary Item follows:

10. Opportunities for Income Generation

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Report by the Head of Finance

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Opportunities for Income Generation

Report by the Head of Finance

Summary

This report provides an outline of Norfolk County Council's approach to income generation. It covers the framework for income generation and provides an overview of the extent that NCC is funded from sources other than government funding and council tax.

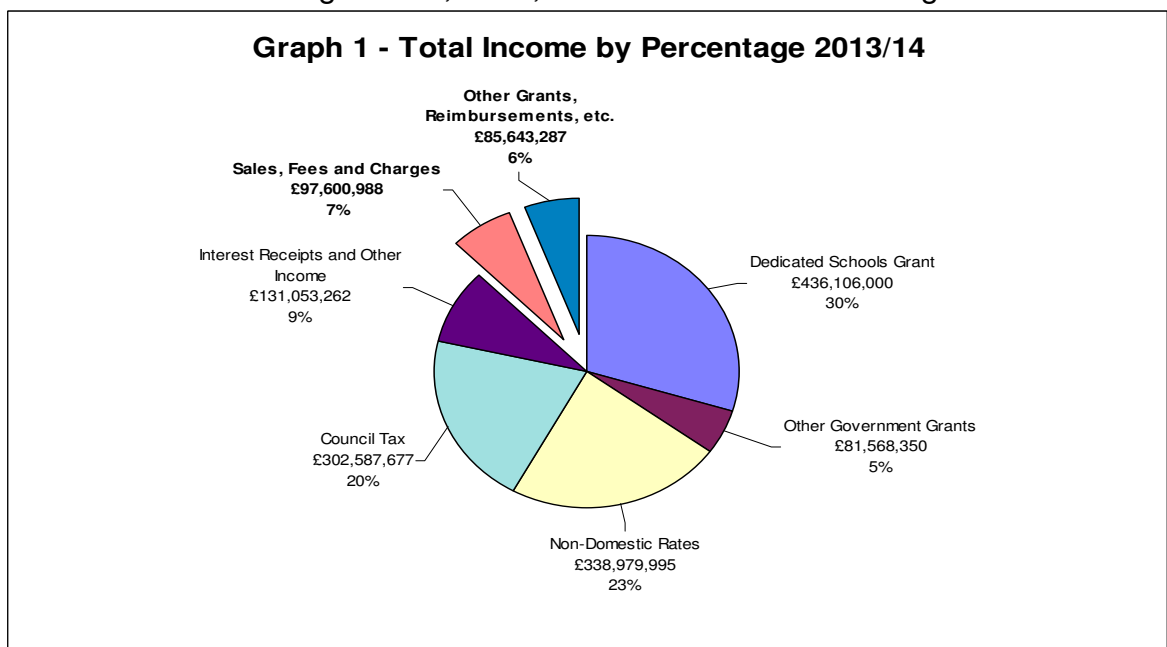
The report also provides an update on some initiatives that are being explored.

Recommendation:

Members are asked to note progress in this area and comment on any aspects where they would like to see further investigation.

1 Background

- 1.1 Members have requested an update on the aims and general strategy of Norfolk County Council's approach to income generation opportunities, including maximising income from the use of resources and buildings.
- 1.2 The 2013/14 revenue budget of £1,473m, is funded from the following sources:



- 1.3 The three main income sources (Government Grants, Non-Domestic Rates and Council Tax) plus interest receipts, provide nearly 90% of the Council's income.

1.4 This report covers the income generated through Sales, Fees and Charges and Other Grants, these total almost £190m and include:

Other Grants (£85.6m)

- EU funding
- Lottery funding

Sales, Fees and Charges (£97.6m)

- Contributions towards Care from clients (this is restricted by legislation)
- County Farms
- Companies
- Advertising and Sponsorship
- Traded activities (e.g. Legal Services to other councils)

These have always been given a significant focus as part of the budget setting process, but given the increasingly tight financial constraints the council is facing, there has been an increased emphasis on identifying innovative ways of increasing income from these sources.

A fuller list is available in Appendix A.

1.5 In response to the Audit Commission's 1999 report on income and charging, titled "The Price is Right" and the Local Government Act of 2003 which outlined the legal framework for Local Authority charging, Norfolk County Council set up the following principles for income and charging:

- Consistency
- Fairness
- Simplicity
- Accessibility of Information
- Innovation in Designing Charging Tariffs
- Clear Objectives for Charging
- Recovery of Cost on Charges for Non Subsidised Discretionary Services
- Maximisation of income through provision of new chargeable services in line with service priorities

These are explained in greater detail in the Financial Regulations and Procedures which are approved by members and reviewed on an annual basis.

1.6 It is intended that any charge for a service makes a contribution to the overall costs of the wider service. The exception to this principal is where legislation sets the charge or where providing the service at a subsidised rate supports our wider aims. In these instances Member approval is required to set a charge below the cost of delivering the service.

1.7 All fees and charges must be reviewed over a three year period as a minimum. In practice they are reviewed more frequently as part of the budget planning process and at this point new initiatives are identified and considered.

2 Aims of Income Generation

2.1 In increasing income to the council alongside seeking additional revenue, the organisation is able to achieve wider aims such as:

- Opportunities to make the most of our assets
- Using whatever powers we have to generate income so that we can continue to provide services that would otherwise be under threat from financial pressures.
- Maintaining a wider range of skills and infrastructure than would otherwise be the case through sharing of costs (e.g. NPLaw and IT)
- Trading in non-statutory services that might not be otherwise available

2.2 Approximately 60% of NCC trading activity income is governed by legislation, this means we need to actively look at innovative approaches and alternative ways of service provision, an example being Independence Matters which will operate in a different legal framework and increase opportunities to trade.

3 Review of Income Generation Opportunities

3.1 Identifying new income generating opportunities and refining existing income sources has been on the agenda since the Norfolk Forward initiative and it continues to be an important part of our financial strategy. New income sources that have already been implemented and included in the previous three year financial plans include:

- Increasing NPLaw income.
- Development of further traded income from the Norse group.
- Additional income from services.

3.2 Current Income initiatives being explored include:

- Property Development including Housing and income from the Coltishall site, a paper is to go to cabinet later this year.
- Renewables – using the Carbon and Energy Reduction Fund (CERF) to deliver initiatives on the Council estate. Examples include Photo Voltaic (PV) cells on buildings to earn Feed in Tariffs and installation of biomass boilers to earn Renewable Heat Incentive. This work is ongoing and approved on a scheme by scheme basis. This funding is due to run until 2015.
- Traded Services – These include NPLaw, IT services and services to schools. We are looking at new partnerships in NPLaw and IT Services on an ongoing basis and looking to increase the services provided to individual schools.
- Advertising & Sponsorship – A paper will be presented to Cabinet by December, outlining the potential of dealing with an agency to manage advertising using our assets (buildings, vehicles and website).
- France/Channel Programme – In July 2013 it was announced that Norfolk County Council will be the programme managers of this EU Programme which has a budget of over £300m, the management fee is expected to be in the region of £14m over 7 years.

3.3 Within the budget proposals for the next 3 years, it is planned to increase income opportunities by £6m by improving our service and offering new services where there is demand for them, increasing charges where appropriate and seeking new opportunities to bid for funding. Examples of the focus include:

- Selling our communication services to others.
- Increasing NPLaw's external income from trading.
- Making more money from museums by establishing a fundraising foundation to enable gift aid to be reclaimed on admissions.
- Developing commercial opportunities in the Records Office.
- Generating new income in key environmental services so that they pay for themselves in the long term.
- Securing more money from the European Union and other funding schemes to use in delivering services.
- Providing social care management services to people who fund their own care support.
- Increasing fees for registration services, which means that the cost of registering things like births, deaths and marriages may go up.

Additionally there are plans to generate a further £912,000 on items that are subject to public consultation and £230,000 on income arising from sharing our buildings.

3.4 Income from Contributions for Care are at risk as a result of new legislation that is under consultation. Work is ongoing to quantify the impact of this and to develop a response that will propose a method of funding any shortfall. This is expected to be presented to members in the coming weeks.

3.5 Additional work is taking place to improve cost awareness, including better management tools to make sound business decisions thus ensuring that the costing associated with income generation is accurate.

3.6 There is guidance available to managers considering undertaking a trading operation with regard to management information relating to cost, activity and income. This support is provided either through online guidance or direct advice from financial professionals such as the Finance Business Partners.

3.7 Managers are asked to prepare a business case before embarking on any new trading operation. For this they would need to capture the key ideas and types of costs that could be incurred in terms of initial costs and additional operating costs. Input would be required from Finance, HR and NPLaw. Member approval would be required before commencement of trading.

3.8 We are aware of accounting firms who offer a review of how councils perform against others in relation to income generation and we will follow this up with one of them.

4 Resource Implications - None

5 Equality Impact Assessment (EqIA) - None

6 Section 17 – Crime and Disorder Act - None

7 Recommendation or Action Required

- 7.1 Members are asked to note progress in this area and comment on any aspects where they would like to see further investigation.

Officer Contact

If you have any questions about matters contained in this paper please get in touch with:
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Appendix A

Income Sources

Other Grants and Reimbursements total £85.6m

Sales, Fees and Charges total £97.6m and are detailed in the following tables:

Community Services

Description	Narrative	Budget £m
Contributions for Residential Care	Statutory restrictions apply to what we can charge. This is limited to cost recovery with means testing.	44.5
Contributions for Home Care	Means tested and subject to Fairer Charging Guidelines	8.3
Housing with Care Supported Living	Means tested and subject to Fairer Charging Guidelines	2.5
Contributions for Day Care	Fees are subject to Fairer Charging Guidelines	2.1
Library - Sales, Fines, Hires and Reservations	Aim to recover costs. Market forces impact upon potential to charge	1.4
Adult Education - Tuition Fee Income	Aim to recover costs. Market forces impact upon potential to charge	1.2
General Sales	Predominantly sales of manufactured items, for example hoists, to Social Service clients	1.2
Museum Admission Fee	Aim to recover costs. Market forces impact upon potential to charge	0.8
Museum Sales	Aim to recover costs. Market forces impact upon potential to charge	0.8
Sale of Food and Meals	In house provision of meals to Social Service Clients including the use of vending machines.	0.8
Blue Badge Scheme Income	Fixed by Statute	0.1
Records Office Income	Room hire and sale of publications	0.1
Total		63.8

Children's Services

Description	Narrative	Budget £m
Income from Services provided to Schools	Full cost recovery for items such as School Finance Support, County Headteacher and Governor Support	4.9
Tuition fee income	Music tuition	2.4
Letting and Rental Income	Full cost recovery. Buildings include Holt Hall and Norwich PDC. Sale of meals also included	0.7
Training Fee Income - Schools	Training at Whitlingham study centre to schools and public	0.2
Total		8.2

ETD

Description	Narrative	Budget £m
Post 16 Transport	Subsidised	2.5
Network Road Safety Training	Mainly income from traffic offenders who attend course in lieu of paying fine	1.6
Park and Ride	Market driven.	1.5
Car Parking	Pay and Display street parking in partnership with District Councils	0.9
Hethel Rental	Aim to recover costs, these are market driven	0.5
Calibration, Verification and Licensing	Calibration fees are mainly market driven. Other fees are predominantly set nationally.	0.4
Highway Road Closure Fee income	Charges for closing roads, for example by utility companies	0.4
Inspection fee income	Inspection of repairs to roads, for example by utility companies	0.4
Income from Highway jobs	Work on highways for developers, businesses or private individuals	0.4
Landfill Methane	Reflects the market for methane	0.3
Gypsy and Traveller site rents	Full cost recovery	0.2
Fast Lane Training for Construction	Fees are market driven	0.2
Other Income	Grants for environmental work and surplus from staff car lease scheme	0.3
Total		9.6

Other

Description	Narrative	Budget £m
HR Income from Schools and Academies	Fees set at a commercial rate for the service	2.7
ICT Broadband for Schools	Charge out rate set to recover full cost of service to all clients	2.6
ICT School Desktop Service	Charge out rate set to recover full cost of service to all clients	1.6
NPLaw	Income from external clients based upon commercial rates	1.5
County Farm Rentals	Adopted policy is to charge slightly less than open market rents to encourage new entrants and progression of existing tenants	1.4
Registrars Income	Fees have a statutory maximum	1.4
ICT - Great Yarmouth Borough Council	Charge out rate set to recover full cost of service to all clients	1.2
ICT - MI Service to Schools	Charge out rate set to recover full cost of service to all clients	1.0
ICT - Breckland District Council	Charge out rate set to recover full cost of service to all clients	0.7
Comms Team Income	Rate set at commercial level	0.5
Airport Industrial Account Income	Income from part ownership of Airport and industrial premises	0.4
Norfolk Guidance Service	Income from contract with other local authority for use of our service	0.3
ICT - Schools Contract	This is for system build and refresh work. Charge out rate set to recover full cost to service	0.2
Finance	Sale of services to other bodies such as Probation	0.2
Fire Training Fee Income	Set at market rate	0.2
Fire Other Services	Includes grant income such as New Dimensions Grant	0.1
Total		16.0
Grand Total		97.6