



**Budget Panel**  
13<sup>th</sup> January 2009

**Report from the Director of Finance  
and Corporate Resources**

For Information

Wards Affected:  
ALL

**EXTERNAL TRADING BY CORPORATE UNITS**

## 1.0 Summary

- 1.1 This report provides information the Panel asked for at their meeting on 13<sup>th</sup> November 2008 on external income from trading by corporate units.

## 2.0 Recommendation

- 2.1 That the Panel note the information in this report and consider whether they wish to use any of it in the interim report.

## 3.0 Report

- 3.1 The Budget Panel's 2008/09 report included the recommendation that 'the Executive carries out a strategic review of trading units within the council to ensure that the council is getting value for money from their services'. In practice, this has been overtaken by the council's Improvement and Efficiency Strategy. Two work-streams in particular are relevant to this issue. First, the Borough Solicitor has been asked to review charging for services, including the extent to which charging between council services improves or is a hindrance to value for money. Second, a series of One Council reviews have been set up to look at how the council can make more effective use of resources across the council – including HR, Finance, Property, IT and Communications – to deliver the improvement and efficiency agenda. Whilst these reviews will not focus directly on trading, they will look at the extent to which existing delivery structures, including where applicable trading, contribute to value for money for the council.
- 3.2 However, as part of its consideration of corporate unit budgets at its meeting on 13<sup>th</sup> November 2008, the Budget Panel asked for further information on trading units in general and, in particular, those with external income such as legal services, communications and consultation, the People Centre, and trading with schools. The

information in Appendix A provides details of total spending in the main corporate units which have trading income, the income received from internal and external trading, and the main sources of external income. Appendix B provides a more detailed description of trading income in the Communications and Diversity Unit and the pressures that may arise from the current economic climate.

- 3.3 Individual direct services also trade with schools. The main area is the School Improvement Service which is part of the Children and Families Directorate. This has not been covered in this report. There are other areas which only trade internally in the council – for example, Management Services – or which have only small amounts of income from external trading – eg audit charges to schools – which have also not been covered in this report.
- 3.4 Members are asked to note this information and consider whether they wish to consider using any of it in their final interim report.

#### **4.0 Financial Implications**

- 4.1 These are set out in the body of the report

#### **5.0 Legal Implications**

- 5.1 There are no legal implications arising from this report.

#### **6.0 Diversity Implications**

- 6.1 There are no diversity implications arising from this report.

#### **7.0 Contact Officer**

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BUDGETED INCOME FROM TRADING (2008/09)

	Legal and democratic services	Information Technology	Communications and Consultation	People Centre <sup>1</sup>	Property and Asset Management
	£'000	£'000	£'000	£'000	£'000
Gross spend	4,380	8,014	3,582	3,784	7,057
Trading income:					
• Internal	2,887	7,160	1,380	2,753	6,238
• External <sup>2</sup>	55		320 <sup>3</sup>	807	1,144
Main sources of external trading income	<ul style="list-style-type: none"> <li>• Brent schools</li> <li>• 4 non-Brent schools</li> <li>• West London Alliance work</li> <li>• College of North West London</li> <li>• Tenants Management Organisation and other housing work</li> </ul>	<ul style="list-style-type: none"> <li>• ITU receives in excess of £100k income from BHP which is included in internal income above</li> </ul>	<u>Business Development Unit:</u> <ul style="list-style-type: none"> <li>• Filming - £60k</li> <li>• Street dressing - £30k</li> <li>• Job Shop adverts - £25k</li> <li>• Lamp-posts - £9k</li> <li>• Roundabouts - £35k</li> </ul> <u>Design Unit:</u> <ul style="list-style-type: none"> <li>• £65k – main clients are Veolia and Brent PCT</li> </ul> <u>Language Shop:</u> <ul style="list-style-type: none"> <li>• Translation - £13k</li> <li>• Interpretation - £55k</li> </ul> <u>Print Shop:</u> <ul style="list-style-type: none"> <li>• £16k mainly from BHP</li> </ul> <u>TBM</u> <ul style="list-style-type: none"> <li>• £50k for external advertising</li> </ul>	<ul style="list-style-type: none"> <li>• Schools payroll - £312k</li> <li>• School pensions - £128k</li> <li>• Teacher recruitment – £230k</li> <li>• Teacher recruitment advertisement recharge - £102k</li> <li>• Criminal Records Bureau checks (mainly schools) - £32k</li> <li>• Admin for union fees - £3k</li> </ul>	<ul style="list-style-type: none"> <li>• Rents and service charges (commercial lettings) - £436k</li> <li>• Other lettings – hall lettings, bar takings etc - £708k</li> </ul>

<sup>1</sup> People Centre does not include Human Resources. There is an HR recharge for HR support to schools which is budgeted at £160k in 2008/09.

<sup>2</sup> External income includes income from schools.

<sup>3</sup> Communications budgeted income excludes contribution to corporate income budget in central items.

## NOTE ON TRADING IN COMMUNICATIONS AND DIVERSITY UNIT

### 1. Introduction

- 1.1 This note covers external income for the Communications and Diversity Unit (CDU). It sets out:
- i) Breakdown of external income.
  - ii) Actual external income achieved for 07/08.
  - iii) Budgeted external income for 08/09.
  - iv) Expected income for 08/09.
- 1.2 All the external income raised for CDU is achieved by trading units which operate a zero budget and only incur expenditure when income is guaranteed. These trading units must also ensure income is raised to cover all staffing costs and overheads.

### 2. Breakdown of external income

- 2.1 The external income for CDU is split roughly between five trading units. These are Business Development Unit, Design Unit, Language Shop, Print Shop and The Brent Magazine.
- 2.2 Business Development Unit (BDU): comprises of filming, street dressing (banners on lampposts and bridges for a few days during an event at the Stadium), JC Decaux posters (occasionally external but more commonly internal income), external Job Shop adverts, bus advertising, Streetbroadcast (lamppost adverts) and roundabout sponsorship.
- i) *Filming*: income is approximately £60K per annum which is shared with other departments including Parks, Facilities, Parking and Libraries. Filming is always done at very short notice, usually with one to two weeks of advance warning and fluctuates from one year to the next depending on the money available in the industry and the whims of investors.
  - ii) *Street Dressing*: income is approximately £30K per annum, costs from this income are around £12K to produce the banners, promotion etc. Sponsors only request banners if they have budget available after spending inside the Stadium, most of the income achieved is from FA Cup Final sponsors. This income cannot be relied on as sponsorship contracts are being downsized in the industry.
  - iii) *External Job Shop adverts*: income is approximately £25K per annum. We currently have a 12 issue contract with Park Royal Workforce and a 6 issue contract with New Challenge. Further contracts are being explored but customers are not willing to commit long term in the current financial climate.
  - iv) *Bus advertising*: income is difficult to achieve and only £1K has been received this year which was shared with Brent Transport Services.
  - v) *Streetbroadcast (lamppost adverts)*: is currently a minimum £9K per annum and almost the entire amount is transferred to the central pot. BDU is responsible for overseeing the contract.
  - vi) *Roundabout sponsorship*: income is approximately £35K per annum which is shared with Parks. We have 14 roundabouts available for sponsorship with contracts for a minimum of one year. Most of the contracts come to an end on 31 December 2008. BDU are now concentrating on persuading existing sponsors to continue sponsorship as it will be difficult to attract new sponsors in the current economic climate.
- 2.3 Design Unit (DU): income is approximately £65K for the design of adverts in The Brent Magazine (TBM) and the Job Shop, leaflets, booklets, newsletters and posters for JC

Decaux around the borough. This is not a high volume of work and the main customers are Veolia for their newsletter – Green News – published in TBM, Brent PCT for announcements, campaigns and information booklets, etc. This income incurs costs from external printers, photographers and occasionally agency staff to assist with meeting deadlines for particular jobs. To remain competitive with local businesses the DU are also required to purchase new equipment year-on-year to ensure that they can continue to provide high quality design that matches customers needs.

2.4 Language Shop (LS): is the in-house translation and interpretation unit for the council. Customers include other local authorities, local schools, the Metropolitan Police, Magistrates' Courts, the National Probation Service, local NHS services, etc.

- i) *Translation*: is approximately £13K, of which 50% is used to cover the cost of freelance translators to undertake the work and promotion of the service. Currently translation services are being advertised in TBM and posters advertising translation of birth, marriage certificates to members of the public have been sent out to community groups. External translation is mainly ad hoc from members of the public requiring certified copies of birth, marriage, and divorce certificates for the home office or other public organisations. Other work received is for translation of letters, leaflets, booklets requested by external organisations also on an ad hoc basis.
- ii) *Interpretation*: is approximately £55K, of which 40% covers the cost of freelance interpreters to undertake the work, payment of travel costs and advertising for interpreters in particular languages to fill vacancies. Currently an advert seeking interpreters has been placed in TBM. External interpreting is also done on an ad hoc basis. Attempts have been made to set up SLAs with high volume users but it has not been possible to agree this level of commitment as they prefer to have the flexibility to contact other agencies to provide an interpreting service if we are unable to fulfil their needs.

2.5 Print Shop (PS): offers a print and photocopying service with an income of approximately £16K which is almost entirely from Brent Housing Partnership (BHP) for all their printing needs i.e. business cards, compliment slips, letterheads, order pads, etc. This may be difficult to achieve for the next financial year due to budget constraints that will impact not only on council services but also BHP expenditure. The remaining income is achieved through ad hoc requests from former staff, or councillors in a private capacity requesting business cards, certificates, newsletters, etc. The PS has no outside representation, nor any budgeted monies for advertising its services, making it difficult to attract external sales. Most external sales are by recommendation. The high cost of accommodation also affects the PS's ability to generate a surplus, although there will be a reduction in this cost starting in the 09/10 financial year. Printing equipment is very costly and with the drop in service demand over the last year (demand for copying continues to reduce) it is not possible to afford this investment.

2.6 The Brent Magazine (TBM): income is achieved through advertising in monthly issues of TBM. External income is usually £50K, however this year we have already achieved £68K partly due to an external consultant selling advertising space (on our behalf on a commission only basis). Expenses have increased as 20% is paid to the external consultant when space is booked and money is also spent on promoting advertising in TBM via targeted mailings and talking to advertising agencies. We have a contract with NHS Brent commencing in January 2009 for one page for 12 months of advertising and Daniel's Estate Agents have a similar contract which started in April 2008. Other bookings with smaller advertisers for eighth or quarter pages are also done where possible.

## 2.7 Issues for achieving external income:

- i) *Economic climate:* in a depression the first part of the budget in any organisation to be cut tends to be marketing. This will impact on the amount of future external income that can be achieved for BDU, DU and TBM.
- ii) *Outgoings:* all income achieved is dependent on expenditure not just in-unit but across the council. As itemised above much of the income received is shared with other services, or used for promotional purposes, to pay agency staff, travel time, etc. These costs are required in order to achieve any income; the profit after outgoings is considerably less than external income achieved.
- iii) *Job Shop:* the Job Shop is an insert in TBM and for this reason much of the advertising that BDU receives is shared to cover expenses for TBM and DU. The Job Shop was introduced to channel the council's local advertising spend on recruitment internally. This funding is used to produce an additional 6 issues of TBM per year. If this funding goes it will need to be funded from elsewhere or reduce frequency. Reducing the number of issues will impact on the ability to attract advertisers.
- iv) *Financial constraints:* as CDU is not a service which receives high levels of government grants to run specific projects the overall budget for the entire unit is very tight and all trading units are teams of two to three people only. Any profit achieved is used to cover the shortfall for CDU as a whole.
- v) *Equipment purchasing:* With year-on-year budget cuts the resultant fall in profitability of the PS has had no capital investment for the last five years. Copying equipment is updated through rental agreements although the colour digital side is in need of investment.

## 3. **Actual external income achieved for 07/08**

- 3.1 For 07/08 external income at year end totalled £326,920.59 which was £1,875.41 less than budgeted.
- 3.2 The reason behind the shortfall was due to long term staff illness in the DU where the additional expense of agency staff was required for a term of 12 months. Despite this unexpected strain on the budget external income targets were almost achieved.

## 4. **Budgeted external income for 08/09**

- 4.1 This was set at £319,699.00 taking into account the difficulties in achieving continual greater external income whilst being required to make savings on expenditure. It was agreed to be difficult to justify increasing prices for 08/09 as this would make trading units less competitive with local businesses.

## 5. **Expected external income for 08/09**

- 5.1 The expected external income for 08/09 is estimated to be £341,317.38 which is £21.6K over budget. Due to the shortfall in internal income for 08/09 due to budget constraints of all services in the council we expect CDU to breakeven for this financial year.

## 6. **Conclusion**

- 6.1 As stated in 2.7 above there are a number of issues that need to be taken into account when reviewing current and future external income for CDU. We have managed to exceed targets for this financial year but due to the current economic climate this will not continue in future.