



## **Resources and Public Realm Scrutiny Committee**

8 November 2016

### **Report from the Strategic Director Resources**

For Information

### **Report for Scrutiny on Civic Enterprise (Income Generation)**

#### **1.0 Summary**

- 1.1 In June 2016, Cabinet approved the Civic Enterprise Strategy. This report provides an update on the work that has been carried out to deliver the Strategy.

#### **2.0 Recommendations**

- 2.1 The report is for comment.

#### **3.0 Detail**

- 3.1 The report provides an update on the progress made towards delivering the Civic Enterprise Strategy. This includes details on activity undertaken to address the savings targets and how business plans can add value to improving outcomes for the borough as well as meeting financial targets.
- 3.2 This is the first Civic Enterprise Strategy that the Council has adopted, and requires a 'cultural' shift to enable Members and staff to think more innovatively about opportunities to generate income.

##### Introduction

- 3.3 Given the pace and scale of the financial cuts the Council is facing, if we want to protect the services residents care about the most, such as care for the elderly and vulnerable, giving young people a good start in life, maintaining regular bin collections and well-kept parks and roads, then we need to create new income streams and find ways to save money.
- 3.4 Civic enterprise is a broad term intended to cover those activities where the council can either generate better returns on its existing assets, for example through better marketing, advertising on assets and sponsorship or increasing usage, more

equitable contributions from partners and, where appropriate, reviewing charging regimes for paid for services that more realistically reflect the true economic cost of providing the service and/or the market.

- 3.5 The objectives of the Strategy are to:
- Motivate, develop and support the organisation to create an enterprise approach to services
  - Take ideas and turn them into reality to create a tangible contribution to the strategic target of £5.7m to be achieved by 2018/19
  - Create sustainable services that will last into the future
- 3.6 The Budget and Council Tax 2016/17 report to Cabinet on 8 February 2016 agreed that the Civic Enterprise project is to deliver an overall target of £5.7m up to 2018/19. The profile of these is £3.5m in 2017/18 and £2.2m in 2018/19. Profile details are included in Appendix 1.
- 3.7 There are five inter-related themes to deliver the Civic Enterprise Strategy to raise money to replace grants or drive down costs. These are;
- Income Generation,
  - Maximising income from existing fees and charges,
  - Examining the value from trading services,
  - Better collection of debts,
  - Developing a shared services strategy
- 3.8 Fostering a civic enterprise culture across the Council is a theme underpinning all of the above.
- 3.9 A Civic Enterprise Board has been established to regularly review and monitor delivery of the above themes to ensure work stays on track to meet the savings target. The Chair of the Board is also a member of the Brent 2020 Programme Board to ensure that all Civic Enterprise activities are aligned to those of Brent 2020.

#### Progress to date

- 3.10 Significant progress has been made from the inception in January 2016. Extensive consultation and engagement with staff took place in April 2016, which resulted in over 400 income generating ideas being put forward. The ideas were filtered, organised, assessed and discussed with Operational and Strategic Directors in the respective areas to decide whether to take them forward. Evaluation was based on the potential revenue, the level of risk associated, ease of implementation and the social value. A number of ideas were de-prioritised. The main reasons for this were duplication, low financial return, high risk, small market size and scale of effort needed.

3.11 As a result of the assessment and market analysis activity, a number of business plans have been developed. The ideas that have been developed into business plans meet three key criteria:

- Social Value
- Potential to generate income
- Sustainability

3.12 All of which result in better outcomes for residents and the borough. Whilst the work of Civic Enterprise aims to achieve the savings target a fundamental objective is to ensure that outcomes contribute towards the Brent 2020 priorities.

3.13 Business plans have been developed for six ideas. These are:

1. Energy
2. Trading with Schools
3. Consultancy Services
4. Weddings
5. Making best use of assets
6. Investment in Businesses

#### Energy

3.14 A team has been established and staff have been tasked with determining cost savings and income generating opportunities for the council. There are a number of opportunities which can be considered and options appraisal work is underway. Any initiative implemented must enable the Council to;

- Generate income
- Reduce cost of energy for council buildings
- Reduce carbon emissions in the Borough
- Provide the local community with better value energy services

3.15 A quick win to generate income is to sell Energy Performance Certificates (EPC) to housing associations, Brent Housing Partnership (BHP) and residents.

#### Trading with Schools

3.16 As part of income generating activity and adding value to Brent schools we are working closely with schools to develop a new product portfolio based on their needs and requirements. This project will enable us to contribute to raising educational standards in Brent and generate income at the same time.

- 3.17 We have visited a number of schools and are in the process of developing new flexible services for them.
- 3.18 Whilst there is great potential to generate income from improving our sales proposition, offering quality services can lead to raised educational standards. By providing schools with quality advice on issues such as HR and budgeting we can help them to plan better and make more informed decision based on data and projections ultimately achieving better outcomes for children in the borough.

#### Consultancy Services

- 3.19 This was a re-occurring idea generated at the staff workshops in April 2016. Market analysis has indicated a potential opportunity to sell the services of the Research and Business Intelligence unit initially. We have already received interest from Redbridge and Barking and Dagenham Councils for these services. These local authorities require extra support with some projects they are about to undertake. There is scope to sell our services to a target market of other local authorities, NHS Trusts and other central government organisations.

#### Weddings

- 3.20 The Events Team have generated just over £118k from weddings in the past 6 months. We are building up a good reputation with our clients and we believe there is scope to offer something different especially those who would like more choice and flexibility. Currently there are no competitors in West London offering weddings in parks. The City of London have said they are considering using Queens Park to offer this service or something similar but have not yet applied for a licence.
- 3.21 We also seek to offer wedding planning packages including registration fees. On average we have 8 marriages per Saturday at Brent Council Registry Office. We also have the opportunity to exploit our relationship with Barnet Council as we have a shared Registration and Nationality Service with them.
- 3.22 This will require a very strong marketing strategy to drive this, and we have started to promote the venture. The Events Team recently had a stall at the National Wedding show and positive feedback was received on the proposition. Increasing the uptake of weddings will enable the Council to utilise the Civic Centre building and other assets, especially parks in a way never used before.

#### Making Best Use of Other Assets

- 3.23 We aim to use our facilities in the Civic Centre on Event Days to generate income for the Council. This could be from holding corporate hospitality to having market stalls in the foyer. There is also an opportunity to partner with Quintain to have markets on their land on some kind of profit share basis. We would seek to charge stall holders a fee and there is an option to receive a percentage of any income generated.
- 3.24 For example, the Civic Enterprise Team are currently implementing ways to generate income at the Council's annual fireworks celebration, to be held on 6 November 2016. The event is moving from Roundwood Park to the Wembley Park area and the event is expecting up to 25k people to attend. We will be holding a Christmas

market in the Civic Centre, with stall holders selling food, drink and crafts in the Grand Hall and Boardrooms. There will also be cultural and children's activities.

- 3.25 We are also exploring the potential to hold large scale events in parks aiming for audiences at a minimum level of 2000 people. Brent have a lot of beautiful parks and the most appropriate park to the type of event would be chosen. For example Roundwood and Gladstone parks have capacity to hold events and good transportation links. Income would be generated from selling of tickets, sponsorship of goods, advertising and stall holder fees. Corporate hospitality packages would also be offered to appeal to different markets and offer differential pricing.
- 3.26 These events should also attract visitors from outside of Brent enabling us to showcase our vibrant mix of cultures and enhance our promotion of community cohesion. Should we be able to generate income from initiatives such as green gyms and exercise classes in parks we will also help to deliver improved health outcomes by keeping residents fit, healthy and active. This will contribute towards lowering the pressure on demand-led budgets. A key priority for Brent 2020.

#### Investment in Businesses

- 3.27 This idea is for the Council to provide financial investment to support Small, Medium Enterprises (SMEs). The model proposed provides a safe way to receive return on investment and seek to develop one of Brent 2020 priorities for business growth. This initiative supports the economy and employment opportunities in Brent by lending SMEs finance through a crowdfunding organisation on a fixed interest rate (currently at 7.2%) return to Brent Council. The model provides a guaranteed return which covers the risk of bad debt. An approximate fee of 3% is incurred annually to the Council with the model. Initially the proposal is to have up to £200k available for business to apply for an amount. A benefit of this initiative is that the Council would receive a better rate of interest than a saving account but also by supporting business growth we can support regeneration of the borough by seeking to increase employment opportunities thereby helping to reduce the number of businesses failing, reducing unemployment rates and a reliance on benefits.
- 3.28 Each of the six business plans will have financial targets to achieve as well performance measures. Market analysis carried out as part of validating ideas has indicated that these propositions will generate a sizeable income for the Council, especially compared to some other local authorities.
- 3.29 Historically there have been pockets of income generating activity across the Council, e.g. Event and Conferences and some areas in Regeneration and Environment, without any strategic co-ordination. As a result of the Civic Enterprise Strategy, we are in the early stages of having a more joined-up strategic offer. Our approach is now very much in line with other local authorities as we have a portfolio of investments, we are utilising assets and resources better and we are enabling staff to be more creative and innovative to come up with new ideas to work more efficiently to generate income or save money.

## Achievements

- 3.30 Aside from the development of robust business plans, other income generating activity has resulted in a 10-year contract being signed with Arqiva to place wireless cells on lampposts, this will bring in over £260k and £80k has already been received.
- 3.31 A procurement exercise is currently underway for tenderers to buy space on council assets and planning approval is being sought to enable seven new sites around the borough to also be offered for advertising space. The current contact with JC Decaux will shortly expire and so renegotiation discussions are underway to secure a mutually beneficial agreement.
- 3.32 In October 2016 Cabinet approved the implementation of an-house bailiff service, the debt recovery project is on track to achieve £1m in 2017/18.
- 3.33 As part of preparing the business plans, engagement was carried out with schools and they have shown keen interest to resume the purchase of services from the Council. New flexible services are being developed for schools. To aid the regeneration of the borough we will be supporting SMEs to survive and expand, creating job opportunities and supply chain benefits as well as providing a high rate of return, currently 7.2%, on the Council's investment.
- 3.34 The Civic Enterprise Team are building on opportunities arising from Wembley Park event days by organising income generating initiatives. For example, at the Council's annual fireworks celebration, to be held on 6 November 2016 there will be a Christmas market in the Civic Centre.
- 3.35 The majority of Council departments have achieved their targets for this year so any additional income generated can be used to offset the targets for 2017/18.

## Benchmarking with other local authorities

- 3.36 Any type of linear benchmarking may be misleading unless the service provided is very much the same at each local authority. This therefore presents difficulties when collating comparable data on income generating activity between local authorities. However a recent survey by Localis<sup>1</sup> found that entrepreneurial activities currently make up 6% of council budgets. Key findings of the study are that:
- 94% of councils currently share a service with another council
  - 91% use assets such as land in an entrepreneurial manner
  - More than half of councils (58%) own a trading company (forecasts are that by 2020 all councils will have a trading vehicle)
  - 57% of councils operate a joint venture with the private sector
  - 38% invest money in private sector enterprises
  - Over a third of councils are using entrepreneurial methods in areas such as waste (46%), leisure and tourism (38%), IT/back office (38%) and housing (36%)

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<sup>1</sup> Commercial Councils - The rise of entrepreneurialism in local government 2015. The survey had 150 respondents from local government stakeholders across the country.

3.37 There were no areas where the majority of councils could not see the case for greater entrepreneurialism. Across the board, between two-thirds and four-fifths of councils do or would provide energy (73%), facilities (75%), IT/Back Office (73%), legal services (67%), and waste commercially (77%).

3.38 The main areas of profitability for local authorities are:

- Generating income through council assets
- Generating income by trading services
- Digital Services
- Attracting investment

3.39 Future boom areas are expected to be:

- Legal services (24% of authorities currently, 43% considering)
- Facilities (25% of authorities currently, 50% considering)
- Waste (46% of authorities currently, 31% considering)

3.40 For Brent Council this means that the business plans that have been developed are in line with income generating activities of other local authorities. The civic enterprise way of working was started in Brent Council in January 2016. In comparison, many local authorities have been operating in this way since 2009.

3.41 Further examples of case studies are included in Appendix 2.

#### The way forward

3.42 The Civic Enterprise Team will continue to encourage innovation and develop an entrepreneurial culture. Staff engagement and participation will continue to be a key objective. This will be done by supporting staff to think and deliver differently as well as ensuring service areas are guided and supported to develop and take new income generating ideas to market.

3.43 Opportunities for joint ventures and partnership development will also be sought to bring in additional income. Sharing ownership of joint ventures with public or private sector partners, offers both shared risks and rewards, whilst also combining expertise and capacity.

## **4.0 Financial Implications**

4.1 While this paper in and of itself has no direct financial impact, the savings are necessary to balance the Council's budget. There are £3.45m of Civic Enterprise Savings due to be delivered in 2017/18 and a further £2.197m that relate to 2018/19.

## **5.0 Legal Implications**

5.1 As the report is for comment there are no legal implications of the update provided.

## **6.0 Diversity Implications**

6.1 None

## **7.0 Staffing/Accommodation Implications (if appropriate)**

7.1 None

### **Background Papers**

1. Budget and Council Tax 2016/17 report to Cabinet on 8 February 2016
2. Budget Proposals to 2017/18 and Medium Term Outlook report to Cabinet on 14 December 2015
3. Civic Enterprise Strategy report to Cabinet on 27 June 2016

### **Contact Officers**

#### **Althea Loderick**

Strategic Director Resources

#### **Arezo Shephard**

Interim Director Civic Enterprise  
arezo.shephard@brent.gov.uk

Brent Civic Centre, Engineers Way, Wembley Middlesex HA9 0FJ.

ALTHEA LODERICK

Strategic Director, Resources



## Appendix 1

### Civic Enterprise income Targets

Ref	Unit/Service	Description	Item	2017/18 £'000s	2018/19 £'000s
CE002	Cross Department	Income Generation	<ul style="list-style-type: none"> <li>• Advertising and sponsorship income of £300k.</li> <li>• Wireless equipment on assets income of £210k.</li> <li>• Fees and charges income of £1.99m.</li> </ul>	1,250	1,250
CE005	Finance	Better collection of debts and arrears	<ul style="list-style-type: none"> <li>• Better collection of debts and arrears income £1m.</li> </ul>	1,000	0
<b>Total</b>				<b>2,250</b>	<b>1,250</b>

### Civic Enterprise Departmental Targets

Ref	Unit/Service	Description	Item	2017/18 £'000s	2018/19 £'000s
CE001	Support Planning & Reablement	Additional Continuing Health Care (CHC) Funding <i>(now managed within CWB department)</i>	<ul style="list-style-type: none"> <li>• CCG funding care packages rather than the council. The CCG should fund this care as they have the necessary skills to meet these needs.</li> </ul>	400	400
CE003	Digital Services	IT Sales	<ul style="list-style-type: none"> <li>• Offering ICT services on a commercial basis to other organisations.</li> </ul>	375	375

CE004	Parking & Lighting/ Parking	Eliminate the additional overhead costs of the Serco parking contract (now managed within R&E department)	<ul style="list-style-type: none"> <li>• Apportioning ratio of overheads between the three participating boroughs: LB Brent; LB Hounslow; and LB Ealing.</li> </ul>	300	47
CE006	Culture and Property	Civic Centre - Rental Income	<ul style="list-style-type: none"> <li>• Additional income e.g. Library café space, increased income from the basement car park or from further release of office space.</li> </ul>	125	125
<b>Total</b>				<b>1,200</b>	<b>947</b>

### **Income Generating Activities**

Item	Description	Turnover	
		2017/18 £'000s	2018/19 £'000s
Trading with Schools	Increase income by offering quality services that schools require and to start offering our services to schools in neighbouring boroughs	600	750
Events, festivals and conferences	Large scale concerts and festivals in Brent's parks in spring and summer. Also to attract more large conferences in Civic Centre	500	650
Energy Certificates	This is a strand of the overall Energy Strategy that is being worked on.	17	20
Consultancy Services	Focus on selling services. Initially the Business Research and Intelligence services but the plan is to identify other service areas to sell, in particular some in Regeneration and Environment. The aim is to serve other public sector bodies.	60	70
Finance for SMEs	Potential of lending £200k through crowdfunding on a fixed interest rate of 7.2% to SMEs in Brent. The model would provide a guaranteed return which covers the risk of bad debt. A 3% annual fee is incurred to the council with the model. If successful in year one we can seek to double the initial investment the following year. £250k funding is available through Employment and Skills to contribute to supporting SMEs in Brent that we lend money to. This initiative will provide a better rate of interest to the council than a bank, and it can also create employment opportunities as businesses expand.	14	21
Weddings in parks	There is a lucrative market in weddings. There is a great opportunity to offer weddings in parks and there are no competitors offering this in West London. We will also offer packages including wedding planning services and registration.	339	440

Other assets incl properties, parks (green gym, sports, street markets, markets in Civic Centre on events day, open air cinema etc.)	Better use of our open spaces - parks, streets and Civic Centre. In particular on event days at Wembley Park. Good opportunity for us to provide markets, facilities etc.	50	80
<b>Total</b>		<b>1,580</b>	<b>2,031</b>

## Appendix 2

### New approaches to Commercialisation- Doing things differently

**London Borough of Newham** In order to provide value for money and maximum efficiency, Newham are piloting and developing alternative ways of delivering their services. This includes commercialising a range of services as small businesses, based on co-operative principles, which will free up staff to utilise their local knowledge and take even greater ownership over their work to deliver better outcomes for Newham residents.

**Nottingham City Council** has increased its income by over £10m by taking a more commercial approach to a number of its services. Their approach to commercialisation of public services is not only to save money, but also provide a better service, save jobs and improve morale.

### Generating income through council assets

- **Oxford City Council** are making a significant amount of money (£7m) from their assets plus an additional £5m a year profit from developing private rented housing which the council own and run, but is let at higher market rents.
- **Basingstoke and Deane Council** - 30 per cent of their income comes from grants and tax, and 70 per cent from other sources - the reverse of the normal proportion. The council receives £15.5m from their commercial property portfolio (the 5th biggest in the country), and £3.5m from investment income. They have purchased the freehold of the Festival Place shopping centre as it gives them a 5-6 per cent annual return.
- **Guilford Borough Council** invested £25 million capital fund in property.
- **Surrey County Council** set up a property Holding Company in 2014 with three subsidiary Companies generating substantial income for them.

### Generating income by trading services

- **Cheshire East Council** recently launching the first two in a series of wholly-owned arm's-length service delivery companies. Waste and street scene services will be operated by Ansa Environmental Services, and bereavement services – including burial, cremation, memorial and bereavement support – will be managed by Orbitas Bereavement Service. Both will be chaired by Councillors.

- In addition, **Staffordshire County Council** and Capita have set up an independent joint venture company called Entrust, to improve education services. This innovative joint venture allows the council to combine the best of the public sector, knowledge and expertise in delivering services to schools, with the commercial acumen of the private sector, so that we can compete robustly in the marketplace and safeguard jobs for the future.
- **Surrey County Council** set up a Company called Surrey Choice providing day services and Community support

### Generating income through trading commodities

- **South Holland District Council** has a contract in place for the processing of recyclables which generates an additional £500,000 of income a year.

### Digital Services

- The **London Borough of Camden** led a group of 17 Councils across London and Kent in collaboration for the implementation of a wireless concession contract with Arqiva. The scheme has generated substantial additional income for the local authorities.

### Attracting investment and marketing the place

- **Birmingham City Council** has set up Business Birmingham, an inward investment programme, in partnership with the Greater Birmingham & Solihull LEP and Invest Black Country. In 2013/14, the programme's efforts resulted in a 57 per cent rise in foreign investment projects, driven largely by the area's strengths in sectors such as advanced manufacturing and the automotive industry, as well as its backing for fast-growing new industries such as digital media and IT services. Investment by foreign firms generated a record 4,337 new jobs in the area in 2013/14; almost double the number created the previous year. The jobs boost is worth £362 million to the economy.
- The local economy in the Shoreditch district area of London has transformed as a result of a flow of commerce and inward investment into a cluster of creative industries. The **London Borough of Hackney** has played a very strong role as facilitators of this investment, including sending a team of regeneration officers with a delegation of East London's most innovative companies to the South by Southwest (SXSW) Interactive 2013 festival in Austin, Texas. The experience demonstrated there is now a clear need for

further engagement with UKTI to connect the local economy with the global platform/ opportunities. This could be achieved through sharing intelligence, contact and networks to help develop a local strategy and common business plan.

- After traditional industries in **Sunderland** went into decline in the late 20th century, the City Council actively sought to identify new growth areas. Automotive and advance manufacturing were identified, and efforts were made to identify new markets to secure this type of inward investment to replace those jobs that had been lost. This resulted in large amount of investment from foreign direct investment, e.g., a Nissan car plant. The City Council established a partnership with **Washington District Council** and set up agreements with Harbin, the provincial capital of Heilongjiang Province in North Eastern China. Sunderland City Council has a productive partnership arrangement with UKTI, but it has tended to focus on trade rather inward investment. Sunderland is keen to grow the partnership with UKTI, particularly around export growth. Sharing information on small to medium local companies export activity and identifying new local to global opportunities, will help reinforce the national effort.