**Business Case Lite – Luton Transformation Programme**

**Project Information**

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| **Project Title** | Income Generation |
| **Portfolio Tracker ref** | Com-002 |
| **Current Stage / Gate:** | Stage 1: Develop Outline Business Case |
| **Project Sponsor** | Dev Gopal |
| **Project Lead** | Darren Lambert- Finance Business Partner |
| **Transformation Theme** | Commercial |
| **Contributory Transformation Theme(s)** | - |
| **Department and Team** | Cross cutting, support from Finance/ Strategic Change Team, owned by CLMT. |

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| *This project is in place to identify new and capitalise upon existing revenue streams to optimise income generation for LBC. It will build-upon previous exercises to review fees and charges, but also consider other potential new income from external sources through sharing services, trading services with other councils and partner organisations through a more enterprising commercial approach.* |

**Scope of Project / Opportunity**

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| **In scope** | **Out of Scope** |
| All fees and charges to residents and business  EV charging | Luton Airport  Traded Services  Proposed Scale of Charges 24/25 |

**Objectives**

**Commercial Income Generation**

* Optimise income generation for LBC through a Commercial Strategy aligned with LBC’s Traded Services.
* Maximise income generation through fees and charges and re-review the impact of previous consultancy work, but also re-review all the fees and charges and ensure they are at a minimum recovering all costs.
* Under the limitations of s.93 of Local Government Act 2003 local authorities have the power to charge for discretionary services. There are limitations on what can be charged and only for cost recovery. All relevant legislation needs to be reviewed to identify any areas with scope for income generation and optimisation
* Identify political barriers that have prevented sharing support services or selling services to other partners and councils and explore mitigating these barriers.
* Review CIPFA’s ‘A Practical Guide for Local Authorities on Income Generation’ (2019 edition) to ensure Luton has taken on board all relevant advice and is compliant with regulations.
* Consider how to embed strategic oversight/ strategy of income generation long-term to provide challenge, support and innovation in LBC’s ongoing commercial and enterprising development.
* Generate revenue income from electric vehicle charging stations once the infrastructure is in place.
* Consider LBC’s commercial and enterprise skills base to ensure a sustainable development of income generation is in place for the future.

**Charging Income for Council Services**

* Produce a strategic fees and charges report for all services within LBC that will deep-dive into all fees and charges, including Adult Social Care and Housing. The deep-dive will analyse competition and market analysis, benchmarked cost and price analysis, price elasticity and customer demand. This will be over a 5-year period to determine if charges have adjusted in lieu of CPI and have real-term increases.
* Review of concessions currently in place to ensure they are still valid and evidence based.
* There are a number of other income generating services the Council has already reviewed to ensure income has been optimised, there may be scope to further consider these service charges to ensure they are contemporary with other Local Authorities or private providers:

-parking, general fines and penalty notices,

-cemeteries and garden waste,

-building control, land charges and planning charges.

**Shared Services/ Other Commercial Arrangements**

* Review current shared services arrangement with other local authorities and identify whether cost/price or service levels can be optimised.
* Identify opportunities with the ICB/ NHS to sharing services.
* Consider new shared services/ partnering opportunities with other councils through identification of services excelling in performance that could be shared with neighbouring local authorities that are not performing as well.
* Identify Luton-based partners to share services with.
* Capitalise on any existing income generating services that can be further expanded to optimise income.
* Consider any currently listed ‘traded services’ which should be included within scope of this OBC. As the Traded Services have been further understood, there are a number of services which should be considered under charging as they are effectively only trading to associated companies owned by Luton Borough Council. This distorts the Traded Services bottom-line profits, but also is not truly representative of services being traded to business, residents and non-Council organisations.

**Assessment of Current Position**

* Fees and charges are reviewed annually based upon a standardised formula, considered by their service owners and agreed by Members should there be any increases be applied over-and-above CPI. Each revenue income stream is given to the cost centre owner to review and apply uplifts. Consistency of inflation uplifts coupled with SSCs and total cost recovery may not be applied, ergo a review over 5 years will determine consistency of approach and identify any outliers to focus upon.
* An external review in 20/21 of fees and charges (£35.9m) made a number of recommendations for improvements; these have been implemented but excluded Housing and Adult Social Care within the review:
  + Housing (General Fund) makes up the largest percentage of charging income along with Adult Social Care, circa 60% of all income.
  + Both have limitations on increasing of charging, Housing is governed by legislation and Adults Social Care is evidence based on how much a person can pay.
* In the current economic climate, it may be prudent to consider the fundamental economics of fees and charges, not exhaustively considering price elasticity and market forces when setting fees and charges, but also opportunity costs and downstream benefit realisation, I.e. if parking charges are reduced, will this increase demand or substitute demand from competitors; if demand increases, will this have positive impacts on town centre footfall and revenue generation elsewhere as well as increasing revenue overall, despite reducing the price customers pay.
* We have been advised there has been little political appetite in the past to trade services to other councils, however given the budget position and avenues to balance the budget it may be prudent to re-visit sharing services to further augment the previous consultancy work and increase revenues for LBC.
* Review discounts and concessions in place for residents e.g. bulky waste with low incomes and balance the risk of unintended consequences such as fly-tipping with increased fines.
* There are restrictions on councils providing services to private or the public under Local Authorities (Goods and Services) Act 1970.

**Proposed Changes**

It is proposed that a 5 year analysis of the Council’s fees and charges will be conducted to ensure all inflation and cost/price uplifts have been applied correctly and to re-calibrate any charging for future income accordingly.The result of this review may identify areas that may need Member approvals to increase fees and charges over the standardised rates and considerations of any intended or unintended consequences resultant from amending fees and charges.

The 5 year analysis may show where there are variations on profit and loss, and where these have not been re-balanced in subsequent years. The Local Government Act 2003 states that authorities cannot recover more than the cost of provision of a kind of service, albeit statutory guidance envisages authorities balance the books over a period of time, ergo there may be scope to balance services which have made losses year-on-year by increasing costs to recoup those losses.

Income generation should ideally be part of a larger commercial strategy and coupled with Traded Services to ensure all income is optimised for the Council. Strategic oversight of the efficacy of income being generated would be highly advantageous to determine when income has been optimised and where deficits can be addressed.

**Charging Income for Council Services**

* Check and any recalculation of Adult Social Care charges and ensuring full cost of recovery; examples of potential additional income are:
  + Day services and or other non-residential charges may be currently being subsidised for full funders (10% of total service user base) and further discovery work would need to be conducted to determine if there would be any detrimental impacts if the charging policy was amended, i.e. social isolation impacts.
  + Social care transportation is below average but is means tested and could be increased; this will require an assessment of the impact this may have upon full funders and their demand for services if charges increase and any unintended consequences to be considered. The total cost of recovery could be applied to increase income.
  + Assessment of whether all benefits and charges are being applied to all placement types such as extra care, shared lives etc. and whether rents or benefits have been correctly accounted for as working-age adult social care incomes are less in Luton than the nearest neighbours or national English average (PD-2% (£14k), MH-4% (£20k), LD-2% (£328k).
  + Ensure any internally commissioned packages of care are subject to full cost recovery.
  + Adult Social Care preventative services are chargeable, but they may have an unintended consequence if charging deters such services and need escalates for service users not receiving preventative services.
  + Consider all categories of Adult Social Care and ensure all avenues have been exhausted for charging purposes
* Ensure any charging for children’s social care has been deployed, i.e. any SEND/CWD property adaptations have Land Registry markers and income is recouped upon sale.
* Review of Housing General Fund income to consider all income streams and identify if there are any outliers that could be identified for income generation. We know assistive technology is listed as a traded service, but realistically the 1500 residents receiving this service are Council service users and there is scope to review the charging policy. This could be explored.
* Consider housing discounting on BTS works and balance the risks of increased rental charges to residents.
* Identify and review of all concessions and subsidisation of Council run services and producing a report to go to Members for any changes identified and recommended to determine political appetite for amendment. We know there are concessions made in Council services and full costs are not recovered. Generally this may impact upon already vulnerable residents so careful consideration must be given to cessation of concessions.
* Identification of and increase in value-added services to residents, I.e. waste removal, large items moves etc.

**Shared Services/ Other Commercial Arrangements**

* Strategic review of all services bought-in and sold-to other local authorities to determine if they are running at their optimum and whether there is scope to reduce costs or increase prices if these services are not fully recouping total costs.
* Consider re-visiting sharing services with other councils to increase revenues for the Council, this could be the creating of public-public partnerships as a vessel to run Corporate Services, i.e. Xentrall.
* Reviewing Housing charges and increasing where possible.
* Selling effective services to other councils with a clear business plan and income target.
* Working with partners to share services which will rationalise having multiple services delivering the same function running concurrently through economies of scale and reductions in management costs etc. Partners may be from the NHS or other public sector organisations.

**Savings Rationale**

* Through these potential revenue streams, we have conservatively estimated an annual increase of 1% income solely based upon total income generated within Housing and Adult Social Care, equating to c. £228kpa.
* There will however be potential for increases in income across other domains but these will require extensive discovery work to conclude within the final business case.
* Additional income may be possible to be generated once a deep-dive analysis has been undertaken into all revenue income streams to allow a much more detailed position for the final business case.

**Opportunity Qualification**

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| **Criteria** | **Rating** |
| Financial Benefits | *£690,000* |
| Effort / Ease of Implementation | *2* |
| Impact (financial and non-financial) | *2* |

**Financial Delivery**

One off Investment required and savings

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| --- | --- | --- | --- | --- | --- |
|  | **23/24** | **24/25** | **25/26** | **26/27** | **Total** |
| **One-off Investment** | - | - | - | - | - |
| **One-off Savings** | - | - | - | - | - |

Ongoing investments and savings

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **23/24** | **24/25** | **25/26** | **26/27** | **Total** |
| **Recurring Investment** | - | - | - | - | - |
| **Recurring Savings** | - | £230,000 | £230,000 | £230,000 | £690,000 |
| **Net Savings** | - | - | - | - | - |

Note: These savings, or income growth, are expressed as ‘Budget Savings’, although in some areas of Adult Social Care they may be used offset overspends as a result of increasing demand and budget shortfalls.

Note: Savings have been calculated by an increase of 1% on the income generated from Housing and Adult Social Care. The expectation is to grow the income by 1% each year.

**Finance’s Validated Figures**

Finance have validated the figures in the table below based on part year effect (50%) and savings delivery confidence (30%), resulting in confidence in 15% of the total proposed savings for 24/25.

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| --- | --- | --- |
|  | **23/24** | **24/25** |
| **Recurring Investment** | - | - |
| **Recurring Savings** | - | £34,500 |
| **Net Savings** | - | £34,500 |

**Non-Cashable Benefits**

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| --- | --- |
| **Benefit** | **Description** |
| **Customer Experience** | - |
| **Employee Experience** | Development of shared services with other local authorities may generate improvements in employee experience as services expand and improve. |
| **Productivity** | - |
| **Social** | - |
| **Economic** | Positive impacts upon generating income for LBC to improve the budgetary position. |
| **Environmental** | - |

**Resources and Stakeholders**

The following summarises the team, and wider stakeholders involved in the project:

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| **Direct Team** | Human Engine, LBC Transformation Team, Finance |
| **Stakeholders – Governance and Decision Making** | Transformation Board |
| **Stakeholders – Customers / Beneficiaries** | Residents, customers, businesses, partners, other councils |
| **Stakeholders – Providers / Delivery Teams / Partners** | All services subject to Scale of Charges Review plus any service areas not yet reviewed. |

**Risks**

The following top risks should be considered for this project:

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| --- | --- | --- | --- | --- | --- |
| **Ref** | **Risk** | **Likelihood** | **Impact** | **Total** | **Mitigations** |
| 1 | No amendments can be made to fees and charges as Members don’t want to increase them. | 2 | 4 | 8 | Senior Officers to provide members with economic business case advice. |
| 2 | Partners do not wish to engage. | 4 | 4 | 16 | The final business case will detail all engagement and findings to support partner engagement. |
| 3 | Other councils do not wish to share services with LBC. | 3 | 4 | 12 | Further strategic engagement to determine mutually beneficial outcomes from sharing services. |

**Critical dependencies, constraints, assumptions**

* Strategically, there is scope for an interdependency with Traded Services for oversight.

**Timetable – Key Activities and Milestones**

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| --- | --- |
| **Stage / Gate target milestones** | **(Target) Date** |
| Gate 0: Decision: Progress Opportunity | Oct 2023 |
| Gate 1: Decision: Outline Business Case | Oct 2023 |
| Gate 2: Decision: Full Business Case | Mar 2024 |
| Gate 3: Decision: Investment Decision | Apr 2024 |
| Gate 4: Decision: Go-Live / Handover to BAU | Apr 2025 |
| Gate 5: Decision: Benefits Review Complete | Oct 2025 |

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| **Project Deliverable** | **Start** | **Finish** |
| Strategic review of fees and charges including limitations of legislation and taking into account CIPFA guidance | Oct 2023 | Mar 2024 |
| Review of shared services arrangements in place and potential for new shared services with other local authorities | Oct 2023 | Mar 2024 |
| Assessment of commercial and enterprise skills and any necessary training and development | Oct 2023 | Mar 2024 |
| Consider political appetite and impact with Lead Member socialising of findings and concepts identified | Oct 2023 | Mar 2024 |
| Full business case completed | Oct 2023 | Mar 2024 |
| Development of strategic oversight of all income generation | Oct 2023 | Mar 2024 |
| Implementation of identified change | Apr 2024 | Mar 2025 |

**Approvals of this Savings Delivery Plan**

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| --- | --- | --- |
| **Name** | **Role** | **Date Agreed** |
| Dev Gopal | *Project Sponsor* | TBC |
| Darren Lambert/ Atika Choudhary | *Head of Service* | TBC |