

THE VALE OF GLAMORGAN COUNCIL

CABINET: 4TH DECEMBER, 2017

REFERENCE FROM CORPORATE PERFORMANCE AND RESOURCES
SCRUTINY COMMITTEE: 16TH NOVEMBER, 2017

“ INCOME GENERATION AND COMMERCIAL OPPORTUNITIES STRATEGY
2017-2020 – CALL-IN –

The above matter had been considered by the Cabinet at its meeting held on 23rd October, 2017 (Minutes No. C112) refers and had been approved to enable the Council to put in place a Strategy to support the delivery of the Council’s priorities.

Councillor L. Burnett had subsequently called-in the matter on the basis of the following:

“Cabinet resolved T H A T the contents of the report be noted and T H A T the Income Generation & Commercial Opportunities Strategy 2017-2020 be approved. The reasons for these being to consider the way in which income generation and commercial opportunities services would contribute to the delivery of the Council’s vision of “strong communities with a bright future” and to enable the Council to put in place an Income Generation & Commercial Opportunities Strategy to support the delivery of the Council’s priorities.

However, there is a lack of clarity in:

1. **Whether the Strategy aims for no more than “Full Cost Recover” or to achieve a surplus.**
2. **Whether income generation strategies would differentiate between local residents and those from outside the Vale of Glamorgan.**
3. **Whether income generation strategies would differentiate between existing services and new ones that have been solely designed for income generation purposes.**
4. **How the Strategy could differentiate between services that support the achievement of the Corporate Plan and those that don’t particularly when they are delivered by the same service area as is the case with Adult and Community Learning.**
5. **Why the Strategy includes Outsourcing as a potential delivery model for income generation.”**

The Chairman, in referring to the information contained within the agenda, invited Councillor Burnett to comment on the call-in that she had submitted.

Councillor Burnett commenced by citing the report that stated that it had two main ways that the Council could fund its activities. The largest, a funding allocation from Welsh Government which was shrinking year on year, as its own funding also reduced, and Council Tax from local residents. Increasingly, Councils were looking at ways to generate income if they were to avoid cuts in services or large increases in Council Tax. In referring to the report, Councillor Burnett had no argument with the principle of maximising commercial opportunities. She accepted that it made sense to remove some of the burden from hard pressed Council Tax payers. However, she was concerned that the proposed Strategy could result in the burden on local residents and business actually increasing.

She drew the Committee's attention to the relevant Cabinet minute which indicated the development of a strategic approach to income generation. She also referred to paragraph 11 of the Cabinet report which referred to "Providing a clear framework for developing and implementing activity" contrary to both of the above statements, she suggested that there was a lack of clarity in the Strategy which impacted on the Scrutiny Committee's ability to scrutinise the proposals effectively and therefore, reiterated whether the Strategy aimed to do no more than "full cost recovery" or to achieve a surplus as it was not clear within the Strategy as both were discussed and how it would be decided whether a service would be subsidised, cost neutral or an opportunity for profit and referred to Objective 2 of the Strategy document. She felt that there was an argument to be made to apply social enterprise principles where a surplus subsidises a loss within an essential service. She considered there was a need to know how this would work in practice.

Secondly, whether income generation strategies would differentiate between local residents and those from outside the Vale of Glamorgan. Her view was that local residents already subsidised visitors to the county. She felt that these proposals could be viewed as a Council Tax rise by stealth.

Thirdly, whether income generation strategies would differentiate between existing services and new ones that had been solely designed for income generation purposes required to be clarified. If it was a case of extracting the maximum possible from existing services, treating them as "cash cows" or about delivering new services that people could choose to pay for. On this point, she sought clarification of the specified aim to avoid competition within the private sector which was one of the stated aims of the Strategy. If it was the aim of the Council to use its venues for weddings and events, this would obviously compete with local businesses. Further, she also asked for clarification relating to the Strategy's aim to introduce a charge to change public behaviour. She referred to the "nudge theory" such as the 5p plastic bag charge or punitive levels of charges.

In referring to her fourth reason for the call-in, she enquired how the Strategy would differentiate between services that supported the achievement of the Corporate Plan

and those that did not, particularly when they were delivered by the same service area as in the case with Adult and Community Learning and referred to an example of differentiating between basic skills, courses that promoted social or digital inclusion and lifestyle courses. She also considered that this rationale could be extended to relevant sports courses or activities which took place within community centres.

In referring to her fifth reason for the call-in, she considered that outsourcing of existing services was often seen as a means of alleged cost reduction, something that the previous Administration worked to avoid. To her knowledge, it had not been used as a way of generating income. She sought clarification and examples of such instances. She referred to page 17 of the Strategy which already appeared to consider the very issue. Separately, she referred to paragraph 15 of the original Cabinet report which stated that there were no direct employment implications as a result of the report, however, she considered it was obvious that there would be if the Council made a decision to outsource its services.

She indicated that whilst the Strategy included a list of current activities, it gave no indication of any emerging strategy and referred to “low hanging fruit” such as advertising, opportunities in country parks, income from Council buildings, etc. In referring to the beach huts at Barry Island, she wondered whether they were to create a surplus or break even provision to support tourism and whether they would be viewed differently to resort car parks.

In conclusion, she indicated that the report stated that the Council aimed to generate approximately £1.1m in just over two years, however, there was no information on plans in place so far to achieve that. It was her view that a list of current activities and exclusions did not amount to a strategy. In referring to the related action plan at page 18 of the Strategy, it appeared to her in the main to reflect existing services. Achieving £600,000 by April 2019, in her opinion could result in increases in fees and charges for local people, the equivalent to a 1% rise in Council Tax.

Whilst she was not a Member of the Committee, she sought support in regard to recommending to the Cabinet the following:

- The draft Strategy is sent to all Scrutiny Committees for full consideration to develop a clear framework;
- That stakeholders are consulted on, co-production;
- That the framework should be explicit to allow scrutiny of proposals.

The Managing Director, in responding to the various points raised by Councillor Burnett, reminded the Committee that the purpose of the Strategy was not to identify specific proposals. By way of example, he drew the Committee’s attention to a report regarding the Council’s Registration work which related to service specific charges and fees and had been an agenda item at the same Cabinet meeting which had been considered in the context of the above report. He stressed that the Strategy document had been submitted to Cabinet for approval so that arrangements contained in the Strategy aligned itself to the Council’s existing Reshaping Services

programme. He also reiterated the requirement for a mixed approach for delivering the same.

The matter of a business case for services charging at a cost neutral, full cost recovery or otherwise, would be dependent on current arrangements, statutory / discretionary provisions and cited the Council's Catering Service trading model which allowed for any profits to be invested into that service, thereby allowing it to grow and develop.

In referring to the beach huts at Barry Island, he alluded to considerable deliberations at that time when the Council had taken the view that it needed to strike a balance to ensure that the fees charged maximised the use of the facilities.

He also reminded the Committee that the Strategy was set within the context of reducing Revenue Support Grant settlements from the Welsh Government. He also alluded to the Wales Audit Office criticism of Local Authorities across Wales due to failing to make sufficient inroads to supporting delivery of services by maximising income generation opportunities. He also referred to the Council's Public Opinion Survey which indicated general support from residents who were prepared to pay a fee to receive a service on a case by case basis. The Strategy was not a means to make a profit but a mechanism to support discretionary services which, without such a Strategy, may not be sustainable going forward.

In referring to Powers of Competency, the Managing Director indicated that the Council was prevented from competing directly with other private service providers. That said, it was his view that existing Council services where a fee was charged, should be reviewed as in the case of the Council's Registrars Service.

He reassured the Committee that as and when a specific proposal came forward for consideration, that would be the time when Scrutiny Committees would be consulted on the same.

The Chairman, at this juncture, invited Members of the Committee to comment on the matter.

A Member, in referring to the Strategy, understood the principles behind the same. However, he referred to the implications for staff when taking account of the implications in the event of the Council outsourcing any services and enquired if Trade Unions had been consulted. In addition, he referred to the Council's previous Administration and indeed historical arrangements in the past where the Council had in the main chosen to avoid outsourcing of its services. He also referred to the disparate nature of services and the implications of the Strategy on those areas. He also further referred to contradictory remarks made within the Strategy and cited elements of pages 6 and 9 of the document as examples of such. In regard to the scope of the report regarding those areas of exclusion, some were not in the Council's gift to agree so. In summing up, he sought an assurance from the Managing Director that the Strategy would be sent to all of the Council's Scrutiny Committees for consideration.

The Managing Director, in responding to the Member's points, confirmed that the Strategy was indeed a framework, however it was vital to progress the same. He acknowledged the issue regarding reducing funding from the Welsh Government. The main consideration for the Council was how it could sustain services in an environment of reducing budgets and particularly those discretionary services where, without such a Strategy, the Council would be unlikely to provide in the future. He reiterated his earlier point regarding legislative constraints to generate income. Additionally, under the Strategy proposals there would be certain exclusions, for example schools, which would be encouraged to generate their own income for their own re-investment.

In regard to Trade Union consultation, this had been undertaken as Trade Unions had representatives on the Council's various work streams linked to the Reshaping Services programme.

He gave an assurance that Scrutiny Committees would be able to scrutinise service specific proposals and this was set out in the Strategy's governance arrangements.

Another Member acknowledged that this indeed was the start of a process and it was important that the Council established the various revenue opportunities. However, he was concerned that the Strategy may allow for the introduction of car parking charges in town centres and referred to a more joined up approach between service areas. He echoed the previous comments regarding the Scrutiny Committees' ability to scrutinise specific service proposals. He also considered it important that at the time when Scrutiny Committees considered specific proposals they had all relevant information on each project as it was developed, including an appropriate business case and related agreed targets. In concluding, he indicated that he was not against the proposals but was in particular against outsourcing of Council services.

The Managing Director, in acknowledging the points made by the Member, referred to the Strategy document's appendix. He suggested that there were areas where the Council performed better, therefore, it was important that the Council reviewed its existing fee setting arrangements. In terms of information being made available to Elected Members, he suggested that the next Reshaping Services update report include information outlining how the work of the Strategy would be phased over the coming months / years.

The Cabinet Member for Regeneration and Planning who was in attendance on behalf of the Leader who was unable to attend the meeting, indicated that the Strategy represented very early days and indeed was an extension of the Council's existing Reshaping Services programme. He also confirmed that each and every service area proposal would be reported to Scrutiny Committees for consideration and saw no purpose in referring the Strategy to the Council's other Scrutiny Committees for consideration, as there was little purpose in doing so, as the Corporate Performance and Resources Scrutiny Committee was the lead Scrutiny

Committee on the matter. He reminded the Committee that the whole purpose of the Strategy was to avoid further cuts to existing services.

Another Member, in supporting the proposals, considered that these were not sufficiently ambitious and enquired as to why the Council had not sought to borrow additional funding from the Public Loans Board to allow it to invest in property and to set up an energy company. In response, the Cabinet Member reminded the Member that the legislative position in Wales was not the same as it was in England and therefore, Councils in Wales were not permitted to engage in such ventures. In addition, the Managing Director reiterated the current legislative arrangements allowed Authorities to raise income through its fees as long as they were reinvested into the same service area and as a further example of this, referred to the Council's Building Control Service.

Another Member disagreed with the Cabinet Member's view that the report and Strategy should not be shared with all of the Council's Scrutiny Committees. He further referred to the implications for "double taxation" accusations aimed at the Council from residents and visitors. In referring to car parking within town centres, he suggested that there should be more stringent parking enforcement to ensure there was adequate turnover of car parking spaces and made separate reference to parking enforcement around schools. The Cabinet Member, in response, indicated that he was content to share the document with all Elected Members for their information but not as a formal agenda item for consideration by each Scrutiny Committee.

A Committee Member referred to the obvious necessity of the Strategy for front loading of fees which created some concern given the timetable and enquired of progress in regard to this particular matter. In response, the Managing Director referred to his earlier comments made in regard to the Registration Service as an example of working towards those arrangements. It was his view that it was important for the Council to charge an appropriate fee for providing a service commensurate to the work involved in delivering the same. It was also important to review fees to ensure that the Council did not price itself out of the related market.

The Chairman invited Councillor Burnett to sum up on her Call-in.

Councillor Burnett indicated that she was reassured by the Managing Director's comments, but felt the factors to be agreed should be included in the assessment of a venture and be made explicit in the Strategy itself. She also referred to the Managing Director's comments regarding a recent Public Opinion Survey where it was stated that the public wanted the Council to offset Council Tax by developing new services. She reminded the Committee that that Survey also stated that this was in preference to charging for existing services. She had no objection to the Council making a profit, but it also depended on how that was made and how it was used. She considered that it was obvious that the Council should be aiming to run ethical, legally compliant and socially responsible ventures and to use any surplus to the benefit of local residents and service delivery. The process for developing such

ventures needed to be clearer and therefore the framework should be more explicit so that they could be scrutinised effectively.

Having given due consideration to the matter, it was

RECOMMENDED –

(1) T H A T the Managing Director make an appropriate inclusion in the Reshaping Services programme update regarding the delivery of the Strategy.

(2) T H A T the Cabinet be requested to refer the Strategy document to all Members of the Council for information purposes.

Reasons for recommendations

(1) To ensure a periodic update on the development of the Strategy is made available to Elected Members.

(2) To disseminate information on the Strategy.”