



Grant Thornton

An instinct for growth™

Income Generation

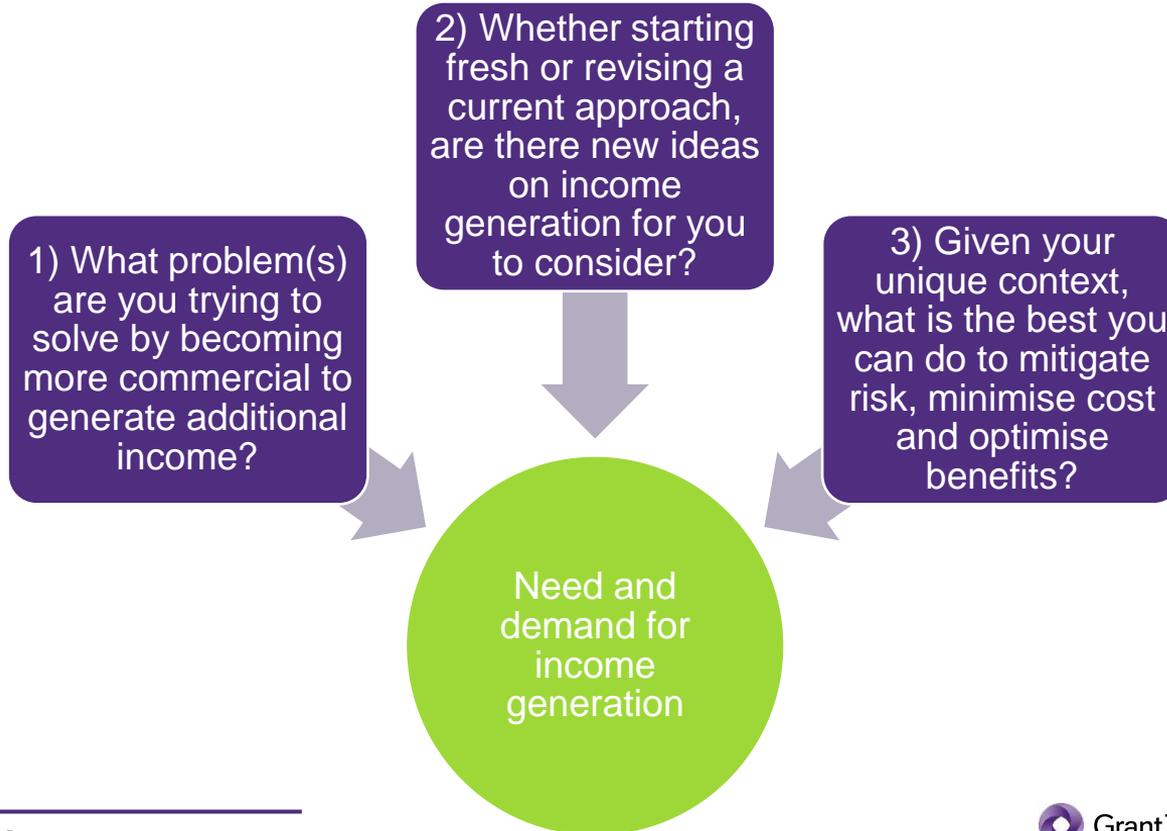
A horizon-scan of trends and innovation in local government

CIPFA SE Thames Valley Hub

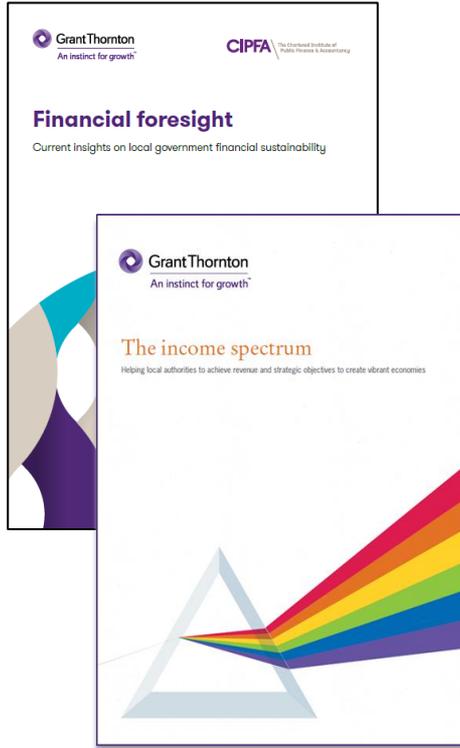
04 November 2019



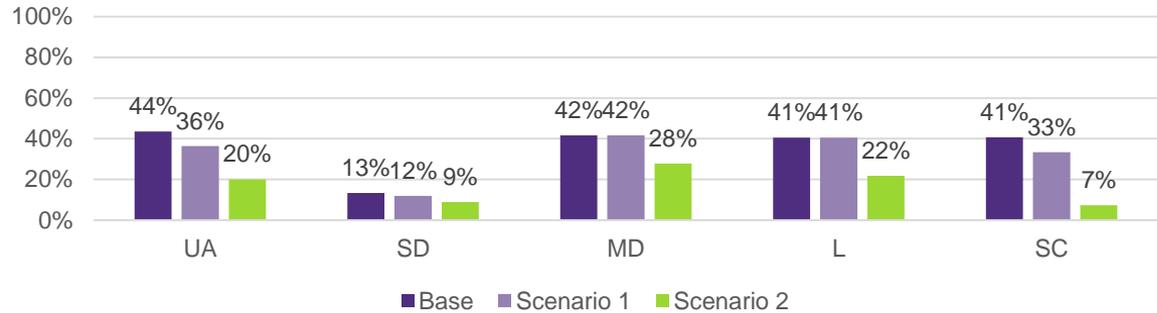
Questions to frame our discussion



Facing a tipping point



At risk authorities by type in next 5 Years (2019/20-2023/24)



- Baseline - revised applying 2018/19 MHCLG revenue outturn (RO)
- Additional funding for 2020/21 from the latest Spending Review – £1bn Adult Social Care, £700m Special Education Needs, £54m homelessness, £241m Towns Fund
- Scenario 1 - Spending Review one off single year funding
- Scenario 2 - Spending Review funding carried forward year on year
- “At Risk” - defined as reserve levels \leq 5% of total expenditure

Rethinking remedies for financial sustainability

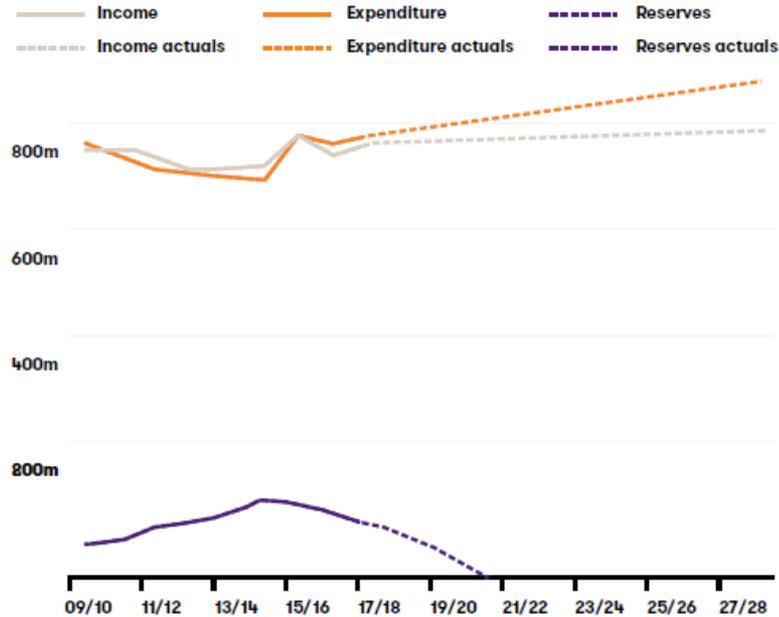
- **Framing the approach to income generation within financial foresight** to achieve resilience (targeted recovery, good growth model, traced service line trajectories, reshaped transformation plans)
- **Identifying the most advantageous new income opportunities** based on strategic fit and reward, compared to ease of implementation and risk. Focus on six 'big ticket' areas other than grant, to secure full cost recovery and/or profit:

i) Fees and charges	ii) Tax	iii) Asset management
iv) Treasury investments	v) Trading commercially	vi) Contract assurance to protect income

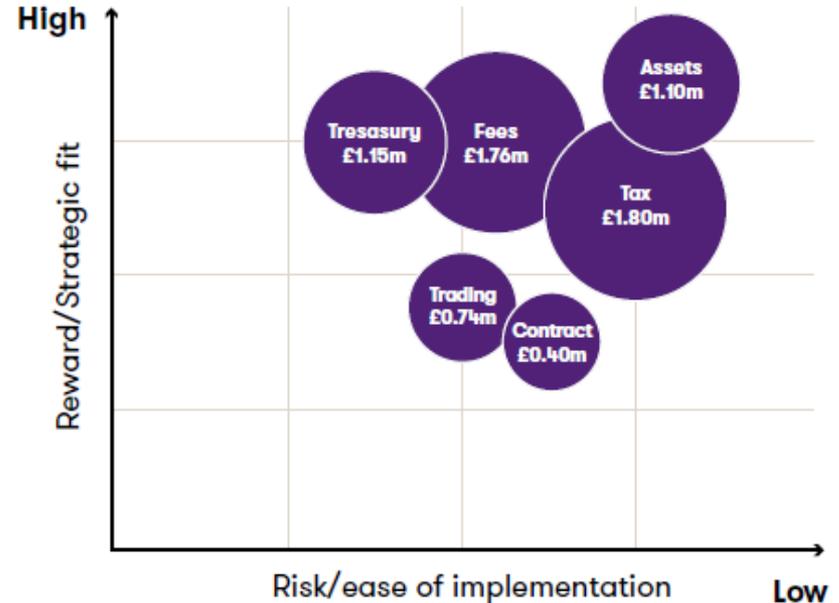
- **Factoring in cost of governance and specialist skills required** to comply with new finance rules to act prudently whilst delivering commercialisation, along with reputational risk from intense scrutiny
- **Aligning to a desire to pursue a more socially responsible form** of development which shares wealth locally and shapes place

Maturation of income generation as core activity?

Understanding the problem: foresight on gap between income and reserve with demand and expenditure (£/pa)



Identifying the solution: quantum of net saving potential of untapped 'big ticket' income opportunities (£m contributions to MTFS)

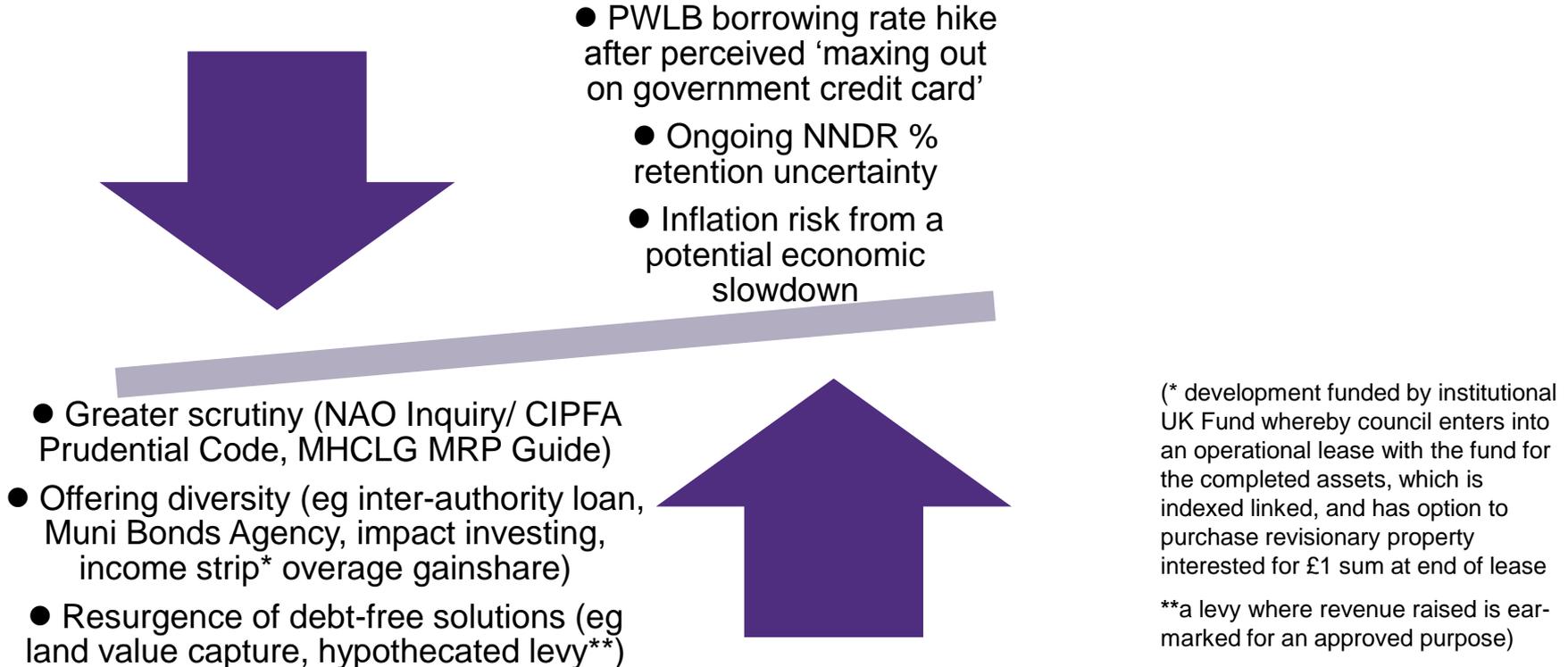


Case studies

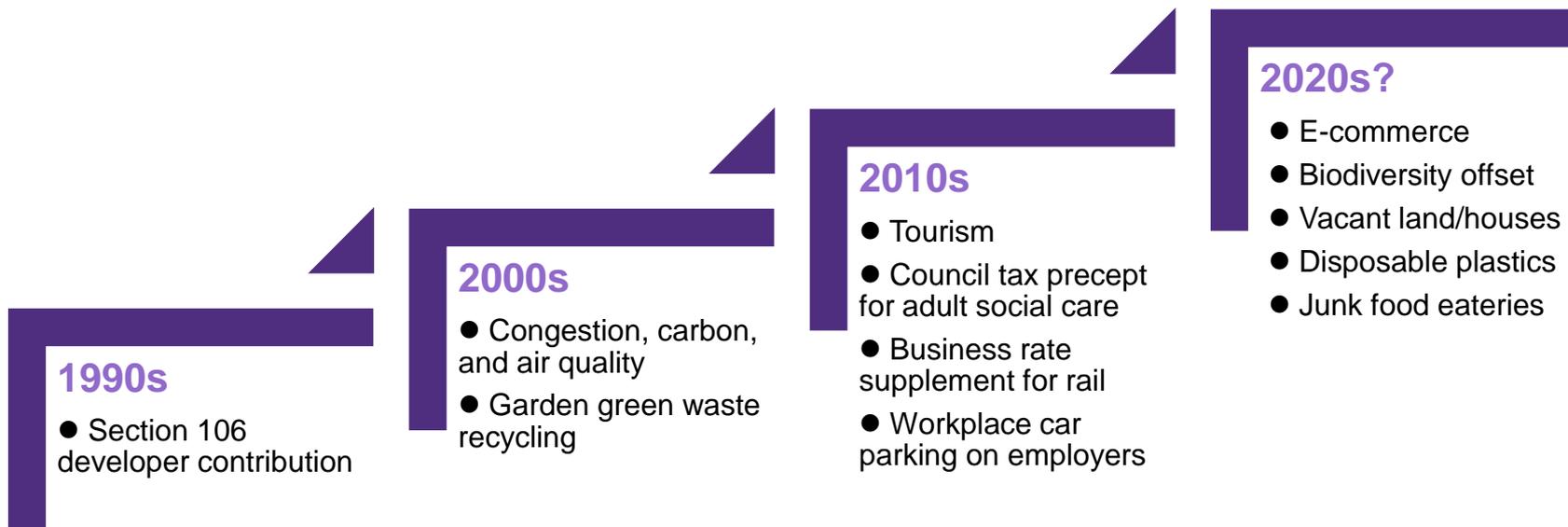
Assets	Fees	Contract assurance	Treasury
Counties and districts	London borough	Metropolitan area	District council
Leveraging a £1m MHCLG grant to invest in a joint venture of county and district neighbours. To build 43,000 homes aligned to 'garden community' sustainability principles (affordable, local jobs, energy positive). Modelling, funding and structural advice identified revenue for reinvestment from land value capture.	Review of income strategy from fees and charges resulted in key lines of enquiry to develop business cases for new revenue. With additional income worth up to £6.8m. This included hypothecated levies on a Visitor Donation Scheme, and a Car Park Workplace Levy on Employers.	The Council selected major contracts for review in Waste Management & Recycling, ICT, and Building Maintenance of 20,000 properties, with annual spend of £40m. The review captured opportunities with potential in-year value of £2m plus £1.2m of future-year savings.	Developing policy criteria for a new Property Portfolio Fund. It included an opportunities and risk analysis of a £1m revolving scheme to invest in assets which would pay back via business rates, council tax, sale and rent. The criteria included 'local first' and climate emergency considerations.



New challenges and new opportunities



Example - evolving use of a hypothecated levy



Pros?	Cons?
Debt-free	Power to act (mandated, voluntary)
Ongoing revenue stream	No general use (approved purpose)
Simple digital administration	Public consultation (additionality, price)
Restorative (social, climate)	Destination of choice for investors

Whole life path to success – kickstart or reboot

Engage 	Insight 	Diagnosis 	Implement 	Report 
<p>Bringing stakeholders along on a journey of change. Based on unique requirements for income (vision, culture, capacity, risk appetite, powers)</p>	<p>Use of digital platforms to baseline, benchmark, forecast performance, shape place; and transfer learning of sector best practice</p>	<p>Identification of prioritised 'big ticket' options to generate income (fees, tax, assets, treasury, trading, contract); in consultation with stakeholders</p>	<p>Requisite skills to develop and deliver business cases (modelling, structuring procurement, fundraising, project management)</p>	<p>Monitor impact to enhance scrutiny, improve performance, accelerate transformation; and retain stakeholder buy-in</p>

About us

Grant Thornton has a well-established market in the public sector, and has been **working with local authorities for over 30 years**.

We are **the largest employer of CIPFA members and students** in the UK and our national team of experienced local government specialists, including those who have held senior positions within the sector, provide the growing range of assurance, tax and advisory services that our clients require.

By unlocking the potential for growth in our people, clients and our communities we believe we can help shape a **vibrant economy** where no-one gets left behind.



Build trust and integrity
in markets



Unlock sustainable
growth in dynamic
organisations



Create environments
where business and
people flourish



Further information



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