

INCOME GENERATION CROSS CUTTING REVIEW : SUMMARY

WHY INCOME GENERATION MATTERS FOR THE CITY CORPORATION

The Square Mile has long been a premiere global destination for financial and blue chip businesses and in more recent years, increasing numbers of new visitors and tourists who have come to enjoy its world class attractions and cultural events. The completion of Crossrail in the next 2-3 years will bring the City within even easier reach of millions more businesses, workers and visitors. Ensuring the Square Mile continues to flourish as an engaging economic engine in a constantly evolving geo-political, financial, social and cultural environment brings ever changing challenges and opportunities for the City Corporation to extend its reach, impact and income. The current agenda of rapidly diminishing public sector financing, rising public expectations of transparency in governance, ambitions to create a cultural hub in the Square Mile, potentially with a new world class Centre for Music, means that taking a fresh look at the City Corporation's approach to income generation will help to maximise its full potential, achieve its ambitions, reduce the need to cut resources and embrace best commercial and public sector practice.

SCOPE OF THE REVIEW

This report summarises the conclusions of an exercise between May - October 2015 to assess the potential to increase income from a variety of sources. The review aimed to:

1. Compare the City Corporation's income from fees, charges and debt recovery with that of London local authorities on a service-by-service basis for 2013/14 (the latest year for which comparisons were available)
2. Identify areas where fees, charging and debt recovery could be set in greater alignment with the approach taken elsewhere in London to increase income for the Corporation
3. Highlight the potential for more effective commercial exploitation of some of the City's services and the organisational implications for achieving optimum returns
4. Assess the extent to which the City Corporation might benefit from additional public funds and grants which have previously not been explored
5. Assess the potential to secure greater private sector sponsorship to support the City Corporation's priorities and the implications for the organisation.

Excluded from the review were issues which are (or have been recently) considered elsewhere:

- Use of property assets: this is subject to a separate cross-cutting review
- Measures to review business rates: the Business Rates Premium is under consideration as part of the budget setting process for the City of London Police
- Community Infrastructure Levy (CIL): the CIL rates have recently been set at a deliberately lower rate than elsewhere in central London but this may be reviewed by the Department for the Built Environment
- The Corporation's current policy against advertising hoardings around the Square Mile: this currently remains a priority for retention by Members, although it merits periodic review in relation to income potential, particularly in relation to public information
- Departmental efficiency savings: these are covered by departmental service based reviews.

HEADLINE FINDINGS

STATUTORY SERVICES

The City Corporation boasts some unique strengths but increased income could be achieved in other areas if an approach to setting fees, charges and debt recovery was aligned to and regularly benchmarked against London local authorities.

From an assessment of comparable categories of public authority spending, the City Corporation is most distinguished from London local authorities in relation to its significantly higher City Fund-related income derived from its property portfolio, its ‘theatres’ (as a result of the Barbican Centre), its ‘port health functions’ (as a result of the Animal Reception Centre) and from its ‘cemetery and cremation services’ (these spending categories are set and defined by the Revenue Outturn Returns reporting process.) These City Fund services alone generate £34m more than the London average for the equivalent services. Other City Corporation services, such as on-street parking and trade waste also do well when income is compared to costs in areas which are readily comparable. However, it would be possible to raise even more by increasing the rate of return on investment to levels which proportionately match the London local authority average in relation to the following services:

- Off street parking
- Development control
- Museums & galleries
(in relation to the Guildhall Art Gallery, the Amphitheatre, the Roman Bath House and the Museum of London grant – ie the budgets included within this City Fund category.)

COMMERCIAL ACTIVITY & MARKETING

There is scope to refocus and expand some of the City Corporation’s services which already have a commercial or recharged element. This could increase income by around £3m and would also demonstrate the City Corporation’s commercial acumen to public and private sector stakeholders.

The City Corporation could maximise its earning potential and its reputational credibility as a public authority by working more adeptly in an increasingly commercial and competitive public sector environment. Current commercial offers across the City Corporation have evolved incidentally over time, resulting in a somewhat ad hoc and low key market presence. Whilst some services are more focussed than others on generating revenues, there is scope to augment income if the Corporation takes a fresh look at its commercial and marketing approach to services with income potential, most significantly in the areas of:

1. Animal transit & inspections at London’s airports
2. Property services: An “intelligent client” service for public bodies seeking to manage and develop their property assets
3. Venue hire and events management
4. Film location services
5. Business regulatory advisory services – via the “Primary Authority” partnership model
6. Central support services (especially for potential future academy schools)

The success of greater commercialisation in the above areas would be reliant upon a more purposeful and corporately coherent approach to their direction, promotion and support (including investment, resourcing and professional services). However, the specific form and

structure of the commercial presentation of these services to the market will vary according to the circumstances of each specific case.

PUBLIC SECTOR GRANTS

There is no significant scope to increase income from mainstream domestic grants. However, there is potential to apply for a wider range of competitive UK and EU programmes but these are geared more towards new initiatives than to supporting core business.

The relatively small scale and wealthy nature of the City detracts from its capacity to attract substantial income other than the mainstream local authority grants from central government. However, there are approximately 20 domestic sources of funding (such as the Heritage Lottery Fund in relation to historic buildings) and 13 EU programmes which could fund the Corporation's more experimental projects, such as the Safe & Smarter City Programme. These are aimed principally at enabling new initiatives and innovative ways of working (for example, many of the performing organisations which perform at City venues and festivals benefit from Arts Council England grants) rather than at meeting shortfalls in domestic mainstream funding. These programmes often require 'match-funding' although if projects are carefully constructed, match-funding can comprise existing budgets. Many larger local authorities run EU funded projects to highlight their initiative and participation on a wider stage. The Corporation has directly led a few EU funded projects within the last five years (mainly to support employment and policing) but none are currently live.

CORPORATE SPONSORSHIP & PRIVATE GIVING

As public funding for culture, heritage and the arts in London drops sharply, there is scope to help the City's organisations operating in these areas secure increased commercial sponsorship.

There is potential to lead the establishment of a more co-ordinated approach to fund-raising and seeking commercial sponsorship, while respecting the sensitive nature of sharing development contacts nurtured over long periods of time. A more structured and co-ordinated approach supported by the City Corporation might be able to unlock significant funds and patronage which smaller, individual organisations or different parts of the City Corporation are currently unable to secure on a piecemeal basis. Positive involvement by the City in developing major contacts for new projects, particularly as the plans for a new Museum of London and a world-class Centre for Music develop, would require a wholly different level of private support.

HEADLINE RECOMMENDATIONS

Recommendations	Committee approval
<p>1. Harmonise the approach to setting all charges, fees and debt recovery for City Fund services with those of other relevant authorities within 12 months, unless a compelling business case is agreed for individual exceptions.</p>	<ul style="list-style-type: none"> - Policy & Resources Committee; - Finance Committee; - Performance & Efficiency Sub Committee; - Relevant service committees
<p>2. Review annual performance of income recovered in relation to costs for all services from which income can be derived, benchmarking performance against London local authorities.</p>	<ul style="list-style-type: none"> - Finance Committee; - Performance & Efficiency Sub Committee; - Relevant service committees
<p>3. Commission business cases containing business model options to maximise the short, medium and longer term commercial income from:</p> <ul style="list-style-type: none"> ▪ Animal transit & inspections at London’s airports ▪ Property services: An “intelligent client” service for public bodies seeking to manage and develop their property assets ▪ Venue hire and events management – following a steer from Members on principles for free and subsidised venue hire ▪ Film location services ▪ Central support services (targeting future CoLC academy schools) ▪ Business regulatory advisory services – via the “Primary Authority” partnership model ▪ Development of a co-ordinated and marketed City ‘heritage offer’ 	<ul style="list-style-type: none"> - Policy & Resources Committee; - Finance Committee; - Relevant service committees
<p>4. Decide which commercialised services to implement, if any, on the basis of the business cases prepared. Agree an appropriate business model for each case agreed and any associated broader organisational changes which are required to accommodate and support the commercial activity.</p>	<ul style="list-style-type: none"> - Policy & Resources Committee; - Finance Committee; - Relevant service committees
<p>5. Commission a feasibility study to explore the potential cost-benefits of adopting a more co-ordinated approach to securing commercial sponsorship for the City’s cultural, heritage and arts institutions with the long term aim of ensuring they become less dependent upon public funding.</p>	<ul style="list-style-type: none"> - Policy & Resources Committee; - Finance Committee; - Relevant service committees

PUBLICLY FUNDED SERVICES - BENCHMARKING FEES, CHARGES & RECLAIMABLE COSTS : DETAILED RECOMMENDATIONS

Headline recommendations	Actions	Timescales
1. Harmonise the approach to setting all charges, fees and debt recovery for City Fund services with those of other relevant authorities within 12 months, unless a compelling business case is agreed for individual exceptions.	All departments: All officers responsible for recovering fees, charges and debts to review CoLC charging & recovery policies / practice in relation to those applied by individual neighbouring or relevant London boroughs and recommend any changes to their respective committees.	Immediate
2. Review annual performance of income recovered in relation to costs for all services from which income can be derived, benchmarking performance against other London local authorities.	Chamberlain's: <ul style="list-style-type: none"> ▪ Maintain a central overview of full service costs and income, ensuring that systems used to apportion income and expenditure to City's Cash and City Fund do not make the City Corporation appear unduly inefficient. ▪ Commission annual supplementary analysis from CIPFA drawn from "Income Generation Comparative Profiles" derived from revenue outturn returns to Government ▪ Analyse significant differences and the underlying reasons and propose relevant recommendations in collaboration with relevant departments. 	Immediate

Detailed Recommendations	Actions	Timescales
a) Development Control		
Consider the introduction of Planning Performance Agreements	Department of Built Environment (DBE) to propose options.	Immediate
b) Off-street parking		
Review options to maximise full deployment of capacity and increase charges to align with neighbouring authorities / NCP charges.	DBE to propose options for maximising capacity and adjusting charging on an annual basis, following any necessary upgrades to car parks.	Immediate
c) Museums & galleries		
Review charging and income generation opportunities to increase revenues.	Department of Culture, Heritage & Libraries to propose options to increase income.	Immediate

CORPORATE COMMERCIAL ACTIVITY : DETAILED RECOMMENDATIONS

Headline recommendations	Actions	Timescales
<p>3. Commission business cases containing business model options to maximise the short, medium and longer term commercial income from:</p> <ul style="list-style-type: none"> ▪ Animal transit & inspections at London’s airports ▪ Property services: An “intelligent client” service for public bodies seeking to manage and develop their property assets ▪ Venue hire and events management ▪ Film location services ▪ Business regulatory advisory services – via the “Primary Authority” partnership model ▪ Central support services (targeting future CoLC academy schools) <p>Recommended business models should set out:</p> <ul style="list-style-type: none"> - Anticipated additional annual income against additional costs and/or other resources required - Additional organisational changes or services required to enable and support the commercial activity, including any additional central support - The scope of commercial ‘autonomy’ sought by the service in relation to the relevant department/s and committee/s; a viable proposition for the apportionment of central costs and overheads and relevant commercial incentives (eg retention of surpluses generated) 	<p>Income Generation Review implementation process to propose a framework for adopting and supporting a more commercial approach in the areas outlined in Recommendation 3. This should include operational proposals for:</p> <ul style="list-style-type: none"> - Prioritising investment to increase revenue-generating activities - Retention of revenues for business reinvestment - Apportionment of central costs - Longer term options for establishing formal trading vehicles in appropriate cases. 	<p>Starting immediately and spread over the next year.</p>
<p>4. Decide which commercialised services to implement, if any, on the basis of the business cases prepared. Agree an appropriate business model for each case and any associated broader organisational changes required to accommodate and support the commercial activity.</p>		

Detailed recommendations	Actions	Timescales
<p>d) Animal transit & inspections at London’s airports</p>	<p>Dept Markets & Consumer Protection to prepare a business case to the relevant Committees presenting options, costs / resources required, risks and timetables for establishing the commercial proposition as outlined.</p>	<p>Immediate</p>
<p>e) Property services: Management of property assets & development works</p>	<p>City Surveyor’s to prepare a business case to the relevant Committees presenting options, costs / resources required, risks and timetables for establishing the commercial proposition as outlined.</p>	<p>Within 1 year</p>
<p>f) Venue hire & events management</p>	<p>Income Generation Review implementation process to deliver a business case with options for a tighter, more integrated corporate commercial offer which addresses:</p> <ul style="list-style-type: none"> - Pricing policy in relation to principles for free and subsidised hire (who, when and why) and which draws on models pursued elsewhere (eg charging on the basis of per person per hour) – following a steer by Members - Core terms and conditions of hire for incorporation into all hire contracts which cover the Corporation’s risks and liabilities associated with the commercial hire of its venues – under the auspices of the City Events Management Group proposed by the Hospitality SBR (provided this is agreed) 	<p>Within 1 year</p>

	<ul style="list-style-type: none"> - Functions, resources and expertise which might be shared to increase business, reduce duplication and plug gaps – under the auspices of the City Events Management Group proposed by the Hospitality SBR (provided this is agreed) - Identification of additional venues and grounds which could be hired out + any associated investments needed to bring them into use – under the auspices of the City Events Management Group proposed by the Hospitality SBR (provided this is agreed) 	
g) Film Location Services		
Adopt a proactive (rather than reactive) approach to marketing the Corporation’s filming locations.	<ul style="list-style-type: none"> - Income Generation Review Implementation Manager to prepare a business case to increase staff resources by one or two additional people in the Film Team on a 2 year trial basis - the arrangement to be assessed after 2 years in relation to the additional revenues generated. (There is a particular need to market the Mansion House actively as a film location to turn around industry perceptions that filming is not allowed there.) - Enlarged Film Location Services team to prepare a comprehensive prospectus of all the City’s potential filming assets (both within and outside the Square Mile) working closely with City Surveyors and Open Spaces to identify and document potential locations and indicative filming charges. This might be done as an internship project in partnership with the London Film School or University of Arts London more widely. Corporation venues also available for hire should be signalled and promoted prominently. 	Immediate
Ensure consistent coverage of professional film location handling services across the Corporation’s entire land and property portfolio.	<ul style="list-style-type: none"> - Enlarged Film Location Services team to establish a consistent charging policy and service across the entire land and property portfolio of the City Corporation, working closely with the relevant governing Trusts or leaseholders. (Burnham Beeches, due to its proximity to Pinewood Studios, has particular potential to generate more filming income.) 	Within 1 year
Seek income from filming commercials on Tower Bridge.	Income Generation Review Implementation Manager to propose rescinding the blanket ban on filming commercials on Tower Bridge in favour of an approach which considers the merits of every application (which would be consistent with the approach taken for all other filming and hospitality applications to use the Bridge).	Immediate
h) Business regulatory advisory services – via the “Primary Authority” partnership model	Dept Markets & Consumer Protection to prepare a business case to the relevant Committees presenting options, costs / resources required, risks and timetables for establishing the commercial proposition outlined in this report.	Immediate
i) Central support services – especially tied to the expansion of academy schools	Dept Community & Children’s Services to lead preparation of a business case to the relevant Committees presenting options, costs / resources required, risks and timetables for establishing the commercial proposition outlined in this report.	1 – 3 years
j) Development of the City’s heritage offer	Dept Culture, Heritage & Libraries (in consultation with the workstream to develop the cultural hub) to commission a marketing consultancy to explore ways in which the City’s offer to visitors can be better developed, co-ordinated and promoted, leading to increased revenues to the City Corporation.	Within 1 year