

Business Case

Commercial Income - Maximising Return on the County Farms Estate F/R.7.109

Project Overview

Project Title	Commercial Income - Maximising Return on the County Farms Estate F/R.7.109		
Income	£500K	Business Planning Reference	F/R.7.109
Business Planning Brief Description	The County Council has the largest county farms estate in the UK. The 2016 Strategic Review by Savills identified 'significant potential to review and increase the benefits already delivered'; this project therefore seeks to identify how the value of the estate can be maximised for the Council.		
Senior Responsible Officer	Chris Malyon		

Project Approach

Background

Why do we need to undertake this project?

The County Council has a requirement and a responsibility to ensure that the most efficient and effective delivery models are in place to deliver maximum value, and enable and contribute to the organisations strategic outcomes.

The County Farms Estate currently, consisting of 13,400 ha and 196 farm tenants, creates a net surplus of c£3.5m annually from a book valuation of the CFE of £129m. It is important that we are assured that this high value asset is achieving maximum value for the Council and that no opportunities to do this are missed. Undertaking an in depth review of the County Farms Estate through the Outcome Focused Review (OFR) process will enable the Council to make decisions about the future use of this asset, based on evidence, analysis and a sound business case.

In terms of the broader economic context, the 2016 Savills Review stated:

"The CFE generates a certain amount of economic value to the local community. However much of this value would still be generated if the land were in third party ownership. In other words, the ownership of the CFE does not generate any significant additional economic value for the local community, which is measurable. The best way to deliver the generation of additional economic value is by means of local diversification projects. For such projects to be viable there must be an active market requirement for which the location of the holding will be a key driver. The individual looking to diversify and generate additional economic value, must have a real interest and passion in the proposed project or it is likely this will result in failure. In most cases there will need to be capital investment in order to start any diversification project. In relation to the CFE a tenant is unlikely to be willing to make such a capital investment, without an appropriate term remaining on the tenancy, within which the tenant can recoup their investment".

Evidence also indicates that Councils and other third sector land owners are using a variety of approaches to increasing income generation from their rural estates which include:

- selling part of their portfolio to existing tenants so that the funds generated can contribute towards council savings targets
- using land assets for renewable energy initiatives (i.e. solar or wind farms)
- providing waste management services

- increasing income from rent through investment in the estate

The impact of the ongoing Brexit negotiations on the market for rural assets and production, and broader economic context, will also be considered throughout the review.

What would happen if we did not complete this project?

Potential missed opportunities to maximise revenue income / realise the full value of the Council's County Farms Estate asset.

Approach

Aims / Objectives

Increase the income generated through the Council's County Farms estate.

Project Overview - What are we doing

The County Farms Outcome Focused Review (OFR) will identify opportunities and mechanisms for increasing and maximising income through the rural assets the Council owns, and how this asset can support the delivery of the organisations strategic outcomes.

The OFR programme is a mechanism for the Council to conduct an in depth analysis of our activity, functions and processes for delivery through the lens of our Strategic Outcomes; this approach enables us to step away from considering our activities as discrete pieces of work and understand how collectively the work we do with the resources we have - or the potential work we could do in the future - contributes to the delivery of the outcomes we believe are important for people in Cambridgeshire, which are for:

1. Older people live well independently
2. People with disabilities live well independently
3. Adults and children at risk of harm are kept safe
4. Places that work with children help them reach their potential
5. The Cambridgeshire economy prospers for the benefits of all residents
6. People live in a safe environment
7. People lead a healthy lifestyle, and stay healthy for longer

The County Farms OFR started in October 2017 and some of the options outlined above, whilst not an exhaustive list, are some of the key areas that are being looked into. The options will be presented to the Commercial and Investment Committee in early 2018.

What assumptions have you made?

That there is further scope for income generation across existing and new markets, beyond the c.£3m p/a income already generated through the County Farms.

Delivery Options

Has an options and feasibility study been undertaken?

currently N/A

Scope / Interdependencies

Scope

What is within scope?

Cambridgeshire County Council County Farms Estate

What is outside of scope?

Other County Council physical assets
Rural assets of other local authority areas

Project Dependencies

Strategic Assets - Urban

Cost and Savings

See accompanying financial report

Non Financial Benefits

Non Financial Benefits Summary

The County Council's County Farms activity provides individuals with the opportunity to become business owners. This review is expected to deliver a better understanding of and potentially more significant impact on, the County Council's strategic outcomes beyond this benefit, and additional non-financial benefits will be identified throughout the review.

Risks

Title

The opportunities for increased income generation are not available across new and existing markets
Lack of engagement from existing County Farms tenants

Project Impact

Community Impact Assessment

Who will be affected by this proposal?

This proposal will affect everyone in the local authority area, particularly businesses who would be keen to invest in these assets (which in turn generates income for CCC)

What positive impacts are anticipated from this proposal?

- Greater use of our county farms assets to support the CCC outcomes
- CCC seen as a genuine commercial partner for businesses
- Income generation

What negative impacts are anticipated from this proposal?

None currently

Are there other impacts which are more neutral?

None currently

Disproportionate impacts on specific groups with protected characteristics

Details of Disproportionate Impacts on protected characteristics and how these will be addressed

N/A

Business Case

Commercial Investments

Project Overview

Project Title	Commercial Investments		
Income	£ 4,700K (gross) £3,000K (net)	Business Planning Reference	F/R.7.110
Business Planning Brief Description	To create a commercial investment portfolio to focus on generating revenue to support the delivery of a balanced budget. This will require external support to advise on the investment options available, how to create a balanced portfolio and the best vehicle to use to undertake the investments.		
Senior Responsible Officer	Chris Malyon		

Project Approach

Background

Why do we need to undertake this project?

This project is being undertaken in order to drive a more commercial approach within the organisation. This will increase the revenue returns from the organisation's property and asset holdings as well as mitigating the implications of increasing budgetary pressures.

Local authorities spent more than £1bn acquiring property in 2016 as a way of generating new revenue

A recent survey undertaken by Localis showed that entrepreneurial activities currently make up 6% of council budgets. However respondents indicated that by 2020 this figure will rise to 18% - a sum potentially worth upwards of £27bn. It was estimated that this would generate up to £2bn of additional income each year; a sum equivalent to £100 off each 2019/20 council tax bill.

Cambridge and Peterborough City Councils, and Huntingdonshire District Council have been undertaking such acquisitions for some time. Examples from other local authorities include:

Spelthorne BC

- £200m+ commercial portfolio developed over 9yrs
- £360m investment in BP office park (considered high risk)
- Use of interim consultants to develop internal expertise

Sevenoaks DC

- Financially self-sustaining council
- Owns a pub, petrol station, an office block (and building a Premier Inn)

External advice has been sought as to the potential level of returns which could be achieved through property investments. This has identified that whilst the returns will be the same regardless of the amount invested, the amount and associated risk, will vary depending on which mechanism to invest is used.

As an example;

- If £100m was invested using a 'Direct Approach' i.e. the organisation would own any property outright, you would (conservatively) expect a return of approx 5.31% (net of costs) with a moderate risk.
- If £100m was invested using a 'Multi-Portfolio Approach' i.e. the organisation invested in multiple

properties but would not own any outright, you would expect a return of approx 4.10% (net of costs) with a low risk.

What would happen if we did not complete this project?

Without a mix of service transformation and increase of revenue sources there is a risk that services levels will need to be reduced.

Approach

Aims / Objectives

The key objective of this project is to acquire investments that make a secure and increasing contribution to the Council's revenue streams in order to support the delivery of frontline services to our communities.

Project Overview - What are we doing

Through this work we will:

- Develop and agree a new Commercial Investment Strategy - setting out our approach to investments and governance arrangements
- Commission external support to advise on appropriate portfolio approach
- Agree risk appetite and profile for investments
- Develop an investment portfolio / plans - this could include
 - Residential and Commercial properties (within and outside of Cambridgeshire)
 - Businesses (going concerns and start-ups)
- Commission support to provide advice and / or manage an agreed fund(s) on a short to medium term basis

What assumptions have you made?

The following assumptions have been made;

- We want to develop a wide and mixed portfolio to mitigate the investment risk
- Have an average yield of 6% across the portfolio
- The local authority will be the preferred investment vehicle

What constraints does the project face?

Whilst there are some limitations on the borrowing powers of local authorities to fund commercial acquisitions, this will not restrict our ability to deliver the Commercial Investment Strategy

Internally we have agreed a governance framework for this project that will facilitate efficient decision making whilst ensuring appropriate oversight is applied proportionately to the scale of the investment.

The governance framework is described in the Investment Strategy – the key points being;

Direct Investment / Direct Acquisitions / Joint Ventures

- Advisory mandate to be agreed by C&I Committee following external advice
- Decision making on these investments will be held by the Deputy Chief Executive/CFO in consultation with Chairman of C&I Committee
- Fund Manager to report (day to day basis) to the Deputy Chief Executive / Chairman of C&I Committee with quarterly performance reports being taken to the C&I Committee
- C&I Committee would be responsible for
 - Setting fund goals
 - Appointing / discharging of the Portfolio Manager

Multi-manager Fund

- Investment mandate to be agreed by C&I Committee following external advice
- Fund Manager to report (day to day basis) to the Deputy Chief Executive / Chairman of C&I Committee with quarterly performance reports being taken to the C&I Committee
- C&I Committee would be responsible for
 - Setting fund goals
 - Appointing / discharging of the Portfolio Managers

Non-standard investments

It is likely that there will be less time pressure on making decisions relating to the non-standard investments defined above. Therefore the decision making process for these investments will be;

- < £15m - Deputy Chief Executive/CFO in consultation with Chairman of C&I Committee
- £15m - £50m C&I Committee Investment Working Group
- >£50m – General Purposes Committee

Scope / Interdependencies

Scope

What is within scope?

All opportunities within the limitations on the borrowing powers of local authorities to fund commercial acquisitions are potentially in scope.

Cost and Savings

See accompanying financial report

Non Financial Benefits

Non Financial Benefits Summary

The revenue achieved through the investment strategy will support the Local Authority to continue to provide outcome-focussed services to the citizens of Cambridgeshire.

Title

Risks

Title

Market stability

Skills of the workforce to manage the portfolio

Identification of suitable investments- ability to act quickly

Increased financial risk to the Local Authority

Restrictions on Local Government borrowing

Project Impact

Community Impact Assessment

Who will be affected by this proposal?

Everybody in the Local Authority area and potentially beyond

What positive impacts are anticipated from this proposal?

Increased revenue generation to support frontline service
Increased capital holdings

What negative impacts are anticipated from this proposal?

Increased financial risk to the Local Authority although this will be mitigated through the development of a diversified portfolio.

Are there other impacts which are more neutral?

N/A

Disproportionate impacts on specific groups with protected characteristics**Details of Disproportionate Impacts on protected characteristics and how these will be addressed**

n/a

Business Case

F/R.7.111 - External Funding

Project Overview

Project Title	F/R.7.111 - External Funding		
Income	£200K	Business Planning Reference	F/R.7.111
Business Planning Brief Description	Identifying and leveraging in new external funding to support Cambridgeshire County Council (CCC) services and activities. This is likely to come from a range of approaches including advertising, sponsorship, a community lottery, crowdfunding, social finance, private investors, donations, bequeaths and timebanking.		
Senior Responsible Officer	Amanda Askham		

Project Approach

Background

Why do we need to undertake this project?

Given the reduction of funding available from central government, CCC are researching new ways to save money, drive better returns and increase income. This project invests into the future of residents by generating income to deliver CCC services or to fund services through other mechanisms and offset costs.

Early analysis shows a trend nationally to look to alternate funding streams.

Advertising

The council currently has a number of assets that it uses for advertising including the roundabouts on the council's highway network and bus shelters at park and ride sites and on the busway. This project brings in resource to expand the portfolio of assets used for advertising and to help tender and renegotiate current advertising arrangements. To date, small advertising agreements have been established in isolation. The new Advertising and Sponsorship Coordinator post will ensure that the council's advertising offer is coordinated, extensive and attractive to businesses. Following research, assets proposed for new advertising use include the council's website; Jigsaw Magazine and screens in CCC public buildings. It is anticipated that the new Advertising and Sponsorship Coordinator will also pro-actively identify and target new business opportunities, using bespoke packages relevant to the current market.

Based on the research and benchmarking undertaken so far, it is anticipated that advertising could generate at least £80k in year one.

Sponsorship

The council has a number of assets, services and events that could be sponsored by organisations or individuals. This project brings in resource which will make contact and build relationships with local businesses to see how the private sector can provide greater support, including financial support to the benefit of Cambridgeshire. There are a number of public events that the council runs that could be part or fully funded including Cambridgeshire Young People's Film Festival and events ran by Children Centres. There are a number of council services which could provide attractive sponsorship options for businesses including road safety services; bikeability; archive and historic environment services and others. To date, any sponsorship arrangements have been established in isolation. The new post will create a single point of contact for businesses and will ensure that there is a consistent approach to sponsorship across the organisation.

Early indications suggest that with the Advertising and Sponsorship Coordinator post in place, sponsorship could achieve an income in the region of £80k in year one.

Donations / Bequeathals

A system will be established to enable Cambridgeshire residents to donate money towards council services that they are passionate about supporting. There are currently donation boxes in libraries but this will enable residents to support a wider range of services and the option to donate online.

Cambridgeshire Lottery

Stronger Together is our strategy for building resilient communities and was endorsed by General Purposes Committee (GPC) in October 2015. Having strong communities at the heart of this vision is paramount and this strategy will support a vision for a stronger future for our communities where strengths are recognised and where people can easily find the information and advice they need to be happy and healthy citizens. In a changing climate, CCC aims to enable, support and encourage communities to utilise assets available at a local level and also become more reliant on themselves in order to reduce demand on services that are no longer funded in the same way. CCC recognise that funding is fundamental to the 'start-up' and the sustaining of the local Voluntary and Community Sector (VCS). To help address the budgetary pressures facing the council and to enable the local VCS to 'self-help' by gaining access to funding, this project proposes the setup of a local lottery in Cambridgeshire.

Lotteries, which are regulated by the Gambling Act 2005, have long been a way of smaller organisations raising income. There are different types of lotteries available, however, in this proposal we are only discussing Society Lotteries. A Local Authority Lottery will help to support the local VCS to raise funds by encouraging all local charities that meet the criteria to sign up, but also towards a "Central Fund" which CCC can use to offset existing grants for good causes that meet our strategic vision, therefore creating a saving. All monies raised by the lottery go to good causes – the council in effect takes no funding, rather it defers its existing committed funding, thereby releasing general funds back to CCC.

What would happen if we did not complete this project?

The Council would not generate additional income through external funding. Alternative sources of income or financial savings would need to be identified.

There would be an opportunity missed by not managing advertising and sponsorship in a more coordinated way. This would mean that the council would be able to offer packages of different assets to advertise on which would likely be a more attractive offer to many businesses and it would lead to a more consistent approach to sponsorship.

A lottery would be a step towards more innovative models of funding for Cambridgeshire to help maximise outcomes to residents. In addition to offsetting some existing CCC grants, the lottery also creates new funds for local VCS that were not there previously.

Advertising

As with many other local authorities, CCC already uses a number of its assets to generate income through advertising. There is evidence that the County Council could expand its portfolio of assets and generate more income from the assets currently used for advertising.

In Cambridgeshire, and Cambridge City especially, the advertising and sponsorship market is buoyant with many large scale companies having healthy advertising budgets and needs.

Market changes which would have an impact on the income generated from advertising would include changes to:

- The number of organisations offering to manage advertising for Local Authorities.
- The number of assets owned by other organisations used for advertising in locations where the County Council has assets.
- The number of businesses looking to advertise their products or services in the locations in Cambridgeshire where that County Council has assets.

Sponsorship

Charities and other local authorities have services and events sponsored by businesses. Increasingly other local authorities are having large assets (buildings, bridges and roads) sponsored.

Market changes which would have an impact on the income generated from sponsorship would include changes to:

- Performance of the economy is likely to impact the number of businesses with the finances to sponsor Council services, projects and events and the amount of sponsorship that they are willing to provide.
- The number of local charities also seeking sponsorship for similar outcomes.

Donations / Bequeathals

Charities receive donations and bequeathals and museums have been particularly successful at generating income through donations and bequeathals. This is something that is less common in local authorities, particularly on a large scale however there are already donation boxes in all of the County Council's libraries. The performance of the local economy is likely to impact on the number of individuals willing to donate towards council services however, with a more outcome focused organisation individuals may be more likely to contribute to a specific cause.

Cambridgeshire Lottery

Over 30 local authorities have now established local lotteries including Aylesbury District Council, Essex County Council, Gloucester City Council and Portsmouth City Council via an External Lottery Manager (ELM), Gatherwell. Peterborough City Council also approved a lottery with Gatherwell in July with the first prize draw expected to be in March 2018. If another community lottery were set up locally before the County Council introduces a lottery, this would significantly decrease the Council's ability to control which local causes the lottery supports and therefore CCC would not be able to offset costs.

There are a number of widely known national lotteries in England and Wales, such as the National Lottery, the Euro Millions, the Health Lottery and Postcode Lottery, however the odds of winning and the share of prizes that go to good causes in the aforementioned national models are lower than that of the local authority lotteries using the model described in this proposal. By launching a local authority lottery, CCC can offer local charities a larger percentage of funding, plus give customers a 1 in 50 chance of winning a prize, much higher than any of the above models. This has proved popular in other local authority areas and appears to be a big incentive for ticket buyers and local VCS groups to join the local authority lottery.

There may be small reputational risk to employing a lottery however, the proposed model is so intrinsically linked to outcomes, visible VCS and projects that this risk is minimal and outweighed by the benefits.

Approach

Aims / Objectives

The External Funding workstream will support CCC to become a more commercially astute organisation.

The objectives for the constituent parts are as follows:

Advertising

- To generate more income through using current CCC assets for advertising.
- To have greater co-ordination and consistency with regards to advertising.
- To provide further opportunities for CCC to spread necessary messages.

Sponsorship

- To have more services, assets and events funded through sponsorship arrangements.
- To have greater co-ordination and consistency to sponsorship arrangements.

Donations / Bequeathals

- To generate more income through donations and bequeathals.

Cambridgeshire Lottery

- To generate savings through offsetting existing CCC grants.
- To support local VCS to enable them to access to new funding streams that were not there previously; a significant investment that will help contribute to local charity services that will support community resilience and may reduce demand on CCC services.
- In future years, it is anticipated that grants, social finance and crowdfunding will also play more significant roles in generating funding.

Project Overview - What are we doing

Advertising

- Identify Cambridgeshire County Council assets which could be used for advertising.
- Undertake a review of those assets to understand their value for advertising; this will include a benchmarking exercise.
- Retender contracts that are not generating as much income as the asset is worth and tender for new contracts where there is potential for new assets.

Sponsorship

- Undertake a review of County Council assets, services and projects which have the potential to be sponsored by organisations.
- Design sponsorship packages and develop a portfolio to present to businesses and other interested individuals.
- Add capability on the County Council website for individuals to sponsor council services and events.
- Undertake communications campaign to reach potential sponsors.

Donations / Bequeathals

- Set up capability for individuals and businesses to sponsor online and through the contact centre.
- Undertake communication campaign to attract potential donors.

Cambridgeshire Lottery

- Identify grants or funding the County Council gives to local charities which could be replaced by lottery funding.
- Design model of lottery for Cambridgeshire (details provided below).
- Work with third party organisation to establish lottery for Cambridgeshire.

Cambridgeshire Lottery Proposed Model

It is proposed to launch a Cambridgeshire local lottery with 60 per cent of proceeds supporting local good causes, which includes funds that can be used to offset some existing grants. A Cambridgeshire Lottery may also reduce demand on council services by creating funding streams to organisations that further support a community resilience approach and relieve pressure on services.

The launch is expected to be in mid-2018, and tickets would cost £1 with a maximum prize of £25,000. The draws would be weekly and all tickets would be sold online. All sales for the lottery would operate via a dedicated website hosted by the ELM (accessible on mobiles, tablets and desktop applications), with an expected return in year one of £165k, of which £30k could be used to offset existing CCC grants. The remaining £135k will go towards local good causes that would not have received this funding otherwise. Over a five year period, the lottery could bring in over £300k to the Central Fund to offset existing grants, which does not include a further £1.7m in the same period that would go directly to eligible good causes that sign up – a significant investment that will help contribute to local charity services that may reduce demand on CCC services.

This is based on a model whereby players can choose to buy a ticket to support either:

- The Central Fund (the default ticket type) – all 60% goes to the central fund to be distributed by the existing council processes.
- Specific Good Cause – 50% goes directly to the chosen good cause and the other 10% goes to the central fund.

Players can buy tickets for as many different causes (including the Central Fund) as they want.

Proceeds Apportionment

	Specific Cambridgeshire Good Cause Ticket		Central Fund (no specific good cause selected)	
	% Allocation	£ Allocation per ticket	% Allocation	£ Allocation per ticket
Specific Good Cause	50	£0.50	n/a	n/a
Central Fund	10	£0.10	60	£0.60
Prizes	20	£0.20	20	£0.20
Gatherwell Ltd	17	£0.17	17	£0.17
VAT*	3	£0.03	3	£0.03
Total	100	£1.00	100	£1.00

* The assumption is that any potential income will substitute the budget the Council is currently funding for such good causes and does not include a 3% VAT rebate. The VAT element is reclaimable, and could potentially be used to offset the costs of running the lottery if necessary. It is also assumed that the income will substitute any current grants and not new causes initially.

The income generated via the Cambridgeshire Lottery has been assumed on a staged uptake, based on AVDC's experience. A full breakdown of projections is shown below.

Cambridgeshire Ticket Sales Projections

	£1 Ticket Price / 1 Ticket per week					
<i>Ticket Price</i>	<i>Number of players</i>	<i>% of Pop*</i>	<i>Gross Return</i>	<i>Central Fund (10%)</i>	<i>Good Causes (50%)</i>	
£1	6519	1	£339,009	£33,901	£135,604	Year 1 Target
£1	9779	1.5	£508,513	£50,851	£203,405	Year 2 Target
£1	13039	2	£678,018	£67,802	£271,207	Year 3 Target
£1	16299	2.5	£847,522	£84,752	£339,009	
£1	16299	2.5	£847,522	£84,752	£339,009	

* Based on the mid-2016 estimates for Cambridgeshire of 651,940. Cambridgeshire and AVDC actually have similar demographic proportion of 16+ (who would be eligible to buy tickets), therefore we have confidence in this model being an approximate estimation of sales expected in Cambridgeshire.

Winning players are notified via email and will receive their prize directly into their nominated account or they can choose to donate their winnings to their chosen good cause. Good causes are paid their income automatically on a monthly basis.

The ELM provides the council with the day to day running of the lottery as well as proving marketing materials and expert support. The jackpot is an insured prize, i.e. if there is not enough money in the prize fund then the lottery is insured and the insurer will pay the prize(s). The prize fund is held in a Client Deposit Account. The ELM, Gatherwell, will set up this account and also underwrites the risk if the prizes won – other than the jackpot – exceed the monies held in the Client Deposit Account.

CCC will work with eligible good causes to raise awareness of the lottery so that they can sign up, and continue to work with Finance and Services to identify grants or funding the County Council gives to local charities which could be replaced by the lottery Central Fund.

Project Costs and Resources

Aside from a one off small set up fee there is no ongoing payment to the ELM and all running costs are funded via the service charge at 17% of ticket sales (see breakdown of ticket sales in the proceeds apportionment table above).

In setting up a local lottery, the Council will need to be licensed by the Gambling Commission, a requirement of which is for the council to contribute to the support of problem gambling. The website will contain a section providing links to gambling support organisations, and there is a license fee to go towards problem gambling.

Ongoing resource to approve the good causes and market the lottery but we believe this will be integrated into business as usual. The 3% VAT element is reclaimable, and could potentially be used to offset the costs of running the lottery if necessary.

A full breakdown of costs and net revenue from 2018-23 is detailed below. This is a conservative estimate based on all ticket buyers donating 50p to a Specific Good Cause and 10p to the Central Fund. It is noted that any buyer can opt to donate the whole 60p to the Central Fund, therefore increasing income.

Item	Current Year	2018/19	2019/20	2020/21	2021/22	2022/23
	£000*	£000	£000	£000	£000	£000
Set up costs (one-off) (Gatherwell and		3				

Licensing)							
Licensing and Lotteries Council (Annually)		2	2	2	2	2	
Potential income through Central Cause Fund		-36	-50	-67	-84	-84	
Net revenue implication	0	-30	-48	-65	-82	-82	over 5 years -308

What assumptions have you made?

Advertising

- Assets that are not currently used for advertising will be attractive to businesses for advertisements.
- Assets that are currently used for advertising can generate significantly more income if retendered or renegotiated.
- The council will successfully recruit to the proposed Advertising and Sponsorship Coordinator post.

Sponsorship

- Businesses will be interested in sponsoring the council's services, assets and projects.
- The council will successfully recruit to the proposed Advertising and Sponsorship Coordinator post.

Donations / Bequeathals

- Individuals will be interested in donating or bequeathing money to fund existing or planned council services and assets.

Cambridgeshire Lottery

- 1% of Cambridgeshire's population will purchase lottery tickets each week. This is a conservative estimate based on actual figures for AVDC who exceeded this in their first year. There is also research to say that lotteries attract not only prize motivated supporters, but altruistic and optimistic supporters, covering a range of customer motivations.
- Charities that currently receive grants from CCC could be funded through the lottery instead. Work with both Finance and Service colleagues is ongoing to ensure these are identified for 2018/19.
- The council can source a suitable external lottery manager (ELM). Engagement with the ELM, Gatherwell, has so far been positive and with Committee approval we could seek to secure a competitive contract with only a one year minimum sign up.
- The funding achieved through the lottery far exceeds any costs of running the lottery. As shown above, the costs for setting up the lottery are minimal and the ongoing running costs are largely covered by the ticket sales.

What constraints does the project face?

Advertising

- Not all of the Council's assets will be suitable for advertising.
- The council will not partner with any advertiser that promotes activities or products which are contrary to the council's values or interests.

Sponsorship

- The council will not accept sponsorship from any individual or organisation that promotes activities or products that are contrary to the council's values or interests.

Cambridgeshire Lottery

- There are various licensing requirements which dictate how a local authority lottery can operate. That said, licensing and lottery council membership will ensure that CCC are operating within a model that best contributes to gambling awareness and supports the prevention of problem gambling.

Delivery Options

Has an options and feasibility study been undertaken?

Do nothing for all options has been considered, but this was discounted on the basis that the External Funding workstream will deliver savings to the Council which would otherwise be lost.

Overview

The creation of more consistent policies, websites and back-office processes.

Lottery

Option: To create our own in-house lottery model or use an External Lottery Manager.

An in-house lottery has not been fully costed, but it was considered by Aylesbury Vale District Council to cost somewhere in the region of a £80k - 100k for set-up costs alone. This would include a lottery manager and the necessary development of software systems to run the lottery.

The decision to go with an ELM means that CCC will have expert support and advice from a market leader; the running costs for the ELM are covered by ticket sales; there is value in the lottery being at arm's length from CCC in that CCC can cease the one year contract if any unforeseen issues arise.

Scope / Interdependencies

Scope

What is within scope?

External funding refers to the following options for generating income:

Advertising
Sponsorship
Donations and Bequethals
Cambridgeshire Lottery
Crowdfunding
Social Finance
Grants

Only advertising, sponsorship, donations and bequethals and the lottery are expected to deliver income for 2018-19 at this stage. It is hoped that the other options will deliver further income in future years.

What is outside of scope?

Any external funding option that is not included in the list above.

Project Dependencies

Title

Successful recruitment of Advertising and Sponsorship Coordinator post

Contract with the External Lottery Manager
Good causes sign up to the lottery
Willingness of services to support the External Funding workplan

Cost and Savings

See accompanying financial report

Non Financial Benefits

Non Financial Benefits Summary

Advertising

- Advertising will provide local businesses the opportunity to advertise using CCC assets. This will support the local economy.
- Having more CCC assets in place with the option to advertise allows the council to use some of these resources to support their own communication campaigns e.g. for adoption or healthy living.

Sponsorship

- Local businesses and residents will become more engaged with their communities and local public services.

Cambridgeshire Lottery

- Cambridgeshire residents will have direct input into solving issues that are important to them by being able to choose charities that receive donations.
- Benefits to Cambridgeshire through funding local charities that help build capacity locally, assisting our Social Value work. This may also help reduce demand for CCC services.
- CCC acts as an enabler, shifting residents' perceptions of the council from commissioner to enabler, with a more innovative way of thinking about services.
- Maximising benefits to the community. More proceeds go to good causes than any national lottery models.
- Enables other local organisations, e.g. local schools, to have access to a local lottery instead of funding the set-up of their own lottery.

Risks

Title

Advertising or Sponsorship arrangement exposes council to reputational damage
Advertising and Sponsorship offer is unattractive to businesses
The council fails to recruit to the Advertising and Sponsorship Coordinator post
Following recruitment, the Advertising and Sponsorship Coordinator post does not stay in post for whole year
External Funding is unable to achieve the income target
Reputational risk of CCC promoting gambling
People in deprived areas may be attracted to purchasing lottery tickets over any other demographic
If unsuccessful the set up cost of the lottery via the ELM is lost
If established the local lottery could impact on future national, health and other lottery bids

Project Impact

Community Impact Assessment

Who will be affected by this proposal?

Advertising

The assets proposed for advertising are spread across the whole county. Specific adverts will target particular groups as part of their advertising campaign but the assets for advertising should not result in one particular group being targeted more than any other.

Sponsorship

Sponsorship will be for services, assets and events across the whole county. It is anticipated that sponsorship will impact all groups equally.

Donations and Bequeathals

The option to donate or bequeath money towards services will be available county-wide. The option would be open for anyone to donate or bequeath money if they are of sound mind but it is anticipated that more older people will consider bequeathals.

Lottery

The lottery will be an opt-in model available to all adults over the age of 16, both inside and out of county. As this is opt-in and there are no statutory requirements to sign up, there is deemed no requirement for a public consultation.

What positive impacts are anticipated from this proposal?

Advertising

Advertising will generate funding that can be used to help maintain or improve service delivery. Advertising will help maximise the value of CCC assets.

Sponsorship

Sponsorship will generate funding that can be used to help maintain or improve service delivery. Sponsorship is likely to support local businesses and residents to feel more involved in local communities and local public services.

Donations / Bequeathals

Donations and bequeathals will generate funding that can be used to help maintain or improve service delivery. The option to donate or bequeath money towards services that residents feel passionate about creates a model where residents can play a greater role in shaping local public services.

Lottery

This will highlight a number of local Cambridgeshire charities to residents that can benefit from signing up to the lottery. These charities will receive additional funding that was not previously available to them, as well as providing CCC with a Central Fund to offset existing grants.

What negative impacts are anticipated from this proposal?

For all options there could be a reputational risk to CCC, however to counteract this CCC will undertake comprehensive due diligence before entering into any contracts with either local businesses or local charities, with clear break clauses on all contracts.

The income generated via these options will be used to maximise outcomes to Cambridgeshire residents will funding that was not previously available.

Lottery

There is a risk that a lottery being set up by a local council could be seen as encouraging gambling. However

there are number of actions that CCC will take on to help mitigate against this:

- CCC will pay towards the Lotteries Council which will help support and raise awareness of problem gambling. CCC will signpost to gambling help pages on the lottery website.
- There is no instant gratification or instant reward to taking part.
- Being only payable via pre-arranged sign up and non-cash methods means there is reduced risk of impulse gambling. No player can have more than 50 tickets, plus they can only buy 10 tickets at a time so practically very few buyers do that.
- This is compliant with the Gambling Commission.

Are there other impacts which are more neutral?

Advertising

No other neutral impacts are anticipated.

Sponsorship

No other neutral impacts are anticipated.

Donations / Bequeathals

No other neutral impacts are anticipated.

Lottery

No other neutral impacts are anticipated.

Disproportionate impacts on specific groups with protected characteristics

Details of Disproportionate Impacts on protected characteristics and how these will be addressed

No disproportionate impacts on protected characteristics are anticipated for advertising, sponsorship, donations / bequeathals or the lottery service.

Any public engagement with sponsorship, donations / bequeathals and the lottery would be optional for residents. None of the campaigns listed above would be specifically targeted at any group with protected characteristics.

Business Case

A/R.7.107 - Traded Services (Learning)

Project Overview

Project Title	A/R.7.107 - Traded Services (Learning)		
Income	£500K	Business Planning Reference	A/R.7.107
Business Planning Brief Description	Reviewing and repositioning Learning 'traded' services		
Senior Responsible Officer	Keith Grimwade		

Project Approach

Background

Why do we need to undertake this project?

Although some of these traded services already have budgets which return a small operational surplus to the Council, the real costs (support from HR, Finance, property, line management and assets) may not be fully reflected. It is likely that some could have greater commercial potential to maximise return with different operating models, process efficiencies, access and delivery to different customers and changes to some products. Suggest service based outcome focused reviews are undertaken with an increased focus on commercial business models.

(Cambridgeshire Catering and Cleaning, Outdoor Centres, Professional Centre Services, Education ICT, Cambridgeshire Music)

The services currently in scope are largely education market focused. This market has changed significantly over the last five years with the academisation and school funding reforms. There have been many new competitor entrants to the marketplace now that schools, whether maintained, academy or independent, have more financial autonomy.

Other local authorities are tending to develop either arms length delivery models (such as Local Authority Trading Companies or Community Interest Companies) or a packaged approach to deliver cross-service support in a more bespoke way.

This market continues to evolve as more competitors and products enter. The main impact has been the large market share CCC have secured in past years is at risk with more choice, lower cost models achieved by non-LA organisations and the ever-increasing pressures on strained education budgets.

Increasingly other settings, community groups and identifiable customers are wanting greater access to activities, such as those delivered by the services in scope, outside of the traditional routes of schools and the standard term-time only, nine-to-five working week.

There is opportunity in both the education market and the wider economic environment in Cambridgeshire but these need to be assessed and achieved at pace.

What would happen if we did not complete this project?

We will not maximise the full potential for these income generating services or true cost recovery within the council.

Some activities may reduce through inefficiencies or not responding to marketplace opportunities

Approach

Aims / Objectives

To review the current position of learning income generating "traded" services with a view to identifying increased outcomes including but not limited to:

- cost recovery
- commercial efficiency
- increased surplus
- alternative delivery models
- sustainability
- increasing market share
- securing of new markets

Reviewing and Repositioning Learning 'traded' services

Project Overview - What are we doing

Outcome focused reviews will be undertaken for:

Cambridgeshire Music

- Review the existing offer and links with wider music hubs
- Research potential market possibilities, including customer, offer and capacity
- Propose appropriate changes to confirm most efficient operations for outcomes achieved

Outdoor centres

- Review the existing options appraisal (dated Dec 2016) and current contribution to outcomes
- Identify appropriate efficiencies to maintain income generating model during OFR period
- Research potential market possibilities, including customer, offer and capacity
- Update the options appraisal where appropriate to identify up to 3 clear proposals

The ICT Service (Education ICT)

- Review the existing operations and previous draft options appraisal (dated Dec 2016)
- Identify appropriate efficiencies to maintain income generating model during OFR period
- Research potential market possibilities, including customer, offer and capacity
- Investigate links and synergies to other ICT focused activities / services
- Produce clear costed options for developing the service to increase surplus

Professional Centre Services (PCS)

- Review the existing operations and confirm opportunities
- Investigate links and synergies to other building, facilities and event management focused activities / services
- Produce clear recommendations for future operation

Other income generating services to be reviewed below to conclude whether savings can be made in 18/19 or beyond:

- Education Well-being
- CREDS
- Further income generating activities across Schools Intervention, School Admissions and Early Years to be assessed through a strategic review of Learning

Outcome focused reviews briefing document available to view in the document folder

What assumptions have you made?

Cost reductions

- Greater and more combined purchasing to achieve economies of scale.
- Some staffing models, including terms of conditions, are not reflective of the market or activities delivered.
- Detailed review of purchasing and procurement operations.
- Resource reduction could be achieved through building customer-focused organisations and activities, thus joining up or co-locating of some activities
- The organisational infrastructure which supports these services (support from HR, Finance, property and assets) will be reviewed as part of the OFR process, maximising any opportunities to reduce overhead costs.
- Streamline management across services with a reduction in full time equivalents.

Income generation

- Sale of efficient and well regarded products to non-Cambridgeshire markets to enable surplus
- Reflect true cost and update pricing strategies

Commercial efficiency

- Development of better customer-focused relationships to package suite of products not constrained by hierarchical structures
- Digitisation of some delivery resulting in more far-reaching and time efficient delivery

What constraints does the project face?

Market

Competitors achieving increased market share

Customers' available funds reducing

Reputation

Some customers and viewers of the LA may feel a more commercial focused organisation is unnecessary or against traditional values

Acumen

Commercial acumen is relatively low across the organisation. This needs to be increased significantly to achieve real business-like delivery, decisions and achievements

Scope / Interdependencies

Scope

What is within scope?

- Cambridgeshire Music
- Outdoor Centres
- ICT Service (Education ICT)
- Cambridgeshire Catering and Cleaning Services
- Professional Centre Services
- Education Well-being

What is outside of scope?

Statutory learning services

Cost and Savings

See accompanying financial report

Non Financial Benefits

Non Financial Benefits Summary

Benefits will be identified through the outcome focused reviews, these are likely to be around:

- Improved customer offer
- Sustainability of services
- Increased market share
- Employment for local people

Risks

Title

Customers purchase elsewhere

Slow pace of implementation of recommendations

Cost recovery too expensive for market to bear

Current operational staff not able to operate more commercial focused models

Project Impact

Community Impact Assessment

Who will be affected by this proposal?

- Customers including: education settings, businesses, residents
- Staff

What positive impacts are anticipated from this proposal?

- CCC have increased market share
- Increased surplus
- Better outcomes for residents and education provision through improved offer
- Best use of CCC assets (physical and resources)

What negative impacts are anticipated from this proposal?

- Potential redundancies or changes in staff terms and conditions
- Reduction in CCC offer if best option financially

Are there other impacts which are more neutral?

Disproportionate impacts on specific groups with protected characteristics

Details of Disproportionate Impacts on protected characteristics and how these will be addressed

Business Case

Review of Property Services Delivery

Project Overview

Project Title	Review of Property Services Delivery		
Saving	£200k	Business Planning Reference	F/R.6.109
Business Planning Brief Description	Improving service delivery and increasing efficiency to make savings and to generate new income.		
Senior Responsible Officer	Chris Malyon		

Project Approach

Background

Why do we need to undertake this project?

This direction of this project will be determined by the findings of the Outcome Focused Review (OFR) for the Property and Asset service. The rationale for the OFR is explained as follows:

Members and SMT have asked the Transformation Service to develop and help the organisation to deliver a series of Outcome Focused Reviews. These reviews are an opportunity for us to have a deep look at **what** we do, **why** we do it, and **how** we do it. We are using our outcomes as a focus for these reviews so that we can look at our organisation in a way that is broader than just considering each service in turn, and helps us to understand how what we do contributes towards the achievement of our outcomes.

Our Outcomes

- Older people live well independently
- People with disabilities live well independently
- People at risk of harm are kept safe
- People lead a healthy lifestyle
- Children and young people reach their potential in settings and schools
- The Cambridgeshire economy prospers to the benefit of all Cambridgeshire residents
- People live in a safe environment

Underpinning the Outcome Focused Reviews are the following principles:

- We will focus on looking at what we do from the perspective of our **citizens** and use this to look at designing what we do from the outside-in.
- We will look to harness the **opportunities** that are presented to us from working differently be that through automation, designing with communities, or working across organisational boundaries.
- We will see ourselves as part of the **system** in Cambridgeshire. We need to understand that we are only one part of the whole and how working with others can improve what we do.

Early indications from the Property and Asset service OFR demonstrate potential to improve service delivery and increase efficiency which will lead to savings. There is also the opportunity to generate new income.

What would happen if we did not complete this project?

The OFR for the Property and Asset Service is expected to lead to improvements in service delivery for our customers, increased efficiency, and the identification of opportunities to make savings and to generate new income. Identifying and beginning to work on the most obvious opportunities at an early stage means the

benefits can be derived as soon as possible. Without this project the service and financial benefits will be delayed.

Approach

Aims / Objectives

The project has the following objectives:

- To improve service delivery.
- To work more efficiently.
- To generate new income.

Project Overview - What are we doing

Four workstreams have been identified:

- To improve efficiencies within the business processes of the property team.
- To improve efficiencies within the annual running cost of the property portfolio.
- To generate new income.
- To share teams/function with other partner organisations.

Each of these workstreams will be developed in line with information gained from the Property and Asset Service OFR. The focus of this work is to improve service delivery and efficiency with the aim of making savings and generating new income. The combined finance from this work will be part of the 2018-19 business plan with a target figure of £200k. This figure is derived from a combination of £100k savings and £100k income from car parking on the Shire Hall site.

The actual running cost of the property portfolio for 2016-17 was £5,296,954 not including staffing costs such as first aiders and project management. The budget for 2017-18 is £4,567,906 but this does not include maintenance. For more detail see the budget spreadsheet which is saved in the “documents” section of Verto.

The 2017-18 staffing budget across the Property and Asset Services is £1,497,570 and it is anticipated that by sharing teams and functions with partner organisations this figure could be reduced. A reduction of 5% would produce savings of £74,878. A reduction of 10% would produce savings of £149,757. In 2018-19 these illustrative savings may not be fully realised due to the costs of re-structure, but there would be an ongoing savings in subsequent years.

What constraints does the project face?

Finance and time resources will be required to facilitate service improvements and to enable savings to be made and new income to be generated.

Cost and Savings

See accompanying financial report

Non Financial Benefits

Non Financial Benefits Summary

Improvements in service delivery.

Increased efficiency.

Project Impact

Community Impact Assessment

Who will be affected by this proposal?

Council officers working in the Property and Asset Service will be affected by this proposal. Customers of the service could also be affected.

What positive impacts are anticipated from this proposal?

Improved service delivery and increased efficiency.

What negative impacts are anticipated from this proposal?

There is likely to be a reduction in FTE.

Are there other impacts which are more neutral?

Possible changes in work location for council officers working in the Property and Asset Service.

Disproportionate impacts on specific groups with protected characteristics

Details of Disproportionate Impacts on protected characteristics and how these will be addressed

Business Case

Review of spend below £100,000

Project Overview

Project Title	Review of spend below £100,000		
Saving	£100k	Business Planning Reference	C/R.6.111
Business Planning Brief Description	To review spending below £100,000 in specific areas, with a view to ensuring the best possible contract and commercial terms are in place. This will include whether frameworks, bulk purchasing with other LGSS partners or smarter invoicing should be considered.		
Senior Responsible Officer	Paul White		

Project Approach

Background

Why do we need to undertake this project?

The current mandate for LGSS Procurement is to focus on high value procurement activity with the Council's Contract Procedure Rules mandating that Procurement only become involved where the total value of the procurement is anticipated to be over £100,000 with a strict tender process. Purchasing below this level is currently done on a self-service basis allowing officers across CCC the flexibility to procure themselves. To reduce risk Procurement provide standard documentation and guidance to assist officers and there are rules in the Contract Procedure Rules that officers must follow such as advertising and competition and population of the Contract Register. This self-service arrangement does however leave a large volume of relatively low value transactions that are not subject to the same level of scrutiny as higher value spend. Therefore there are potential opportunities for these contracts to be more cost effective.

We do have:

- The spend analysis tools, systems and data, and also the practical experience of understanding where the real opportunities lie rather than applying generic percentage saving estimates.
- Understanding of the council governance and council best practices of procuring at this threshold.
- The opportunity to combine this work across other LGSS Partners that will in some areas expand the scope of the opportunity.
- To build on the practical experience of the LGSS Quotation team in Milton Keynes Council (MKC) who already provide a quotation service to MKC for transactions below £100k.
- Joined up offering via close working with P2P team in LGSS to identify ways of reducing overall processing costs.

Whilst the spend in this area does only represent a relatively small percentage of overall expenditure, with an initial estimate of c£20m that could benefit from intervention, this should not be ignored given the financial pressures faced .

What would happen if we did not complete this project?

We would fail to streamline spend under £100K, resulting in avoidable spend and duplication of effort continuing

Approach

Aims / Objectives

To review all spending below £100,000 with a view to ensuring that there are appropriate and robust contracts in place for goods and services.

To ensure best value for low level contracts.

Project Overview - What are we doing

Our initial Stage 1 review will focus on the following:

- Identify key categories of spend where greatest opportunity exists within our existing classification of spend over the last financial year (see below for list)
- This spend will be interrogated to test if it was secured against existing framework contracts or spot purchased.
- For those goods, services or works not secured via existing framework contracts we will test to see if improved value can be obtained via the contract and take steps to ensure any future spend is directed to the existing contract providing a future direct saving.
- Where the redirection of off contract spend to existing framework contracts increases spend on the existing contract we would aim to secure additional price reductions based on the additional volumes
- Where areas of expenditure with individual suppliers or with multiple suppliers for common goods, works or services are not covered by existing contracts we will review the benefit of putting in new common arrangements to leverage our spend.
- Where we identify numerous low value invoices against individual suppliers we will work with LGSS P2P to implement alternative solutions such as consolidated billing, web based ordering or a lodge Purchasing Card.

The initial work done by V4 Services on spend under £100k in 2014/15 identified c£20m of spend in scope and procurement's initial review of more recent spend indicated this figure is broadly correct, although some of the spend may be one off and not repeated. Whilst at this early stage it is not realistic to put figures on the potential savings but procurement feel the experience their MKC quotations team have will put them in a strong position to identify and deliver against any opportunities.

Further detail of the areas of focus

Stage 1 One off exercise:

- Spend Analysis by LGSS Procurement team- End Jan 2018
- Review scope of high level opportunities by Business transformation lead and other stakeholders as appropriate. Agree which to proceed with- Agreement by end February 2018
- Opportunity 1 – Off Contract spend that can be routed by existing framework contracts where they offer better value, Includes comms with requestors and removal of non-approved suppliers where applicable. Link existing framework contracts to future requisitions once new ERP goes live-For agreed areas from February to May 2018
- Opportunity 2a – Identification of spend areas where no current contract cover. We will review this across all 3 LGSS Partners to maximise the scope of any future framework contract-For agreed areas Procurement plans complete
- Opportunity 2b – Advertise, procure and implement new contracts and link future requisitions to new contracts into new ERP solution to address risk of future off contract spend- March 18 to end August 2018
- Opportunity 3 – Spend with suppliers where multiple low value invoices. We will investigate the scope to reduce the volume of requisitions, purchase orders and invoices including consolidated billing, lodge cards etc.- March to end August 2018
- Opportunity 4 - we will as part of the spend analysis review identify areas of spend where subject to confirmation by CCC there may be an opportunity to reduce demand by changes or re confirming

existing policies- Identify high level opportunities for review by CCC by end February 2018. Agree plans to implement changes by end March 2018

- Opportunity 5 – We will as part of the spend review identify any areas of spend that whilst not justifying the creation of a new framework may benefit from requisitions for these goods or services being subject to additional scrutiny via the ERP process (see stage 2)- Identify high level opportunities by end March 2018 with change once ERP implemented

As part of the review we will review whether a different permanent approach towards the handling of low value spend is appropriate (stage 2), the outline options include:

- doing nothing
- providing extra support, guidance and /or training to those requisitioning at lower values
- reducing the value at which central intervention by a dedicated team
- reviewing the process at which below £100k procurement should operate at CCC such as selecting specific categories of spend that would benefit from central intervention

The initial areas identified for further investigation are:

- Training and conferences
- Catering and food supplies
- Furniture and soft furnishing
- Venue hire
- Travel
- Mail and courier services
- Cleaning supplies
- Subscriptions
- Interim workers
- Clothing
- Office supplies
- Vehicle Hire

The project team will work closely with the Outcome Focused Review teams to ensure double counting does not happen and information sharing happens appropriately.

What assumptions have you made?

Assumptions are that there will be resource available to support this work and that there will be some flexibility in terms of changing the requirements and or procurement process for selecting suppliers.

What constraints does the project face?

Procurement regulations, time, cost and quality

Scope / Interdependencies

Scope

What is within scope?

All spend under £100k, specifically where reoccurring payments have been made.

What is outside of scope?

Spend over £100k and one off costs.

Cost and Savings

See accompanying financial report

Non Financial Benefits

Non Financial Benefits Summary

In addition to the financial savings increased streamlined procurement, such as an increase in the number of frameworks and a reduction in the number of invoices, should also save officer time and allow us to be more responsive to customers.

Risks

Title

Volume of data may cause timescales to slip

Timescales may slip due to lack of resources

Unable to make savings due to lack of engagement from service areas

More detailed investigation identifies greater/fewer savings than anticipated

Project Impact

Community Impact Assessment

Who will be affected by this proposal?

No service users should be impacted, services would remain, the way services are procured may change resulting in them being more cost effective.

What positive impacts are anticipated from this proposal?

Reducing contract costs will enable us to continue running those services and others.

What negative impacts are anticipated from this proposal?

No negative impacts are anticipated

Are there other impacts which are more neutral?

Levels of service for the contracts should remain the same.

Disproportionate impacts on specific groups with protected characteristics

Details of Disproportionate Impacts on protected characteristics and how these will be addressed

No disproportionate impacts have been identified.

