



# **Income Generation**

Andy Mudd, Principal Consultant

# Income generation in context



- Meeting the funding challenge
- Efficiency
  - Cutting the cost of delivery through improved process
- Innovation
  - Different approaches to reduce cost
- Income generation
  - Offsetting the impact of spending cuts

# Sources of income generation



- Traditional Charges for (usually subsidised) services
  - Leisure
  - School meals
- Penalty charges
  - Parking
  - Environmental crime etc
- Charging for discretionary services
- Commercial trading with private sector
- Trading with other public bodies

# Trading with other public bodies



- Local Authorities (Goods and Services Act 1970)
- Surplus capacity myth
- Building capacity
- Making a surplus
- Wednesbury reasonableness
- Remember restrictions e.g. New build

# Examples of charging & trading powers



- Civic Restaurants Act 1947
- s.45 Environmental Protection Act 1990
- s.19 Local Government (Miscellaneous Provisions) Act 1976
- s.145 Local Government Act 1972
- s.150 Local Government & Housing Act 1989
- s.32 Local Government (Miscellaneous Provisions) Act 1976
- s. 38 Local Government (Miscellaneous Provisions) Act 1976
- s.45 Road Traffic Act 1988
- s.11 Local Government (Miscellaneous Provisions) Act 1976

# Trading with private sector



- Provision of charged for services
  - Power to do
    - Express power (loads of examples)
    - Incidental, conducive or facilitative (s111 LGA 1972)
    - Power of General Competence (Localism Act 2011)
  - Power to charge
    - Express power
    - S93 Local Government Act 2003 or GPC
- Commercial trading
  - Any function (including under GPC)
  - Through a company

# When do we have to have a company?



- Public/public trading
  - To protect from risk but no legal obligation
- Private 'trading'
  - Purpose rather than scale
- What about surplus?
  - Charging power income must not exceed the costs 'taking one year with another'
  - For 'each kind of service'
- Varies for express charging powers
  - Burials, cremations – decide on 'proper' charge
  - Surplus computing capacity – commercial rate
  - Don't assume public policy approves of sub commercial charges

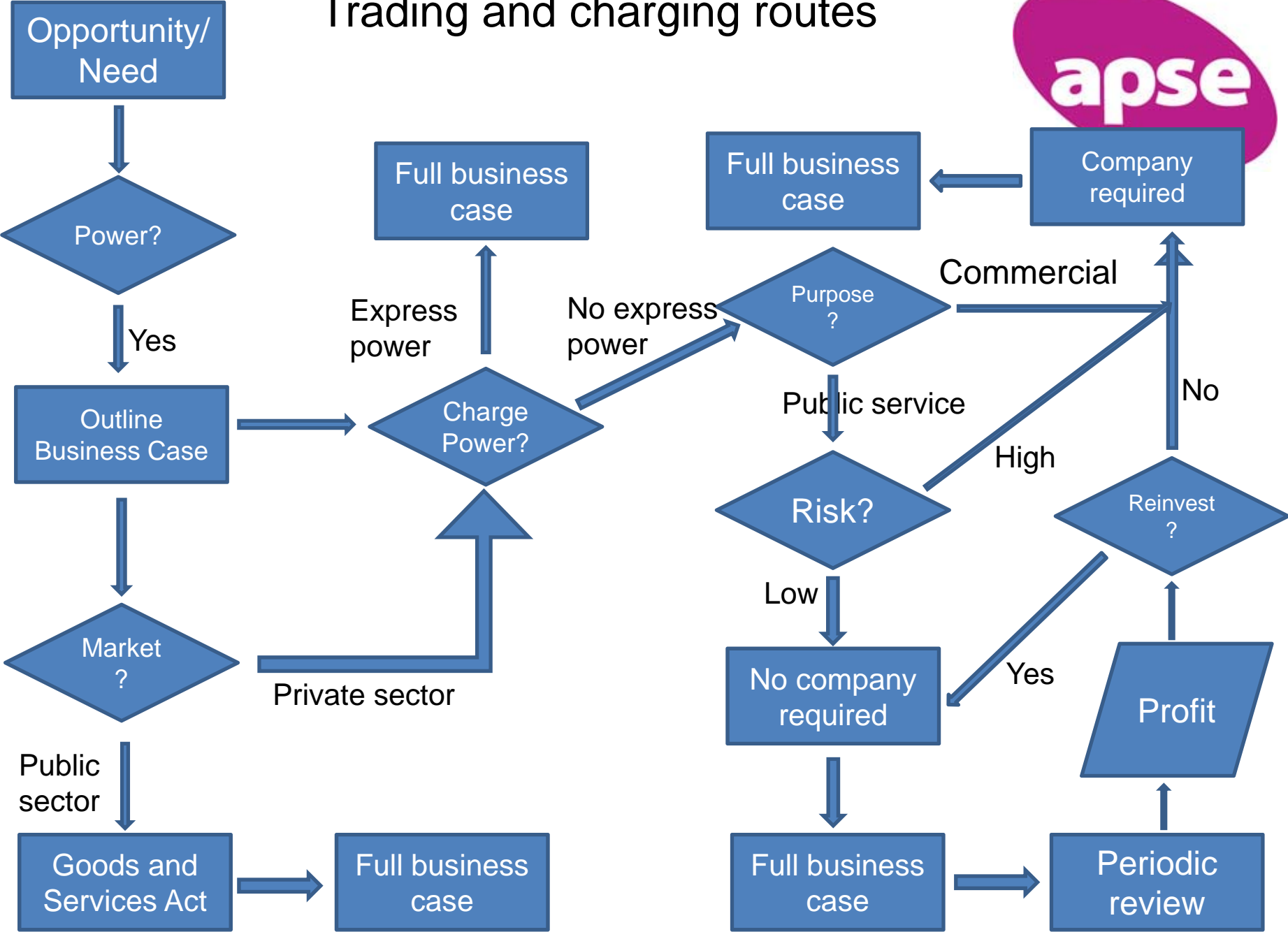
# Yes but do we need a company?



- Decision should flow from the outline business case
- Delivery vehicle is not the starting point for an outline business case!!
- Service
- Market
- Strategic, commercial, financial, legal



# Trading and charging routes

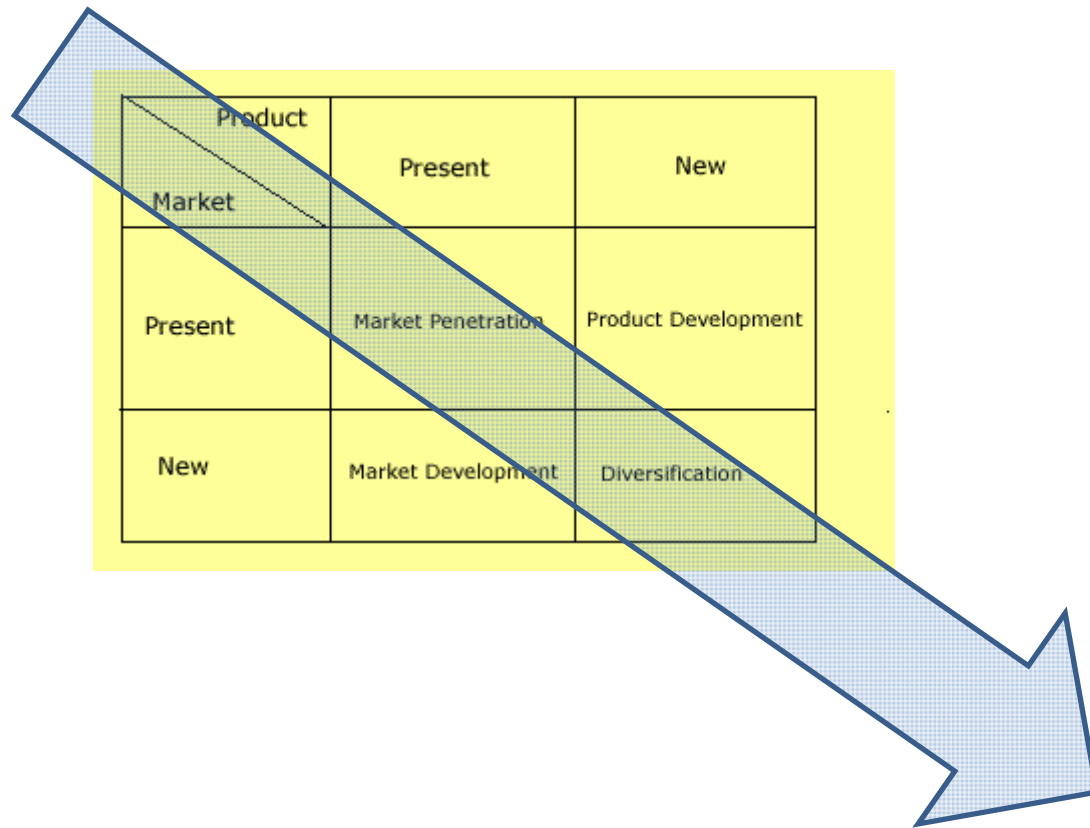


# Growing the business – a commercial approach



Ansoff's Matrix

Less risk



More risk

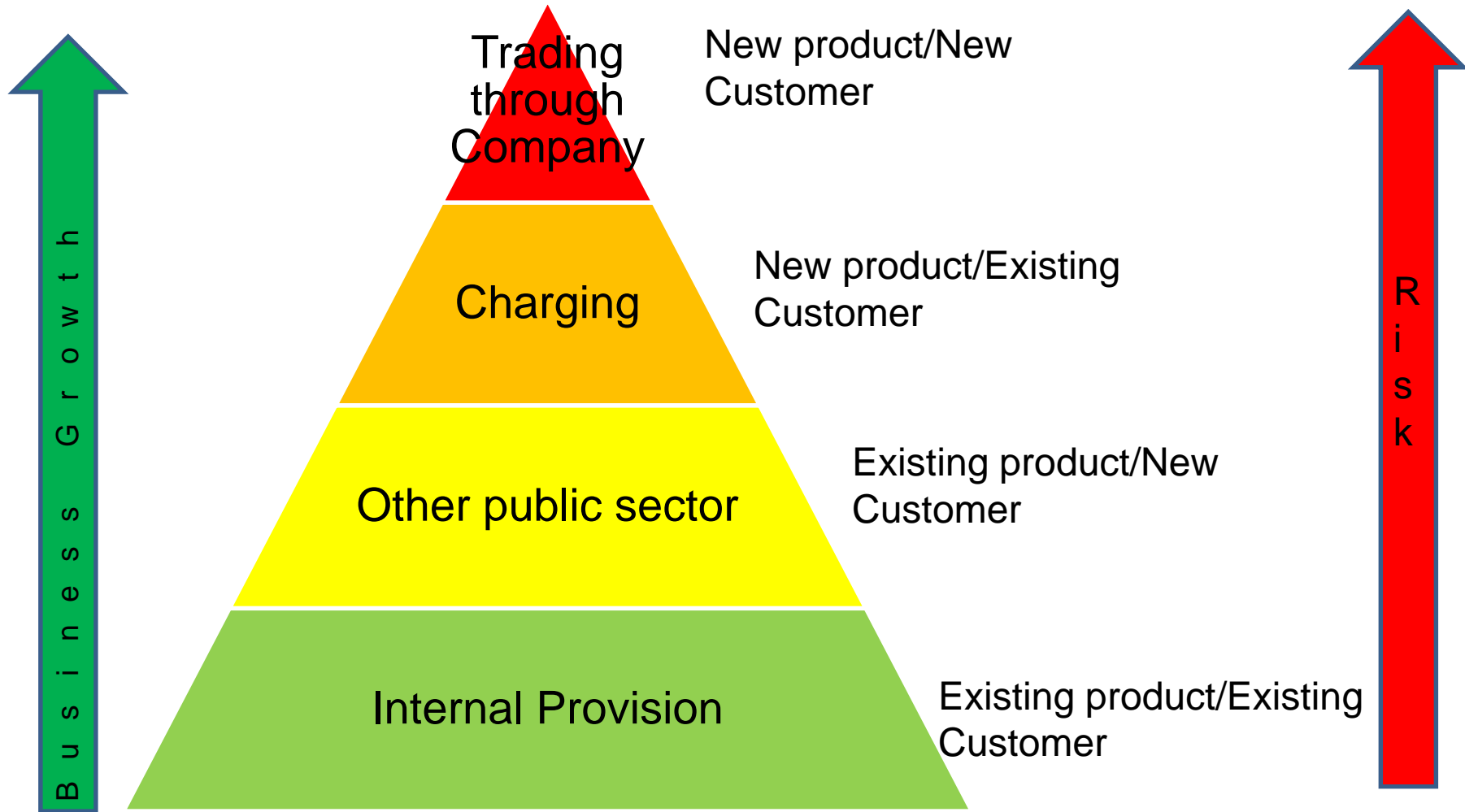


# McInsey Growth Pyramid

Generic options and investment structures for a growth strategy



# In a public sector trading environment





*Andy Mudd*

**Association for Public Service Excellence (APSE)**

APSE Solutions

**Tel 0161 772 1810**

**Fax 0161 772 1811**

**Email: [amudd@apse.org.uk](mailto:amudd@apse.org.uk)**

**Web: [www.apse.org.uk](http://www.apse.org.uk)**

**[www.apse.org.uk](http://www.apse.org.uk)**