

# **Committee: Cabinet**

**Date:** 25<sup>th</sup> June 2007

**Agenda item:** 14

**Wards:** All

**Subject:** Scrutiny Review of Income Generation – Final Report

**Lead officer:** Kate Martyn, Scrutiny Manager

**Lead member:** Councillor Henry Nelles, Review Chair

**Key decision reference number:** 435

## **Recommendations:**

---

- A. That Cabinet considers and approves the report arising from the scrutiny review of income generation attached at Appendix 1,
  - B. That Cabinet agrees to implementation of the recommendations through an action plan being drawn up by officers working with the appropriate Cabinet Member.
- 

### **1. Purpose of report and executive summary**

- 1.1 To seek approval of the scrutiny review report on income generation from the Way We Work Scrutiny Panel and implementation through an action plan.

### **2. Details**

- 2.1 The Way We Work Panel agreed to undertake a review to look at how the Authority generates additional income and identify opportunities to maximise income generating potential. The Panel appointed a task group of four members to undertake the review. Seven task group meetings took place from December 2006 to June 2007 and evidence was heard from a number of sources as indicated in the attached report.
- 2.2 The Way We Work Panel agreed the final review report at its meeting on 14<sup>th</sup> June 2007 and agreed to refer it to Cabinet for approval.

### **3. Alternative options**

- 3.1 Panel members determine their own work programme and prioritise the issues that they wish to scrutinise and topics for scrutiny review.

### **4. Consultation undertaken or proposed**

- 4.1 The group consulted with a number of council officers, members and other authorities throughout the review and based their findings on evidence provided.

## **5. Timetable**

5.1 The Panel's work programme is timetabled for the municipal year and issues and review topics are added in as required at the appropriate time.

## **6. Financial, resource and property implications**

6.1 The recommendations primarily require staff time and resources to implement. The only financial implications are possible increases in revenue.

## **7. Legal and statutory implications**

7.1 Any implications are detailed in the attached report.

## **8. Human rights, equalities and community cohesion implications**

8.1 None directly relating to this report.

## **9. Risk management and health and safety implications**

9.1 None for the purposes of this report.

## **10. Appendices**

10.1 1. Scrutiny Review report on Income Generation

## **11. Background Papers – the following documents have been relied on in drawing up this report but do not form part of the report**

11.1 Notes from task group meetings relating to this review. See references on page 34 of attached report for full list of background documents.

## **12. Contacts**

- Report author:
  - Name: Daniel Moore
  - Tel: 020 8545 4637
  - email: [daniel.moore@merton.gov.uk](mailto:daniel.moore@merton.gov.uk)
- Meeting arrangements - Democratic Services:
  - email: [democratic.services@merton.gov.uk](mailto:democratic.services@merton.gov.uk)
  - Tel: 020 8545 3356/3357/3359/3361/3616
- All press contacts - Merton's Press office:
  - email: [press@merton.gov.uk](mailto:press@merton.gov.uk)
  - Tel: 020 8545 3181
- London Borough of Merton:
  - Address: Civic Centre, London Road, Morden, SM4 5DX
  - Tel: 020 8274 4901

## **13. Useful links**

13.1 Merton Council's Web site: <http://www.merton.gov.uk>

- 13.2 Readers should note the terms of the legal information (disclaimer) regarding information on Merton Council's and third party linked websites.
- 13.3 <http://www.merton.gov.uk/legal.htm>

This page is intentionally blank

London Borough Of Merton

Report and recommendations arising  
from the scrutiny review of  
income generation

Way We Work Overview and Scrutiny Panel  
June 2007

**Task group membership:**

Councillor Henry Nelles (Chair)  
Councillor Martin Whelton  
Councillor Brian Lewis-Lavender  
Councillor Mark Betteridge

**Scrutiny support:**

Daniel Moore, Scrutiny Officer

For further information relating to the review, please contact:

Scrutiny Team  
Chief Executive's Department  
London Borough of Merton  
Merton Civic Centre  
SM4 5DX

Tel: 020 8545 4637

E-mail: [scrutiny@merton.gov.uk](mailto:scrutiny@merton.gov.uk)

**Acknowledgements:**

The task group would like to express its thanks and appreciation to all those who contributed to this review, through preparing information and attending meetings to answer questions.

# Contents

Foreward	1
Summary of recommendations	2
Introduction	4
Charging and trading	5
Best practice	5
Method	7
Merton	8
Charging for credit cards	12
Charging policy	14
Collection of income	16
Summary	18
Sponsorship and advertising	19
Local authority context	19
What is available?	21
Best practice	21
Income targets	23
Merton: current practice	24
One-off event advertising	27
Capacity	28
Policy and strategy	29
Possible areas	30
Summary	31
Conclusions	32
Appendix 1 – questionnaire	33
References	34

## **Foreward**

Merton, like many councils, face the continuous task of meeting increasing public expectation whilst limiting increases in council tax. In light of this the Way We Work Overview and Scrutiny Panel wanted to examine how the Council could raise additional income other than through the traditional means of taxation and central government grant, and also ensure that its existing income from other sources was maximised.

As a result the panel established a task group to identify how the Council currently generates additional income and how it could develop new areas of income. The group identified two main streams. Firstly, the power to charge for discretionary services and trade in our normal functions and secondly, implementing and/or improving sponsorship and advertising across the council.

The review has been an interesting piece of work; we have been impressed by the work currently undertaken but, at the same time, been disappointed with a lack of consistency and the disjointed approach to both streams. We hope our recommendations will make steps to improve these shortcomings.

Therefore, I have great pleasure in presenting this report and I hope that Cabinet accepts the task group's recommendations.

Finally, I would like to thank everyone who contributed to this review, both internally and externally; all evidence was greatly appreciated.

**Councillor Henry Nelless**

Chairman Income Generation Scrutiny Task Group



## Summary of recommendations

1. The council should review filming rates and set them accordingly. In future they should be reviewed on a suitable basis.
2. The council should consider monitoring spare capacity within teams, as there may be opportunities to offer services to organisations outside of the local authority.
3. The council should consider the merits of introducing a charge for pre-application advice on licensing.
4. The council should investigate the feasibility to compile a guidance pack for setting up a trading arrangement allowing departments to react quickly when a potential opportunity is identified. For example, this could enable departments to charge for advice following the presentation of a national award.
5. The council should consider examining the means to assist departments undertake income generating activity utilising existing resources within the council.
6. The council should begin to accurately measure the breakdown of payments by credit cards.
7. The council should consider introducing an 'administration charge' on credit card payments in either all or some areas.
8. Recommendations 6,7, and 8 must be reviewed accordingly identifying savings in relation to current costs and in conjunction with collection rates.
9. The council should consider developing an overarching charging policy to set charges in context and ensure a consistent approach is applied to concessions and reviewing charges.
10. The Way We Work Overview and Scrutiny Panel should monitor the implementation of the ASH CareFirst system on a regular basis to ensure that has been successfully installed.
11. The group agree with the recommendations set out in the internal audit review of advertising ref: X0250D. This review recommends that the council should consider the points below accordingly. However, concern has been raised about how elements of this fit with the councils work on e-procurement which must be clarified.
  - To aid efficiency, consistency and to achieve VFM consideration should be given to streamline advertising within the council.
  - Detailed written procedures should be prepared relating to the administration of advertising. This should include the following
    - That every contract should be in writing and all copies kept
    - There should be documentation to support all advertising arrangements
    - Responsible officer should demonstrate that VFM is obtained in awarding contracts. The reason for the selection of a provider should be stated.
  - Employees responsible for ordering should ensure that expenditure would not be incurred which exceeds the budget provision
  - Periodic meetings should take place regarding contract performance between the contract managers and the contractor.

12. To ensure a consistent and professional approach the council should centralising sponsorship/advertising activity within the authority and whether this resource should sit within the communications team. They would act as a gatekeeper for initiatives and work with teams to generate income.
13. The council should consider exploring initiatives to generate income through the sponsorship of/advertising at local events. This must take into consideration existing relationships with organisers but equally use these relationships to develop potentially new sponsorship/advertising initiatives.
14. In the immediate term the council should consider developing key central resources:
  - Types of things that can be offered for sponsorship
  - Sponsorship proposals
  - A database of organisation who are available to be contacted

The reason is twofold (1) to help utilise existing capacity within teams to seek and secure sponsorship initiatives (2) begin to make positive steps towards the increased centralisation of the process.

15. The council should develop an overarching sponsorship policy that all officers must adhere to in order to protect the council's image and help maximise income. In support the council should develop a clear sponsorship strategy promoting consistency throughout the council. The strategy should include the key items highlighted in paragraph 3.24.
16. Alongside the recommendations highlighted above the council should consider identifying fully what services could attract sponsorship/advertising. They should then develop packages that may allow smaller services to benefit by being grouped with more attractive services.

# 1 Introduction

- 1.1 There are many requirements placed on councils to make year-on-year savings as well as the need to address residents' rising expectations without increasing taxation. Consequently, local authorities across England are being forced to become increasingly creative in finding ways to generate income.
- 1.2 In light of this the Way We Work Overview and Scrutiny Panel established a task group to review current practice within Merton. The group consisted of councillors; Henry Nelles (Chair), Mark Betteridge, Brian Lewis-Lavender and Martin Whelton.
- 1.3 The task group identified two main ways in which the council could generate income; through Charging and Trading activity and through sponsorship and advertising.
- 1.4 A number of freedoms have been granted to local authorities in an attempt to help them generate income. This is primarily the ability to charge for services and trade as a private company, introduced in the 2003 Local Government Act<sup>1</sup>. This review examines the extent that Merton, and other authorities, have taken advantage of this ability and whilst attempting to identify any discretionary services that we do not currently charge for. It also assesses any possibilities for Merton to trade in function-related activities commercially through a company.
- 1.5 Sponsorship and advertising is an emerging area when considering maximising local authority income. It has gained an increased recognition across the country and a number of local authorities have become forerunners in the field. The review examines best practice and guidance relating it to current practice at Merton and, makes recommendations for improvement.
- 1.6 The task group also reviewed the billing and collection methods of the council following a highlighted issue of billing for day care services.
- 1.7 This review firstly considers the possibilities for charging and trading and secondly how the council can maximise income from sponsorship and advertising.

---

<sup>1</sup> Local Government Act 2003. London: HMSO (<http://www.opsi.gov.uk/acts/acts2003/20030026.htm>)

## 2 Charging and trading

- 2.1 The power to charge for discretionary services and trade in their ordinary functions was given to local authorities in the Local Government Act 2003. The LGA<sup>2</sup> outlined these principles as:
- 2.2 *Power to charge* – The power to charge provides all Best Value authorities in England and Wales with a general power to charge for discretionary services. It encourages authorities to enhance their existing services and to develop new ones. Local authorities can use the power to provide services that would otherwise have been too costly to continue providing or provide new ones. However, only costs can be covered by the charge so local authorities are unable to make a profit from this.
- 2.3 *Power to Trade* – The power to trade gives wider powers that enable local authorities to trade with private bodies and persons in a commercial manner. These powers will only be exercisable through a company structure, which is intended to ensure a level playing field with the private sector.
- 2.4 Clearly, both initiatives can play a role in generating income for the council. However, certain elements must be established in order for the council to fully maximise income.
- 2.5 Regarding charging and trading the review makes a number of recommendations. On the whole they are at a high level suggesting an overall approach. However, where specific areas for income generation have presented themselves the group have made specific recommendations.
- 2.6 This section identifies evidence and best practice and then relates it to the findings of the task group. It outlines Merton's current position in terms of the extent that we have adopted these principles and examines the extent that we charge for our discretionary services. It also goes some way to identifying our ability to trade; identifying some possible services and outlining elements that the group consider need to be in place to allow us to trade in the future.

### **Best practice**

- 2.7 There have been a number of best guidance documents produced by organisations such as the IDeA, in relation to charging and trading that provides a picture of current practice across the country.

### *Case studies*

- 2.8 The report recognises that the case studies outlined below may reflect different areas of the country in which the market conditions may be different to that of Merton's. However, they provide clear examples of some of the ways in which local authorities are making savings.
- 2.9 Brighton and Hove – grounds maintenance services  
In 2004/05 Brighton and Hove City council started to charge residents for ground maintenance services in order to generate income. It is currently very limited but officers are thinking about extending the service to private landowners.
- 2.10 Hammersmith and Fulham – Pre-application planning advice and graffiti removal

---

<sup>2</sup> LGA (2005:2), *Using the new powers to trade and charge: local authority case studies*. LGA

Hammersmith and Fulham introduced charging in two areas. The largest is for pre-application planning advice for medium and major sized applicants. Additionally, the council used the powers to extend its graffiti removal service to private residential property owners.

- 2.11 Examining much of the guidance that has been produced by organisations, including the Improvement and Development Agency (IDeA), the Local Government Association (LGA), and CIPFA, it appears that despite this new autonomy there has been little scope to implement new charges to fully capitalise on this legislation.
- 2.12 In 2005 CIPFA<sup>3</sup> published a guide in an attempt to encourage authorities to make more use of these powers and suggest likely areas to generate income. The suggestions of services were limited in scope and on the surface would yield relatively small amounts of income.
- 2.13 in 2005, the IDeA<sup>4</sup> highlighted that the LGA and others had found that councils were making use of their power to charge and were continuing to explore new possibilities. However, conversely few were trading through companies. This was primarily due to the complexities, time and resources involved in establishing a company.
- 2.14 The IDeA also identified that the most frequently cited use of the power to charge was for pre-planning application advice. The first authorities to start trading were commonly associated with companies they had established under previous legislation and were making use of the power to extend their business.
- 2.15 Concerns identified by both local authorities and the LGA in this review primarily revolved around the need to balance resources to deliver day-to-day services with the time needed to be spent on developing business proposals. Within this there were identified; issues of risk, limited resources, legal considerations and compatibility with corporate objectives.
- 2.16 The most recent study by the IDeA identified a pattern emerging in what councils were now charging for:
- The supply of documents
  - Civic ceremonies
  - Loan of assets
  - Advisory services
  - Translation
  - Film locations
- 2.17 They also recognised that some councils were using the powers to access wider markets and highlighted there was still room for innovative councils to generate further income through these powers. However, throughout the guidance it is possible to observe a limited amount of scope to generate significant amounts of income.
- 2.18 CIPFA<sup>5</sup> also identified that it may be possible to generate income from excess capacity, this can be in a number of service areas. For example, joinery, print

---

<sup>3</sup> CIPFA (2005)

<sup>4</sup> IDeA (2005)

<sup>5</sup> CIPFA (2005:34)

services, HR and IT. They state; 'if authorities have no other cost-effective use for such resources, but can find opportunities to sell, it would be perverse not to do so'.

### **Method**

- 2.19 The group had to amend their approach on several occasions throughout the review to accommodate the needs of departments.
- 2.20 The group's primary approach was an attempt to develop a list of discretionary services and, in turn, compare this to our current fees and charges to ensure that we were charging for everything in our power. It would then be possible to identify where new income streams could be developed initiating a policy debate about charging for these services.
- 2.21 Beyond this the group attempted to ascertain whether, for the fees that we already charge, we fully recovered our costs as allowed under the LG Act 2003. This would again initiate a policy debate around raising charges to reflect costs.
- 2.22 Due to a number of limitations set out below, the group largely collected information through meetings with managers, heads of service and cabinet members. The group also identified a number of previous internal reports that had recently been completed.
- 2.23 It was recognised that the burden of this review fell largely within Environment and Regeneration due to their wide portfolio of discretionary services.
- 2.24 In terms of trading the group took a similar approach speaking with both members and managers to gather evidence about the possibilities to trade.

### *Limitations*

- 2.25 The review faced a number of limitations. (1) It was difficult to obtain a full list of discretionary services for departments; (2) Corporate Services include an additional column to their income stream analysis that highlights what the charge is, i.e. if it is a statutory charge. The department indicated that there were no further discretionary services. (3) Both community and housing, and children's, schools and families don't have many discretionary services. (4) The group was unable to ascertain discretionary services within Environment and Regeneration beyond those for which they already charge.
- 2.26 Further, due to the limited capacity both of departments, and of the scrutiny team it was difficult to undertake a rigorous financial assessment of available data. As a result the group had to rely on evidence submitted by managers and cabinet members.

### **Merton**

- 2.27 This section outlines current practice within Merton; it presents its findings for each department highlighting specific services following discussions with managers.

### *Community and Housing*

- 2.28 Adult Education: Merton charges for training courses at full cost, income is also raised through part charged fees for courses.
- 2.29 Housing: Any 'discretionary but core' services Merton provides are charged for in full (including a management fee). There are currently no other discretionary services provided and no firm plans to introduce any at present.
- 2.30 The group was informed by the cabinet member for housing that there is an opportunity to generate income through the selling of 'dead space' within the housing stock. This relates to attics and basements that leaseholders could purchase and convert. This would be a finite income stream but could generate significant income in the short-term. Initial investigations have taken place within the department and the London Borough of Wandsworth has commented that this is a significant source of revenue for them. However, there is a limited amount of capacity within the team to pursue such a venture, including the marketing and administration, alongside delivering the day-to-day service.
- 2.31 Libraries: A large amount of work is being undertaken within the library division reflecting the need to adapt the service to reflect changing demand. It is considered that there are a number of ways to increase revenue in libraries including introducing privately run coffee shops and, in turn, receiving business rates.
- 2.32 The cabinet member supported this view and stated that it had already been examined. However, the group was informed that a lack of space within libraries has held back this initiative. The cabinet member suggested that when libraries are refurbished in the future more weight would be afforded to this initiative.
- 2.33 Home Care and Day Care: The department have recently developed a fairer charging policy relating to home care and day care services. It involves ending the current weekly ceiling of £350 per week for homecare and bringing charges in line with other boroughs.

### *Corporate Services and Chief Executives*

- 2.34 Corporate services income list highlights all the discretionary charges; these include print and graphic design, translation services, naming or renewal of vows ceremonies, and local taxation court costs.
- 2.35 Extra Capacity: HR charge out their services to schools. As mentioned, guidance suggests that it is possible to generate discretionary income from excess capacity. However, the head of service highlighted that there is no spare capacity to deliver payroll services beyond the existing external groups. Moreover, any extension would require an increase in resources that would increase fixed costs and, fundamentally mean we would be investing in a non-core business area. It was also felt that this was similar for other areas within Corporate Services such as IT services.
- 2.36 Filming Locations: There are a number of film locations located across the borough. The group understand that the filming rates have not been changed in around 2 -3 years and are overdue a rise.
- 2.37 Credit Cards: The council is charged a fee every time someone pays for a service by credit card. A number of organisations and other local authorities have begun to

charge 'administration fees' for payments by credit cards. This report recommends that the council consider charging on the cost incurred when services are paid for by credit card; this is fully discussed on page 12 and is outlined in recommendation 7.

**Recommendation 1**

The council should review filming rates and set them accordingly. In future they should be reviewed on a suitable basis.

**Recommendation 2**

The council should consider monitoring spare capacity within teams, as there may be opportunities to offer services to organisations outside of the local authority.

*Children, Schools and Families*

- 2.38 CSF are unable to charge for many services by law. However, for services such as children's social care they have developed a charging policy<sup>6</sup>. The policy sets out the reasons for charging, who will be required to pay for the charge and outlines the legal standing for the charge.

*Environment and Regeneration*

- 2.39 Environment and Regeneration have responsibility for the most discretionary income. They annually review their fees and charges and set these out in the schedule of fees and charges. Annually Environment and Regeneration have an expenditure of £49m, with an income of £28m, this gives a net expenditure of £21m.
- 2.40 Speaking with managers and service heads they expressed that there was little scope to increase charges or introduce new charges above and beyond what they have already done as part of the last budget process. Moreover, it was expressed that they work hard to identify ways of making savings in order to prevent unfortunate measures such as staff cuts.
- 2.41 Planning and Public Protection: Following discussions with the service heads it is possible to conclude that there is little scope to extend or introduce charges. *Pre-planning advice* has recently been extended to cover minor applications. In terms of evaluating the true costs of the service it was explained that it is difficult to account for all the embedded costs. However, the fees for this service means that the direct provision does not run at a loss.
- 2.42 Analysis has shown that further charges relating to planning such as providing extra copies of documents fully cover the costs of provision. This is also relevant to building control.
- 2.43 There is income derived from *Environmental Health and Trading Standards*, this is primarily through fees for statutory services such as pollution control, weights and measures but income here is small. The department also runs training courses for food hygiene, these charges cover the costs of provision and any increase is limited due to a competitive market. The head of service highlighted that there could be a possibility to generate income to cover the costs of a new 'scores on doors' scheme. It is an online classification of all the shops and premises in the borough and part of a

---

<sup>6</sup> London Borough Of Merton (2006)



nationwide scheme; although the scores will be free a charge could be imposed to view the full report.

- 2.44 Speaking with the cabinet member they highlighted *trading standards* as a team who perform well in comparison with other authorities, this has led to the suggestion that it may be possible that the service could be contracted out to neighbouring authorities. Further, consideration could be given to trading standards as a result of the outcomes of the Rogers Review that examines giving councils more discretion over the delivery of the service. It is important that the council are in a position to react to any changes regarding income generation (see recommendation 4 and 5).
- 2.45 There is a possibility to introduce a pre-application charging system for *licensing*, similar to that in planning. However, concern was raised as no other authorities have pursued this and the anticipated income would be small. Nonetheless, the task group believe that the council should consider introducing such a charge.

**Recommendation 3**

The council should consider the merits of introducing a charge for pre-application advice on licensing.

- 2.46 Street Management: Within street management there are a number of areas in which charges are implemented. On the whole the management team have reassured the group that we cover the costs of delivery. These charges include those on highways, parking, and commercial waste. In some areas there have been policy decisions to offer concessions for vulnerable groups, this is particularly relevant to pest control.
- 2.47 There is degree of flexibility in the way costs are determined within the division. It is a mix of identifying the costs of the service, looking at the levels of other authorities fees and charges, and also employing some elasticity to recognise fluctuations in the market.
- 2.48 The *pest control* service is set by two elements. Firstly, there is a statutory obligation to address and treat infestations of rats/mice and secondly, a commercial service that recovers costs.
- 2.49 *Commercial waste* has recently been streamlined with the removal of some elements such as skips. Beyond that the service is set against a financial model that recognises elements including the cost of collection and disposal and also any overheads. The department then sets prices accordingly.
- 2.50 Two new sources of income have been identified. Firstly, a new regulatory framework for utilities companies digging up roads is being implemented. It will be a permitting system and is expected to be a healthy source of income despite fluctuations. Secondly, fixed penalties for environmental nuisance are being introduced; this will include fly-tipping, abandoned vehicles and fly-posting. The penalties will be set nationally and are seen as an alternative to prosecution.
- 2.51 Property and Leisure has a broad range of discretionary services that the council charges for ranging from the hiring of halls to charges for tennis courts.
- 2.52 The charges largely reflect the cost of provision; however, many of the services are demand led and the charge needs to reflect that. Additionally, the department are exploring innovative ways to maximise income through these streams examples include online booking systems and methods of collection.

- 2.53 Within property and leisure the cabinet member highlighted an issue relating to charges, and consequently income, that must be considered. It was understood that the usage of halls is declining as they are becoming obsolete and dated. However, work is being undertaken to regenerate these gearing them towards the community.
- 2.54 The head of service confirmed that the department charge for everything they are entitled to charge for.
- 2.55 There are additional opportunities to generate income within property and leisure, namely car-parking in Morden Park during the Wimbledon tennis championships. This facility has been extended this year and provides a good example of how income can be generated during this unique opportunity.

#### *Cross Departments*

- 2.56 There are a number of other ways in which the council could generate income and should be considered.
- 2.57 Charging for advice: many teams within the council now lead the way in their service areas and, as a result, are often asked for advice from other local authorities. Recognising this, the group discussed the possibility of charging for this advice on a consultancy basis and further, the possibility of extending the service to contracting out key individuals on a short-term basis.
- 2.58 This clearly has a number of associated issues primarily revolving around the capacity of the team to maintain their function whilst individuals are working for another authority.
- 2.59 However, it is a clear opportunity to raise additional income for the council and thought must be given to how this would work in practice. In discussion the task group considered the elements that needed to be taken account of; the primary element identified was the speed necessary to react to developments and capitalise on the team's position. In order to achieve this it was felt that a business model, developed and held centrally, should be created; this would allow teams wishing to pursue this initiative the ability to apply this model and generate income.

#### **Recommendation 4**

The council should investigate the feasibility to compile a guidance pack for setting up a trading arrangement allowing departments to react quickly when a potential opportunity is identified. For example, this could enable departments to charge for advice following the presentation of a national award.

#### **Recommendation 5**

The council should consider examining the means to assist departments undertake income generating activity utilising existing resources within the council.

#### **Charging for credit cards**

- 2.60 When a resident pays for a council service using a credit card the council is charged a percentage of the transaction cost by the bank. It has become common practice across the private sector to impose surcharges on transactions using credit cards.

These range from a minimum spend in shops or an additional charge when booking theatre tickets.

2.61 Merton accepts payment by credit card for a wide range of services including:

- Council Tax
- Parking
- Rents
- Business Rates
- Sundry Debts

2.62 The council's spend on credit card and debit card charges is increasing; in 2004/05 the council spent £126,000 and in 2005/06 this increased to £135,000. In 2005/06 credit cards accounted for £112,000 of the £135,000. This is based on a bank charge of 1.45% per transaction.

*Debates*

2.63 There are a number of debates around recharging for using credit charges:

- Collection rates – it is argued that the addition of a surcharge will impact on collection rates as people may try to avoid paying or use a different method of payment.
- Fairness – is it fair to impose a surcharge on income streams that customers have no choice in paying. For example, Council Tax.
- Legality – There is no definitive legal opinion – advice has been ambiguous as there is no legal support for charging but alternatively no reason why the Council is not legally entitled to recoup handling charges. This means that some councils are hesitant in implementing such a policy. The LGA<sup>7</sup> have identified credit cards as a discretionary service, therefore councils are able to charge on a cost recovery basis.
- Shift to historical forms of payment – some have suggested that implementing a surcharge may lead to customers returning to using methods such as cash and cheque. If this shift happened then the costs of manual processing would probably outweigh any savings.

*Other authorities*

2.64 A number of other local authorities charge for the use of credit cards. However, there is little consistency about what they charge for, table 1 shows what some local authorities accept credit cards for and what they re-charge for. Below outlines LB Wandsworth as an example.

2.65 Wandsworth – credit card payment charges<sup>8</sup>

In 2004 Wandsworth introduced a charge to customers who wished to make payments by credit card to cover the additional cost to the council compared with payments by debit card. As local authorities are not obliged to accept payment by credit cards the service is discretionary.

**Table 1 - Credit cards accepted (/). Costs recharged (R)**

	CTAX	BRATES	Housing	Sundry	Parking	Other	Charge
--	------	--------	---------	--------	---------	-------	--------

<sup>7</sup> LGA (2005:12)

<sup>8</sup> LGA (2005:12)

			Rents	Debtor			
LB Wandsworth				/R	/R	/R	1.4%
LB Tower Hamlets	/R						
Fareham BC				/R	/R		
Guildford	/R	/R	/R	/R	/R	/	1.8%

### Merton

2.66 Merton accepts credit cards for a number of income streams and four streams have a significant impact on costs. As outlined in table 2.

**Table 2 - % of total paid by credit card and estimated cost**

Fund	% Paid by CR	Charge @ 1.45%
01 - Council Tax	65	72,869
07 - Parking	8	9,262
08 - FMIS Income	6	7,001
09 - Housing Rent	3	3,746
14 - Service Charge	3	3,171
16 - Business Rates	4	4,880
25 - Invoices	4	3,981
30 - Planning Portal	0	125
31 - Paylink	0	1
ZZ - Rejected internet funds	7	7,612
Total		112,648

2.67 At present the council does not accurately measure the breakdown of payments by credit cards. Therefore the figures presented below are conservative estimates provided by the finance team based on the data available. The finance team believe it is very unlikely that these costs will be lower than those presented.

2.68 Council Tax (01) accounts for 65% of all transactions by credit cards and in turn costs the council £72,869 p.a. Parking (07) is second accounting for 8% and £9,262 p.a.

**Recommendation 6**

The council should begin to accurately measure the breakdown of payments by credit cards.

**Recommendation 7**

The council should consider introducing an 'administration charge' on credit card payments in either all or some areas.

**Recommendation 8**

Recommendations 6,7, and 8 must be reviewed accordingly identifying savings in relation to current costs and in conjunction with collection rates.

## Charging policy

2.69 Throughout the duration of the review the group have attempted to examine policies relating to income generation. Although individual departments, such as Children's, Schools and Families have produced policies, there is no overarching policy setting charging in context. Moreover, this allows departments to operate in isolation, the head of finance has supported this view.

2.70 It is understood that corporate policies work to develop unified approaches to the delivery of services. A number of other London Boroughs<sup>9</sup> have developed such policies and set out some key principles that should be followed across the council to ensure a consistent approach.

2.71 Key elements include:

- Why the council charges for services
- What the council should charge for services indicating different forms of charging, set out in table 3
- Consideration in setting the level of fees and charges
- An overarching view on concessions, formalising which groups are eligible
- Finally, how to review charges outlining what should be considered and additional information to support such reviews. This could include current user attitudes and levels of usage and benchmarking information as well as the cost of provision. A number of authorities also produce a checklist to ensure that all information is complete.

2.72 As mentioned a key benefit of producing a policy is to formalise who should be eligible to receive concessions. There is evidence to suggest that some officers are often subject to internal pressure to reduce charges or not charge certain people/organisations.

2.73 Pressure is applied to reduce charges from across the council. Without a formal policy stating concessionary arrangements officers feel they are put in a difficult situation. A policy will offer support for this and ultimately maximise our income.

2.74 The Audit Commission<sup>10</sup> are currently examining the effectiveness of the charging legislation. They have identified that a policy can help ensure that new/reviewed charges reflect corporate aims as well as instilling a requirement to consult users on new and increased charges<sup>11</sup>.

**Table 3 - Range of possible charging policies**

Charging policy	Policy objective
Full commercial	The Council seeks to maximise revenue within an overall objective of generating as large a surplus (or a minimum loss) from this service
Full commercial with discounts	As above, but with discounted concessions being given to enable disadvantaged groups to access the service
Fair charging	The Council seeks to maximise income but subject to a defined policy constraint. This could include a commitment made to potential customers on an appropriate fee structure.

<sup>9</sup> Namely Havering and Royal Borough of Kensington and Chelsea

<sup>10</sup> Audit Commission (2007)

<sup>11</sup> LGIU (2007)

	Alternatively, a full commercial rate may not be determinable or the Council may be a monopoly supplier of services.
Cost recovery	The Council wishes to make the service generally available, but does not wish to allocate its own resources to the service
Cost recovery with discounts	As above, but the Council is prepared to subsidise the service to some extent to ensure disadvantaged groups have access to the service
Subsidised	Council policy is to make the service widely accessible, but believe users of the service should make some contribution from their own resources. Could also be due to the adverse impact a cost recovery or commercial charging policy would have on other council services.
Nominal	The Council wishes the service to be fully available, but sets a charge to discourage frivolous usage.
Free	Council policy is to make the service fully available
Statutory	Charges are set in line with legal obligations

2.75 Kettering Borough Council also advocate the benefits of developing a clear charging policy. Speaking at an LGIU conference<sup>12</sup> the Head of Corporate Development outlined both the importance of fees and charges and also the need to take a consistent approach to aspects such as concessions. Table 4 outlines some of their guiding principles for setting fees and charges. After developing the policy councillors now have both a greater understanding of how charges are set and, as long as officers clearly demonstrate they have conformed to the policy councillors are more willing to accept the charge ultimately speeding up decision making.

#### **Recommendation 9**

The council should consider developing an overarching charging policy to set charges in context and ensure a consistent approach is applied to concessions and reviewing charges.

**Table 4 - Kettering's guiding principles for setting fees and charges**

<b>1. Fair shares</b>	<b>2. Rationality and prioritisation</b>	<b>3. Stability and predictability</b>
a) The subsidy from taxpayer to service user should be a conscious choice, not an accident	a) Fees and Charges policies should reflect key commitments and corporate priorities	a) The impact of pricing policies should be managed through phasing over time when the impact is high
b) Concessions for services should follow a logical pattern	b) Price should be based on 'added; and 'perceived value' as well as cost	b) Policies should fit with the Council's medium term financial strategy (i.e. be affordable to service users and taxpayers)
c) Fees and charges should not be used to provide subsidies to commercial operators from the council taxpayer	c) There should be some rational scale in the charge for different levels of the same service	c) Fees and charges should generate income to help develop capacity, deliver efficiency and sustain continuous improvement
d) A tough stance should be taken on fee dodging	d) There should be some consistency between charges for similar services	

## **Collection of income**

<sup>12</sup> LGIU (2007)

2.76 It is necessary to consider the collection of income when talking about charges. The review has identified that on the whole our collection methods work well. However, public concern has been expressed regarding our charging system for home day care.

2.77 In November 2002, Housing and Social Services (now Community and Housing) introduced a new social services management system to record social care activity called Carefirst. In March 2005, the financial module was implemented. This was the first time that both social services care activity and finance data was held in one system. This meant that Social Services could bill their clients electronically from the data held in Carefirst via the Council's debtor system called Ash.

2.78 However, there were a number of issues following implementation. These included:

- Incomplete working interface between the CareFirst and ASH systems.
- Missing, incomplete or incorrect, unauthorised Service Agreements on CareFirst.
- Service Agreements not amended to reflect client hospitalisation periods.
- Financial Assessments outstanding or incomplete.
- Missing or incorrect client contributions.
- Unreliable client data within CareFirst.
- Maximum Home Care charge not set correctly in CareFirst.
- Internal Home care hours had to be manually entered.
- Delays in the collation of hours for Internal Home Care.
- Confusing and misleading data text in invoices produced.
- Credit adjustments not automatically raised for clients when they should have been.
- Unable to reduce billing delay to less than 8 weeks, due to the processes applicable to Internal Home Care.
- Problems over correct charging where two carers are involved.
- The complexity of the new Home Care banding system introduced in 2006.
- Day Care attendance records have to be manually collated and the charges manually calculated for the bills to be raised directly in ASH.
- Day Care billing cannot be worked on until the Home Care Billing has been completed for the same period.

2.79 The list above gives an idea of the issues that needed to be resolved. The difficulty in resolving these issues varied throughout and some took much longer than others. There is now a much better process now than in 2005/06 and staff are continually working hard to resolve remaining issues in order for the users of this service to receive timely and accurate invoices.

- 2.80 As a measure of performance from October 2006 to March 2007, Merton have sent out around 8,000 invoices. In the last 12 months, the Council have received six stage one complaints about invoicing with one being referred to the Ombudsman. These can be broken over Residential, home care, and day care.
- 2.81 The way forward: Both Corporate Services and Community and Housing staff have been working together to implement a number of enhancements. These include:
- Transfer of day care attendance and transport billing to Carefirst
  - One invoice per client for all of types of non residential care received by a client in any one 4 weekly period
  - Better wording on the invoice so clients will relate invoice to the services they have received
  - Implementing a system to log time spent with clients (CM2000) will eventually see a reduction in the 8 weeks it takes to produce the invoices and more accurate billing based on actual hours of care
  - We have set up an operational officer group that discuss financial and information issues so all matters relating to invoicing problems will be resolved by this officer group. If a resolution cannot be made then the issued is referred up to control group chaired by the Director who will then make the decision
- 2.82 A report is going to the way we work overview and scrutiny panel on 14 June 2007 and the group agree that the system must be monitored on a regular basis.

**Recommendation 10**

The Way We Work Overview and Scrutiny Panel should monitor the implementation of the ASH CareFirst system on a regular basis to ensure that has been successfully installed.

- 2.83 Debt recovery in particular has made a great deal of progress and the council has ensured this system works well having invested resources since 2002. Performance management data supports this and collection rates are extensively monitored. The council are taking steps to achieve higher performance by improving relationships with customers in arrears.

**Summary**

- 2.84 A large amount of income is generated already from charging and trading, and given the requirements on departments; this review believes that all departments actively seek to charge for services throughout the budget setting process.
- 2.85 Likewise, the review identified that collection methods are largely effective. However, it is important to note that a new system has been implemented for day care charging. Given previous problems in this area the group recommend that the transition to the new system is monitored by the Way We Work Overview and Scrutiny Panel.



- 2.86 A number of additional services can be exploited to generate income; using Morden Park for care parking during the Wimbledon fortnight is a good example of an income generating activity in place. Beyond this, initiatives such as selling off 'dead space' within the housing stock could generate substantial income. However, such an initiative is stifled by a lack of capacity.
- 2.87 The main concern raised was the lack of a standard practice/policy for considering, reporting and justifying charges. As such the group believe that a charging policy should be developed.

### 3 Sponsorship and advertising

- 3.1 Sponsorship and advertising initiatives have started to gain an increased recognition amongst local authorities as a potentially lucrative new income stream. Examples include, companies/partners providing services in kind, paying for events/corporate campaigns or, paying for advertising space on a councils assets.
- 3.2 Although there is already advertising and sponsorship activity within local authorities formalised approaches are still in their infancy and the specialist skills and corporate approach necessary to maximise income is only just being realised.
- 3.3 *'Attracting sponsorship and advertising is a specialist skill. It is not enough for councils to decide that their activities are available to be sponsored, or to set ambitious income targets for sponsorship activities. Building a relationship with sponsors and advertisers and delivering benefits to them, takes time'*<sup>13</sup>.
- 3.4 This section of our review firstly sets sponsorship and advertising in a local authority context, secondly Identifies best practice, and finally outlines Merton's position and presents recommendations.

#### **Local authority context**

- 3.5 Advertising and sponsorship are two separate initiatives and it is important to note a distinction. However, the skills involved and the measures needed to maximise income are closely linked. They can therefore, for the most part, be discussed together.
- 3.6 The Cabinet Office<sup>14</sup> provides a definition of sponsorship in relation to the public sector as:  
  
*"The payment of a fee or payment in kind by a company in return for the rights to a public association with an activity, item, person or property for mutual commercial benefit."*
- 3.7 Sponsorship activity has been happening within local authorities for many years extending from the donation of a set of football goals to a school to full financial sponsorship of a festival or event. However, to fully maximise the income that a local authority can derive from such initiatives it is important to recognise the importance of taking a systematic co-ordinated approach.
- 3.8 Advertising can take two forms, first is how the council advertises its own services/brand and secondly how we sell advertising space to companies for revenue.
- 3.9 The IDeA<sup>15</sup> has provided guidance that sets out some of the key criteria that must be considered before developing sponsorship initiatives:

---

<sup>13</sup> IDeA (2006)

<sup>14</sup> The Cabinet Office (2007)

- Take a corporate approach: Attracting sponsorship is a specialist skill. There is a limited amount of income available in a local area, so taking a council wide approach is essential.
- Be clear about what is on offer before you start: What is available to be sponsored across all departments and what is out of bounds. Councils should be prepared to look for all available opportunities and take a creative approach.
- Do some basic market research: Either as part of a communications audit or separately. It is vital to get a good understanding of the market in your area.
- Develop realistic priorities and income targets: Particularly for first year activities. It is vital to be realistic about what you can achieve.
- Be clear on the benefits to sponsors: Many council sponsorship initiatives fail because they do not understand what sponsors want, and do not spell out benefits in a way that sponsors understand.
- Be professional: Good sponsorship packs and a comprehensive, regularly maintained database of sponsors are essential. Most important is actually delivering on the benefits to sponsors and ensuring sponsors get a consistent experience in their dealings with the council; this reinforces the importance of a corporate approach.
- Develop a long-term relationship with sponsors: This means getting to know them well, understanding the key people and priorities and how and why they spend their budgets. Sponsors should not be viewed as a source of cash for one-off initiatives.

3.10 During a presentation<sup>16</sup> the commercial manager of the Lawn Tennis Association outlined the position of local authorities from an external perspective. He highlighted a number of key points:

- Local authorities will never be lovable, iconic brands.
- Local authorities are a microcosm covering the major sectors of sport, arts, music, and environment.
- There is the ability to harness 'Community Social Responsibility'

3.11 It is also recognised that local authorities do have a wide range of services that can be sponsored or sell advertising space. However, a common recommendation from external organisations is that authorities must package these services together to attract higher returns. Authorities should also identify any special packages that might have an element of exclusivity in the market place.

3.12 A final issue that has been highlighted by external agencies is that local authorities often have a long turn-around time following the initial decision to undertake sponsorship and advertising activity. They comment that it is important that a local authority can react quickly to these initiatives and suggest that elements such as packages of sponsorship/advertising opportunities and lines of responsibility are identified before entering into discussions with external agencies.

### **What is available to be sponsored/advertised?**

3.13 Most services within a local authority could be sponsored, however many of these will not attract much interest from sponsors, nor will they be able to attract a substantial income on their own.

---

<sup>16</sup> Commercial Manager, Lawn Tennis Association (November 6, 2006)

- 3.14 Authorities and advertising agencies suggest that the main 'products' within a council that attract sponsorship are roundabouts, traffic sites (e.g. major highways), and flowerbeds. Secondary 'products' include boundary/welcome signs, lampposts, car parks, and events organised by local authorities.
- 3.15 However, there are many more services from litter/wheelie bins to library cards that could attract sponsorship or sell advertising space with the correct marketing. It is also possible that many services may be able to 'piggy-back' on more lucrative contracts when presented as part of a package.

### **Best practice**

- 3.16 As with most services the way that councils attract sponsorship and advertising and the importance placed upon these varies throughout the country. However, it is possible to identify a trend running through the best practice evidence.
- 3.17 Throughout the review we have spoken with a number of local authorities. There are no councils who are nationally recognised as best practice authorities through award schemes. However, we have identified a number who can be viewed as forerunners in the field. These include, Guildford, Luton, and Leeds.
- 3.18 Evidently it is important to remember that Merton is in a very different position to these. Leeds, for example, is a major city in its own right and has full autonomy over the majority of roundabouts and major highways.
- 3.19 However, although different, there is a clear theme that runs throughout these authorities; they take a co-ordinated approach and have clear structures and processes in place for officers in order to maximise their income.
- 3.20 Guildford Borough Council does not employ a central individual to manage sponsorship/advertising income; instead they employ a strategic project officer within the communications team who has the responsibility to ensure that officers adhere to the strategy and policy set out below. Individual agreements are sought by officers within departments in strict accordance with the policy and strategy. This responsibility is one of many, the officer stated that it was more time consuming at the outset but this now typically takes up 5-10% of their time.
- 3.21 Guildford see the production of a clear sponsorship policy<sup>17</sup> and strategy as a way to ensure that officers, when seeking advertising/sponsorship, take a corporate approach. Many authorities have used this as a base to produce their own policies. It sets out the council's definition of sponsorship upon which it may be both sought and accepted by the council.
- 3.22 The policy sets out objectives to ensure the council's reputation is protected in agreements, whilst expecting staff to adhere to a consistent and professional approach, ensuring best value, and protecting members and officers from allegations of inappropriate dealings or relationships. It clearly states from whom the council cannot obtain sponsorship and presents procedures that all officers must adhere to, including; following the sponsorship strategy, maintaining a sponsorship register, and ensuring agreements are appropriately signed off.
- 3.23 In addition, the strategy, approved in 2005, sets out procedures to deliver a co-ordinated approach to sponsorship activity. The strategy was a product of a number

---

<sup>17</sup> Guildford Borough Council (2007)

of reports to address the need to seek new external funding. The report looked realistically at the challenges of local authorities appealing to sponsors in a competitive market and also acknowledging the risk of wasted resources if inappropriate sponsorship should be sought.

3.24 The strategy hopes to enable the organisation to:

- Have a corporate overview of sponsorship activity
- Provide systems to set and monitor targets centrally
- Help to avoid duplication of approaches to the same sponsor
- Provide a more coherent public face for sponsorship by establishing a set of sponsorship contacts and a web site.
- Support officers through training and by publishing a policy, checklist and guidelines.
- Protect the Council's reputation
- Furthermore, adhering to the checklist should minimise fundraising which is not of any financial benefit to the council

3.25 Leeds City Council asked an external agency to undertake some work to examine sponsorship/advertising arrangements within the council. They identified four ways that employment arrangements could work:

1. Each dept works independently using existing staff
2. Centralise the work with specialist staff
3. One dept is the gatekeeper for initiatives working with 3rd parties to generate money
4. Use an outside company to do it all to save on internal staff costs.

3.26 They decided on option three and the subsequently appointed officer works across the council providing advice on advertising and helping on sponsorship. Their key purpose is to 'maximise the opportunities for creative and innovative advertising, focussing on 'one-off' and unique advertising opportunities. Also, the post holder will act as a 'gatekeeper' with a role of acting as the first point of contact, co-ordinator and overseer of all new advertising initiatives'. The first part of the role is not as applicable to Merton due to the different opportunities available, however the second part can relate entirely. Referring to their gate-keeping duties, the officer commented that '*getting the control balance is important and we have not really cracked that yet as it needs to be control but not preventing people from taking initiatives that can generate revenue*'.

3.27 This approach is different to that of Guilford's as one individual is tasked with the responsibility to seek out and generate income through advertising and sponsorship. However, a number of small-scale initiatives are still undertaken by officers within departments. The council does not, as yet, have any policy arrangements in place to ensure a consistency of approach; instead officers are encouraged to seek advice and support from the central post. However, Leeds are looking at developing a set of policies to maximise sponsorship/advertising income in the future.

3.28 Luton Borough Council has also established a central post, situated in the communications team, in a role similar to Leeds City Council. Their job is to develop and implement the corporate initiative to generate savings and/or income to improve Council services. This is through means of the acquisition of sponsorship and advertising support from commercial organisations whilst operating within the context of an agreed Business Plan and established Council policies.

- 3.29 Their main responsibilities are to develop a 'menu' of opportunities for sponsors that the council can offer, research organisations and potential sponsors, and to lead and be a main point of contact when pursuing potential sponsors/advertisers by preparing proposals and letters etc. In the first year there was an initial target to make £100,000.
- 3.30 The 'menu' of opportunities is applicable to Merton in the first instance as it is a piece of work that can be undertaken across the council before allowance for staffing arrangements are made. This is discussed on pages 30 and 31 and encapsulated in recommendation 16.

### **Setting of income targets**

- 3.31 It is important to set income targets to give the council something to aim for, whilst remaining realistic.
- In the first year the council may not make a profit.
  - Income can be variable; it may change depending on the market.
  - Actual value must be considered – it is possible to receive over-inflated estimates from both officers and experts.
- 3.32 Bearing the above in mind it is important that advertising/sponsorship targets are realistically reflected in the budget. This consideration was expressed by almost all local authorities consulted during this review. This concern is highlighted by the IDeA<sup>18</sup> who stated that authorities must develop realistic priorities and income targets and be realistic about what they can achieve.
- 3.33 It is also important to ensure that sponsorship is ongoing as it could result in a budget shortfall in subsequent years.

### **Merton: current practice**

- 3.34 This section outlines Merton's position setting the borough into context, outlining current practice and making recommendations for improvement.

#### *Context*

- 3.35 It is important to draw attention to Merton's geographical position and how this relates to the types of sponsorship/advertising activity a council can pursue and also the differences between Merton and other local authorities.
- Limited autonomy due to competing agencies – Transport for London (TfL), Greater London Authority (GLA) etc. therefore no roundabouts.
  - No major highways into the city and again the conflict with TfL
  - Lack of landmarks or landmark buildings
  - Draw of the city attracting major sponsors within close proximity to Merton.
- 3.36 However, Merton plays host to the Wimbledon tennis fortnight one of the country's biggest sporting events. This places the council in a relatively unique position, although it bears similarities with a number of London boroughs and city councils.

---

<sup>18</sup> IDeA (2006)

### *Current practice*

- 3.37 Sponsorship and advertising activity has taken place across the authority for a number of years. However, this report has found that most of this activity has been ad hoc and to an extent inconsistent. In effect the council has effectively operated within departmental/divisional silos with regard to such activity.
- 3.38 This observation was reiterated by the communications team. They highlighted that individual departments often pursue sponsorship initiatives individually, and agreed that to maximise income and provide support for writing proposals there could be a move towards centralisation with a gatekeeper placed in the communications team. However, in the short term, the new communications group should make some positive steps on this matter.
- 3.39 Having said that, a number of teams have started to liaise with communications to help them attract and renegotiate new contracts. For example, Environment and Regeneration have worked with communications to renegotiate the JC Decaux contract.

### *Previous attempts*

- 3.40 Selling advertising space has been examined previously, primarily within Environment and Regeneration.
- 3.41 A report was undertaken in 2003 to identify outdoor advertising opportunities within Merton. The brief was to identify a number of potential locations for outdoor advertising on property owned by the council with a view to generate a significant income stream that did not previously exist.
- 3.42 The council entered into an agreement with More O'Ferrall who identified 13 locations throughout the borough. However, only seven locations gained planning consent. We were informed by the manager in charge that it largely stalled when planning permission was not granted but also as the advertising industry was changing away from static billboards.
- 3.43 Other opportunities were also identified including 12 large format sites, lamppost advertising, bench advertising, roundabouts, trackside advertising, car park tickets and mega banners. The report highlighted that the majority of opportunities were limited but moreover, companies had lost interest in previously sold sites.
- 3.44 Lamppost advertising has subsequently been pursued within environment and regeneration and the tendering process for the contracts is currently underway. The Cabinet member for environment and traffic management highlighted this as an area they are currently working on.
- 3.45 We were informed of an existing 20-year contract with JC Decaux that was signed 12 years ago. It allows the council to advertise its services and also provides the council with a percentage of its advertising income. However, this income is not at current market level. Re-negotiations of the contract have taken place but so far have not significantly changed the agreement.
- 3.46 Some smaller scale initiatives have also taken place, for example community and housing have approached registered social landlords to sponsor the annual 'Celebrating Age Festival'. Sponsorship of the flowerbeds outside of the Civic Centre

was sought from local garden centres and companies but didn't generate much interest.

#### *Contracts and advertising*

- 3.47 Throughout the past 20 years a number of contracts have been signed within departments for advertising. There has been a recent internal audit<sup>19</sup> of how the council advertises its services; this report confirms the ad-hoc approach currently employed by the council.
- 3.48 Concern was expressed about the lack of formal documentation regarding advertising arrangements. It was highlighted that there is no one department or officer responsible for overseeing advertising arrangements across the Council. It is thought that this could lead to an inconsistency in approach and further that this could result in decisions that were inconsistent with the council's policies, procedures and objectives. There is also an inconsistency across departments in the negotiation of fees and finally, there were no written procedures/guidance notes available to aid the effective administration of advertising.
- 3.49 As mentioned these observations support this review's findings, therefore the group supports a number of recommendations previously made and recommends that they should be extended and applied to all sponsorship/advertising arrangements.

#### **Recommendation 11**

The group agree with the recommendations set out in the internal audit review of advertising ref: X0250D. This review recommends that the council should consider the points below accordingly. However, concern has been raised about how elements of this fit with the council's work on e-procurement that must be clarified.

- To aid efficiency, consistency and to achieve VFM consideration should be given to streamline advertising within the council.
- Detailed written procedures should be prepared relating to the administration of advertising. This should include the following
  - That every contract should be in writing and all copies kept
  - There should be documentation to support all advertising arrangements
  - Responsible officer should demonstrate that VFM is obtained in awarding contracts. The reason for the selection of a provider should be stated.
- Employees responsible for ordering should ensure that expenditure would not be incurred which exceeds the budget provision
- Periodic meetings should take place regarding contract performance between the contract managers and the contractor.

#### *Developing a co-ordinated corporate approach*

- 3.50 There are a number of detrimental outcomes from not approaching sponsorship/advertising in a central joined-up way.
- 3.51 One of the main consequences of not being joined up is some departments don't know what activity other departments have undertaken. For example, there have previously been occasions where advertising agencies have received an agreement to sell advertising space for one department and have then sold that space to

---

<sup>19</sup> London Borough Of Merton, Internal Audit (01/2007)



another department within the council. This effectively negates any increase in the bottom line income of the council.

3.52 As set out above best practice suggests that authorities must develop a coordinated approach to sponsorship and advertising. This has further been supported by Merton's officers through responses to the questionnaire highlighting a number of benefits:

- Services will learn from each other if there is co-ordination and generate new ideas
- Co-ordination so that services can piggy-back on others' sponsorship deals where appropriate
- Companies will be more interested if the whole council is open to them rather than just one service

3.53 If the council were to adopt such an approach it is important to think about how this would fit within the council structure. The most obvious place would be within the communications team within the Chief Executive's department. However, the communications manager stressed that although communications would be a logical place to co-ordinate sponsorship/advertising arrangements there was currently limited capacity and also skills as the team are made up of press officers rather than sales.

3.54 In terms of developing a new post or extending the role of an officer already employed by the council, best practice provides a number of examples. The group agrees with the work undertaken at Leeds that there are four options available:

1. Each dept works independently using existing staff
2. Centralise the work with specialist staff
3. One dept is the gatekeeper for initiatives working with 3rd parties to generate money
4. Use an outside company to do it all to save on internal staff costs

3.55 Option 1 is how we already operate, although this can be made more efficient through the development of a corporate policy and strategy (discussed below). Option 2 requires the greatest financial investment and is not appropriate in the short term. Option 4 is an attractive option given current capacity levels. However, the group believe that option 3 is the best choice for Merton. The group recognise that there will be an initial investment of time, however once the arrangement has been established the time should significantly reduce.

3.56 Once these arrangements have been made a consolidation exercise needs to take place, this would build on this review and establish what activity currently takes place across the council. The council can then begin to establish a corporate policy and strategy, communicate this to officers and finally they must act as a gatekeeper for all activity ensuring that the brand is protected and duplicate approaches are avoided. The group hope that this role could be an extension of someone's current duties, although they recognise that capacity is limited.

**Recommendation 12**

The council should consider centralising sponsorship/advertising activity within the authority and whether this resource should sit within the communications team. They would act as a gatekeeper for initiatives and work with teams to generate income.

3.57 Despite initial reservations over capacity the communications manager considers that if council agrees the option to add the facilitation of advertising and sponsorship to an existing post it could work within the current set-up. If guidelines around sponsorship and advertising were agreed at the highest level and communicated across the authority, it would then be more manageable for a member of communications to facilitate officers seeking advertising/sponsorship, and act as a gatekeeper.

**One-off event advertising**

3.58 The Wimbledon Tennis Championships held at the All England Club places the council in a unique position.

3.59 This review has recognised that some other authorities host events of a similar nature:

- Southampton – Tour-of-Britain
- City of Nottingham – Tennis
- Hammersmith and Fulham – Queens Tennis, Oxford V Cambridge Boat Race, Football Clubs Chelsea and Fulham

3.60 As the council already receives many benefits from the All England Club and we have a very well established relationship, any advertising initiatives must consider this. However, due to the council's financial position the task group believes that it is important that the council attempts to maximise their income during the fortnight, possibly in collaboration with the All England Club. For example, it may be possible for sponsors of the tournament to increase their coverage throughout the borough for an additional fee. It is understood that previous initiatives have been mooted, however attempts have failed to develop.

3.61 From looking at the other authorities it appears that Merton's relationship with the All England Club is similar to other authorities relationships with their major sports clubs. For example, Hammersmith and Fulham have a close relationship with both Chelsea and Fulham football clubs who provide a number of benefits to the council and community. However, in terms of one-off advertising initiatives, despite considering it, all other authorities, have not yet used this to specifically generate income for the council.

3.62 As highlighted in the previous section other income generation opportunities present themselves during the Wimbledon fortnight and the council should use this as an example when considering sponsorship and advertising.

3.63 There are a number of other events that are organised by the council or take place within the borough including, the annual fireworks display and Cannizaro festival. The council should consider seeking sponsorship for such events or exploring relationships with the organisers to generate income.

**Recommendation 13**

The council could explore initiatives to generate income through the sponsorship of/advertising at local events. This must take into consideration existing relationships with organisers but equally use these relationships to develop potentially new sponsorship/advertising initiatives.

**Capacity**

- 3.64 One of the key barriers to successfully securing sponsorship for an event or service of any scale is the lack of capacity within the relevant teams. This is exacerbated by a lack of co-ordination as limited amounts of information and best practice is shared within the council.
- 3.65 This has been highlighted in discussions with councillors and officers and has more widely been cited in response to the questionnaire (Appendix 1) sent to departments. The cabinet member for community services gave a specific example that capacity was an issue when developing and expanding the heritage website.
- 3.66 In the immediate term, to support teams and aid capacity, the council could begin to develop key documents centrally. At the simplest level a centrally produced sponsorship proposal that can be tailored to suit individual teams/events would help improve the councils image, coupled with a checklist/guidance note highlighting the necessary steps to take in order to secure sponsorship. Not only will this help teams capacity issues but it will make a positive first step in promoting a centrally co-ordinated system to teams within departments.
- 3.67 Evidence from our questionnaire supports this. It asked departments if they would support and benefit from the development of some central tools to help them obtain sponsorship, these were:
- Types of things you can offer for sponsorship
  - Creating sponsorship proposals
  - A database of organisations who are available to be contacted
- 3.68 Everyone who responded agreed that it would be useful if these tools should be developed.

**Recommendation 14**

In the immediate term the council should consider developing key central resources:

- Types of things that can be offered for sponsorship
- Sponsorship proposals
- A database of organisation who are available to be contacted

The reason is twofold (1) to help utilise existing capacity within teams to seek and secure sponsorship initiatives (2) begin to make positive steps towards the increased centralisation of the process.

**Policy and strategy**

- 3.69 Reviewing current activity it is clear that there isn't currently a joined up approach to sponsorship/advertising across the council. This situation is exacerbated by the lack of formal documentation and guidance. As with Guildford (page 19) a clear sponsorship policy and strategy can greatly benefit the organisation through the promotion of consistency and brand values.
- 3.70 Once such policies have been created it is important that the council monitors departments to ensure that officers are conforming to these documents. Signing off arrangements should be considered, for example the council could require both service heads and the communications manager to jointly sign agreements, this will ensure that the centre has been advised of initiatives being undertaken and can then maintain the relevant information such as the contacts database.

**Recommendation 15**

The council should develop an overarching sponsorship policy that all officers must adhere to in order to protect the council's image and help maximise income.

In support the council should develop a clear sponsorship strategy promoting consistency throughout the council. The strategy should include the key items highlighted in paragraph 3.24.

- 3.71 Similarly, although the communications team were happy to take a lead on centralising sponsorship/advertising initiatives, they highlighted that there was currently a lack of capacity and skills within the team.

**Areas that could attract sponsorship/advertising**

- 3.72 The questionnaire (Appendix 1) asked departments what services/functions they had that could either be sponsored or sold for advertising space. The responses are set out below:

3.73 Libraries:

- Library events: monetary and in kind (e.g. monetary to cover costs of publicity, in kind as prizes for specific activities – e.g. for children in reading and writing competitions)
- Production of book lists - monetary
- Production of publicity – monetary
- Library surveys – monetary or in kind encouragement to complete and return

3.74 Housing:

- Annual "Celebrating Age Festival" in Merton
- Housing services to tenants and leaseholders – monetary
- Housing services generally – in kind (using the fact that businesses often have a community/social responsibility objective/fund)
- Tenants handbook – advertising space to around 11,000 households with a similar demographic and regular communication.

3.75 Central:

- Maintenance of the front garden – money or managed externally.
- Council Tax book

3.76 Adult Education:

- The Merton Adult Education service generally could do with attracting sponsorship both monetary and in kind - with sponsorship, we could reach out to a wider audience by offering things that we would otherwise be unable to afford- publications, open days, taster courses, award ceremonies celebrating students achievements, participation in national campaigns such as Adult Learners week & Family learning Week, courses such as Towards Independence courses or courses that tackle deprivation in the community and much more.

3.77 Children, Schools and Families:

- Public booklets – e.g. Safe Parenting Handbook; Understanding your Teenager. (Advertising)
- Campaigns such as Child Safety Week; Child Safety Guidance for Licensed Premises. (Advertising or monetary)
- Events such as Celebrating Success of Children in Care (Goods, monetary)
- Teenagers to work Scheme – for young people in care – (work placements, Profession/trade displays, venues)
- Training/Learning & Development – (promotion from companies)

3.78 Planning:

- Sponsorship of street map for building control.
- Sponsorship of service standard booklet for development control
- Curry competition.

3.79 Environment:

- The main service/function within property and leisure available for sponsorship would include the planting of key flowerbeds in parks. In so doing the council must ensure that any income is sufficient to provide a good display.
- Parks and Green Spaces
- Roundabouts

3.80 Cultural Initiatives/Events:

- Fireworks displays
- Heritage website

**Recommendation 16**

Alongside the recommendation highlighted above the council should consider identifying fully what services could attract sponsorship/advertising. They should then develop packages that may allow smaller services to benefit by being grouped with more attractive services.

**Summary**

3.81 Having reviewed best practice and Merton's current work it is possible to draw a number of conclusions.

- 3.82 Best practice strongly suggests the centralisation of sponsorship/advertising work to some degree, from simply the maintenance of a database of contacts or to a specifically employed officer. Whatever the extent it is important to also have a set of documents to support the organisation ensuring that officers within departments conform to the corporate identity and prevent undermining other, more lucrative initiatives.
- 3.83 Merton has previously undertaken a number of sponsorship/advertising initiatives although these have primarily been undertaken within individual departments without consultation with the centre. This is beginning to change - the communications team has established a cross council meeting group and it is believed that this will make an impact on current practice within this area.
- 3.84 The questionnaire highlighted the wide range of sponsorship/advertising opportunities that are present across the council. However, not all of these are suitable to attract sponsorship in their own right. As best practice suggests it is important that local authorities catalogue these into 'packages' that they can sell to sponsors/advertisers allowing all departments to benefit.
- 3.85 Ultimately, the task group believe that there is a need to develop an overall corporate approach towards sponsorship/advertising breaking down the 'silos' in which the current practice operates.

## 4 Conclusions

- 4.1 This review of income generation has identified two main ways in which the council can generate income, through powers to charge and trade and through sponsorship and advertising.
- 4.2 By reviewing charging and trading the group were happy with the overall activity within the council. However, the group were concerned with the lack of formal documentation supporting charging and trading.
- 4.3 Sponsorship and advertising activity has taken place previously within the council. However, departments have operated within their operational 'silos'. The review largely recommends that the council move to an increased level of centralisation in an attempt to co-ordinate activity and maximise income.
- 4.4 Finally, the review highlights an over-riding limitation applicable to both main sections and also to ad-hoc income generating initiatives; a lack of capacity within teams. This limitation often stifles initiatives. Therefore, as outlined in our recommendations, the council should consider how it could best utilise staff resources to help teams pursue such initiatives.
- 4.5 Ultimately, the group believe that this has been a beneficial process and hope that cabinet support the recommendations.

## 5 Appendix 1

### Questionnaire

The review asked departments for their views on sponsorship and advertising within Merton using this short questionnaire in the first instance.

1. What services, in your department, would you like to / have tried to attract sponsorship / advertising for? Please highlight if donation would be monetary or in kind.
2. What are you offering / plan to offer in return? E.g. Advertising (banners at events, links on website, names on publications)
3. Upon what basis have you decided/will decide the cost of benefits offered? E.g. through service cost recovery, by reviewing other boroughs.
4. Have you consulted/informed anyone in the council about your ambition to gain sponsorship / advertising?
5. Would you find it helpful to have central guidance for:
  - a. Types of things you can offer for sponsorship
  - b. Creating sponsorship / advertising proposals
  - c. A database of organisations who are available for you to contact
  - d. Anything else? (Please list)
6. In your opinion do you think sponsorship / advertising should be given a higher priority across the council?
7. Any other comments?



## 7 References

Audit Commission (2007) *Charging for local services*. <http://www.audit-commission.gov.uk/charging/index.asp?>

Cabinet Office (2007). *Guidance to Departments on Sponsorship of Government Activities*.  
[http://www.cabinetoffice.gov.uk/propriety\\_and\\_ethics/civil\\_service/sponsorship\\_guidlines.asp](http://www.cabinetoffice.gov.uk/propriety_and_ethics/civil_service/sponsorship_guidlines.asp)

CIPFA (2005), *A Practical Guide for Local Authorities on Discretionary Income Generation*. London: CIPFA.

Commercial Manager, Lawn Tennis Association (November 6, 2006). *Presentation to Cross Council Advertising and Sponsorship Group*.

IDeA (2005), *Enterprising Councils: getting the most from charging and trading*.  
<http://www.idea-knowledge.gov.uk/idk/core/page.do?pagelId=1246344>

IDeA (2006) Sponsorship, Advertising and Income Generation. <http://www.idea-knowledge.gov.uk/idk/core/page.do?pagelId=81923>

Guildford Borough Council (2007). *Our Sponsorship Policy*.  
<http://www.guildford.gov.uk/GuildfordWeb/Business/Sponsorship/SponPolicy.htm>

LGA (2005), *Using the new powers to trade and charge: local authority case studies*.  
<http://www.lga.gov.uk/Publication.asp?lsection=0&id=SXEE17-A7834D50>

LGIU (31 May 2007) *Good practice seminar – charging and trading: the challenge for local councils*.

Local Government Act 2003. London: HMSO  
(<http://www.opsi.gov.uk/acts/acts2003/20030026.htm>)

London Borough Of Merton (2006) *Charging Policy for Children's Social Care*.  
[http://www.merton.gov.uk/merton\\_charging\\_policy\\_2005\\_for\\_children\\_s\\_social\\_care\\_services\\_-\\_core\\_doc\\_.pdf](http://www.merton.gov.uk/merton_charging_policy_2005_for_children_s_social_care_services_-_core_doc_.pdf)

London Borough Of Merton, Internal Audit (2007). *Advertising Services Final Report*, ref X0250D

This page is intentionally blank