

The Highland Council

**Resources Committee
25th February 2015**

Agenda Item	17(b)
Report No	RES/20/15

**Income Generation – Commercial Manager Appointment
Report by Director of Development & Infrastructure**

Summary

This report is an update on the Income Generation Project and the proposal to appoint a Commercial Manager to drive forward the initiative to increase the Highland Council's ability to generate income.

1 INTRODUCTION

1.1 This report outlines the achievements to date around Income Generation and aims to highlight the positive impact the appointment of a Commercial Manager will have on the exploitation of both existing and future income generation opportunities. It has been recognised that in order to maximise the income to the Council, a fixed term Commercial Manager post should be put in place. In addition to the renewables and advertising and sponsorship income streams, the Council has, through engagement with members, services and other Local Authorities, already identified several opportunities and every effort should be made to generate income where appropriate.

2 INCOME SUMMARY

2.1 A breakdown of the income summary is provided in Appendix 1. There is support from members and officers to put in place a delivery model that will increase income to the Council to help reduce the dependency on savings. The appointment of a Commercial Manager will provide focus in this area and increase commercial awareness in the organisation.

3 RENEWABLES OPPORTUNITY DEVELOPMENT

3.1 Income from Renewable Heat Incentive (biomass installations) and the Feed in Tariff (solar installations) is encouraging and although current forecast of £962k income is below the original target of £1,104k, the increase in the number of biomass installations will improve this figure. Exploitation of these opportunities will be a key part of the Commercial Managers role.

3.2 There are also several proposals for development of wind turbine installations at both the former Longman landfill site and at ten smaller sites across the Highland area. A dedicated Commercial Manager would have the responsibility for developing these proposals. It is recognised that some of the identified sites belong to the Common Good Fund and that this consideration would need to form part of the assessment process.

3.3 In addition a project to use the waste methane gas to generate electricity at the Longman site is progressing. This is expected to be operational by end March 2015 and is forecast to generate £37k net income per annum. Again, it would be in the remit of the Commercial Manager to increase opportunities in this area.

4 ADVERTISING & SPONSORSHIP OPPORTUNITY DEVELOPEMENT

4.1 The advertising and sponsorship partnership with SPP continues to progress well with new opportunities for advertising being developed and added to the portfolio. The contract with SPP has now been extended until the end of March 2016.

4.2 Income generated through the partnership with SPP is currently on target to deliver £58k. This has been achieved largely due to the introduction of roundabout sponsorship and banner advertising. Rates for advertising are being continually reviewed and increase in line with market opportunities. A Commercial Manager would work with SPP more closely to develop further opportunities and benchmark progress and income receipts against other Local Authorities.

4.3 Advertising opportunities already identified to be further developed by the Commercial Manager

- Advertising on the intranet
- Capability to display advertising on Bus Shelters
- Banners positions along the riverside in Inverness
- Advertising on the Inverness Recycling Centre site
- Advertising on the self-serve home page of HR system.
- Advertising on Corran Ferry tickets/receipts
- Sponsorship of building wraps e.g. Town House restoration.
- Advertising on Glen Nevis Centre website & information boards

4.4 A recent workshop with Members also generated a number of potential projects. These opportunities will be passed to the Commercial Manager for assessment.

5 COMMERCIALISM AGENDA

5.1 As well as being responsible for developing current income streams, the Commercial Manager will provide much needed focus on a commercialism agenda across the Council's services. This is an approach that has already been taken by several Councils and with particular success in Glasgow City. The opportunities for income generation in the Highland Council will often be different than with City Councils however there are still key lessons and opportunities to be shared.

- 5.2** The post holder will work with Services to assist them in adopting a more commercial approach to the provision of non-statutory Services e.g. property sales and lets. This will not only provide services with a toolkit when budgeting or setting charging policy but also provide subject expert support to current Service savings proposals for the 2015/19 budget.

6 SETTING TARGETS

- 6.1** The creation of this post is an excellent opportunity for the Council to reinvigorate the Income Generation work and enhance the quality of output by employing the Services of a Commercial Manager with a proven track record.

- 6.2** It is, however, essential that the investment in this role realises net income and initial targets for new opportunities can be found in table 1 below. The Commercial Manager will also be responsible for overseeing the delivery of existing income generation targets in addition to those outlined below. The targets have been developed by benchmarking against opportunities similar to those identified by other local authorities. The opportunities around renewables provide the Highland Council with an additional layer of potential income and this will be a priority area for the Commercial Manager.

Table 1

Income targets generated by Commercial Manager	
Year 1	£154,000
Year 2	£169,400
Total	£323,400

7 POST FUNDING

- 7.1** It is proposed that the post be a 2 year fixed term contract and that, in addition to regular updates to Committee, a review period is be agreed to measure success.

- 7.2** The the intention is that the post will be funded from the income achieved by the Commercial Manager. The post has been provisionally graded at HC09 which would give an annual costs of £45,000 including on costs. Income targets net of the post costs can be found in table 2 below.

Table 2

	Income	*Net Income
Year 1	£154,000	£109,000
Year 2	£169,400	£124,400
Total	£323,400	£233,400

*Income net of Commercial Manager post cost

8 RISK IMPLICATION

8.1 As with any new role, there is a risk that the post does not realise the income targets outlined. Progress will be monitored throughout the entire fixed period and any slippage in delivery will be reported immediately.

8.2 Although, unlikely, there is a risk that the cost of creating the new role is greater than the income achieved as a result of the work undertaken. Again progress will be monitored throughout the entire fixed period and any slippage in delivery will be reported immediately.

8.3 There is a risk that the Council is unable to recruit a Commercial Manager with the required skills to fulfil this post. Should this be the case, alternative options should be considered. If this post is not filled there will be a resource gap to manage the existing opportunities.

9 RESOURCE IMPLICATIONS

9.1 There are no additional resource implications arising from this report other than those raised in Section 7.

10 GAELIC IMPLICATIONS

10.1 There are no Gaelic implications as a result of this report

11 LEGAL IMPLICATIONS

11.1 There are no current or anticipated legal issues.

12 EQUALITIES AND CLIMATE CHANGE IMPLICATIONS

12.1 There are no implications for equalities or climate change as a result of this report.

13 RURAL IMPLICATIONS

13.1 There are no rural implications as a result of this report.

14 RECOMMENDATION

14.1 Members are asked to note:

- Creation of new Commercial Manager role

Designation:

Director Development & Infrastructure

Date:

11/02/15

Author:

John Robertson, Programme Manager

Attachments:

Appendix 1 – Income Generation Project - Income

APPENDIX 1

Income Generation Project – Income

Appendix to Corporate Improvement Programme Report to the Finance, Housing and Revenue Committee (26/02/14) – Income Generation Update					
Annex 1.					
Income Generation Project - Income Figures					
Advertising and Sponsorship	SPP Forecast 2012/13	Actual 2012/13	SPP Forecast 2013/14	Actual + Guaranteed 2013/14	Total Income 2012/13 & 13/14
Roundabouts	20,000	21,310	24,383	26,401	
Web site	6,000	4,331	3,960	4,390	
Lamp post banners	4,000	401	2,880	4,199	
Ranger Service	3,000	0	1,950	0	
Payslips	4,000	3,979	8,460	8,968	
Ranger Guide	3,000	2,340	2,700	2,661	
Other	1,800	0	1,410	2,037	
	41,800	32,361	45,743	48,656	81,017
Note: a further approx £7k per annum costs need to be deducted for roundabout maintenance and payslip copy production					
Renewable Energy	Target 2012/13	Actual 2012/13	Target 2013/14	To end 12/2013	
Renewable Heat Incentive ^{1.}	100,000	77,360	144,000	144,000	
Feed-in Tariff	24,000	76,770			298,130
1. Further Renewable Heat Incentive income expected in 2013/14 but is attributed to the Asset Management Project going forward.					