

# Revenue Income Optimisation

## Raising more revenue

The public sector raises funding for its services from many sources in addition to taxation – revenue streams such as charges to end users and businesses, licences for use of government assets, and income from sponsorship and advertising can all make an important contribution.

Many public bodies do not optimise the amount they raise from these sources, which in the current climate is a significant missed opportunity to help alleviate pressures on budgets.

### Our response

PricewaterhouseCoopers' LLP (PwC) Revenue Income Optimisation (RIO) model gives public sector organisations the opportunity to maximise income by:

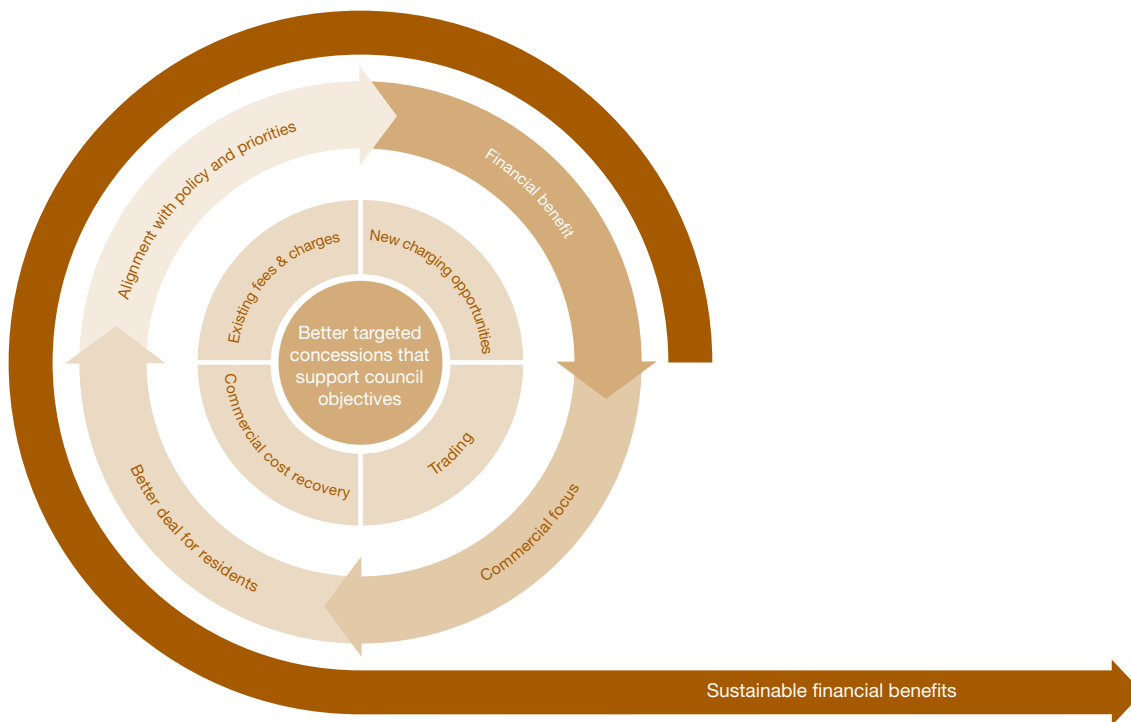
- Reviewing their portfolio of services to determine the possibilities of charging
- Exploring the options for charging at a premium for differentiated services
- Ensuring that charges are in-line with appropriate public and private sector benchmarks
- Ensuring that charges reflect not just incremental costs, but fully absorbed costs
- Reviewing opportunities for business to business trading, licensing, sponsorship etc.

RIO is more than quick cash – it establishes a sustainable commercial approach enabling clients to grow income year on year, reducing reliance on grant and tax income. It can also help underpin channel strategies by encouraging people to use the most appropriate route to access services.

### The benefits

While there will often be policy constraints to consider, charging and similar activities can realise benefits such as:

- Helping to manage the demand for services
- Giving users an incentive to use less costly channels (eg online rather than face to face)
- Finance the provision of premium services, such as faster turnaround times for processing passport applications
- Sustained income benefits
- Effective governance and control of fees
- Minimisation of service cuts
- Increased transparency on charging principles
- Alignment of charging with policy priorities



## The RIO Model

The RIO methodology has a four stage approach, and is underpinned by substantial existing knowledge and benchmark data, including:

- 1 Income and expenditure benchmarking tools allowing comparisons with other bodies in a sector
- 2 Benchmarking databases containing research data on price volumes, income and cost recovery data as well as household impact analysis
- 3 Opportunities database containing over 400 income opportunities based on practical experience in our programme
- 4 Advertising and sponsorship asset inventory tools

PwC works in collaboration with your team, starting with the strategic analysis of the income position including benchmarking income and prices. This is then followed by interviews and data gathering of key stakeholders across all directorates in order to develop circa 25 business cases and income opportunities for your organisation to implement.

## Our experience

PwC has worked with over 25 local authorities covering all areas and types of Councils including County, Unitary and District. We have also applied this thinking to parts of central government, education and health.

A major City Council was faced with challenging medium term financial position and engaged PwC to optimize income from existing fees and charges and new opportunities. One of their key objectives was to identify realisable cash benefits through recurring charging and fees opportunities. PwC developed 27 high level business cases covering approximately 150 opportunities for generating additional income. £1.6m was identified as quick wins achievable within the year along with £6.2m of net potential gains over three years.

## Contacts

Andrew Ford  
+44 20 7213 5239

Andrew.m.ford@uk.pwc.com

Marc Mazzucco  
+44 141 355 4088

marc.mazzucco@uk.pwc.com

Steve Beet  
+44 161 247 4193

steve.w.beet@uk.pwc.com

[www.pwc.co.uk](http://www.pwc.co.uk)

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