



Report to: Income Generation Sub-Committee, 9th October 2018

Report of: Corporate Director, Finance and Resources

Subject: INCOME GENERATION STRATEGY

1. Recommendation

1.1 That the Sub-Committee adopt the Income Generation Strategy as the framework for delivering against approved income generation targets in the Medium Term Financial Plan.

2. Background

2.1 Like all other Local Authorities in the UK, Worcester City Council's finances are in transition from a funding model based primarily on grants from central government to one based on locally-generated income. The withdrawal of central funding has significantly outstripped growth in other income over the last few years. Between 2010/11 and 2014/15 Central Government funding fell from £8.193m to £4.998m. The Revenue Support Grant element of this is set to continue to decline, from £1.856m in 2015/16 to zero by 2019/20.

2.2 From 2019/20 onwards, funding for services will be almost entirely from business rates, Council Tax and income that the Council can generate from its operations, including commercial activities. To offset the fall in grant income, the Council has set a target for achieving savings over the three years 2017/18 to 2019/20 of £2.8m. A Transformation Programme has been established to achieve this and includes elements of increased income as well as reduced costs.

2.3 The Council has recognised the need to support service delivery by generating income for a number of years and has stated its intention to increase income in the 2017/18 budget papers published in October 2016:

The proposed approach to generating additional income will be on a project basis with three key areas of activity:

i. Updating our income budgets to ensure they reflect the current levels of activity and the actual income generated

ii. Increasing income on our existing income activities through a review of compliance, enforcement and a targeted business case approach to review the potential for income growth

iii. The development of two-three 'big ticket' income items that generate more significant levels of income

- 2.4 A Commercial Strategy, approved by Council in February 2018, sets out the means by which this will be achieved and aligns income generation activities with the City Plan and the Council's wider strategic objectives. This Income Generation Strategy is designed to complement the Commercial Strategy. It identifies proposed sources of income, sets targets for income recovery levels and proposes specific tasks to achieve those targets.

3. Preferred Option

- 3.1 That a formal approach to income generation is adopted by the Sub-Committee to establish key aims and targets for increasing income.

4. Alternative Options Considered

- 4.1 That the Council continues to generate income for services outside a defined strategic approach. As indicated in the strategy itself, the Council is already successful in generating income and has increased the level income from activities in recent years. However the lack of a defined approach means that the process remains ad hoc and focussed on individual services rather than driving forward the Council's ambitions as a whole. The development of a strategy enables all of the initiatives to be captured so that targets can be set and overall progress measured.

5. Implications

5.1 Financial and Budgetary Implications

The draft budget for 2018/19 includes the assumption of £100k increase in income per year for each of the last two years of the Transformation Programme: 2019/20 and 2020/21.

The Income Strategy is designed to ensure that this increased income is achieved. Other potential sources of income will be identified and potential income streams arising from these will be incorporated into future medium term financial plans.

5.2 Legal and Governance Implications

Recent changes to the Prudential Code on Capital Finance restrict the actions that the Council can take to generate income from investment. The Income Generation Strategy has been developed to ensure that the Council complies with the revised guidance. A formal Capital Strategy and Treasury Management Strategy, which will be complementary to the Commercial and Income Generation Strategies, will be published as part of the budget setting process for 2019/20.

5.3 Risk Implications

Overall risks relating to the Council's finances are reviewed regularly as part of the Corporate Risk Register and reported to the Policy and Resources Committee through the iterations of the MTFP. Income levels are reported quarterly to the Sub-committee and any risks to the Council's finances arising from changes in income levels will be considered at the quarterly review meetings.

5.4 Corporate/Policy Implications

The Strategy will form part of the suite of strategies published or under development that are designed to implement the City Plan and support the delivery of the Council's objectives within the context of its corporate values.

5.5 Equality Implications

None

5.6 Human Resources Implications

The post of Income Generation Officer was established in April 2018 to take forward the Commercial Strategy. However the post holder has resigned and a recruitment exercise to identify a replacement will be required in the third quarter of 2018/19.

5.7 Health and Safety Implications

None

Ward(s):

All

Contact Officer:

Shane Flynn – Tel: 01905 722536

Email shane.flynn@worcester.gov.uk

Background Papers:

None