



Report to: Income Generation Sub-Committee, 28th July 2021

Report of: Corporate Director, Finance and Resources

Subject: INCOME GENERATION STRATEGY

1. Recommendation

1.1 That the Sub-Committee adopt the revised 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 has continued to decline, from £1.856m in 2015/16 to zero by 2019/20.

2.2 From 2019/20 onwards, funding for services has been almost entirely from business rates, Council Tax and income that the Council can generate from its operations, including commercial activities. To support this, the Income Generation Strategy was developed alongside an annual Income and Efficiency Plan. The existing plan includes elements of increased income of £160k per year to be achieved from income-generation activities. This is in addition to increases in budgeted income over the past three years.

2.3 A Commercial Strategy, approved by Council in February 2018 and revised in 2021, 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. The Income Generation Strategy complements the Commercial Strategy. It identifies proposed sources of income, defines the approach to setting targets for income recovery levels and proposes specific tasks to achieve those targets.

2.4 The revised Income Generation Strategy for 2021 - 2024 takes into account progress since the first iteration, and a revised version published in January 2020 to date which recognised the transition from the Transformation Programme to the new Income and Efficiency Plan. The strategic principles have been revised to reflect changes in strategy which are driven principally by:

- The completion of the programme of income-generation activities set out in the initial plan

- The transition from income budgets based on previous year's outturns to progressive budget-setting designed to drive income performance
- The need to strengthen budget setting for commercial assets and income generating activities so that there is greater alignment between costs and benefits of proposals
- Guidance published by HM Treasury which prohibits the use of PWLB loans where council has plans to purchase assets for income-generation purposes. The focus has shifted to assets that are acquired for regeneration and other purposes and to maximising the value of existing holdings.

3. Preferred Option

- 3.1 That the Sub-committee adopts the Income Generation Strategy 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 2021/22 includes the assumption of £160k increase in income per year in the Income and Efficiency plan by 2024. 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

Changes to the Prudential Code on Capital Finance published in 2018 and subsequent Treasury Guidance on the use of PWLB loans 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 Investment Strategy, which are complementary to the Commercial and Income Generation Strategies, were published as part of the budget setting process for 2019/20 which reflected this guidance and are updated annually.

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 arising directly from this report.

5.6 Human Resources Implications

None arising directly from this report.

5.7 Health and Safety Implications

None arising directly from this report

5.8 Economic, Social and environmental Implications

The Council can use its powers to engage directly in shaping the City and supporting initiatives which contribute to the health and wellbeing of Worcester's residents, businesses and visitors. These powers can be used both to engage in activities which in themselves generate income, such as loans to third parties to support service delivery, and to use income generated by services to support other activities and capital developments.

Ward(s):

All

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Background Papers:

None