

Report to Cabinet

Income Strategy 2020/21 to 2024/25

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

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16 December 2019

Reason for Decision

To set out the Council's strategy for income generation for the next medium-term financial planning period (2020/21 to 2024/25).

Executive Summary

The proposed income strategy set out in Appendix 1 covers all material sources of revenue that finance day to day service provision including:

- Government Grants;
- Council Tax;
- Business Rates;
- Fees, charges and other contributions.

The strategy also considers:

- Investment opportunities;
- Opportunities relating to traded services and other chargeable activities;
- The process for setting charges and collection efficiency.

Recommendations

That Cabinet approves the income strategy included at Appendix 1.

Income Strategy 2020/21 to 2024/25**1 Background**

1.1 The purpose of this report is to set out the Council's strategy for income generation for the current medium-term financial planning period (2020/21 to 2024/25). The strategy covers all material sources of income that finance day to day service provision including:

- Government Grants;
- Council Tax;
- Business Rates;
- Fees, charges and other contributions.

1.2 The strategy also considers:

- Investment opportunities;
- Opportunities relating to traded services and other chargeable activities;
- The process for setting charges and collection efficiency.

2 Current Position

2.1 The Council's current income strategy covering the period 2018/19 to 2021/22 was approved by Cabinet on 18 September 2017. The impact of the recently published one-year spending round by HM Treasury together with the approval of key strategies covering housing, capital investment, property and commercial investment means it has been necessary to refresh the strategy. The strategy has been developed with regard to the latest Chartered Institute of Public Finance and Accountancy (CIPFA) guidance covering income generation and has also been rolled forward to cover the next financial planning period of 2020/21 to 2024/25.

2.2 The objective of the attached Income Strategy is to support and encourage activity that will generate significant levels of additional revenue alongside the delivery of Oldham Plan objectives without materially increasing service delivery costs. Success in this regard will help reduce the Council's forecast budget reduction requirement thus mitigating the need for service reductions. To succeed, it will be necessary for the Council to:

- Continue to adopt an increasingly commercial stance to chargeable activities whilst maintaining the Council's ethos of having an inclusive economy, co-operative services, thriving communities and being an employer of choice through living wage accreditation, plus having regard to increasing social value for the residents of the Borough;
- Consider income generating activity as an integral part of other relevant Council strategies including housing provision, property management, capital programme investment and commercial property investment;
- Revisit and update existing policies and ways of working; particularly with regard to income collection practices and the recovery of arrears;
- Refine its approach to Council Tax and Business Rates collection as well as strengthen and grow the tax bases underpinning these major revenue streams;
- Adopt efficient methods of working and, after having considered relevant issues, where appropriate cease non-statutory chargeable activity that is unlikely to generate surplus revenue or at least fully recover all cost inputs;
- Review and rationalise existing property holdings across all Council activities.

2.3 A successful income strategy will support:

- The maximisation of existing income sources and full recovery of cost inputs;
- The identification of opportunities to maximise social value to complement income generation activity;
- Growing Council Tax and Business Rates revenues whilst recognising and allowing for the service implications arising from housing and economic growth;
- A reduced reliance on corporate sources of funding including Council Tax and Business Rates, for existing service provision;
- The identification of realistic and properly risk assessed commercial opportunities.

3 Options/Alternatives

3.1 There are two options as follows:

- Option 1 – Approve the Income Strategy for Oldham Council for the period 2020/21 to 2024/25;
- Option 2 – Do not approve the Income Strategy for Oldham Council for the period 2020/21 to 2024/25 and suggest an alternative approach

4 Preferred Option

4.1 Option 1 is the preferred option.

5 Consultation

5.1 There has been internal Council consultation on the content of this report.

6 Financial Implications

6.1 The preparation of an income strategy clearly has the aim of increasing resources available to the Council. Whilst there are no specific sums which can be attached to the approval of this strategy, it is an enabling document that will guide and shape the approach to income generation.

7 Legal Services Comments

7.1 There are no direct legal implications arising from the report, however, in moving forward with proposals for income generation advice should be sought from Legal Services as to the lawfulness of any such proposals including vires and powers to generate income. Under the provisions of the Localism Act 2011, for example, section 4 provides that where an Authority does things for commercial purpose in exercise of general power, the general power confers power on a local authority to do things for a commercial purpose only if they are things which the authority may, in exercise of the general power, do otherwise than for a commercial purpose. Further, by section 14 (2) of the Act, where, in exercise of the general power, a local authority does things for a commercial purpose, the Authority must do them through a company. (Colin Brittain)

8 Co-operative Agenda

- 8.1 Income generation will be undertaken working to co-operative principles and in recognition of the role and opportunity of the Council as a key anchor institution. There is a commitment to maximising opportunities which increase income and deliver social value - including social investment opportunities. As joint working and commissioning develops across sectors, this will be actively considered to complement this strategy. There will be a regular review of this strategy in the context of delivering both the Oldham and Corporate plans with shared priorities around inclusive growth, thriving communities and co-operative services.

9 Human Resources Comments

- 9.1 There are no specific human resources implications.

10 Risk Assessments

- 10.1 The pursuit of an increasingly commercial approach to income generation has to be considered in the context of the Council appetite for risk. Generally, the greater the potential returns, the greater the risk of financial loss. It is important therefore that due diligence exercises are undertaken where new opportunities are being explored.
- 10.2 Similarly, when considering the pricing strategy for services (new or existing), appropriate analysis and review is required to minimise the risks associated with setting fees and charges at either too high or too low a level.

11 IT Implications

- 11.1 There are no specific IT implications.

12 Property Implications

- 12.1 As part of the Council's Medium-Term Property Strategy (MTPS), the Property Investment Strategy is under review to ensure it provides a robust framework to guide future decision making to support the Council's medium-term financial planning.
- 12.2 The MTPS will also ensure that all opportunities to maximise use of the wider public sector estate are fully explored and exploited, to enable costs to be driven out, service delivery to be improved and surplus assets to be released. (Peter Wood).

13 Procurement Implications

- 13.1 There are no specific procurement implications.

14 Environmental and Health & Safety Implications

- 14.1 There are no specific Environmental and Health & Safety Implications.

15 Equality, community cohesion and crime implications

- 15.1 There are no specific equality, community cohesion and crime implications.

16 Equality Impact Assessment Completed?

- 16.1 Not Applicable.

17 Key Decision

17.1 Yes.

18 Key Decision Reference

18.1 FCS-19-19

19 Background Papers

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background Papers are contained in Appendix 1
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20 Appendices

20.1 Appendix 1: Oldham Metropolitan Borough Council Income Strategy 2020/21 to 2024/25.

Income Strategy

2020/21 to 2024/25

Oldham Metropolitan Borough Council



Income Strategy 2020/21 to 2024/25

1. Background

1.1. This document presents the Council's strategy for income generation for the medium-term financial planning period 2020/21 to 2024/25. The strategy covers all material sources of revenue that finance day to day service provision including:

- Government Grants;
- Council Tax;
- Business Rates;
- Fees, charges and other contributions.

1.2. The strategy also explores:

- The impact of other major Council strategies covering income generating activities such as housing provision, property management, capital programme investment and commercial property investment;
- Opportunities relating to traded services and other chargeable activities;
- The process for setting charges and collection efficiency.

1.3. The strategy has been developed having regard to the latest Chartered Institute of Public Finance and Accountancy (CIPFA) guidance covering income generation (published July 2019).

2. Strategic Objectives

2.1. The objective of this Income Strategy is to support and encourage activity that will generate significant levels of additional revenue alongside the delivery of Oldham Corporate Plan objectives without materially increasing service delivery costs. Success in this regard will help reduce the Council's forecast budget reduction requirement thus mitigating the need for service reductions. The Council will therefore;

- Continue to adopt an increasingly commercial stance to chargeable activities whilst maintaining the Council's ethos of having an inclusive economy, co-operative services, thriving communities and being an employer of choice through living wage accreditation, plus having regard to increasing social value for the residents of the Borough;
- Consider income generating activity as an integral part of other relevant Council strategies including housing provision, property management, capital programme investment and commercial property investment;
- Revisit and update existing policies and ways of working; particularly with regard to income collection practices and the recovery of arrears;
- Refine its approach to Council Tax and Business Rates collection as well as strengthen and grow the tax bases underpinning these major revenue streams;
- Adopt efficient methods of working and, after having considered relevant issues, where appropriate cease non-statutory chargeable activity that is unlikely to generate surplus revenue or at least fully recover all cost inputs;
- Review and rationalise existing property holdings across all Council activities.

2.2. A successful income strategy will support:

- The maximisation of existing income sources and full recovery of cost inputs;
- The identification of opportunities to maximise social value to complement income generation activity;
- Growing Council Tax and Business Rates revenues whilst recognising and allowing for the service implications arising from housing and economic growth;
- Improved methods of collection and the reduction in bad debt provision and the requirement to write off any income due to the Council;
- A reduced reliance on corporate sources of funding, including Council Tax and Business Rates, for existing service provision;
- The identification of new realistic and properly risk assessed income streams including commercial opportunities.

3. Government Grant maximisation

3.1. The Council's 2019/20 revenue budget is financed by numerous income streams. The initially approved gross revenue budget, which shows all major funding streams, totalled almost £660m. This is summarised in Table 1 below.

Table 1 - Sources of Revenue (General Fund)

Sources of Revenue (General Fund)	2019/20 £000
Ringfenced Grants	331,266
Unringfenced Grants	69,138
Council Tax	92,368
Business Rates	50,826
Other Grants, Reimbursements and Contributions	44,818
Customer and Client Receipts	44,604
Interest Revenue Sources	7,442
Recharge Income	17,774
Total	658,236

3.2. The figures presented in the table above are based on the original budget approved by Council on 27 February 2019. The net revenue budget is the more familiar budget presentation, which excludes ringfenced grants, some of the other grants and contributions, customer and client receipts and recharge income.

3.3. As the year progresses, estimates for some of these revenue sources change as a result of new funding announcements and allocations and increased business activity.

3.4. Despite significant reductions in Government Grant funding since the start of the decade, they finance a significant proportion of the Council's gross and net revenue expenditure. However, it should be noted that significant elements of this funding is ringfenced for specific purposes. Major ringfenced revenue sources for 2019/20 include:

- £145m of Dedicated Schools Grant funding (£245m including amounts attributable to Academy Schools);
- £54.6m of subsidy to finance Rent Allowances and Rent Rebates (Housing Benefit Payments);
- £13.3m to help finance operational PFI projects (derived from PFI Credits);
- £9.4m of Pupil Premium Grant.

3.5. An initial sum of £69.1m of Government Grants was un-ringfenced and used to underpin the Council's 2019/20 net revenue budget. Most of this funding relates to Business Rates Top Up Grant (£40.653m) and Grants in lieu of Business Rates (£10.503m). Being a Member of the Greater Manchester 100% Rates Retention Pilot Scheme, the Council does not currently receive Revenue Support Grant or ringfenced Public Health grant as a separate funding stream. Both are, in effect, included within Business Rates grants and retained revenues.

3.6. Government Grants remain the most significant source of funding for the Council. The Council's ability to grow or influence this grant income stream is restricted. This is because:

- Grant allocations are determined by the relevant Government department (often on the basis of a national formula) or other third party providing the funding rather than the Council;
- Many grants are ringfenced and cannot be used to underpin the net revenue budget or reduce the Council's budget reduction requirement;

However, where there are opportunities to bid for specific sources of grant, the Council will consider if and how the available resource will contribute to the delivery of corporate and service objectives and after evaluation, where considered appropriate, will actively pursue the funding available.

3.7. In addition to the revenue grants highlighted in Table 1, capital grants provide a significant source of funding to support the capital programme and the Council will apply the same approach to such grant funding opportunities as to revenue grants.

3.8. All expenditure that can legitimately be financed from ringfenced grants will be identified and accounted for accordingly. The Council already has long-standing processes in place to ensure this happens; particularly when service and funding transfers take place, and this will be continued.

4. **Council Tax**

- 4.1. In 2019/20, Council Tax will generate around £92.4m to help finance the provision of Council Services and fund Parish Precepts. This includes £6.7m from the Adult Social Care precept (first introduced in 2016/17). Council Tax is a major source of revenue, financing over 40% of the Council's Net Revenue Budget. To counter previous reductions in Government Grant funding, the Council Tax Policy of the Administration has been to increase district Council Tax by 3.99% per annum since 2017/18 (inclusive of a 1.99% general increase and a 2% increase for the Adult Social Care precept).
- 4.2. Clearly, any interventions that improve the yield from Council Tax in addition to straightforward increases in the amount charged per dwelling could provide a significant boost to this crucial revenue stream. Interventions designed to improve Council Tax yield fall into two categories:
- Growth in the Tax Base; and
 - Improvements in the Collection Rate.

Growth in the Tax Base

- 4.3. Annually, prior to the formal Budget Council Meeting, Cabinet determines the Council Tax Base for Tax Setting purposes. This comprises an assessment of the number of Band D equivalent properties located within the borough adjusted for an overall collection rate. The most recent report for 2020/21 was presented to Cabinet on 16 December 2019 and highlights the Tax Base for Council Tax Setting Purposes as being 57,663 Band D equivalent properties based on a collection rate of 97%. This report also determines the arrangements for approving the forecast for Business Rates revenues for the forthcoming financial year. Business Rates revenues are considered further in Section 5 below.
- 4.4. The process for setting the Tax Base and Council Tax Requirement is driven by statute. The manner in which the revenue budget is presented also means increased Council Tax yield (from higher collection rates or tax base growth) will not manifest itself as part of a formal budget reduction proposal. Instead, any interventions that grow the tax base and improve the collection rate will be reflected in the annual Tax Base report considered by Cabinet.
- 4.5. In order to maximise the Tax Base, Finance, Revenues, Regeneration, Housing and Planning Service officers liaise closely to ensure that new developments and other changes to the housing stock are reflected appropriately. Specific initiatives are also instigated to ensure empty properties are brought back into use and that only the correct Council Tax discounts are awarded. These initiatives also align to the maximisation of New Homes Bonus grant (see 4.11)

Collection Rates

4.6. Collection rates can be improved by sustained and targeted activity as follows:

- Continuing to encourage greater take up of payment by Direct Debit;
- Benchmarking against the best performing Councils and adopting their good practices;
- Reviewing enforcement costs, benefits and effectiveness, for example by comparing in-house resources with external enforcement agents;
- Reviewing and amending correspondence, for example utilising nudge theory/behavioural approaches to increase the likelihood of payment;
- Achieving and maintaining quick turnaround times for benefit processing;
- Always taking swift action when arrears recovery/enforcement activity fails.

In this regard, the Council will continue to work closely with the Unity Partnership on all the activities outlined above to sustain collection performance and by taking advantage of new technology to support e-billing and the issuing of reminders by SMS text message. The programme of initiatives is under constant review.

4.7. Whilst many of the discounts and reductions offered as part of Council Tax arrangements are mandatory, the Council will take additional steps to check and confirm entitlement and possibly reduce the value of discounts where discretion is permitted. A particular focus will be on confirming entitlement to Single Person Discount and empty property discounts

4.8. The Council is required to review its Council Tax Reduction scheme each year. The Council is committed to, as far as possible, providing support to poorer households. It will not therefore consider amending the Scheme as a means to increase Council Tax receipts.

Illustration of gains from improved Council Tax Yield

4.9. Sustained improvement in collection rates could eventually be reflected in the tax base calculation (for tax setting purposes). A sustained 1% increase in the collection rate to 98% would generate an additional £0.948m per annum in Council Tax revenue (based on 2019/20 Council Tax levels).

4.10. The Council's Housing Strategy approved by Cabinet on 24 June 2019 stated that the Borough has an annual development target of 716 new homes. Assuming these new dwellings convert to 716 additional Band D equivalent dwellings, this would generate an additional £1.163m per annum (at 2019/20 Council Tax levels). It should be noted that Council Tax income projections already assume a growth of 500 Band D equivalent dwellings per annum.

4.11. The delivery of additional dwellings also drives increases in New Homes Bonus (NHB) grant. NHB is an incentive grant. Now payable for four years, the grant provided Councils with a financial incentive to encourage the development of new homes as well as bringing empty homes back into use. A multi-disciplinary team of officers has been operating for a number of years to ensure that as far as possible,

NHB income is maximised through initiatives including using information from various agencies to check occupancy and increased inspection of potentially occupied homes. This work will continue to promote the achievements of NHB grant but also general Council Tax income.

5. **Business Rates**

5.1. In 2019/20, Business Rates will generate £50.826m to help finance the provision of Council Services and represents funding for just over a fifth of the Council's Net Revenue Budget. Alongside Council Tax, Business Rates provide a critical and significant source of income. As with Council Tax, the process for approving Business Rates revenue forecasts for budget setting purposes is driven by statutory requirements. The manner in which the revenue budget is presented means increased Business Rates yield (from higher collection rates or growth) will not manifest itself as part of a formal budget reduction proposal. Instead, any interventions that create growth in Business Rates will be reflected in the forecasts presented alongside the Council Tax Tax Base which are considered by Cabinet prior to the annual Budget Cabinet and Budget Council meetings.

5.2. Fluctuations in the economic conditions in the borough are reflected in the rise and fall of the Business Rates Tax Base, making it less robust than the Council Tax Base. The situation is not unique to Oldham and affects all billing areas with Business Rates Tax Bases both large and small. The frequent changes to the Business Rates system is a general challenge but there are also some specific challenges associated with sustaining and growing business rates revenues including:

- Little local flexibility to determine the rate of tax applied to the Tax Base; in this case the multiplier applied to rateable value;
- Little local discretion regarding entitlement to certain reliefs and discounts which, in most cases, are mandatory;
- The volume and value of appeals against the level of Business Rates lodged with the Valuation Office Agency under the Government's national framework for Business Rates challenge. As at 31 March 2019, this resulted in £7.370m of funds being set aside as provision to cover the potential for backdated losses. Appeals resulting in a reduction in rateable value will also result in a permanent ongoing reduction in Business Rates revenues.
- The impact of rateable value revaluations (which in future are expected to take place every three years) typically result in more Business Rates being generated from London and the South East relative to less prosperous areas of the country;
- Rates avoidance activity resulting in some businesses paying fewer Business Rates than might otherwise be the case.

- 5.3. Although there are significant issues, the Council is focussing energy and resources at regeneration and related activities that support economic growth and underpin Council priorities. Current priorities are as follows:
- Identifying key employment sites to secure new job opportunities and investment;
 - Supporting existing and to attract new businesses into the Borough;
 - Delivering of Oldham’s Cultural Quarter;
 - Investment in the future Vision for the Town Centre;
 - Completion of regeneration activities at Prince’s Gate;
 - Lobbying for better transport links at Greater Manchester level
 - Redevelopment of Royton Town Hall and the district centre;
 - Completion of the delivery of a premium business park and high-quality homes at Foxdenton;
 - Completion of the regeneration of Hollinwood Junction; and
 - Delivering new Primary and Secondary Schools across the Borough to invest in all schools being Good or Outstanding and to address the need for places.
 - Using powers to incentivise new business and investment into Oldham such as granting Business Rates discounts within the limits of the primary legislation and European rules on state aid
- 5.4. In addition, the Council will continue to explore other opportunities to grow Business Rates revenues by, for example, engaging the services of specialists who can search for and identify premises that are not currently included on the rating list and the identification of business rates avoidance.
- 5.5. These activities are all aimed at having a positive impact from the perspective of Business Rates revenue generation.

6. Fees, Charges and Other Contributions

- 6.1. In 2019/20, the Council’s Revenue Budget is supported by £114.6m of income from sources other than Government Grants, Council Tax and Business Rates. These are summarised in Table 5 below:

Table 5 - Other Sources of Income

	2019/20 £000
Other Grants, Reimbursements and Contributions	44,818
Customer and Client Receipts	44,604
Interest Revenue Sources	7,442
Recharge Income	17,774
Total	114,638

Other Grants, Reimbursements and Contributions

- 6.2. This category of income includes contributions from third party organisations (primarily public bodies) including other Local Authorities and NHS organisations. Also included are contributions from organisations and individuals towards the cost of service provision; largely relating to the provision of Health and Social Care services.
- 6.3. The Council will ensure all amounts due are collected and paid as efficiently and effectively as possible. Efficiency in collection processes is covered in Section 10 of this strategy.

Customer and Client Receipts

- 6.4. This category of income includes revenues generated from sales, fees, charges and rents. Income is derived from Council owned property and chargeable services provided by the Council to both residents and third party organisations. There is scope (potentially limited in some areas) to generate additional yield and/or reduce costs associated with such activities and these will be actively pursued.

Interest Revenue Sources

- 6.5. This source of income includes interest on investments associated with Treasury Management activity along with interest and dividends derived from the Council's other investments. All Treasury Management investment is undertaken with regard to the objectives of security, liquidity and yield. A target rate of return is set annually and performance to that target is regularly reviewed. The objective is to maximise the rate of return with regard to the investment objectives. The current low interest rate environment means traditional bank deposits and money market fund investments cannot make a significant additional contribution towards reducing the budget reduction requirement so the Council's Treasury Management Strategy allows other income yielding opportunities to be explored.

Recharge Income

- 6.6. Recharge income is derived from charges to other services within the Council including schools. Increased recharge income is therefore matched by increased costs elsewhere within the Council. Unless the Council can identify additional and legitimate opportunities to recover additional costs from ringfenced grants, this source of income will make no contribution towards a reduction in the forecast budget reduction requirement.

7. Commercial Investment Opportunities

- 7.1. The combined effect of sustained reductions in Government Grants and low interest rates reducing the rate of return from traditional Treasury Management investments has prompted the examination of the possibility for generating additional income through alternative investment activity.

- 7.2. By their very nature, such investments often carry a different risk profile to the cash-based investments typically utilised as part of traditional Local Authority Treasury Management activity.
- 7.3. In this regard, the Council will consider:
- Investment in 'green' technology including wind farms and solar technology;
 - The acquisition of commercial property;
 - Debt and equity investments to generate growth and long and short term income for the Council
 - Investment in companies to deliver, for example traded services or new housing.
- 7.4. The Council has several approved strategies in place covering housing, Council property, capital investment and commercial property investment which rely on taking advantage of some of these opportunities. This is covered further in section 9 of this strategy.
- 7.5. Councils have had greater freedoms to invest in commercial projects since being granted the power of general competence through the 2011 Localism Act. As with any commercial activity, assessing the risks is vital and the more commercial the venture, the more robust and detailed the due diligence exercise the Council will undertake.
- 7.6. Given the heightened risks relating to security of capital, liquidity and level of return, all such investments will be subject to an appropriately detailed assessment to provide assurance and cover such matters as:
- The legal powers being relied on to undertake the investment;
 - How a specific investment proposal is accommodated within the Council's existing policy framework;
 - The decision making and approval process surrounding such investments;
 - Whether the Council requires permission to proceed from Government (or anyone else);
 - Whether land and buildings are being transferred between the General Fund and Housing Revenue Account;
 - Whether proposals affect contractual arrangements with third parties;
 - How the investment proposal is to be financed;
 - Whether the investment proposal has been subject to procurement and tendering procedures (EU requirements may apply);
 - Justification for moving ahead with the proposal and being prepared for such proposals being debated and discussed within the local and national media (print and online) as well as being debated at Scrutiny Committees and Council Meetings.

8. **Traded Services and Other Chargeable Activities**

- 8.1. The Council has established various trading units where the service manager is required to operate in a commercial environment by generating income in order to either match expenditure incurred or, in certain instances, operate within an approved level of subsidy.
- 8.2. Success in improving margins (the difference between costs and revenues) within trading operations will have a positive impact on the budget reduction requirement. The full range of chargeable Council services goes beyond purely trading operations. Many services charge fees to recover the cost of service provision even though they are not formally established as a trading operation (e.g. Planning Services, Registrars). The latest schedule of fees and charges for trading and other income generating services was approved at the Budget Council Meeting on 27 February 2019.
- 8.3. Regular reviews of chargeable services (including trading operations) will be undertaken as good practice to determine:
- The extent to which costs are recovered from fees and charges;
 - Whether charges are comparable with competitors in the public or in some instances, the private sector;
 - Which services are subject to income generation targets and to establish whether such targets are achievable and sustainable;
 - The rationale behind specific tariff structures, charges and concessions and whether this remains appropriate;
 - Whether alternative delivery models need to be considered in order to modernise service provision and fully recover costs through charging.

The findings of these reviews will determine the action required on a case by case basis.

9. **Council Strategies that rely on Income Generation**

- 9.1. The Council has several approved strategies in place that rely on income generation to help achieve some or all of their objectives.

Housing Strategy 2019

- 9.2. The Council's Housing strategy is ambitious and seeks to deliver 716 new homes per year (more than double the number built annually in recent years). In addition to scaling up development, the strategy aims to deliver greater diversity in the type of new homes built and seeks to address some of the challenges which can hamper new development.
- 9.3. In addition to financing housing development, measures to open up sites and reduce risks for developers carry significant financial implications. To be viable, development proposals need to either generate sufficient sale proceeds/capital receipts to cover financing and development costs or provide a sustainable rental income stream to cover these costs along with management and maintenance costs.

Capital Strategy 2019/20 to 2023/24

- 9.4. The Council's Capital Strategy is reviewed, updated and considered by Council annually alongside the revenue budget for the forthcoming financial year. Although the majority of the Council's programme of capital investment is focused on improving the borough's assets and amenities, an element of that investment is focused on income generating opportunities and regeneration activities which may take the form of:
- The acquisition of assets which generate an ongoing revenue stream;
 - The provision of loans or similar instruments in exchange for interest income.
- 9.5. Typically, investment in such activities is primarily focused on regeneration. However, to be sustainable, plans for investing in the Town Centre and across the borough will take account of the ability of assets to generate sufficient income to cover financing and operating costs if they are going to be sustainable in the medium to long term.

Capital Receipts

- 9.6. The Council's approved Capital Strategy for 2019/20 to 2023/24 requires Capital Receipts to be generated for financing purposes. The Council has a programme in place to review its property and assets base to identify which assets can be disposed of in order to generate capital receipts. The Council is increasingly working with partners through the One Public Estate initiative to have a joined up approach to capital asset disposal. To the extent additional Capital Receipts are generated over and above the level relied upon to support the capital programme, they can be used to:
- Reduce existing prudential borrowing commitments;
 - Fund additional capital programme priorities; or
 - Fund the acquisition of alternative investments in lieu of undertaking additional borrowing.

Capital Grants

- 9.7. The Government frequently introduces a range of capital grant funding opportunities for which bids must be submitted at short notice. The Council will respond as it considers appropriate to these and all other bidding opportunities, ensuring that bids are submitted which align with its objectives and capital investment priorities and that any external grants that can be utilised as such, will be used to generate additional income streams to support the Council's Capital programme/revenue budget.

Medium Term Property Strategy 2018-2022

- 9.8. As at 31 March 2019, the Council's Property, Plant and Equipment Assets were valued at £727.7m. In addition, Investment Properties were valued at £17.9m. Many of the Council's property assets are vested in land and buildings that are integral to the provision of services such as schools (including PFI schools) and the Civic Centre complex.
- 9.9. In addition to seeking opportunities to rationalise the property estate and accelerate planned disposal activity, the Council will reduce the operating costs of property that is to be retained by, for example, ensuring buildings are as energy efficient as possible and to enhance income generation.
- 9.10. The Council's approach in this regard is set out in the Medium-Term Property Strategy that sets out strategic outcomes for the period 2018 to 2022, covers the delivery of asset management and sets out a series of policies relating to the management and disposal of Council Property. The Council is currently developing detailed proposals as part of its 'Creating a Better Place' strategy to ensure it can meet Oldham's ambitions to support economic growth and thriving communities whilst delivering financial savings from its existing property estate.

Commercial Property Investment Strategy (CPIS)

- 9.11. In order to take advantage of commercial investment opportunities (see section 7 above), the Council has approved a strategy and established a fund to facilitate the development of a robust, property investment portfolio in order to generate a sustainable future income stream to support the Council's mainstream service delivery. A revised strategy (Cabinet 16 December 2019) includes the addition of debt financing and green technologies to facilitate income generation and to deliver economic growth across the Borough and within Greater Manchester. The strategy will ensure the governance and financial appraisals of potential acquisitions align with the Council's appetite for risk and that forecast rates of return are based on robust and stress-tested calculations.
- 9.12. Arrangements are in place to evaluate business cases and make recommendations in relation to future property acquisitions which align to the Commercial Property Investment Strategy principles, with the intention of creating ongoing revenue savings as well as providing an income stream to support service delivery.

10. **Collection Efficiency**

- 10.1. The Council will continue initiatives to improve collection efficiency and reduce the number of sundry debtor invoices produced. As well as reducing the cost of income collection, well designed processes will avoid increased bad debt provisions and write offs. The Council will therefore:
- Collect charges in advance of service provision where possible;
 - Offer digital facilities to reduce collection costs (including the cost of back-office support);

- Encourage channel shift so that more customers order services and pay by digital means;
- Ensure that all service users are promptly assessed and billed;
- Ensure that service users pay charges promptly and that an effective recovery capacity is in place;
- Have high-quality and transparent accounting and administration to ensure that all income provides clear proof of debt; and
- Ensure that other agencies bear their agreed share of expenditure (e.g. the health content of complex care packages).

10.2. The Council will move away from charging for services after they have been provided in order to reduce the likelihood of bad debts and write offs. This aspiration is consistent with the objectives of the Council's Digital by Design Programme which seeks to transform the way services interact with residents and service users. This includes delivering improvements to business processes and supporting technology.

11. **Conclusions**

11.1 As is clear from this strategy, the number of income streams supporting the provision of Council services is many and varied. The adoption of the strategy will however provide the Council with a framework to support its income generation ambitions.