

Appendix B

Income Generation considerations

1. The purpose of this paper is to set out those considerations that need to be given when looking to generate additional income so that the budgetary challenges facing the council are partially addressed.

Income by nature can be unpredictable and thus it needs to be managed accordingly.

- Clear evidence of market demand for the good or service with focus on recurring and sustainable demand over a period of years.
- Clear income profile showing prices charged and demand and that an element of optimism bias has been factored into the projections. E.g. consideration of economic climate
- Clarity in what good / service is being provided.
- Will the initiative be seen as a tax or a charge for a worthwhile product / service?
- What behaviours will be triggered in the fee payers group with the introduction of the new fee? How will it impact on existing council services?
- Are the council's legal obligations understood over the lifecycle of the good / service? (Guarantees / maintenance)?
- Consider the potential impact on perceived market demand if there are several income initiatives arising at the same time?
- Ensuring that the VAT liability of income sources is treated properly so that income expectations are a reality and no penalties are incurred by the Council.
- Are there more effective ways of securing the additional income without charging? (voluntary arrangements / negotiation)

Understand the costs of delivering the good / service

- Are all costs identified in marketing, producing and selling the product / service? E.g. Regulatory administration.
- Having identified the costs are they additional to that currently being incurred or are they a further pressure on existing resource.
- Do some of the initiatives require procurement involvement?
- Establish the nature of the costs of the activity. E.g., Capital or revenue?
- The cost lifecycle in providing the good / service is understood
- What is the additional / opportunity cost of using resources in a particular way?
- Understand any 'free' or 'discounted' costs and consider any potential impact that may have on income assumptions
- Ensure that there is a clear business case that shows the interactions and impacts that each initiative will have on another.

Is there a positive impact on the Council's budget position?

- The additional income must exceed the additional expenditure that needs to be incurred to deliver the good / service.
- What is the level of risk in the income not being achieved so that profitability level is not achieved?
- Consider the certainty of the costs compared to the certainty of the income. E.g. Optimism bias
- Are the initiatives revenue or capital in nature?

Is it Council business?

- Does the Local Authority have the power to undertake the activity in question?
- What impact will any income generation have on any existing council services?
- Could the council be seen to be promoting an activity which runs counter to the Council's ethos / services?
- What ethical considerations need to be taken into account in applying the charge?
- Do the income initiatives align themselves within a coherent strategic financial plan?