

Report to: CABINET

Date of Meeting: 11 September 2017

Report Title: Income Generation Strategy

Report By: Simon Hubbard Director of Operational Services

Purpose of Report

To introduce the major reports intended to provide the basis for driving the Council's income generation strategy and discuss the next steps.

Recommendation(s)

- 1. Cabinet endorse the approach of the Income Generation Board in bringing forward the Income Generation Strategy and adopts the Income Generation Strategy including its appendices.**
- 2. Cabinet consider the thematic reports around commercial property investment and establishing a Hastings Housing Company that represent important early steps in implementing this Strategy.**
- 3. Cabinet agree the next steps moving the Strategy forward.**
- 4. Cabinet recommend the strategy to full Council.**

Reasons for Recommendations

Introduction

1. The Council is committed to seeking to use income generation as a key tool in both addressing its short term funding gaps caused by anticipated reductions in income from government grant and/or its share of business rates.
2. However, local authorities may accept that if they are to continue to develop their role in leading the future of their communities they need a financial base where increased proportions of income is not over dependent on changes to government funding which must inevitably take place. Pressure on local authority spending as a whole is likely to continue as national priorities are likely to be health, adult social care, the post Brexit economy and security/policing. Although housing is a national priority resources are in relatively short supply, and in Hastings the capacity for housing growth is limited by both potential land supply and the current market.
3. Hastings remains committed to its growth and the maximum inclusion of its residents in the town's prosperity. This type of commitment can only partly be met through assiduous pursuit of external funding. The council needs a secure "core" to give it the stability it requires.

Policies to be considered

4. The Income Generation Board has proceeded on the basis that it would concentrate its efforts on:
 - a. Property investment in commercial premises
 - b. Housing investment
 - c. Energy markets
 - d. Creating processes where staff ideas and participation are encouraged in new income and efficiencies
 - e. Ensuring it maximises its income from its fees and charges.

Income Generation Strategy

5. The Strategy is an overarching one intended to set the parameters for our delivery of this work. It lays out the detail of our position and the challenges the Council faces including the powers the Council has to undertake this programme.
6. It outlines a 3 year programme for programmes in housing and commercial property together with projects levels of investment and return. Like all such strategies it will be necessary to review and reset the targets in the light of our practical experience.
7. The Strategy also outlines key components for the delivery of the programme
 - Governance

- Control and oversight
- Management
- Risk Management and Audit
- Fees and Charges
- Energy
- Service Trading
- Overall spread of investment

Much of this work is contained in Appendix A to the report entitled – Change Management and Communications Plan – which addresses how change might be achieved including:

- Key Principles
- Key element
- Ethical Considerations
- Change Plan messages
- Communication Plan
- Change Main Steps

Commercial Property Investment

8. The policy to be discussed lays a clear basis for the Council to use in its acquisition of commercial premises. Has a clear ambition in this respect. Firstly in investing in existing premises within Hastings and its travel to work area it may secure employment and development whilst gaining income stream. Secondly in potentially investing outside this area through a future property investment company it has the opportunity to invest simply for income generation.
9. The Strategy also identifies the potential of developing land for employment and income generation and this is clearly something the Council will wish to consider.
10. The Commercial Property Investment Strategy also considers investment in property funds. This offers alternative rates of return but can only be undertaken through investment of the council's own resources rather than through borrowing. In this context it is offered as part of the "mix" of property investment giving both return and investment in the area's commercial future.

Housing Company

11. The final report in this cohort of work is the proposals for the Housing Company. It is crucial to agree the company's structure and an initial business plan. The Cabinet needs to assure itself that the proposed structure combines the elements of direction and control it will require with the flexibility required to take opportunity when it arises.
12. The initial investment is comparatively small and to deliver substantial returns significantly higher levels will be required in the future. It is important to stress that the primary purpose of the company is to earn income through commercial activity in the housing market. This activity will have the benefit of creating additional housing, but the company is unlikely given current government policy to be an

appropriate vehicle for delivering social rented housing objectives which the Council will continue to pursue in tandem and in line with its overall corporate aims.

Energy

13. A report outlining the intended direction of travel in respect of investment in energy will also be presented to Cabinet in October. This will be followed by more detailed advice about how and where the Borough can invest in energy including wind, solar power and participating in energy supply. This work is intended to be considered by members before Christmas.

Ethical Investment

14. The Income Generation Board have agreed that an Ethical Investment Policy should be developed and presented for initial discussion in November. Such a policy if adopted would apply to investments generally rather than those in the emerging income generation activities.

Next Steps

15. As well as carrying forward the programme identified in the Income Generation Strategy the Council should consider how this Strategy should be better aligned with the budget making process, workforce planning and its transformation programme.
16. Additionally staff engagement will need to be an ongoing priority moving forward for both political leaders and senior management. The importance of a communications plan cannot be under emphasised if we are to inspire the confidence and participation of staff rather than their acquiescence to the changes the Council will be undergoing. The questions involve embracing the use of staff and financial resources as well as a greater co-ordination about income assumptions and the budget process. Members are reminded that with the exception of the appointment of the Income Generation Manager no extra resources are available for the very considerable work involved. Resources have been committed to the development and delivery of the Council's overall transformation programme and it is likely the Council will need to invest on a larger scale in the delivery of the element around income generation.
17. Greater integration will enable clearer thinking about risk taking and where this is appropriate or where the level of risk makes a potential investment unwise. Care will be needed not to take excessive risk, but also not to preclude creativity and rational risk taking.

Implications

18. No implications arise from this specific report. These are identified in the specific reports on Income Generation and the Housing Company [NOTE: this will need re-adjustment for Cabinet].

Wards Affected

All Wards

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness
Crime and Fear of Crime (Section 17)
Risk Management
Environmental Issues
Economic/Financial Implications
Human Rights Act
Organisational Consequences
Local People's Views
Anti-Poverty

Additional Information

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