

Hastings Borough Council
INCOME GENERATION STRATEGY
2017/18 - 2019/20

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EXECUTIVE SUMMARY

Our Corporate Plan 2017/18 – 2019/20 sets out our aim that by 2019 we want “*a council that is financially strong enough to deliver the services and regeneration our town needs in the face of public expenditure reductions. We want to develop services which will both create new benefit for residents and income for the council*”.

To achieve this we will develop the financial, staffing and other policies that enable us to put commercialisation at the centre of everything we do. This Income Generation Strategy sets out our thinking and approach and will influence our planning and delivery over the next three years. The strategy describes:

- a) What our key commercialisation and income generation objectives are for the next three years
- b) What we need to put in place to achieve these objectives – resources, skills and freedom to act
- c) What framework/approach/principles we will follow to make decisions
- d) How we will judge success

This work programme is a key Council priority and is an enabler of our One-Council transformation programme – re-designing our council to be more efficient, responsive and more self-sufficient, releasing talent, innovation and ideas and thereby enabling us to continue to provide great services for local people in an environment of reducing financial support from central government.

Whilst we acknowledge the significant financial challenges we face, we also see this as an opportunity to build on the best of what we already do; to learn and deploy new skills and concentrate our efforts into actively looking for new income generating opportunities. We will aim to do this without losing focus on our existing customers or the quality of service delivery.

We want our staff to be actively involved in reviewing their services and seeking out potential ways for enhancing delivery and exploring new commercialisation options. We'll be clear about what we can deliver and what we cannot and where we need additional capabilities and resources.

The aim of this strategy is to deliver a financial return which contributes to our spending plans and to help sustain priority outcomes in our local community. In implementing this strategy we will deliver a programme of work that follows best practice and includes a process for identifying potential opportunities, applies methodologies to further develop those opportunities, has a structure in place to ensure those fledgling opportunities are nurtured and supported, and has the resources to successfully deliver them to conclusion.

Proposed projects will not be accounted for in revenue forecasts until they are sufficiently developed to provide a reasonable degree of surety about performance. The Council has nevertheless set itself the following targets:

| Financial year | Net contribution from income generation |
|-----------------------|--|
| 2017/18 | £ 109,100 |
| 2018/19 | £ 713,200 |
| 2019/20 | £1,256,800 |

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INTRODUCTION

1. In common with most Local Authorities in England, HBC is faced with a reduction in funding brought about by predicted progressively smaller funding settlements. The settlement is being reduced, in annual stages until financial year 2019/20.
2. Traditionally, when faced with a reduction in revenue, Public Sector organisations will simply cut spending; which in reality means cutting services received by customers, unless coupled with improved delivery. HBC has taken a different approach to the current situation and has adopted a policy of seeking efficiencies through transforming service delivery, and generating income through the introduction of a more commercial approach.

Government grant reduction and the funding shortfall

3. The level of government grant received from the government between 2010/11 (the year before the previous Comprehensive Spending Review) and 2016/17 has decreased by over 50%. For the period 2010/11 to 2019/20 the reduction in cash grant funding is estimated at 70% on a like for like basis (i.e. excluding Council Tax Freeze Grant, Homelessness Grant and Council Tax Support Grant in order to provide a clear comparison).
4. These figures are all based on cash and exclude the effects of inflation (the inclusion of which would increase the % reductions even more). In 2017/18 the Council will lose £797,000 in Revenue Support Grant. New Homes Bonus is some £379,000 less than in 2016/17 as and is set to fall further. The two grant losses alone amounting to some £1,176,000. This loss of grant when combined with the additional costs from inflation and pay increases and demand pressures present the Council with significant financial and resource challenges.
5. The Council's forward projection of the funding deficit for the next three years is as follows:

| Financial year | Deficit |
|-----------------------|----------------|
| 2017/18 | £ 555,000 |
| 2018/19 | £1,700,000 |
| 2019/20 | £2,100,000 |

6. In short, there is a significant funding gap as the Council moves forward into the years ahead. Further details can be found in the Council's Budget report considered by the Cabinet in February 2017 '**Revenue Budgets 2016/17 (Revised) and 2017/18, plus Capital Programme 2017/18 to 2019/20**'.

Powers to support income generation activities

7. HBC is not a for-profit organisation but it can discharge its function in a more commercial manner using the best practice model shown at para. 12. The Council is not new to income generation (achieving income of over £10m in financial year 2016/17) but will now seek to optimise its revenue position through greater commercialisation.
8. HBC has a number of powers to enable it to act more commercially. HBC's existing income generating activities are supported by specific legislation (for example Public Restaurants Act 1947 allows HBC to provide and charge for catering services should it choose to provide them). In addition, The Localism Act 2011 gives Councils a General Power of Competence. In essence this means that Authorities may now act as any individual might, provided that they do not break any other law. It is this Power of Competence which allows HBC to undertake further trading, and some commercial charging in a way which they were unable to in the past; but limits of the General Power at sections 3 and 4 of the Act do apply. The Localism Act forms the legal basis to undertake the measures and types of activity outlined in this strategy, where they are not covered by other Acts. But other acts should be used in preference if they exist

Vision, objectives and principles

9. The vision for this strategy is:

“Hastings Borough Council will secure the long-term prospects for delivery of the services our residents expect, at the standard they deserve, through a structured and measured programme of income generation. The Council will undertake fair and effective charging; look to conduct trading; generate energy for savings or revenue; and invest in property. It will continue to do this in an ethical manner with robust control measures in place to mitigate as far as possible, risk. The Council will generate a positive annual contribution through these actions and ensure, through the investment of these contributions into frontline services that residents are protected, as far as possible, from future negative changes to the financial climate.”

10. Our objectives are:

- To encourage the right culture and environment to stimulate and actively encourage ideas and innovation, removing any barriers
- Undertake principled income generation activities to support the delivery of the Corporate aims
- To provide quality chargeable services that meet the needs of the customer, and whereby full costs are recovered by the Council
- Develop and operate sound business models, policies and procedures
- Establish clear governance and performance management arrangements
- Maximise current income sources that are sustainable in the longer term

- Ensure good customer relationship management to achieve loyal customers
- Identify new opportunities, avoiding negative impact on our business communities
- Develop a workforce that is commercially skilled and knowledgeable

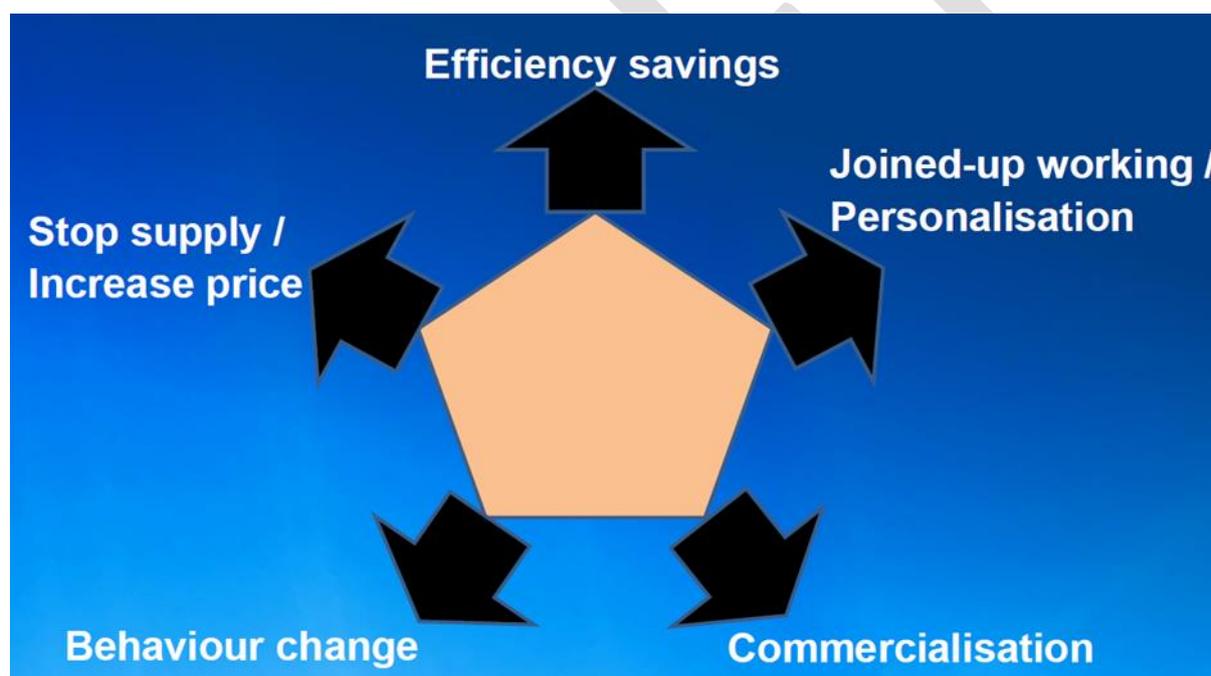
11. The principles we will abide by in delivering this strategy will be:

We are:

- Open to all options for service delivery
- Willing to take risks – we accept that some ideas may fail
- Honest about our current performance – not all services will be market ready;
- Prepared to invest now for a return in the future.

Strategic links

12. Recognised best practice for councils to manage the current financial climate can be demonstrated in the following graphic:



13. The Council's Transformation Strategy and Priority, Income and Efficiency Review (PIER) programme are interconnected and will complement the delivery of our Income Generation Strategy.

14. These related programmes are creating the infrastructure, culture, skills and capacity, and finances to support implementation of this strategy. This whole-council approach is being overseen by Cabinet.

15. Implementation of the Income Generation Strategy will address

- Efficiency savings.
- Commercialisation.
- Stop supply/increase price.

KEY OUTPUTS AND OUTCOMES

16. In order to generate a contribution towards the funding shortfall explained within the Budget Summary 2017/18 Appendix G, the key outputs for the next three years are:

| Financial year | Key Output |
|----------------|--|
| 2017/18 | <ul style="list-style-type: none"> • Have the Income Generation Strategy adopted • Have approved the change plan at Appendix B • Form a housing company, as required to deliver investments in residential property • Invest up to £5m in residential property (within Investment Strategy parameters at Appendix A) • Invest up to £2m in energy generation (within Investment Strategy parameters at Appendix A) • Invest up to £9m in commercial property (within Investment Strategy parameters at Appendix A) • Conduct a review of fees and charges • Have developed a pipeline of approved income generation projects |
| 2018/19 | <ul style="list-style-type: none"> • Review strategy • Have an approved pipeline of income generation projects • Delivered the pipeline of projects in accordance with the Income Generation programme • Invest up to £5m in residential property (within Investment Strategy parameter at Appendix A) • Invest up to £2m in energy generation (within Investment Strategy parameters at Appendix A) • Invest up to £20m in commercial property (within Investment Strategy parameters at Appendix A) • Conduct a review of fees and charges |
| 2019/20 | <ul style="list-style-type: none"> • Review strategy • Have an approved pipeline of income generation projects • Delivered the pipeline of projects in accordance with the Income Generation programme • Invest up to £5 in residential property (within Investment Strategy parameters at Appendix A) • Invest up to £2m in energy generation (within Investment Strategy parameters at Appendix A) • Conduct a review of fees and charges |

Outcomes

If the outputs above are achieved the outcomes will be as follows:

| Financial year | Estimated net contribution or savings from income generation* |
|-----------------------|--|
| 2017/18 | |
| 2018/19 | |
| 2019/20 | |

* Considers revenue only and not potential capital receipts.

INVESTMENTS

17. In order to achieve these outcomes the Council will need to make investments to generate returns and savings.

18. The Council acknowledges that the investments it may make in income generation are principally to support other policy and strategy outcomes; for example the decision to invest in residential property assists the council in bringing forward much needed housing. In the context of the financial position the Council finds itself in commercial best practice will always be applied and maximising returns will remain a priority for these investments.

19. The Council does not have unlimited resources and in order to achieve the vision for this strategy an investment strategy is required. See Appendix A.

Investments - resources

20. Investments can be financed from a number of sources including:

- Capital receipts.
- Reserves.
- Borrowing.
- Revenue.

21. The Chief Finance Officer will recommend the appropriate resource to use when deciding how to finance a project. In each case the cost of borrowing (if any) and provision for the repayment of any principal will be considered when conducting an investment appraisal.

22. Total borrowing and Minimum Revenue Provision (MRP) will be determined in accordance with the Treasury Management Policy.

Investments - business case development

23. There will, from time-to-time be a requirement to spend resource in the development of business cases. The Invest to Save Fund exists to bring ideas forward which generate a saving for the Council and this fund will be available to help develop business cases.

Investments -commercial failures

24. Although all measures will be taken to ensure the robustness of any business cases the Council acknowledges that there is always a risk of commercial failure. In such an eventuality the Council may elect to assist and mitigate impacts to the community. As such the Council will continue to review its level of reserves on an annual basis which takes account of all the risks that are faced along with allowance for unexpected events.

DELIVERING THE STRATEGY

Change management

25. The drive to optimise the returns available from the Council's activities requires certain actions: policies; training; and culture change. A Change Plan is proposed at Appendix B, with objectives as follows:

- Ensure the strategy; policies; procedures; etc. are in place to allow income generation to occur.
- Generate project ideas.
- Inform stakeholders and turn them from 'blockers' to 'enablers'.

Governance

26. The Council has a scheme of delegation on which investment decisions can be hung up to a limit.. The Income Generation Board will have overall responsibility for overseeing income generation and recommending investments to the appropriate decision maker.

27. The process for taking an idea from inception to delivery can be found at Appendix C.

Control and oversight

28. The Income Generation Board will be responsible for:

- Recommending policy and review investment levels for Cabinet and Council, including those relating to the trading companies.
- The oversight of the income development programme and reporting on this to Cabinet and O&S, including reports relating to Trading Companies.
- Oversight of complementary policies to support income.
- Making recommendations for major decisions to Cabinet and Council where this is required. Providing accountability of the delegated decision exercised by officers or members. Reviewing outcomes and progress and recommending the appropriate adjustments to strategies and plans
- Accounting to Cabinet and Council, Audit Committee and O & S as appropriate.

Management

29. The Director of Operational Services is the Project Sponsor for the Income Generation Programme. However, Corporate Management Group (CMG) will reshape its current priorities and membership to ensure the collective addressing of the programme, its performance, needs and of major decisions.

30. The programme of projects developed, presented and delivered as part of this strategy will form an Income Generation Programme. The Income Generation Manager will act as the programme manager and fulfil the function of a Programme Management Office (PMO), with project teams for each project. As the programme develops it will be necessary to appoint a coordinator to ensure that the PMO function is effectively discharged. The Council's existing programme management methodologies and policies will be employed at all times.

31. The Income Generation Manager will report to the Income Generation Board on the progress of the programme. A tracker will be used in this report which shows:

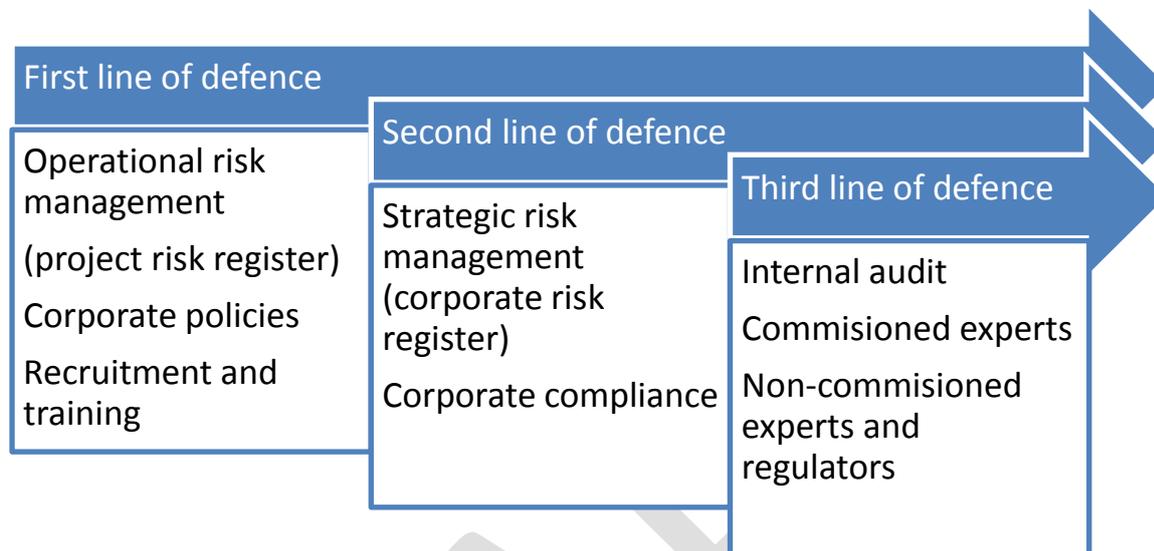
- All ideas received by the programme.
- Those ideas which have moved beyond inception; the current status with delivering the proposal; and the predicted contribution to outcomes.
- A 'dashboard' showing current progress against targeted outcomes.
- Completed or rejected ideas.

Measuring success

32. Income or savings which are generated through projects associated with this strategy will be weighed against the projected financial shortfalls.

Risk Management and Audit

33. The Council will adopt a 3 tier approach to risk management. The hierarchy and the measures within it can be seen in the following graphic:



34. The main function of the Internal Audit Service is to provide assurance by forming and evidencing an opinion on the organisation's risk management, internal control environment and governance. This forms the third and final layer of risk management in our model.

35. Where there is trading in an external company there is a statutory requirement to conduct a separate audit for those companies. Conducting external audits in this way will provide the Council with additional assurance.

Consolidated critical task list

| Serial | Task | Outcome | Responsible | Deadline |
|---------------|--|---|----------------------------------|-----------------|
| 1 | Adoption of Income Generation Strategy | Adopted | Director of Operational Services | July 2017 |
| 2 | Establish PMO | Corporate policy compliant | Income Generation Manager | July 2017 |
| 3 | Change plan adopted | Stakeholder attitudes are improved | Income Generation Board | July 2017 |
| 4 | Identify income generation opportunities | Income generation programme populated | Income Generation Manager | Ongoing |
| 5 | Individual business cases are developed | Projects approved | Cabinet | Ongoing |
| 6 | Measuring success | Benchmarking overall income and savings | Income Generation Board | Ongoing |

Conclusion

36. The challenges that HBC faces are real and substantial but they are not insurmountable given the will to take action and careful planning. The Council is not embarking on this strategy for profits own but to ensure that it has the resources needed able to meet the needs of the residents of Hastings.

37. The foundations for success have been laid with the adoption of this strategy. Through its delivery, and the applications of lessons learned whilst doing so, has given itself the best chance of achieving its strategic objectives.

38. The strategy will be reviewed annually by the Income Generation Board and recommendations made to Cabinet/Council as appropriate..