



# Income and investments and post budget analysis

# What was in the box?



**It certainly wasn't money for local councils.....**

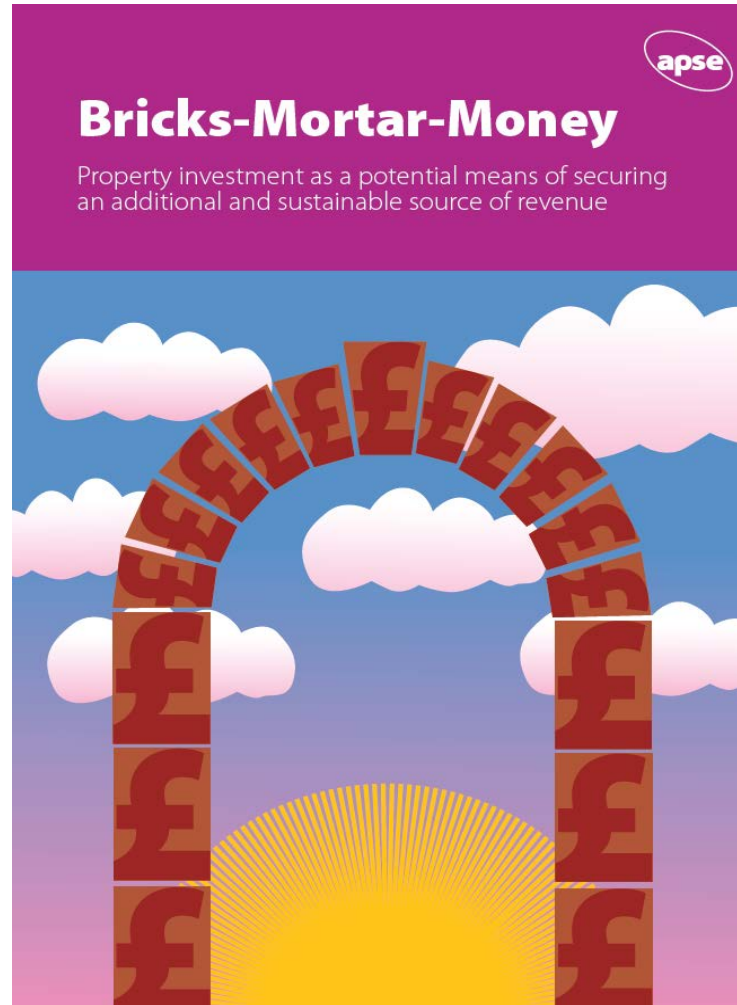


# Minor tinkering....



- HRA
- Infrastructure – capital based
- No mention of social care
- Business rate changes – councils ‘will not lose out’

# Where are we now on investments ?





# Current climate

- Reductions in core funding
- Reliance on income generation
- £2.4bn since 2010 on property investments
- One county on the South of England spent £186m outside of area – or 78% of its investment properties
- Last response from Government on this issue was post the Icelandic Bank crisis



# What we found

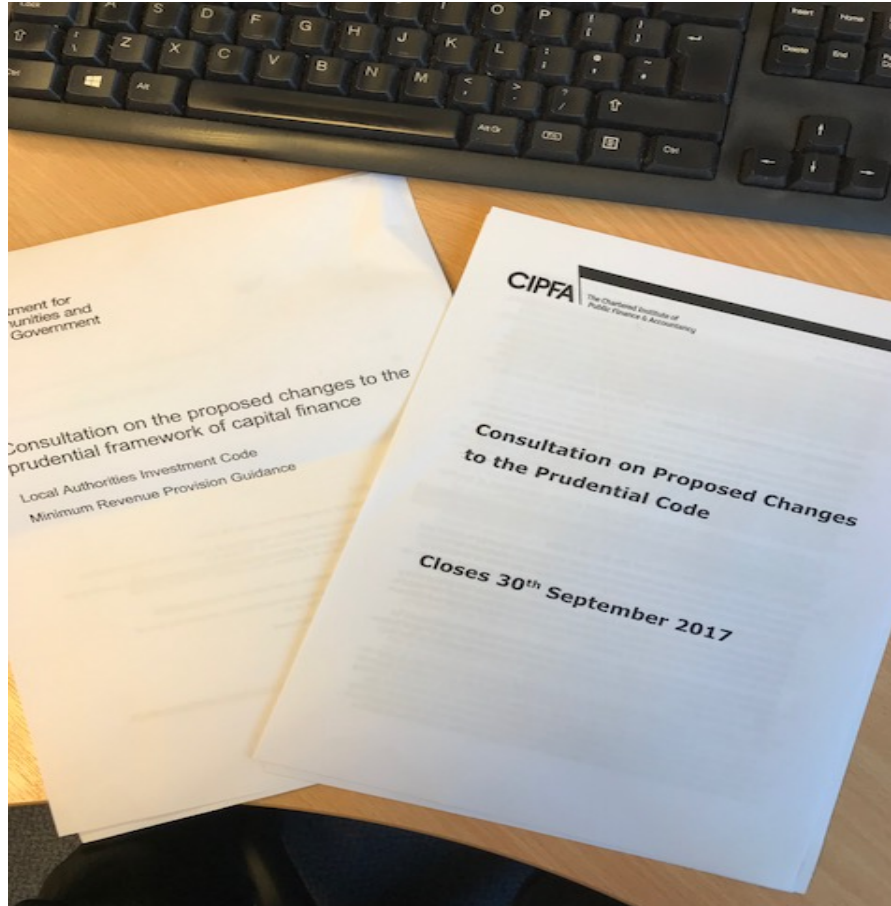
- Type of assets - TNRP (Tenanted non-residential property) eg retail, farms, offices, industrial units
- TNRP non-investment - job creation, sustainable communities, regeneration or development
- Investment properties

# Recommendations



- Establish what you have got
- Measure how well you are doing
- Strategy (appetite for risk)
- Geographic boundaries (out of boundary investments)
- Funding (PWLB? Self-funded?)
- Skills and capacity
- Delivery models
- Acquire carefully (risk management)
- Acquisition and management
- Monitor, review, adapt

# Spooking the markets....



# Changes to the prudential framework on capital finance



- Minimum revenue provision guidance
- Concerns that 'core function is to deliver statutory services' non-core work will soak up resources
- Recognise reliance on commercial activity and investments but could leave councils .. 'exposed to macro-economic trends' creating a 'structural deficit' in funding core services
- 'Borrowing in advance of need' (PWLB out of area investments)
- Non-finance assets should prioritise security and liquidity over yield



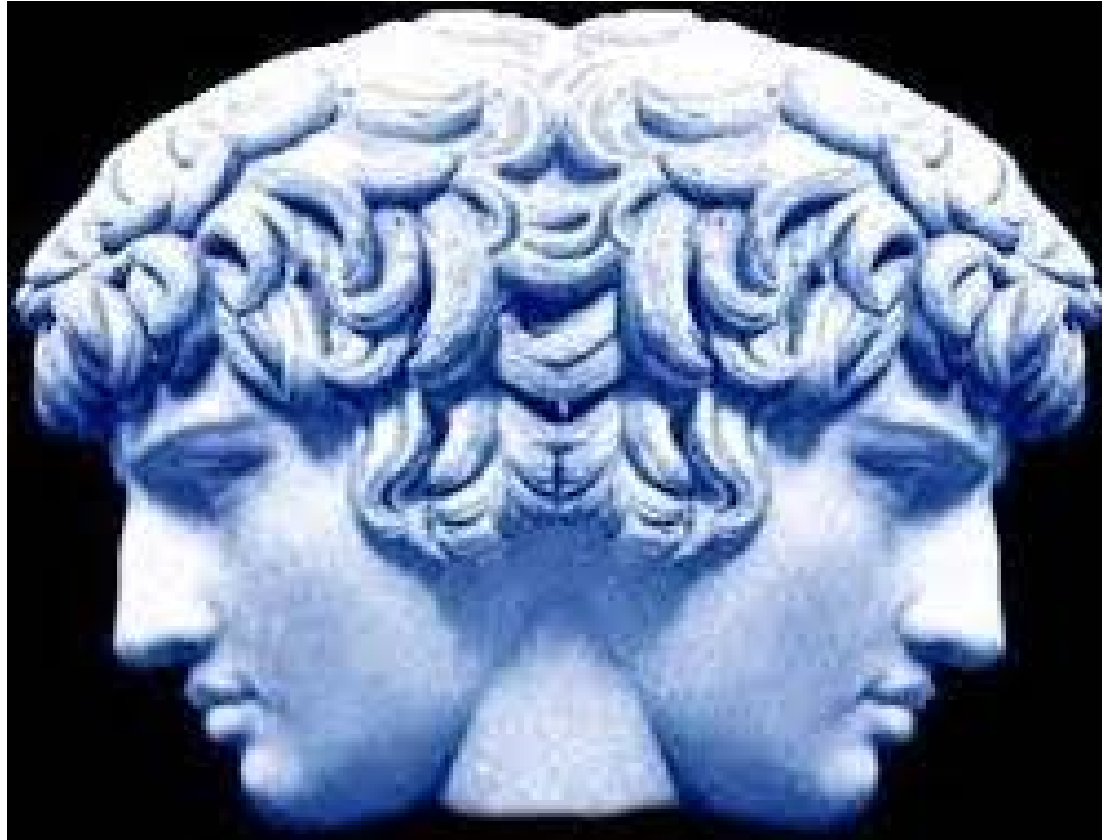
# Proposed changes

- Minimum Revenue Provision Guidance (MRP) proposed revision to guidance
- Transparency – Investment Strategy to be prepared annually (linked to Capital Strategy )
- Disclosure on proportionality (reliance on commercial income and committed borrowing and impact on ability to deliver services)
- Non-core investment
- Borrowing in advance of need (out of area investments)
- Within area (or commuting distance..) and links to regeneration / local economic activity

# A need to be worried?



# Facing both ways..





# Case study: Southampton

- Borrowing at 2% Return of 6-7%
- £65m investment pot through a development company  
Three properties: 2 in and 1 outside of the City
- Investments as of 2016 £100m
- Strategy: to underpin financial security and create an income stream
- Investment business plan: delegation to Head of Property and Assets, Council Leader and capital board

# Case study: Mansfield District Council



- Travelodge in Edinburgh, Gym in Manchester, Commercial premises in Doncaster, Commercial Vehicle Garage in Glasgow, Residential property in London
- £26 m pot of which £20 m allocated
- Spread of risk over different sectors and geographic locations
- Reliable rental income and risk analysis paramount
- Matrix of location, tenants, lease, income, sector

# Case study: London Borough of Havering (Mercury Land Holdings)



- Powers to on-lend to MLH at commercial rates
- Creates a revenue stream through interest on loans
- Ability to influence the PRS market
- Ability to offer assured tenancies and market rents
- Commercial entity so potential outside of public procurement rules but the council will insist on best value and best practice in its approach

# Case study: Canterbury City Council



- Acquisition of Whitefriars shopping centre
- Head lessor with 250 year leasehold
- Asset management sits with Henderson Investments
- Provides a return on both loan interest and rentals
- Council's business case was compelled – and used their knowledge of the strategic value of Whitefriars
- Canterbury's position as a sub-regional retail hub secured with anchor tenants M&S, Primark and Fenwicks

# Recommendations



- Establish what you have got
- Measure how well you are doing
- Strategy (appetite for risk)
- Geographic boundaries (out of boundary investments)
- Funding (PWLB? Self-funded?)
- Skills and capacity
- Delivery models
- Acquire carefully (risk management)
- Acquisition and management
- Monitor, review, adapt



**LOCAL SERVICES**

**LOCAL SOLUTIONS**



## Contact details

**Mo Baines, Head of Communication and  
Coordination**

**Email: [mbaines@apse.org.uk](mailto:mbaines@apse.org.uk)**

**Association for Public Service Excellence**

2nd floor Washbrook House, Lancastrian Office Centre, Talbot Road,  
Old Trafford, Manchester M32 0FP.

**telephone:** 0161 772 1810

**fax:** 0161 772 1811

**web:** [www.apse.org.uk](http://www.apse.org.uk)

