



# Income and investments and post budget analysis

# What was in the box?



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

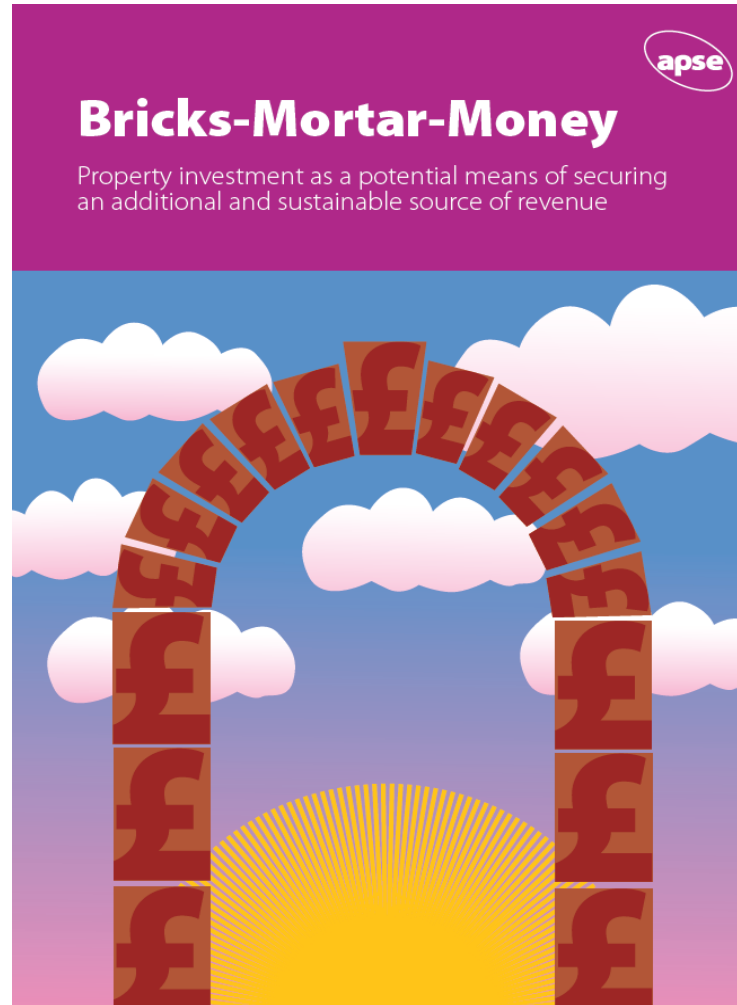


# Minor tinkering....



- 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

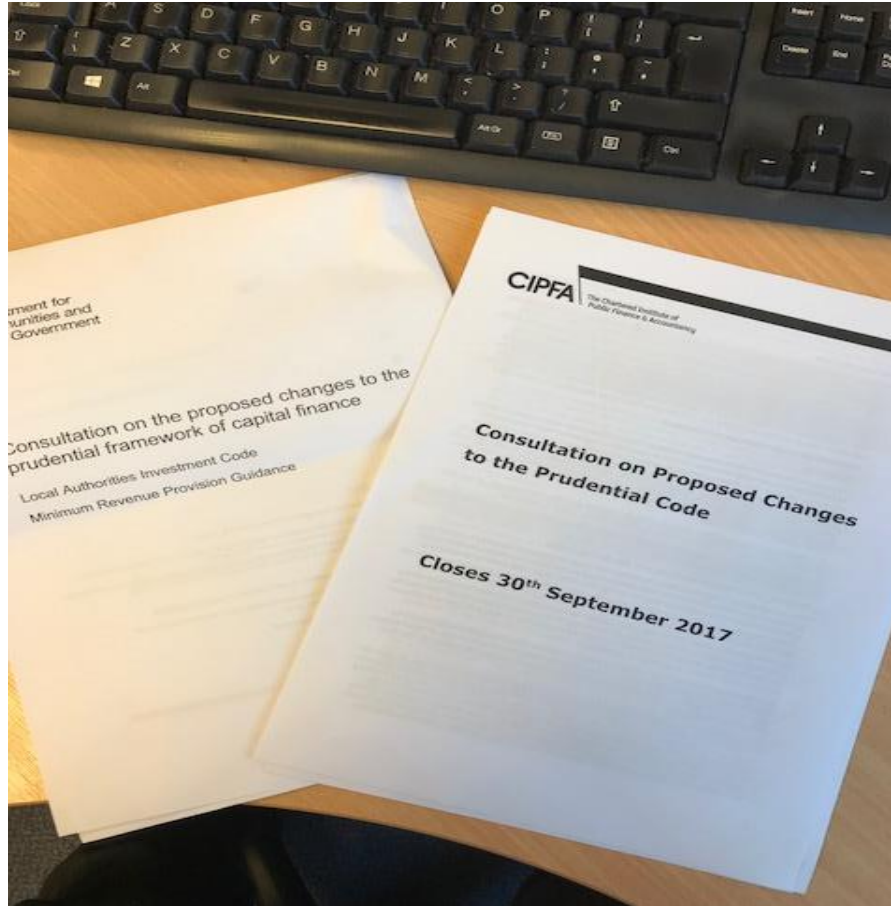
# Recommendations



- 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..





**LOCAL SERVICES**

**LOCAL SOLUTIONS**



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