

15th September 2015

Policy, Finance and Resources Committee

Income Generation

Report of: *Chris Leslie, Finance Director (Section 151)*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 In light of the significant budget pressures that are facing the Council in the coming years, ways of generating additional income and reducing costs are being explored.
- 1.2 This report sets out the current activities, which are being undertaken by the Council in relation to this.

2. Recommendation(s)

- 2.1 To approve the areas identified for a draft “Income Generation Programme” to cover the areas identified in 4.1-4.10 of this report.**
- 2.2 To agree that such activities as outlined below 4.1-4.10 of this report, be developed into full business cases with reports to come back to Policy, Finance and Resource Committee, once details are complete.**

3. Introduction and Background

- 3.1 The budget report presented to Council on the 10 June 2015 gave a commitment to finding additional efficiency savings and income generating activities to help reduce the budget gap.
- 3.2 Work has been carried out to identify opportunities and the current activities being pursued are set out in this report.

4. Income Generation and Cost Reduction Activities

- 4.1 The first process being undertaken is to ensure the Council is making the best use of its existing property assets as this is the quickest and lowest

risk way to generate additional income. Following completion of these tasks the resources can be diverted into setting up a structure suitable for acquiring and managing income generating property assets.

- 4.2 Review of existing property assets – All information on the Council's assets is being brought together into an updated asset register so work on maximising their potential revenue streams can be realised and use reviewed. For completion by the end of 2015/16.
- 4.3 Maximising returns from property assets – As details of assets are collated work has begun on reviewing existing leases, triggering rent review clauses or negotiating new agreements. This has identified some rent reviews that are due and these are now being enforced and income increased where possible and appropriate. A central list of all leased properties and rent review dates are being compiled in tandem with the review of existing assets to ensure leases are renewed promptly. This is anticipated to be completed by the end of 2015/16.
- 4.4 Sale of property assets – The identification and processing of redundant assets for sale is ongoing. This will generate additional resources to fund the capital programme and reduce the revenue implications. Current sales are expected to be concluded by the end of 2015/16.
- 4.5 Acquiring income generating property assets – To undertake a substantial investment exercise the Council must be clear about its investment objectives and criteria and have the correct resources to identify suitable properties to acquire and to manage them. This is targeted to be in place by mid 2016/17 following completion of the other work streams with the potential to commence acquiring assets by the end of 2016/17. An acquisition policy already exists which specifies a minimum yield criteria for purchases of 6% but this will be revisited. In addition, full work regarding the implications and management of such an approach need to be explored in full, ahead of any decision being made.
- 4.6 Local Authority Trading Company (LATCo) – A LATCo enables the Council to undertake commercial activity. However, a wide range of powers are already available to Local Authorities and other Councils have successfully acquired investment property without a LATCo, saving money as a result. The need for a LATCo and associated costs will be considered as part of each business case.

- 4.7 Minimising borrowing costs – Strategies to secure funding for acquisitions will be reviewed to minimise costs. This includes potential sources and profiling of borrowing if required.
- 4.8 A procurement challenge is being commissioned through the East of England Local Government Association. The challenge provides a check of the effectiveness of the current approach to procurement, including comparisons to best practice. It will also give recommendations for actions which will help to secure efficiency savings and better overall performance.
- 4.9 The provision of homelessness accommodation is a significant cost to the Council. A work stream is underway to investigate the possibility of providing a proportion of this accommodation directly by the Council, securing an additional income source and reducing costs.
- 4.10 Specialist VAT consultants have been engaged to explore the possibility of the Council reclaiming VAT. The Council has previously had success in reclaiming VAT through its 'Fleming Claims'.

5 Reasons for Recommendation

- 5.1 To provide Members with an update on the activities taking place regarding income generation and cost savings.

6 References to the Corporate Plan

- 6.1 Ensuring sufficient financial resources exist to achieve the priorities is key to the delivery of the Corporate Plan.

7 Implications

Financial Implications

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- 7.1 Financial implications are considered throughout this report.

Legal Implications

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- 7.2 None directly arising from this report.

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