

## **Proposal to establish a Commercial Income Generation Fund**

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### **Purpose of the Report**

1. The purpose of this report is to ring-fence a capital sum to purchase property, land, and renewables as part of agreeing the revised capital programme for 2017/18 to 2021/22.

### **Public Interest**

2. This report requests that £15 million is ring-fenced within the capital programme to purchase property, land and renewables to generate income.

### **Recommendations**

3. That full Council approve the following recommendations:-
  - a. To approve the ring-fencing of £15,000,000 within the Capital Programme for Renewables, Property Investment and Development Project Fund;
  - b. To note that the findings of The Strategic Commercial Land and Property Project will be reported to District Executive for approval no later than the end of July 2017.

### **Background**

4. A request was made to District Executive in January 2017 for funding for a Commercial Land and Property Project. Approving and allocating capital spend has been delayed pending the approval of the Council Plan Action Plan for 2017/18. Capital Projects for approval have now been included in this agenda along with the new plan. As part of the Council's financial planning a sum is being requested now for commercial income generation as part of the new capital programme.

### **Report**

5. South Somerset District Council is ambitious for its communities but needs to make cash savings of up to c.£4.7m overall, if it is to be financially sustainable and be able to continue to meet community needs. Some of this will be delivered through the Transformation Programme, but over £2m will need to be delivered through income generation. To this end, an Income Generation Programme has been established to support the Council in becoming financially sustainable, with a view to initially generating c.£1m per annum of this needed income in the next two financial years.
6. In order to do this the overall net yield target of 7% from investments has been agreed based upon evidence of other council's achievements in this area and advice from our property consultants undertaking the Commercial Land and Property Project. In order to generate c.£1m of income at 7% a sum of c £15,000,000 for investment will be required. More will be required to be invested in due course to deliver remaining income needed.

7. A number of local authorities have been successful in generating significant net additional income through the implementation of strategic and commercial approaches to land and property including renewables, acquisition of commercial property and housing and the direct development of land by the council.
8. Such approaches have been underpinned by a robust strategy and the necessary implementation arrangements, such as officers with the right knowledge and skills together with appropriate governance arrangements, to ensure an agile, commercial approach that manages risk and provides the accountability required for public funding.
9. South Somerset District Council approved its' Land and Property Asset Management Strategy in 2014 and this is due to be refreshed and updated in 2017. The Strategic Commercial Land and Property Project findings due by July 2017 will feed into and inform the above wider Asset Management Strategy review when undertaken during 2017.
10. The request to ring-fence funds at this stage is to ensure that the capital programme reflects this approach and that the funds are available once the criteria for spend is approved.

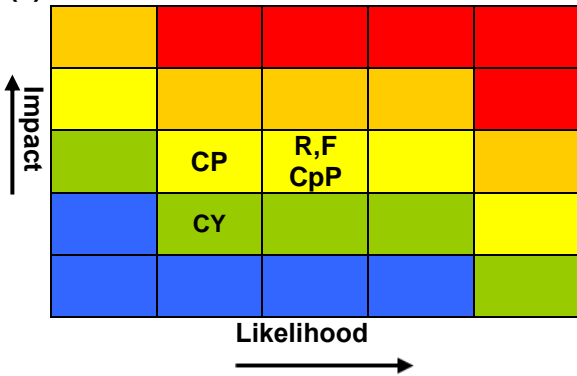
### **Financial Implications**

11. The request for £15,000,000 to be "earmarked" at this stage enables the overall capital programme to be set and financed in the most efficient way possible.
12. The Council currently holds around £17.6m in uncommitted capital receipts reserves, which provides cash that is invested as part of our treasury investments portfolio.
13. It is expected that commercial investments and acquisitions utilising this earmarked fund will improve on our treasury investments position, providing a net income gain after covering full costs, including financing. Individual business cases will include recommendations for the most economic approach to capital financing, which might include use of capital reserves and/or borrowing.
14. It is expected that acquisitions will generate an income well in excess of the costs of borrowing.
15. Any emerging projects can be approved through current governance until new procedures have been agreed. This would be through a "spend to save" capital bid via District Executive and possibly full Council or through an urgent decision by the Chief Executive if necessary.

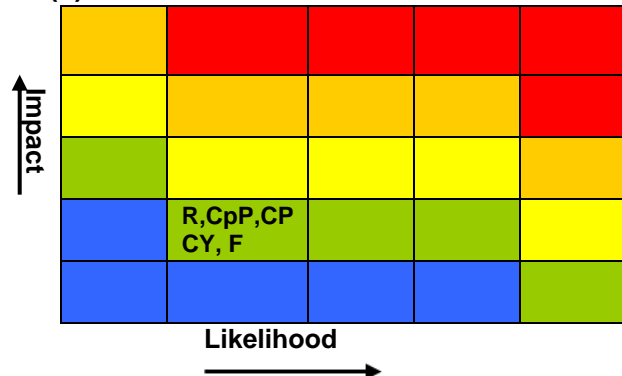
### **Risk Matrix**

16. Matrix (a) identifies the risks associated with not approving the recommendations of the report.
17. Matrix (b) identifies the risks associated with taking the decision set out in the report as per the recommendation(s). If District Executive does not approve the recommendations then our long term exposure to financial and reputational risk will increase, whilst our ability to deliver against the corporate plan objectives diminish. The risks generally increase accordingly.

**Risk Profile before officer recommendations (a)**



**Risk Profile after officer recommendations (b)**



**Key**

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact & insignificant probability

**Council Plan Implications**

- Income Generation
- Regeneration
- Corporate Land and Property Management
- SSDC Housing Development - To work with partners to enable the provision of housing that meets the future and existing needs of residents and employers
- High Quality Cost Effective Services
- Economy – to promote a strong economy with thriving urban and rural businesses

**Carbon Emissions and Climate Change Implications**

There are no current implications associated with this report

**Equality and Diversity Implications**

There are no implications immediately associated with this report.

**Privacy Impact Assessment**

None associated with this report

**Background Papers**

- Strategic Commercial Land and Property Project January 2017
- Medium Term Financial Strategy February 2017
- Appendix A - Emerging Income Generation Assessment Criteria (to be finalised within the Commercial Land and Property Project Report and Recommendations by July 17)