Funding our Services: A Commercial Strategy (Part 2)

Explaining the Reigate & Banstead approach to commercial investment

December 2021

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Commercial Strategy Part 2 Summary: ‘Plan on a page’

The context:

1. The impact of the **current local government funding regime** along with **increased budgetary pressures** means that the Council is facing **a growing funding gap**.
2. This means that the Council itself will need to **generate income in order to continue to fund services**.
3. At the same time a **tighter local government borrowing regime** is placing **restrictions on investing purely for yield**.
4. Together this means that we need to **review and evolve our commercial approach**.

Our proposed commercial approach:

1. A **project pipeline** to establish **new income streams** from asset activity while also **delivering broader corporate objectives**.
2. Ensure that **existing income streams** we already rely on from our assets are **maintained and where possible increased**; and that we **repurpose, redevelop or dispose** of those assets that cost us money.
3. **Invest in new assets** to secure income or deliver savings whilst also delivering corporate priorities.
4. Continue to **sell or trade services where we already do this**; and **look to introduce new trading activity** where this aligns with our local government remit and areas of expertise.
5. Take a **more commercial approach** to **fees and charges**.

Ensuring robust and transparent decisions:

1. Take an **evidence based approach** and apply our **established project management framework**, including risk management, benefits tracking and ‘lessons learned’ and an enhanced approach to **financial business cases**.
2. Take account of **overall asset portfolio balance** and the need to **manage the impact of trading activity** on core services and activities.
3. Use the **Commercial Ventures Executive Sub-Committee** to take formal decisions about commercial investment, and continue to use the **Commercial Governance Framework**.
4. Quarterly **commercial income reporting** to Overview & Scrutiny, continued provision of **project dashboards** to members, and quarterly **updates on portfolio performance** to CVESC.

Funding commercial activity:

1. **Revenue funding** agreed annually via budget process or via earmarked reserves
2. **Project feasibility funding** available from the Feasibility Studies Reserve
3. **Capital funding** via the annual Capital Programme and in agreement with the CVESC

Executive Summary

Introduction

To deliver the priorities, as set out in the corporate plan 'Reigate & Banstead 2025', the Council faces tough decisions about funding. To avoid significant increases in Council Tax, we need to generate surplus income, in order that those funds can be re-invested into the provision of frontline services for our residents. This means we will need to act more commercially.

This Commercial Strategy Part 2 builds on Part 1 of the Commercial Strategy which was agreed in November 2020. It explains the different types of commercial activity that the Council will consider, provides a framework for how different options will be evaluated, and outlines the basis on which decisions will be made.

The context

The impact of the current local government funding regime, along with increased budgetary pressures, mean that the Council is facing a growing funding gap. We will therefore need to generate income itself in order to continue to fund services.

At the same time, a tighter local government borrowing regime is placing restrictions on the Council's ability to invest purely for financial yield

Taken together, this means that we need to review and evolve our commercial approach. More information about the context against which this Strategy has been prepared is included in Section 2: The scale and practical implications of the funding challenge.

Our proposed commercial approach

The approach to commercial activity that the Council will take is based around two main areas, commercial asset activity and commercial service activity. The Council will:

- Develop a project pipeline to establish new income streams from asset activity
- Ensure that the existing income streams that we already rely on from our assets are maintained and where possible increased, and that assets that cost us money are repurposed, redeveloped or disposed of
- Invest in new assets to secure income or achieve savings, whilst also delivering against wider corporate objectives

- Continue to sell and trade services where we already do this, and look to introduce new trading activities where this aligns with our local government remit and our areas of expertise; and
- Take a more commercial approach to our non-statutory fees and charges.

More information about the proposed commercial approach is included at Section 4: Investing in commercial assets and Section 5: Investing in commercial services.

Ensuring robust and transparent decisions

In taking decisions about commercial asset and service related activity, the Council will:

- Take an evidence based approach and apply its established project management framework, including risk management, benefits tracking and 'lessons learned' and an enhanced approach to financial business cases
- Take account of our overall asset portfolio balance and the need to manage the impact of trading activity on our core services and activities
- Use the Commercial Ventures Executive Sub-Committee ('the CVESC') to take formal decisions about commercial investment and continue to use the Commercial Governance Framework to support this process; and
- Provide quarterly commercial income reporting to the Overview & Scrutiny Committee, continue to provide project dashboards to members and introduce quarterly updates on portfolio performance to CVESC.

More information about the Council's governance and decision-making processes is included in Section 6: Funding, implementing and reporting on our commercial activity.

Funding commercial activity

The Council recognises that funding will be required to progress and 'unlock' commercial income generating opportunities. This will include:

- Revenue funding agreed annually via budget process or via earmarked reserves
- Project feasibility funding available from the Feasibility Studies Reserve; and
- Capital funding via the annual Capital Programme and in agreement with the CVESC

More information about these funding sources is provided in Section 6: Funding, implementing and reporting on our commercial activity.

Section 1: Introduction

Our Corporate Plan

1. In 2020, the Council agreed its new Corporate Plan, Reigate & Banstead 2025 (available via the Council's Corporate Plan webpages). The plan sets out the Council's priorities and explains how we will focus our resources and deliver services to those living, working and spending time in the borough. These priorities include supporting vulnerable residents and local communities, strengthening our local towns and centres, making sure our Reigate & Banstead remains an attractive place to live and moving towards being a more environmentally sustainable borough.
2. To deliver the Council's corporate priorities, Reigate & Banstead 2025 includes the objective to generate additional income and build our financial resilience, in order to sustain services, through responsible and sustainable commercial activities. The plan then gives some examples of some of the ways the Council will do this, including:
   - Developing a commercial strategy to inform our income generation activities
   - Expanding our Council Tax and Business Rates collection and counter-fraud services for other organisations where it makes commercial sense to do so
   - Investigating other opportunities to sell or diversify our services and pursue these, where supported by a robust business case
   - Investing in new property assets or development opportunities in our economic area where these will provide a reliable revenue income stream or longer term capital receipt, and help us sustain services; and
   - Using our existing property assets to generate revenue income or capital receipts for the Council, including by bringing some of them forward for development.

Our Commercial Strategy Part 1

3. Our Commercial Strategy Part 1 was agreed by the Council's Executive in November 2020. It explains what we mean by 'commercial activities' and why the Council needs to undertake them, how commercial thinking will be embedded in the organisation and how commercial decisions will be taken. It sets out three principles that will underpin all our commercial activities, to provide reassurance that any commercial activity undertaken by the Council is consistent with our statutory roles and responsibilities:
   - **Principle 1:** Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in

the borough, and our corporate objectives as well as in line with all relevant advice and guidance

- **Principle 2:** Any decisions which have a commercial aspect will be based on a robust assessment of the business case using consistent relevant criteria, and appropriate due diligence and risk assessment
- **Principle 3:** Surplus income generated through our commercial activities will be used to ensure the financial sustainability of the Council and continued delivery of services for local people.

The scope of this Commercial Strategy Part 2

4. The Part 1 Commercial Strategy explains that there are two main elements to our approach: firstly, becoming more business-like in our day-to-day activities, and secondly, increasing capital and revenue returns through our assets and investment.

5. The purpose of this Commercial Strategy Part 2 is to provide more detail around the ‘investment’ elements of the Council’s commercial approach as described in Part 1. It should be read alongside the Council’s Commercial Governance Framework, which was agreed by the Executive in March 2019 (and is available via the Committees section of the Council's website).

6. For the purposes of this Part 2 strategy, a commercial venture is defined as one that:

   - Is not a core Council function or activity
   - Will generate income or capital receipts for the Council; and
   - Will require substantive revenue or capital spend beyond what is defined in agreed budgets (excluding earmarked reserves) *or* the establishment of a company; and
   - Where the Council’s actual cumulative exposure exceeds £100,000 (net of projected income, as defined in the Council’s adopted Commercial Governance Framework – see above).

7. A commercial venture may be progressed directly by the Council, or indirectly via either a new or existing Council company. This Part 2 Strategy:

   - Explains the different types of commercial activity that the Council will consider
   - Provides the framework for how different options will be evaluated and investment focused; and
   - Explains in more detail the basis on which decisions will be made and clarifies the processes which will be used.

8. It will guide both the Council's direct commercial activity, and also provide the basis for decision making by the Leader, the Executive and Shareholder Panel members in respect of business plans for Council's current, and any future, companies.

Learning from experience and best practice

9. Acting more commercially as a local authority is not free from pitfalls. The past few years have seen a number of local authorities receiving negative assessments of the approach they have taken to commercial activity; and reliance on commercial activities has been a contributing factor in some instances to local authorities issuing section 114 notices (essentially a declaration that they do not have enough funds to deliver or balance their budgets).

10. To inform this Part 2 Commercial Strategy we have reviewed activity by a range of local authorities, as well as this Council's own experience in undertaking commercial activity. From this we have identified some 'learning points' that have shaped our approach:

    - A good understanding of any individual investment is essential, including its realistic costs, risks and timeframes
    - Proper process helps to avoid problems by allowing them to be spotted early and enabling timely responses
    - Councils benefit from playing to their strengths, with successful examples where authorities have been able to leverage their specialist knowledge, but also cases where moving away from this has increased the level of risk
    - Commercial skills and awareness are essential, and many issues can be avoided by having the relevant skills and experience in place.

11. Our own experiences in commercial activity to date, as well as our learning from elsewhere, indicates that the Council has the following core strengths that should form the basis of its future commercial activity:

    - We have in-house skills and expertise in areas where we already provide services, and are well placed to build on this, drawing on external advice if necessary
    - We understand the public sector environment, which presents opportunities for selling our services
    - We have good relationships with a range of local partners, offering opportunities for collaboration
    - We do not have an obligation to provide short-term returns to shareholders so we can invest for the longer term; and
    - While we have a forecast funding gap, we do have substantial revenue reserves which means we can take time to do things in a measured and appropriate way.

Section 2: The scale and practical implications of the funding challenge

The scale of the funding challenge

12. The Council receives no revenue support grant from central Government and its ability to fund the services it provides comes primarily from:

    - Council Tax
    - Some additional funding from money we are able to retain from the business rates that we collect
    - Income from commercial activity that we already carry out, such as income from our property assets.

13. Every year, the Council publishes a Medium Term Financial Plan (MTFP), looking forward five years. This sets out the scale of the funding challenge for this Council in terms of reaching its goal (set out in the Corporate Plan) of being financially self-sustaining. At the time of writing, the latest MTFP is dated November 2021 (available via the Committees pages of the Council's website). It outlines the budget pressures that will need to be addressed by the Council from 2022/23 onwards, including:

    - Making budget provision for future pay and pensions increases
    - Budgeting for the costs of approved borrowing to fund planned Capital Programme commitments
    - The impacts on available resources of Government funding plans in future years, including the loss of Negative RSG Grant, the Fair Funding Review and the Business Rates Reset
    - Revenue and capital budget growth to deliver priorities in the new Corporate Plan
    - The ongoing financial impacts of the COVID-19 pandemic; in particular continued reductions in parking income forecasts; and
    - The requirement to address other budget risks and opportunities that have been identified during budget setting, including: ICT resilience (investment to address risks); property rental income (significant lease renewals during the year); procurement & contract management and data insight (investment in additional capacity); family support & refugee resettlement (new funding opportunities); and Government Waste & Resources Strategy impacts (2024/25 onwards).

14. Taking all of this into account, the latest MTFP forecasts the Council's budget gap as follows:

Figure 1: MTFP Budget Forecast Revenue Budget Gap (November 2021)

	Approved Budget 2021/22	Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26	Forecast Budget 2026/27
Forecast gap	Balanced	£0.718m	£2.257m	£2.616m	£3.775m	£4.275m
Annual increase in gap	-	£0.718m	£1.539m	£0.359m	£1.159m	£0.500m
Gap as a percentage of 2021/22 budget requirement	-	4.1%	12.0%	15.0%	21.7%	24.6%

15. There are various tools at the Council's disposal to reduce the budget gap, but the MTFP identifies maximising our income and commercial activity as being key strands of the Council's budget setting activity in future years.

16. For this reason, funding is - and will continue to need to be - allocated within the Council's annual budget to support commercial activity.

Practical implications of the funding challenge

The need for capital expenditure

17. As described in Part 1 of the Commercial Strategy, the funding challenge faced by the Council means that we will need to both reduce what we spend on service provision *and* generate income. We will do this by:

- Firstly, becoming more business-like in our day to day activities
- Secondly, increasing capital and revenue returns through our assets and investment.

18. It is the second of these themes that is the main focus of this Part 2 Commercial Strategy. The activities described in Part 1 for this theme - making best use of our property assets; and investing to generate new sources of revenue income - will both require capital expenditure by the Council.

Methods of funding capital expenditure

19. The Council has at its disposal a range of methods of funding capital expenditure that are available to us, as set out in more detail in the Council's 2021/22 Capital Investment Strategy: These include:

- Government grants and non-government contributions (sometimes requiring a 'match funding' element)
- Prudential borrowing
- Capital receipts
- Revenue contributions
- Use of leasing; and
- Section 106 Agreements (Town and Country Planning Act 1990) and Community Infrastructure Levy (CIL) sums.

20. There may also be more 'non-traditional' options such as local lotteries or crowd funding, however the list above represents the primary means of funding at our disposal.

21. While the Council has not historically had any need to borrow to fund its capital expenditure (relying on the use of grants, capital receipts etc), it is now in a position where borrowing will be required to fund delivery of corporate objectives. This is already recognised in the Council's Medium Term Financial Plan and Capital Investment Strategy; and in the Treasury Management Strategy which confirms an authorised borrowing limit of up to £161.5m to fund delivery of the Council's capital programme as approved at the time of writing.

Borrowing, and the options available to us

22. Figure 2 explains the main borrowing options available to the Council.

Figure 2:Different borrowing options available to the Council

Type of funding	Observations
Revenue reserves	Constrained by capacity of the revenue budget / reserves to make funds available; unlikely to be a realistic option given current revenue budget pressures
Capital receipts	Proceeds from sale of other capital assets
Public Works Loans Board (PWLB)	No minimum loan value; quick to arrange Loan options: Maturity / Equal Instalments of Principal / Annity structure Duration of up to 50 years Interest repayment and MRP are a charge to the revenue budget over loan duration

Private Placements (Loans)	Bilateral loans with institutional investors (typically pension funds, insurance companies); minimum loan size is around £30m Loan options: Maturity / Equal Instalments of Principal / Annity structure Timetable to complete is around 8-12 weeks from initiation Interest repayment and MRP are a charge to the revenue budget over loan duration May be cheaper than PWLB however expensive and demanding on capacity to arrange
Bond Issue	Usually £250m minimum Requires authority to have a credit rating and investor 'roadshows' which are costly to arrange
Municipal Bond Agency	Local Govt Funding Agency – exists primarily to reduce councils' capital long term financing costs. Still in relatively early stages of being established. Allows authorities to diversify funding sources and borrow at a lower cost than PWLB - sells municipal bonds on the capital markets, raising funds that it will then lend to councils

23. However, despite this range of options there are also increasing constraints over what we can borrow and how we can used borrowed funds.

24. The **Prudential Code and Treasury Management Code** are set by the Chartered Institute of Public Finance and Accountancy (CIPFA). Local authorities are required by regulation to have regard to these Codes. At the time of writing, and in advance of updates to the Prudential Code, CIPFA has issued early guidance to local authorities about investment and borrowing to invest. This guidance applies to all forms of borrowing carried out by local authorities, and clarifies:

- The types of capital spending where borrowing is still allowed (service delivery, housing and economic regeneration)
- Why borrowing to invest solely for financial return is not allowed (due to the risks involved, particularly the fixed costs of borrowing compared to the volatility of income streams and capital values); and
- That 'financial return' covers all investment returns, whether that be revenue income streams or capital gains.

25. **PWLB borrowing** is a major source of borrowing for local authorities. However, the Government has recently introduced new lending terms and procedures that place limitations on the purposes for which it can be used:

- Defining the types of capital expenditure that can be funded by PWLB borrowing (mainly to support service delivery, housing and regeneration activity)
- Introducing a stricter definition of what is classified as an investment asset primarily for yield and therefore which PWLB borrowing can no longer be used to fund; and

- Confirming that if a local authority is planning to acquire investment assets in the next 3 years it will not be able to use the PWLB to finance *any* capital programme expenditure.

What this means in practice

26. The above constraints mean that the Council is able to borrow in order to generate income to contribute to addressing the funding gap, but only if the income stream (or capital gain) is incidental to the main reason for the capital investment. This limits the Council to generating income from capital investment to activities such as regeneration and housing.

27. It is also important – in planning for capital investment funded by borrowing – that the costs of borrowing are considered (that is, interest repayments and a minimum revenue provision). **Annex 1** provides some hypothetical examples to demonstrate (in very simple terms) how borrowing costs influence the income yield from any particular scale of investment, and – for the purposes of comparison – indicative gross investment yields at the time of writing.

Section 3: Our future commercial investment: Setting the scene

Commercial Strategy Part 1 Guiding Principles

28. The Council's focus for future commercial investment is summarised in the Commercial Strategy Part 1, in the first Guiding Principle:

> *Principle 1: Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives as well as in line with all relevant advice and guidance*

29. This Guiding Principle will be applied as the Council determines the types of commercial investment opportunities it should pursue in the future.

Capital Investment Strategy priorities

30. The Council's Capital Investment Strategy outlines the Council's corporate capital investment priorities. At the time of writing, the latest Capital Investment Strategy is dated July 2021 and is available via the Committees pages of the Council's website). These relate to all capital investment therefore are also the starting point to guide the Council's focus for future commercial investment activity.

31. Our current corporate capital investment priorities are:

- **The prosperity of the borough**: investment that will stimulate economic growth
- **Income and efficiency**: investment which promotes the financial stability of the Council
- **Supporting delivery of core Council services**: investment that will empower our staff to deliver and improve the efficient and effective delivery of services to our community
- **Building community assets**: investment that will benefit our communities; and
- **Ensuring the environmental quality and sustainability of the borough**: investment that will make the borough a more attractive place to live, work and visit or deliver wider environmental benefits.

How we will approach commercial investment

32. Given the constraints to borrowing outlined in the earlier section, any commercial investment by the Council will need to be based *not* primarily on income but on one or more of the other corporate plan or capital investment priorities.

33. We will approach commercial investment in the future recognising these constraints but also reflecting on the learning from our work in this area in recent years and from elsewhere in the sector (as summarised at in **Section 1**). We will:

    - At all times recognise our responsibility to invest wisely and to promote the interests of our residents and our borough
    - Ensure that our house is in order and that we have a robust foundation for our commercial activity
    - Use our corporate plan priorities to inform what we do
    - Work within our means, reflecting the resources and expertise that we have available to us
    - Use up-to-date market and sectoral evidence and analysis, and
    - Learn from best practice.

34. The next two sections explain the different commercial investment opportunities that will be considered by the Council and explains the basis around which different options will be considered. They cover:

    - Investing in commercial assets; and
    - Investing in commercial services.

Section 4: Investing in commercial assets

Current asset portfolio

35. The Council already owns an extensive property portfolio, which generates income that is already being used to fund the delivery of council services. A full list of Council assets is published annually on the Council's website.

36. The Council also has a wholly owned property investment and delivery company, Greensand Holdings and interests in Horley Business Park Development LLP, a joint venture set up to bring forward the planning and development of employment land.

37. The Council reports annually on the performance of properties it holds purely as investments (investment properties) in its annual statement of accounts; however the portfolio that is generating income from the Council is much wider, as demonstrated by Figure 3, Figure 4 and Figure 5 below.

Figure 3: RBBC Commercial Property Portfolio: Number of assets by type

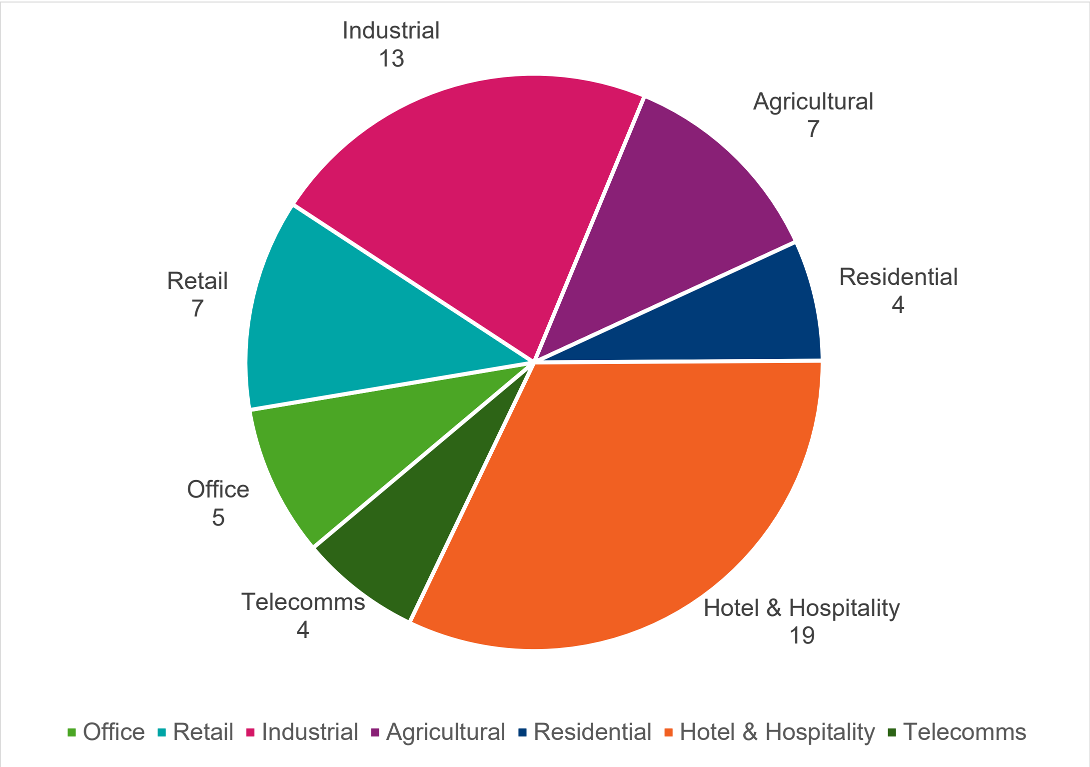


Figure 4: RBBC Commercial Property Portfolio: Capital value by type

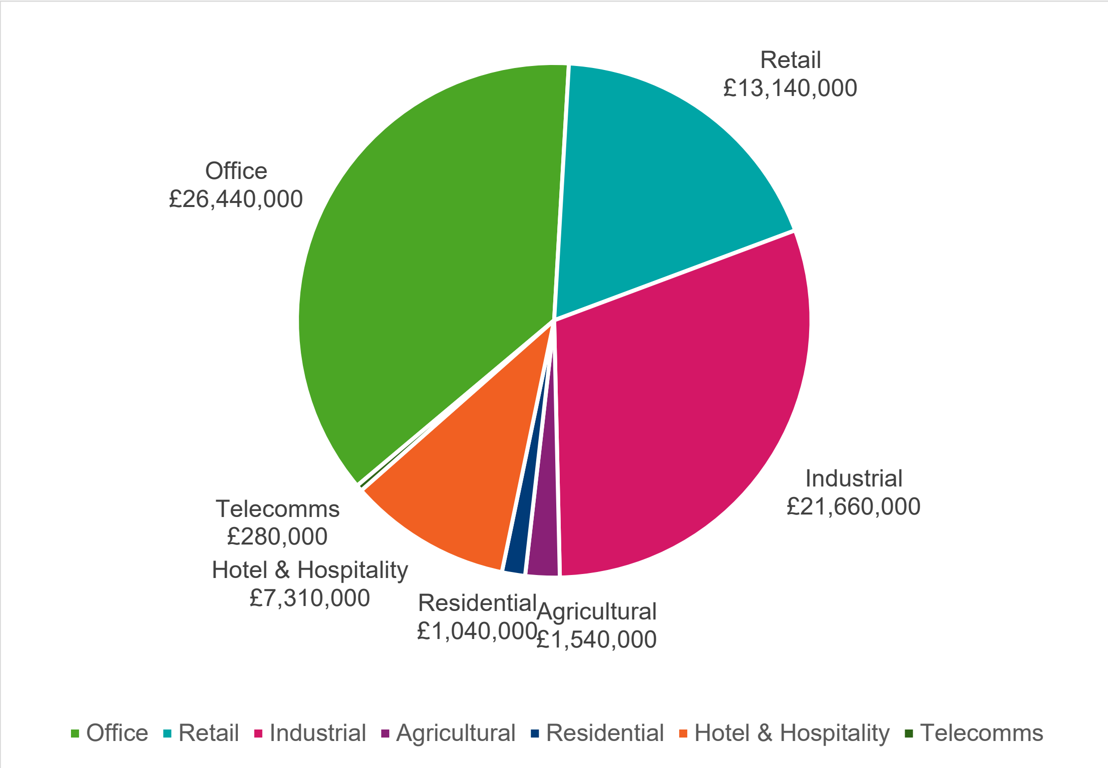
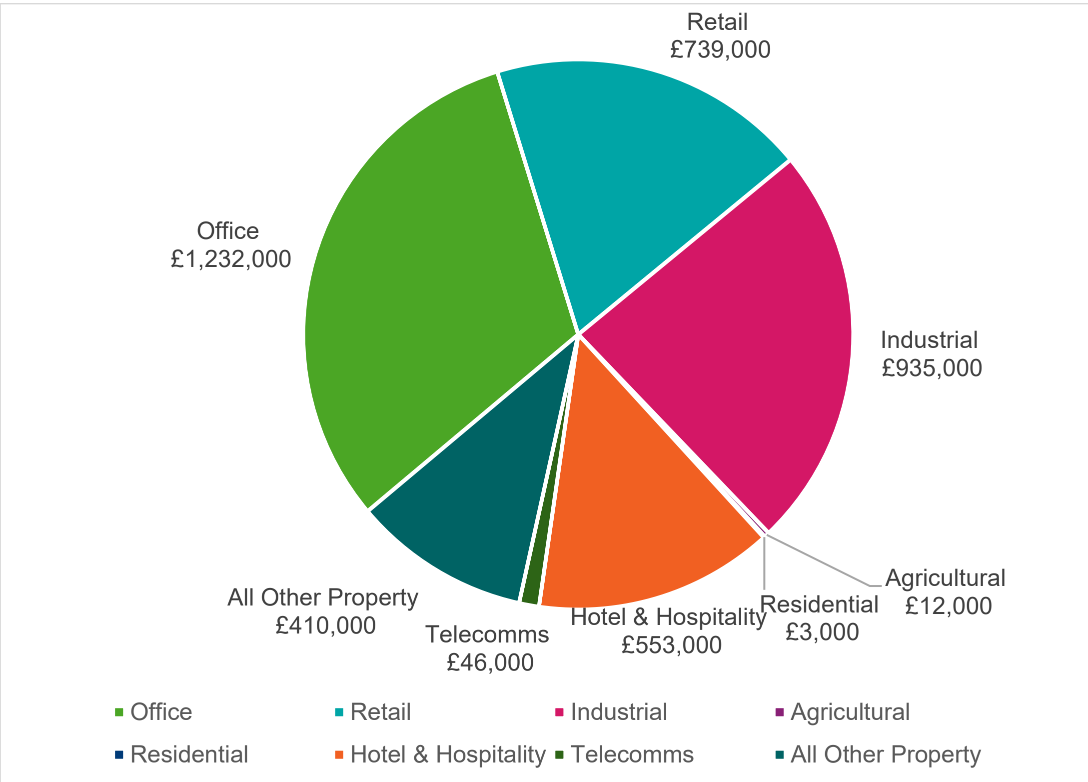


Figure 5: RBBC Property Income: Breakdown by asset type



Overall approach and types of activity

38. The Capital Investment Strategy explains the aims and objectives of the Council's Asset Investment Approach as follows:

> *The aim is to realise the benefits of the effective management of investments, which include: creating a balanced portfolio of assets that minimises management costs and resources; increasing returns and creating new revenue income streams; adopting an approach of balancing risk and reward; supporting delivery of the Council's objective to ensure financial self-sufficiency; and supporting the local economy.*

39. This will form the basis of our overall approach to investing in property assets, and the more detailed basis for decision making set out in this Strategy.

Criteria for decision-making

40. The starting point for taking decisions about investing in property assets will be ensuring that we have a robust evidence base for doing so. This will include a full and comprehensive assessment and analysis of our existing property portfolio, drawing on external advice as necessary and ongoing monitoring of, and regular reporting on, asset performance and market trends. This evidence base will enable us to take a more proactive, planned (and less reactive) approach to our commercial property investment activity.

41. When making decisions about direct asset activity, the Council will review opportunities on a case-by-case basis, and 'in the round' to ensure a full understanding of the benefits, risks and longer term implications of an opportunity are understood. This will include consideration of:

    - The contribution of any opportunity to Corporate Plan objectives
    - The type, tenure and location of the asset and current and forecast market conditions
    - The impact that pursuing the opportunity will have on the Council's overall portfolio
    - Immediate and longer term capital costs and revenue implications
    - Risks associated with the specific opportunity as well as any wider risks for the organisation should it pursue the opportunity; and
    - Exit strategy.

42. The same general considerations will also help inform the Council's approach to indirect asset activity via companies, for example the approval of company business plans.

Investing in asset activity that supports the delivery of Council objectives and the local economy while also delivering an income stream

43. Current constraints to borrowing (as outlined in **section 2**) mean that the Council is not able to buy property purely for yield. Even if we could, net yields are currently such that this would not be a sufficient solution for the Council to address the funding gap we are faced with.

44. We will therefore focus on asset activity that deliver corporate objectives (such as housing, environmental or place-shaping projects) whilst also maximising opportunities to generate income streams where this does not compromise those objectives.

45. By way of example, our asset management, asset acquisition and asset re-development activity may enable the Council to:

    - Deliver a Local Plan allocation or infrastructure project in the longer term
    - Contribute to the achievement of objectives defined in the Corporate Plan
    - Contribute to the achievement of objectives defined in subsidiary strategies to the Corporate Plan, including (but not limited to) the Housing Delivery Strategy and the Environmental Sustainability Strategy
    - Secure the continued contribution of the asset to the social, economic and environmental wellbeing of the borough and its residents, where this could otherwise be at risk or where the Council has the ability to enhance that contribution; or
    - Deliver one or more Council services more efficiently or effectively than is currently the case.

46. The Corporate Plan explains that the Council will invest in new property assets or development opportunities within our economic area. To ensure that our investment is consistent with our core responsibility as a local authority to support the local economy, the Council will only invest in property within the borough, or close to the borough border in the event that this investment secures a benefit for borough residents.

Consideration of asset use or type, tenure and location: the need to maintain a balanced portfolio of assets

47. Ensuring a balanced portfolio of assets will mean that the Council is able to appropriately balance risk and reward, and that our investments will be as resilient as possible to market fluctuations.

48. Figure 3, Figure 4, and Figure 5 above present the Council’s current portfolio balance across our main commercial assets.

49. The property market can change rapidly, and at the time of writing there is considerable uncertainty as to the ongoing impacts of both Brexit and the Covid-19 pandemic on the

property market. For these reasons, this this strategy does not specify specific sectoral targets; rather our focus will be on developing a diverse portfolio and on asset activity that enables us to deliver housing, place shaping or environmental objectives whilst also providing an income stream.

50. The implications of any substantive investment on the Council's overall portfolio will be considered as part of the decision making process, including impact on the sectoral balance and impact on the Council's future reliance on income from any one sector.

51. The Council will also, where possible, take the opportunity to diversify the Council's portfolio interests by changing or expanding the use existing assets where supported by evidence of need or demand.

52. **Annex 2** provides a summary of our current investment appetite in relation to key sectors and an assessment of our current portfolio. This will be updated annually based on market intelligence from external advisors and regular portfolio monitoring.

Understanding income potential and associated costs

53. Prior to entering into any substantive property investment activity, a comprehensive financial business case will be prepared. This will include consideration of:
    - Short, medium and longer term capital costs including all those associated with any asset purchase, the costs of any planned development and/or any ongoing maintenance costs; and
    - Revenue implications, including return on investment and internal rate of return, and the impact of any lease breaks, likely void periods and management costs.

54. To inform this assessment, the condition of the asset will be considered as well as the status of any occupiers. Due diligence will be undertaken prior to any asset acquisition, and opportunities for income or savings via lease negotiations or management arrangements will be considered.

Ensuring an appropriate balance is struck between risk and reward

55. The Council's Capital Investment Strategy recognises that the Council is exposed to a range of risks associated with property investment, including financial risks, macro-economic risks, reputational risks and governance risks. A summary of key risks and management/mitigation measures is included at **Annex 3**.

56. Decisions on whether any asset investment provides an appropriate balance between risk and reward will be taken on a case-by-case basis, taking into account the considerations set out above, financial and non-financial benefits, current and forecast market conditions and portfolio balance.

57. In making any decision to invest in asset activity, consideration will also be given to the potential exit strategies available to the Council including in the event that circumstances change.

Prioritising our commercial asset activity

58. The Council will focus its commercial asset activity around a number of priority areas. It will build and maintain a pipeline of projects (based around these priorities) which both deliver against corporate priorities and generate new income streams or capital receipts. This pipeline will help provide increased clarity about how the Council will address some of the funding gap it faces and will be an important tool in identifying future resource requirements, both in terms of skills/expertise and in terms of capital funding for feasibility and development works.

59. These priorities reflect the tools available to the Council as set out in Figure 6.

Priority 1: Evidence - Ensuring a robust understanding of our asset portfolio and its performance

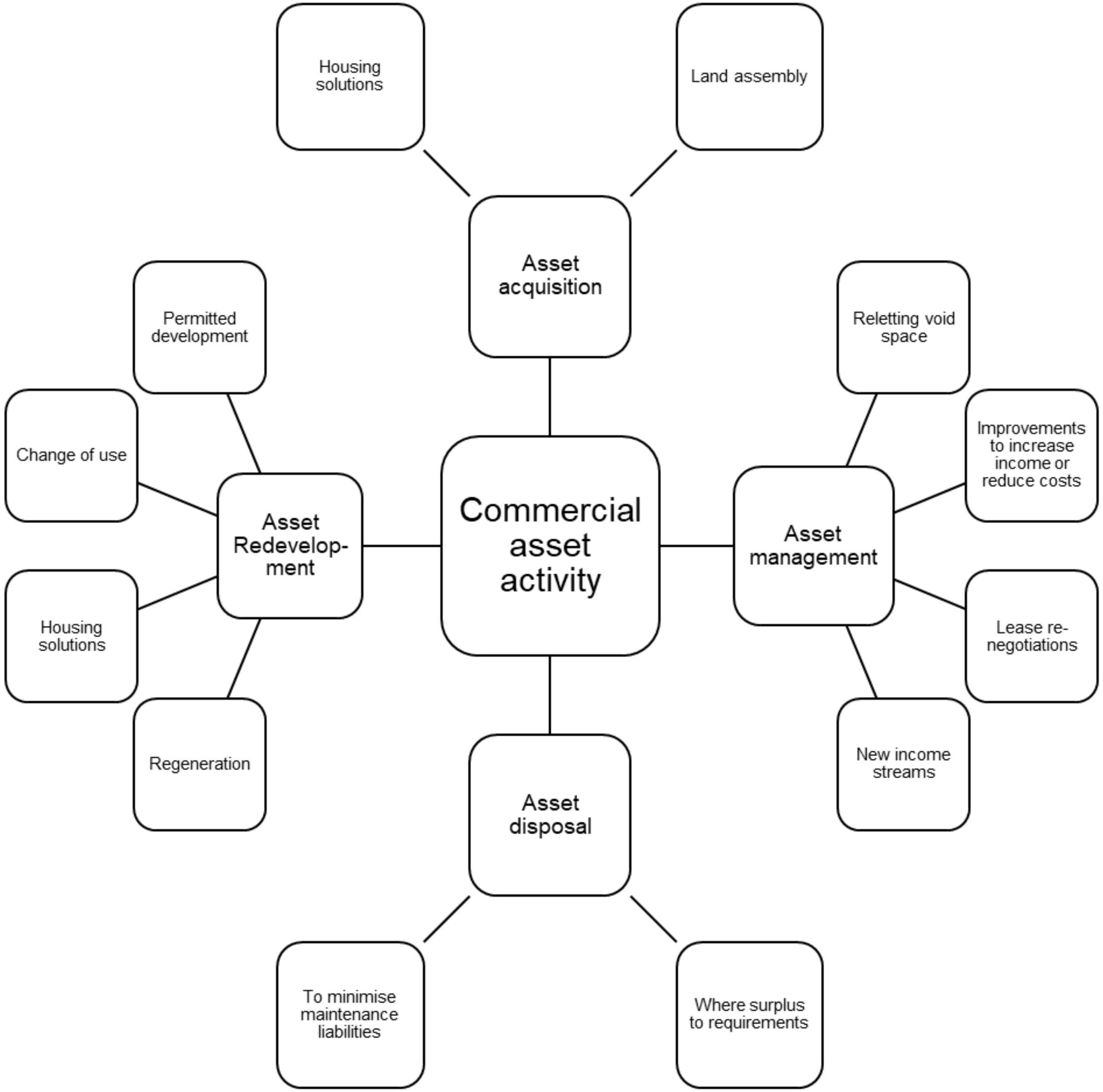
60. A robust understanding of our property portfolio will mean we are in the best possible position to assess risks and rewards associated with new opportunities. Establishing a clear performance baseline will also enable us to establish improved procedures for regular reporting on portfolio performance.

Priority 2: Asset Management - Maximising value from the assets that we currently own and /or manage for commercial income

61. The properties that we currently own already generate substantial income streams for the Council. However, income from these properties cannot be taken for granted and our commercial strategy needs to ensure both that this continues into the future and that we increase income where we can.

62. Careful management is required to minimise void periods (and reduce the costs to the Council associated with these); to make sure that our properties are of a high standard to continue to generate good income streams into the future; and to make sure that the lease arrangements that we have in place deliver the best possible returns for the Council.

Figure 6: Summary of commercial asset activities



Priority 3: Asset (Re-)Development - Securing new income streams and/or capital receipts from development projects

63. The Council has invested a considerable sum of money in progressing a range of development projects in recent years, some of which are still ongoing. These have the ability to generate new income streams for the Council in the short term, so we will prioritise completing these projects so we can realise income from them as soon as possible.

64. At the same time, we will prepare proposals for future development activity, ensuring that the Council has an ongoing development project pipeline. We will primarily focus on the development, redevelopment or change of use of assets already within the Council's ownership, but our development pipeline may also include newly acquired assets or projects involving land assembly activity.

Priority 4: Asset Disposal - Disposing of assets that are currently underperforming or surplus to requirement

65. Assets that are currently underperforming can cost the Council money, rather than generating income. In some cases, it may be cost effective for the Council to invest in an underperforming asset to either bring it up to a standard where it generates a commercial return, redeploy it or redevelop it (under priorities 2 or 4 above). However, in other cases it will not be cost effective to do this and it may make more financial sense to dispose of the asset.

Priority 5: Asset Acquisition - Purchasing assets which deliver broader benefits in line with our corporate plan

66. Asset acquisition will be considered where it contributes to the delivery of one or more corporate objectives (for example, in relation to housing, place-shaping or environmental projects) and there may be cases where such acquisitions have the ability to generate income or savings for the council as a by-product.

67. In limited cases, it may make sense for the Council to purchase assets to enable it to assemble land for regeneration purposes. This may be done on the open market or through the use of compulsory purchase orders. This approach will primarily be used in cases where the Council already owns property in an area, however in rare instances the Council may seek to assembly land to respond to market circumstances that would otherwise have a detrimental impact on local residents or communities.

Commercial Assets Action Plan

68. **Annex 4** sets out our current action plan for commercial asset activity action plan.

Section 5: Investing in commercial services

Overall approach and types of activity

69. The Council has the ability to generate income (and make savings) by taking a commercial approach to some elements of its service-related activity. These are explained in Part 1 of the Commercial Strategy and include:

    - Setting fees and charges
    - Generating income from selling the services we provide to other organisations or new customers and
    - Through procurement and contract management.

70. This Part 2 Strategy focuses on the first two of these, with the latter being addressed separately via a review of the Council's Strategic Procurement Approach.
71. The Localism Act 2011 introduced the General Power of Competence, which allows local authorities to operate more commercially, and undertake a range of different business ventures; and the Council already generates income from discretionary services it provides (such as garden and trade waste collection) and through selling its expertise to other public sector organisations (for example, undertaking fraud investigation for other local authorities).
72. There are a range of different delivery models which the Council can use to undertake service trading activities, including direct provision and the creation of Local Authority Trading Companies.
73. The Council also collects fees and charges for a range of services. Some of these are statutory and/or the Council has no discretion over whether to collect them or the level of the fee or charge. However, in other areas the Council does have some ability to adjust what it charges to ensure costs are covered – our adopted Fees & Charges Policy provides the basis for doing this. (At the time of writing, the latest Council Fees & Charges policy, dated November 2021, is available via the Committees section of the Council's website).

Criteria for decision making

74. As with commercial property activity, opportunities for service-related commercial activity will be considered on a case-by-case basis but in a consistent manner and based around some central considerations.

75. The approach defined below will ensure that the risks to the Council are minimised, and that any commercial income generated is done so in a sustainable way. **Annex 5** summarises the key risks and management/mitigation measures.

Trading activity

76. In pursuing any new or expanded (that is, trading activity that requires additional substantive resourcing in order to generate income) direct trading activity, or any proposal to establish a trading company, a business plan will be required. This will need to:

- Explain how the proposal provides a social, economic or environmental service or benefit to the borough, its residents and/or its businesses, as well as income
- Demonstrate a clear knowledge and understanding of the potential market and customer base, including competing providers
- Demonstrate that the Council has, or has access to, the technical or local expertise to deliver the service
- Set out how the activity will be resourced and explain what measures will be put in place to ensure that core or statutory activities will not be compromised
- Be accompanied by a robust financial business case
- Explain how performance will be monitored and reported on.

Fees and charges

77. The Council's adopted Fees & Charges Policy sets out some standard principles that underpin the Council's approach to fees and charges as follows:

> *All fees and charges will: Demonstrate how they contribute to the achievement of corporate and service objectives; Maximise potential income to achieve financial objectives, unless there is an explicit policy decision to subsidise a service; Be subject to equality impact assessment screening and consultation where appropriate; Minimise the costs of collection; As a minimum, be increased annually in line with CPI inflation increases; and Be subject to a scheduled review at least every 3-5 years*

78. In addition to these considerations, any proposals will also be expected to demonstrate the following:

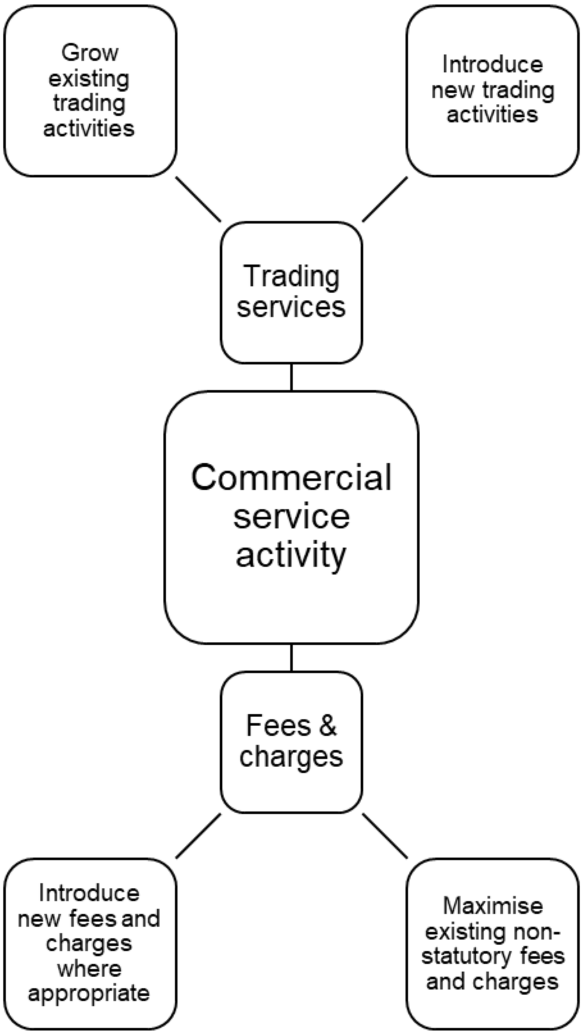
- That the Council has a clear knowledge and understanding of the current customer base and the potential impact of the change on service demand and service users; and

- An explanation and justification for the charging model proposed (that is, full cost recovery, direct cost plus or subsidised).

Prioritising our commercial service activity

79. The Council will focus its commercial services activity around the priorities listed below and summarised in Figure 7.

Figure 7: Summary of commercial service activities



Priority 1: Trading - Continue to incrementally grow our existing trading activities for medium-term income generation, and introduce commercial into services we currently provide non-commercially or that align with our remit

80. The Council already undertakes some trading activity, and as we already have experience in these areas, as well as the resources in place to deliver activity, we will prioritise their development and expansion, taking into account the considerations set out earlier in this section.

81. There may be some areas of activity where the Council currently provides services, but not on a commercial basis. While the immediate focus will be on those areas where we already trade, we may bring forward new proposals to sell our existing services on a commercial basis to generate income, either directly (to cover costs) or via a trading company.

82. At the time of writing, it is not intended that the Council will, in the short term, pursue the provision of services that do not fit within the remit of a borough council, however in the longer term, partnerships to deliver such activity may be explored.

Priority 2: Fees and charges - Maximising income from existing non-statutory fees and charges and introducing new non-statutory fees and charges where appropriate

83. The Council has in place a range of non-statutory fees and charges where it has some discretion to set the terms of collection and the collection amount. One priority area of focus will be ensuring that we are maximising the income collected from existing fees and changes, in line with the terms of the Fees and Charges Policy.

84. There are some areas where the Council may be able to collect non-statutory fees and charges where it does not already do so. Before new charges are introduced these will be assessed against the criteria set out above.

Commercial Services Action Plan

85. **Annex 6** sets out our commercial service activity action plan.

Section 6: Funding, implementing and reporting on our commercial activity

Formal governance and decision making structures

86. The Council reviewed its approach to commercial governance in 2018 into early 2019, building on its experience undertaking commercial activity at that time. The outcomes of this process were:

    - Adoption by the Executive in March 2019 of a new Commercial Governance Framework and Checklist to guide future working and ensure lessons from part practice are implemented.
    - Agreement by the Executive in May 2019 to establish a new Commercial Ventures Executive Sub Committee (CVESC).
    - Agreement by the CVESC in January 2020 of various delegations associated with the investment and company governance.
    - Review and confirmation by CVESC in April 2021 of the approach to investment and company governance, including the approach to establishment of a holding company structure.

87. **Annex 7** summarises the Council's formal decision-making processes insofar as they relate to commercial activity. This Commercial Strategy Part 2 does not seek to change the formal decision-making or company structures agreed by the Executive and the CVESC.

88. The Council's formal governance and decision-making structures are supported by a number of other informal and operational structures, including:

    - The Council's Democratic Services team, which ensures appropriate agenda planning and management
    - Informal CVESC meetings, where members of the committee meet informally to consider emerging issues and proposals
    - Officer level Companies Oversight Board which monitors company performance and provides advice to the CVESC on company governance, activities and associated matters
    - The Officer-level Strategic Property Officer Group, which monitors asset performance and provides advice to the CVESC on commercial property activity, opportunities and projects
    - The Corporate Governance Group comprised of the Council's statutory officers and other senior officers, with the remit of ensuring good corporate governance.

- The Council’s Place & People and Organisation Boards (‘the Governance Boards’) which comprise senior officers within the council and provide oversight of project-based activity.

89. Together these mechanisms ensure that proposals for commercial activity receive appropriate input from relevant technical experts within the Council, and oversight from senior managers and Executive members.

Funding our proposals for commercial activity

90. Commercial activity, whether property-related or service-related, may require initial or ongoing funding in order to secure commercial income streams or capital receipts. For example, revenue funding may be required to market properties for lease, or for staff to expand traded services; or capital funding may be required to purchase property or equipment.

91. The Council agrees a revenue budget each year for the delivery of Council services, and a capital programme for the delivery of associated activities. This annual budget will set out the funding that will be available for commercial activity within that year.

    - **Revenue funding:** Where revenue funding is required to support commercial activity, this will be included within the annual revenue budget and/or funded from a reserve set aside for this purpose. Such requests (or the establishment of earmarked reserves) will be subject to consultation and scrutiny as part of the annual budget setting process.
    - **Feasibility funding:** At the time of writing, the Council has a Feasibility Studies revenue reserve which can be drawn upon to assist in the development of commercial activity proposals. Requests for funding from the Feasibility Studies reserve are subject to consultation with members of the CVESC and the Council’s Corporate Governance Group, and agreement by the Council’s section 151 officer.
    - **Capital funding:** Capital funding may be required for property acquisition, development activity etc. The Council’s Capital Programme (which is subject to consultation and scrutiny as part of the annual budget setting process) includes capital allocations for activity to support the delivery of the Corporate Plan, the Housing Delivery Strategy and for commercial investment properties. Requests for capital funding for commercial activity from these allocations will be considered on a case-by-case basis by the CVESC.

Developing and implementing proposals for commercial activity

92. Proposals for commercial activity will vary in nature and in scale and may be project or non-project activities such as property acquisition or disposal. The processes outlined below apply to activities with a commercial element to them that accords with the agreed commercial governance framework.

93. Project-based activity will be progressed in line with the Council's agreed operational-level Project Management Framework. This includes a requirement to produce a project business case, accompanied by a robust financial business case and risk assessment, for regular project reporting, benefits tracking and reporting on 'lessons learned'.

94. Figure 8 and Figure 9 explain the process for project-related activity and property acquisition or disposal activity respectively.

95. Where commercial activity proposals require agreement from the CVESC or Executive (for example, they require capital funding or propose the establishment of a trading company) the Commercial Governance Framework and Checklist will be used to help inform the decision-making process.

Skills and training to deliver our commercial activity

96. To deliver its commercial activity, it is vital that the Council has access to the appropriate skills and expertise.

97. The focus in this strategy on commercial asset activity to deliver corporate priorities, and commercial service activity aligned with the council's remit, means that in many cases the Council will already have a strong skills and knowledge base 'in-house'. However as there is increasing pressure for services to act commercially, it will be important that the organisation continues to ensure that staff and councillors are supported to develop skills and expertise in this area. This may include through the employment of members of staff with new and different skill sets, training of existing staff and members and other professional development opportunities.

98. It is likely that in some cases, additional expertise will be needed. This could include:

- Use of external advisors, for example legal, financial or property advisors to support in-house staff or provide specialist advice
- Use of external consultants with topic-specific experience; or
- The use of fixed-term staff resources to oversee the delivery of particular projects with a commercial element.

Figure 8: Commercial project development / implementation process

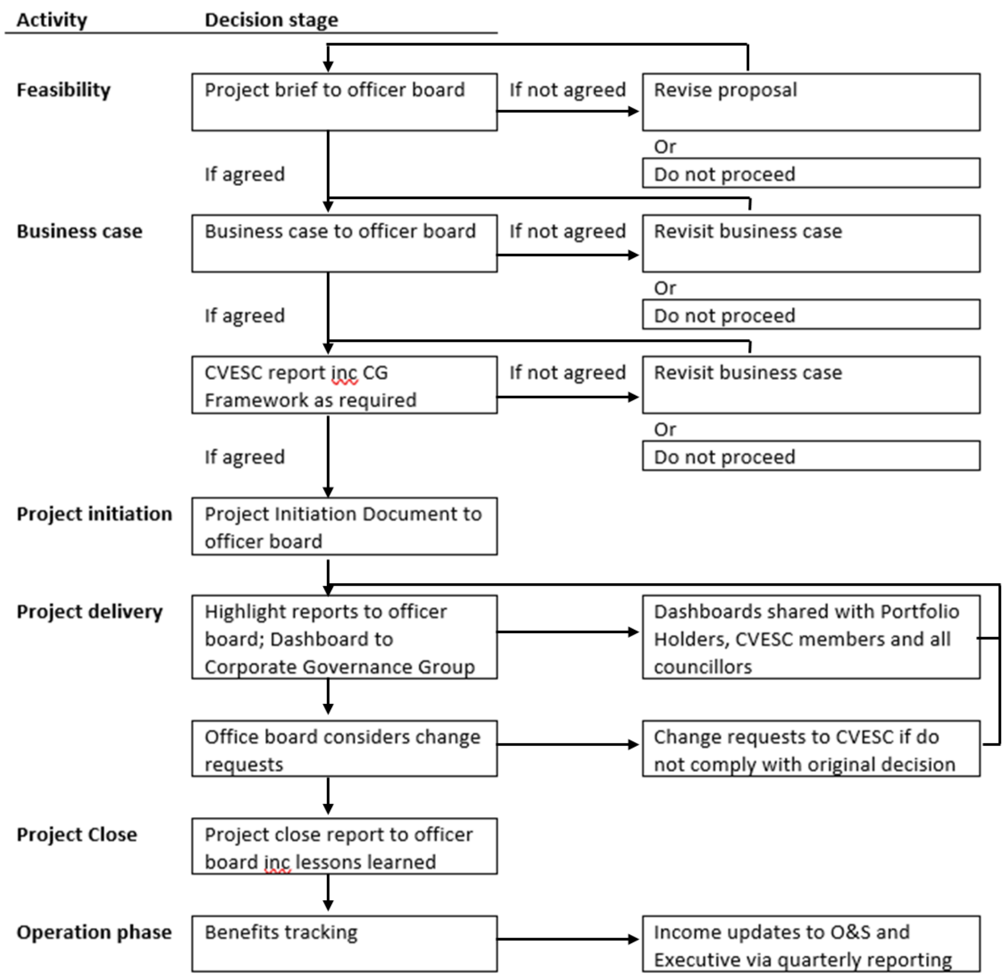
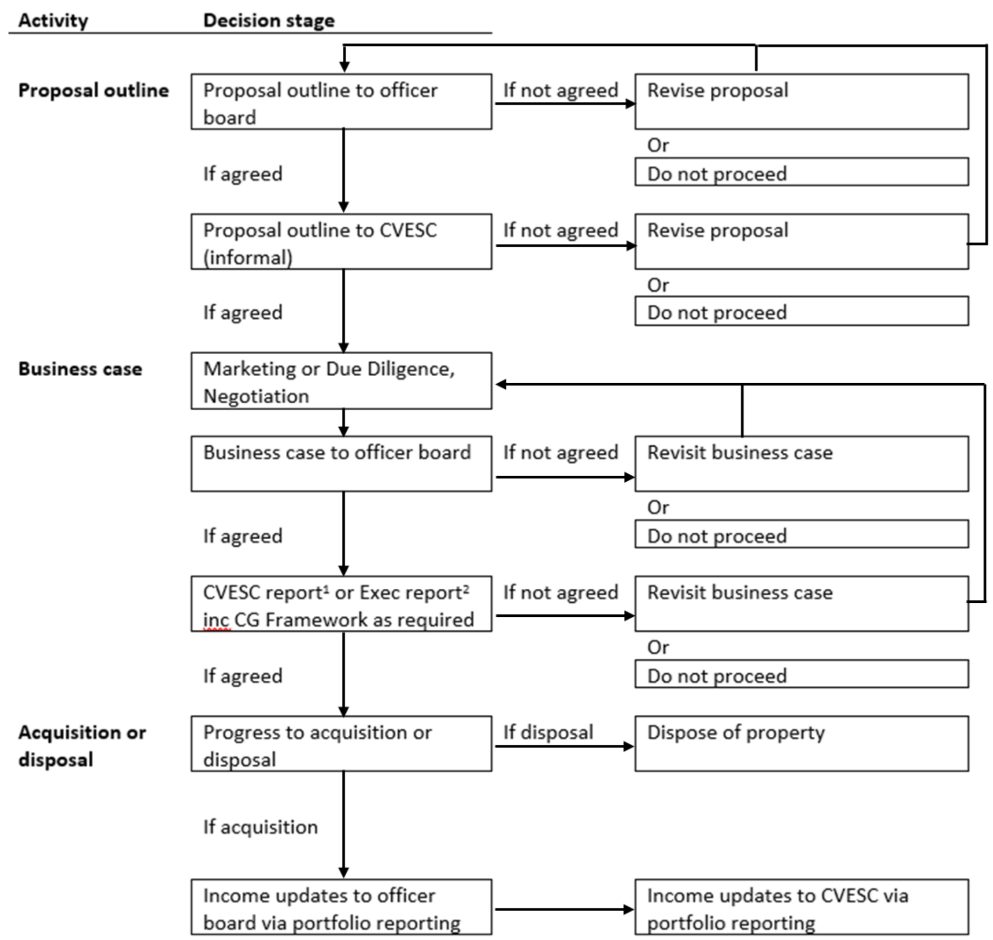


Figure 9: Asset acquisition/disposal process



1 CVESC has the authority to agree acquisitions
2 Executive agreement may be required for disposals

99. Where external expertise is sought, where possible this will be approached on a partnership basis to help secure added value for the organisation and help contribute to the building on in-house capacity and knowledge.

100. In support of its budget setting process, the Council is developing a financial sustainability plan which will involve heads of service across the organisation identifying commercial opportunities and efficiency measures – this will be overseen by the Corporate Governance Group (comprising statutory officers and directors) who will be able to take a holistic view of any additional skills and expertise that may be required to assist the organisation.

Reporting on commercial activity

101. Commercial activity will be reported on once activities have been agreed and are underway in the following ways:

- Progress on commercial project activity will be reported via project highlight reports to the relevant Governance Board
- Project dashboards will be reported to the Corporate Governance Group and to members on a quarterly basis, with the O&S Committee having the opportunity to comment on these
- Asset performance will be reported quarterly to the relevant officer board and to CVESC
- Commercial income updates will be reported as part of quarterly budget monitoring reporting to the Overview & Scrutiny Committee and the Executive
- Operational and where appropriate strategic commercial risks will be reported on via the Council's quarterly risk reporting process to the Audit Committee and the Executive
- An annual report on the Council's commercial activities and companies will be provided to the Overview & Scrutiny Committee and the CVESC.

Annex 1: Hypothetical borrowing examples

Note that these figures are provided for illustrative purposes only – they exclude any other operating expenses and therefore do not represent a true picture in respect of any individual investment

Figure 10: Illustration of how borrowing costs impact on income yield

	If £1m borrowed	If £10m borrowed
Average annual interest payments (assumes PWLB 50 year rate of 2.39%)	£11,950	£119,500
Annual Minimum Revenue Provision (MRP) Charge	£20,000	£200,000
Total Annual Borrowing Charge to the Revenue Budget	**£31,950**	**£319,500**
Annual gross income/(loss) if investment generates an income stream of 1%	(£21,950)	(£219,500)
Annual gross income/(loss) if investment generates an income stream of 3%	(£1,950)	(£19,500)
Break-even point: 3.2% before operating costs		
Annual gross income/(loss) if investment generates an income stream of 5%	£18,050	£180,500
Annual gross income/(loss) if investment generates an income stream of 10%	£68,050	£680,500

Figure 11: Indicative gross investment yields Sept 2021 for comparison purposes

Investment type	Indicative gross investment yield
M25 offices[1]	5.50%
Provincial offices[1]	4.75%
High Street retail[1]	6.75%
Retail warehouse[1]	5.75%
Foodstores[1]	4.50%
Industrial / distribution[1]	3.25%
Current RBBC money market investments	0.016%

[1] Source: Savills Sept 2021

Annex 2: Summary of Council's current investment appetite (2021/22)

Note that this table will be updated annually to inform the Council's commercial activity

Asset category	2021/22	2022/23	2023/24	2024/25	2025/26
Offices	Red				
High Street Retail	Red				
Industrial/Distribution	Amber				
Leisure (hotels, gyms)	Amber				
Hospitality (food and drink)	Amber				
Housing	Green				

Annex 3: Commercial asset activity risk overview and risk management

Risk	Management / mitigation measures
Strategic due to market downturn or change in market conditions	Opportunities considered on a case by case basis; up to date market intelligence used to inform decision making. A general approach of spreading risk will help offset the potential impact of individual failures
Strategic due to benefits or potential of an asset or project being overstated or failing to achieve corporate objectives	Business case approach ensures consideration of risks and benefits ‘in the round’. Benefits monitoring via established governance and reporting processes
Financial implications due to poor initial assessment of costs, income streams, void periods etc	Robust and comprehensive financial assessments will be undertaken to inform decision making, including consideration of projected capital and revenue costs and income. External advice will be sought as required, for example in relation to valuations and condition assessments. Regular portfolio reviews will provide enhanced understanding of revenue streams
Financial implications due to poor initial assessment of values/ asset lifespan	Independent valuations will be commissioned as part of the decision-making process. Exit strategy options will be considered at the time of decision-making
Financial due to poor maintenance impacting on income or capital receipts	Implement programme of asset surveys and repair/maintenance activity; asset maintenance included as key element of commercial strategy
Legal due to challenge from third parties	Appropriate legal advice at project development stage. Only activities that align with the council’s overall objectives and areas of responsibility will be pursued
Reputational due to perceptions around Council’s remit and/or as a result of adverse financial or other implications	Business cases and established governance arrangements will ensure transparent and clear rationale for decisions made and that local impacts have been assessed and understood before making a decision. Communications strategies will be developed to accompany individual initiatives. Rationale for Council’s commercial activity explained corporate plan annual reporting and regular comms activity.
Unintended environmental, social or economic consequences arising from activity	Business case approach and current governance arrangements will ensure broader environmental, social and economic implications of activity are taken into account at the project development stage, and monitored at the project delivery stage via benefits tracking and risk reporting

Annex 4: Commercial Assets Action Plan

Priority 1: Evidence – Ensuring a robust understanding of our asset portfolio and its performance

Task	Responsibility	Timeframe	Outcome	Risks to delivery	Resources
Undertake a 'deep dive' into our current portfolio and develop a reporting template	Property	2021/22	Robust understanding of asset portfolio and performance	Loss or diversion of staff resources	Existing staff resources
Introduce quarterly reporting to CVESC on asset and portfolio performance	Property	2022/23 onwards	Ongoing and up to date understanding of asset portfolio and performance	Loss or diversion of staff resources	Existing staff resources

Priority 2: Asset management – Maximising value from the assets that we currently own and/or manage for commercial income

Task	Responsibility	Timeframe	Outcome	Risks to delivery	Resources
Continue activity to re-let vacant floorspace and minimise the cost to the Council from void space	Property	2021/22	Reduced costs to Council and increased income	Changing market demand; loss or diversion of staff resources	Existing staff resources Existing revenue budgets
Focus on the worst-performing assets in our portfolio to improve their commercial return (eg via upgrades, repurposing, redevelopment or disposal) – see also priorities 3 and 4)	Property	2022/23-2023/24	Reduced costs to the Council and increased income or capital receipt	Changing market demand; loss or diversion of staff resources	Existing staff resources May require additional resourcing depending on solution– see also priorities 3 and 4
As leases expire, implement upgrades to key investment assets to ensure they remain attractive to potential tenants	Property	Ongoing	Maintenance of a reliable income stream from investment assets	Changing market demand; loss or diversion of staff resources	Existing staff resources Capital funding

Priority 3: Asset (Re-)Development – Securing new income streams and/or capital receipts from development projects

Task	Responsibility	Timeframe	Outcome	Risks to delivery	Resources
Conclude development of Marketfield Way, Cromwell Road and Lee Street	Place Delivery	2021/22-2022/23	Project place-shaping objectives achieved	Supply chain/materials availability	Existing staff resources Existing project budgets
Continue marketing of units at Marketfield Way and Cromwell Road	Property	2021/22-2022/23	Direct income streams secured	Changing market demand	Existing staff resources Existing revenue budgets
Establish housing company as a mechanism for the Council to generate income from residential letting activity	Housing	2021/22	Income stream secured via payment of dividends from company to Council	Business case proves unviable; changing market conditions; loss or diversion of staff resources	Existing staff resources Consultancy support Existing project budgets
Complete Horley Car Park feasibility work and progress to planning then development	Place Delivery, Property, Housing	2021/22-2022/23	Place-shaping objectives and contribution to rolling project pipeline	Business case proves unviable; loss or diversion of staff resources; failure to secure planning; changing market demand; supply chain issues	Existing staff resources Consultancy support Existing feasibility funding Capital funding
Identify other pipeline projects for existing but underused assets, including consideration of opportunities for development, permitted development or income generation associated with: - Operational council buildings - Underutilised investment properties (see also priority 2) - Green spaces - Car parks	Property, Place Delivery, Housing, Greenspaces, Car Parking, Other services as required	2021/22-2022/23 and ongoing	Contribution to a rolling pipeline of projects to deliver a combination of corporate objectives, reduced costs to the council, income generation and capital receipts	Project specific but may include: Market conditions impacting project viability; loss or diversion of staff resources; failure to secure planning permission	Existing staff resources Depending on the nature of the project: Consultancy support Feasibility funding Capital funding

Priority 4: Asset Disposal – Disposing of assets that are currently underperforming or surplus to requirements

Task	Responsibility	Timeframe	Outcome	Risks to delivery	Resources
As leases expire, dispose of assets where it makes financial/operational sense to do so. See also priority 2	Property, other services as required	Ongoing	Reduced costs to the Council, capital receipts	Changing market conditions	Existing staff resources Existing revenue budgets

Priority 5: Asset Acquisition – Purchasing assets which deliver broader benefits in line with our corporate plan

Task	Responsibility	Timeframe	Outcome	Risks to delivery	Resources
Investigate opportunities to invest in emergency and temporary housing solutions, or other housing products to meet local needs	Housing, Property	From 2022/23 onwards	Reduced housing revenue costs to the Council, contribution to wider housing objectives Direct or indirect income stream(s)	Project specific but may include: Availability of suitable properties; market conditions impacting project viability; loss or diversion of staff resources	Existing staff resources Consultancy support as required Feasibility funding Capital funding
Investigate opportunities to invest in social or economic regeneration in the borough	Property, Place Delivery	From 2022/23 onwards	Direct or indirect income stream(s) or capital receipts, contribution to wider regeneration objectives	Project specific but may include: Availability of suitable properties; market conditions impacting project viability; loss or diversion of staff resources	Existing staff resources Consultancy support as required Feasibility funding Capital funding
Investigate opportunities to invest in renewable energy solutions	Sustainability, Property	From 2022/23 onwards	Reduced energy revenue costs to the Council, contribution to wider sustainability objectives	Project specific but may include: Availability of suitable properties; market conditions impacting project viability; loss or diversion of staff resources	Existing staff resources Consultancy support as required Feasibility funding Capital funding

Identify land assembly opportunities to enable the delivery of corporate objectives and pursue accordingly	Property. Planning, Place Delivery	From 2022/23 onwards	Land acquired to enable the future delivery of other corporate objectives	Project specific but may include: Changing market conditions; loss or diversion of staff resources	Existing staff resources Consultancy support as required Feasibility funding Capital funding

Annex 5: Commercial services activity risk overview and risk management

Risk	Management / mitigation measures
Strategic due to trading or charging activity not being consistent with the political ethos of the Council	Business cases will be used to document how a proposed initiative will contribute to corporate priorities
Reputational due to trading or charging activity resulting in backlash from private competitors, negative press or public feedback	Business cases and established governance arrangements will ensure transparent and clear rationale for decisions made and that local impacts have been assessed and understood before making a decision. Communications strategies will be developed to accompany individual initiatives
Reputational due to trading failure	Robust business cases and careful (and documented) consideration of risk and reward by decision-makers
Legal due to challenge from competitors (trading) or service users (charging)	Appropriate legal advice will be taken at project development stage, including (as appropriate) in relation to subsidy control. Only activities that align with the council's overall objectives and areas of responsibility will be pursued. Charging will be applied in line with adopted Fees & Charges policy
Financial due to change of market circumstances (supply or demand)	The Council will only pursue activities where it has access to a full understanding of the market and customer base; this will be demonstrated at the business case stage
Financial due to trading or charging activity failing to generate a profit or leads to loss of sunk expenditure	Charging activity will be based on a robust assessment of service delivery costs. Business cases for trading activity will include a detailed financial assessment including projected capital and revenue costs and income; and will include a project specific risk assessment. A general approach of spreading risk will help offset the potential impact of individual failures
Strategic due to direct resource shortages or diversion of resources impacting on delivery of core services	Business cases will consider overall resource requirements, project specific resourcing risks and contingency measures

Annex 6: Commercial Services Action Plan

Priority 1: Trading services - continue to incrementally grow our existing trading activities for medium-term income generation and introducing commercial into services that we currently provide non-commercially or new services that align with our remit

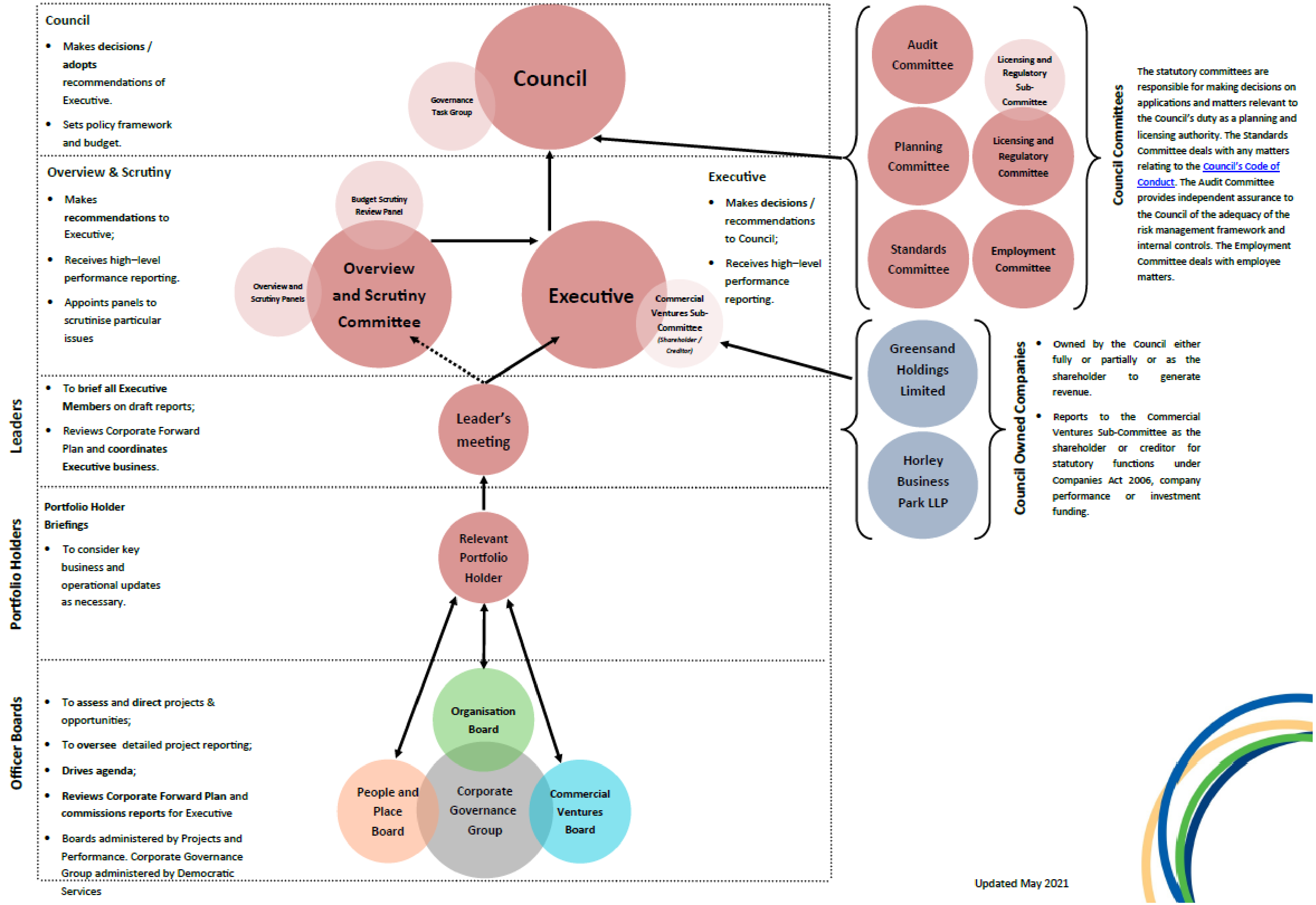
Task	Responsibility	Timeframe	Outcome	Risks to delivery	Resources
Explore options to expand and consolidate the Council's Revenues, Benefits and Fraud income generating activity, including potential to establish a trading company	Revenues, Benefits & Fraud	2021/22-2022/23	Generation of increased income stream	Client demand; potential new competitors; loss or diversion of staff resources; trading company business case proves unviable	Existing staff resources Consultancy support as required Revenue funding
Explore options to expand and consolidate the Council's Garden Waste customer base	Neighbourhood Operations	2021/22-2022/23	Generation of increased income stream	Client demand; loss or diversion of staff resources; associated costs make business case unviable; longer term impact of Government Waste & Recycling Strategy currently unknown	Existing staff resources Capital / revenue funding
Establish housing company as a mechanism for the Council to generate income from residential letting activity	Housing	2021/22	Income stream secured via payment of dividends and loan premium from company to Council	Associated costs make business case unviable; market demand; loss or diversion of staff resources	Existing staff resources Consultancy support Existing project budgets
Explore new commercial trading opportunities arising from the implementation of the Government's Waste & Resources Strategy	Neighbourhood Operations	2022/23 onwards	Potential to secure a revenue stream to either mitigate against service provision cost increases or to generate income	Final content of Waste & Resources Strategy currently unknown; client demand; potential for new	Existing staff resources Consultancy support as required Feasibility funding Capital / revenue funding

				competitors; associated costs make business case unviable.	
Consider other service areas where there may be potential to introduce trading activity	Various	Ongoing	Potential to generate income to cover costs or introduce new income streams	Project specific but may include: levels of client/market demand; presence of competitors; charging model proving unviable	Existing staff resources Depending on the nature of the project, may also require consultancy support, capital / revenue funding

Priority 2: Fees & charges - Maximise income from existing non-statutory fees and charges and introduce new non-statutory fees and charges where appropriate

Task	Responsibility	Timeframe	Outcome	Risks to delivery	Resources
Assess all fees and charges for compliance with the Fees & Charges Policy and maintain rolling review to ensure continued alignment and amend charging models to increase receipts where this can be justified.	Various	Ongoing	Costs for non-statutory service provision covered by relevant fees and charges as far as possible	Cost increase results in reduced service demand; potential reputational risks	Existing staff resources
Introduce enhanced charging in relation to pre-application advice	Planning	2022/23	Costs for non-statutory service provision covered by relevant fees and charges	Cost increase results in reduced service demand	Existing staff resources
Continue to explore opportunities for the introduction of new fees and charges	Various	Ongoing	Costs for non-statutory service provision covered by relevant fees and charges as far as possible	Project specific but may include: Cost introduction results in reduced service demand; potential reputational risks	Existing staff resources

Annex 7: The Council's Governance Framework



Updated May 2021