

Final report and recommendations arising  
from the Commercialisation of Council  
Services Task Group review

Sustainable Communities Overview and  
Scrutiny Panel

November 2016

## **Task group membership**

Councillor Russell Makin - Chair

Councillor James Holmes

Councillor Najeeb Latif (resigned April 2016 )

Councillor John Sargeant

## **Witnesses**

Director of Environment and Regeneration

Head of Street Scene and Waste

Leisure and Culture Greenspaces Manager

Head of Sustainable Communities

Head of Future Merton

Chief Executive, Merton Council

Divisional Director Commissioning, London Borough of Harrow

Director for Community, London Borough of Harrow

Executive Director of Place, London Borough of Croydon

Chief Executive, Darross Consulting

Directors, CLA Urban International

## **Acknowledgements**

The task group would particularly like to thank the witnesses who shared their experiences and thoughts with us.

**Scrutiny support:**

Stella Akintan, Scrutiny Officer

For further information relating to the review, please contact:

Democracy Services Team  
Corporate Services Department  
London Borough of Merton  
Merton Civic Centre  
London Road  
Morden  
Surrey SM4 5DX  
Tel: 020 8545 3390  
E-mail: [scrutiny@merton.gov.uk](mailto:scrutiny@merton.gov.uk)

## **Draft Recommendations**

1. That the Sustainable Communities and Overview and Scrutiny Panel has an agenda item on commercial services at least every twelve months to ensure that commercialisation and income generation remains a priority and that we are taking every opportunity to exploit innovative ideas about service delivery.
2. That the Sustainable Communities overview and scrutiny panel are provided with performance reports following large scale events.
3. That officers consider new opportunities within the council's property portfolio on a case by case basis to assess most appropriate use. This would include the opportunity to provide built office accommodation in the borough of a purpose built nature for anchor tenants or tenants who can in turn attract other businesses. For example a large office can attract a supermarket, gym, cafes etc.
4. That officers explore options for maximising the use of local authority preferential borrowing powers to generate income, while monitoring borrowing limits and utilising external knowledge.
5. Council to explore opportunity to retain control of parts of Morden town centre regeneration by developing properties which may include opportunities for anchor tenants.
6. To explore the opportunities to develop a joint venture with a developer as illustrated in this report.
7. That officers explore services that would be suitable to be delivered under the Merton logo. The opportunity would be best suited to a pre-existing contract or selling spare capacity.
8. That officers explore the possibility of installing a pilot multi purpose lighting system in Merton
9. That the officers seek advice and expertise from councils who have implemented an ESCO, such as Peterborough.
10. That officers present the business case for the ESCO to the Sustainable Communities Overview and Scrutiny Panel alongside the new Estates Plan

## Executive Summary

The Sustainable Communities Overview and Scrutiny Panel commissioned this task group to consider commercial opportunities across the areas within its remit, covering; housing, environmental sustainability, culture and skills, libraries and Transport. Significant reductions in local government funding as well as an obligation to achieve value for money for our residents has provided the impetus for this review.

Councillors met with a wide range of witnesses including the Chief Executive and senior officers at Merton Council, senior representatives from private sector organisations and Directors in the London Boroughs of Harrow and Croydon. The task group members drew upon experience from their professional careers as well as knowledge about the local communities they represent.

It was agreed the review will focus on:

Parks and Green Spaces

Property

The regeneration of Morden Town Centre

Exploiting the Merton Brand

The task group recognised that a cultural change is needed to successfully embed a commercially-based approach across the council. This should be lead by councillors therefore a review looking at commercialisation should be a regular item on the Sustainable Communities Panel agenda.

Good practice examples of a commercially focussed approach came from the London Boroughs of Harrow and Croydon. The task chair visited these authorities and found that Harrow had appointed a Director to embed a commercial agenda within the council.

The regeneration of Morden Town Centre has the potential to yield significant opportunities to work in partnership with private sector organisations. This could boost the local economy through the provision of office or retail space. Merton has significant potential as a business hub given the advantage of good transport links into central London but cheaper rents than the capital.

The task group identified a number of opportunities and asked officers to look more closely at how they can be implemented, these included;

Consideration given to making best use of our preferential borrowing rates.

Generating income through innovative technology such as a solar street lighting system.

There may be opportunities to outsource the Merton brand for services.

## Introduction

11. Local authorities should be at the forefront of developing creative solutions to meet the needs of diverse populations. Their innovation is being called upon once again to meet the challenge of delivering increasing levels of high quality services while their financial resources decline, with a falling central government grant and constraints on council taxes.
12. The Local Government Association predicts that, if things do not change, local government is set to face a funding gap of £9.5 to £10 billion by 2020 with more than half of council tax spent on caring for vulnerable children and adults. This will affect the ability of councils to attend to the basics such as fixing roads, or cleaning streets, let alone keeping libraries open.<sup>1</sup>
13. In Merton, the year end forecast is a net £2.7m overspend compared to the current budget. This is due particularly to budget pressures in Adult and Children's Social Care.<sup>2</sup> The Council's Business Plan 2016/17 highlights that substantial year on year savings must be made for the foreseeable future. This will require a range of approaches including; better management of existing services and contracts, proactive spend analysis, and being more commercially aware.
14. Many Councils across the country are responding to these financial constraints by cutting the back office, reducing senior management costs, renegotiating their suppliers costs and making thousands of redundancies. They are attempting to maintain service levels with fewer people<sup>3</sup>.
15. Many commentators argue that the current position within local government is unsustainable without radical change.<sup>4</sup> Reducing budgets through a salami slicing approach across council departments will not deliver high quality services over the long term. Therefore the challenge is to deliver real transformation. Some Councils are responding by becoming more entrepreneurial or taking on the role of commissioning services rather than direct provision.
16. The government is moving towards a fundamental change in the way councils are financed and is expecting them to raise more of their own money locally. The intention is to give local authorities a stronger incentive to support economic growth. In 2015 the Chancellor of the Exchequer announced that the Revenue Support Grant will be phased out and the majority of their income will be raised through keeping the money they collectively raise through taxing businesses. Growing the business rate base is becoming a

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<sup>1</sup> Local Government Information Unit Briefing, Income Generation General, October 2015.

<sup>2</sup> 2016/17 Quarter 1 Monitoring Report.

<sup>3</sup> New Local Government Network, Shock of the New, Can Local Government Innovate its way out of the cuts, July 2013.

<sup>4</sup> LGIU Briefing, Income Generation, October, 2015.

critical means of revenue generation.

17. However, financial constraints are not the only motivation for improving service delivery. Given that local councils are funded by the public purse, there is a responsibility to ensure that all services deliver value for money.

18.

It is within this context that this task group is considering commercialisation and income generation and how to ensure we are getting the greatest return possible from council assets. The task group has been charged to consider new and perhaps more innovative ways to generate income for the council.

19. This review has focused on services within the remit of the Sustainable Communities Overview and Scrutiny Panel looking into services within the remit of housing, environmental sustainability, culture, enterprise and skills, libraries and transport.

20. Councillors on the task group also bring their local and professional knowledge to this review which they have focused on a range of measures to generate income and maximise revenues, including optimising income from services currently delivered, selling additional services and adopting a commercial approach to procurement and outsourcing and also exploiting Merton's asset base.

## **21. Developing a more commercially based culture**

22. An underlying theme throughout the review related to the culture within which Merton Council makes financial decisions. It needs to develop skills to move beyond its proven ability to spend money wisely providing key services into making investments to generate income from projected revenue streams. As a local authority, seeking to extend beyond the traditional domain of local government, this was found to be increasingly important.

23. This particular issue is not unique to Merton; local government in general is thought to need a cultural change and to adopt a more entrepreneurial ethos. To be more innovative councils need to adopt decision making processes and develop the skills for staff to maximise commercial opportunities. Officers must be willing to expand their traditional way of doing things to be able to exploit these opportunities and not regard profit making as a role purely for the private sector.<sup>5</sup>

24. The task group wanted to understand how the level of risk in a potential investment is assessed and if it is possible to adjust our own risk profile to think more innovatively. The task group discussed this with the Chief

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<sup>5</sup> Commercial Councils, The rise of entrepreneurialism in local government, Localis, 2015.

Executive, who engaged proactively and welcomed innovative ideas to generate more income for the council. He also highlighted some of the challenges faced by councils when embarking on commercial activities. When reflecting on the discussion it became clear that caution needs to be applied and tax-payers' money must be managed responsibly. The task group believes that gaining experience through engaging in and steadily increasing its oversight of innovative projects will enable the council to assess and control risk with growing confidence over time. Merton is certainly not a risk-averse council. It has for example taken a forward-looking approach in developing the shared services agenda across legal and audit services.

25. The task group chair was keen to explore how commercialisation was managed in other authorities and how they rise to the challenge to developing a risk based culture within the confines of a traditionally cautious political environment.
26. The Divisional Director of Commissioning at the London Borough of Harrow has led a programme to encourage commercialisation across the council. She reported that Harrow has developed a greater appetite for risk; Critically this has been driven from the top with culture endorsed by senior managers and politicians. They have created channels to consider new ideas. A Commissioning and Commercial Board provides challenge for new projects. For every idea, officers must develop a draft business case and attend the Board. Membership of the Board includes senior officers, as well as representatives from legal and finance. The ideas are thoroughly explored and its legality and viability are tested. It is challenged through a formal process involving all relevant council departments and partner organisations. Once the idea is considered robust it is discussed by a committee of councillors. The involvement of audit also protects the process.
27. The task group believes that councillors should be an integral part of a commercially-based culture. Therefore a commercial services task group such as this should convene at least once every two years to ensure that commercialisation and income generation remains a priority and that we are taking every opportunity to exploit innovative ideas about service delivery.

**Recommendation:**

28. That the Sustainable Communities and Overview and Scrutiny Panel has an agenda item on commercial services at least every twelve months to ensure that commercialisation and income generation remains a priority and that we are taking every opportunity to exploit innovative ideas about service delivery.



## **29. Considering existing opportunities across the council.**

### **30. Parks and Green Spaces**

31. Both officers and this task group recognise there are opportunities to generate income from our parks and green spaces. Clapham Common was put forward as an example hosting several events each year raising £1million which funds the maintenance of the parks. The task group was informed that the council is growing events in parks. It is seeking to capitalise on the SW19 Brand and the borough's association with Wimbledon Tennis Championships.
32. Merton is relatively new to hosting events in parks. Its experience so far has provided important learning for the team and has highlighted the associated challenges. In future the council needs to consider if it wishes to deliver events directly or especially as it tries to build its expertise in this area, give this responsibility to a third party, with the council providing a supporting role based on an agreed contract. If this is carefully negotiated it can minimise the risk for Merton and provide valuable learning opportunities so that in the future it can take on a more leading and profitable role.
33. Another important consideration is that events in parks can lead to complaints from local communities due to the additional litter, noise and footfall. This can be managed by consultation and engagement with residents but is a major consideration when seeking to grow this area of activity.
34. There is local competition as many local councils are investing in this area. We need to identify and promote our unique selling point and develop an attractive offer.

### **35. Recommendations**

36. That the Sustainable Communities overview and scrutiny panel are provided with performance reports following large scale events.

### **37. Commercial Opportunities within Merton's Property Portfolio**

38. The task group considered the opportunities within the council's existing property portfolio. The Head of Sustainable Communities reported that Merton Commercial Estate is inherited from the Greater London Assembly and London County Councils. Some parts of the portfolio are in protected areas of the London Plan<sup>6</sup>. The commercial estate includes corner shops and light industrial buildings. All of the council's commercial properties are currently fully let or under offer. The council is the freeholder and receives a ground rent which is set at commercial rates. The properties have long leases and low turnover. The council receives £2.5 million in rent annually and in

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<sup>6</sup> An example of this is the South Wimbledon business area

total the assets are worth £35 million. This is just part of the council's total property portfolio which is worth approximately £500 million.

39. Following a recommendation from a previous task group the council is forming a partnership with a property development company. On the right terms a stream of revenue is preferable to a one-off capital receipt. Much of the partnership's development will be for private residential but will also include commercial, industrial and rental schemes which promise to be profitable throughout the borough.

40. The task group asked if the council has a strategic approach to its property portfolio. They were told that although in the past the approach has sometimes been opportunistic, the council now have a clear strategy.

41. When a site becomes vacant the council considers what opportunities are available. Future Merton considers the business case for each property and determines if retaining existing land and buildings is financially beneficial to the council. Alternatively sale of disposable land and buildings is based on maximising commercial return. Although many council properties are locked into long term leases. If there is a break or termination this provides an opportunity to consider the asset's strategic place in our portfolio.

42. Affordable work space has been identified as an emerging market and Merton benefits from its close proximity to central London with more affordable accommodation than in the capital. The task group queried if the council can attract companies seeking to move their back offices to exploit these advantages.

43. The council could work with a consultant to create a high specification brochure and website with an artist's impression of Modern Town Centre. The literature could highlight the benefits of Morden including being 40 minutes from the M25 and an hour from Gatwick or Heathrow Airports and is situated on the Northern Line. Promotional material would also highlight that the town centre benefits from good quality parks and open spaces such as Morden Hall Park. The task group believe that Morden has the potential to be a business hub. A major bank similar to the Close Brothers which has recently located to Wimbledon, could be attracted to a purpose built development that has been built to its specification. Guildford Borough Council and Seven Oaks District council have adopted this approach, full case studies are listed in **Appendix A**

**44. Recommendation:**

45. That officers consider new opportunities within the council's property portfolio on a case by case basis to assess most appropriate use. This would include

the opportunity to provide built office accommodation in the borough of a purpose built nature for anchor tenants or tenants who can in turn attract other businesses. For example a large office can attract a supermarket, gym, cafes etc.

#### **46. Town centre Regeneration**

47. The regeneration of Morden town centre has the potential to deliver a huge economic boost for the borough. It could attract more businesses to the area, create employment and improve the current look and feel of the high street.

48. At the time of this review, the specific proposals for Morden were in the early stages. However it was clear to the task group that this project will present an important opportunity to improve physical and economic prosperity of the area. Therefore the task group explored some options that could be considered as part of this project.

#### **49. Joint Venture Companies**

50. Joint venture companies can bring together public and private sector enterprise and enable the council to share the risk with the private sector and gain access to additional resources. The council is able to bring capital assets, a positive brand and local knowledge, while the private sector can bring capital, willingness to take risk, resources and access to markets.<sup>7</sup>

51. The task group considered whether the council could use its own land to develop a specification on behalf of an anchor tenant such as a supermarket chain. The council would benefit from the increased value of the asset as well as the revenue from rent and business rates. This is a Local Asset Backed Vehicle (LABV) where a local authority provides the land or buildings and a private sector firm the capital to deliver the investment. The benefit of this approach is that the council is not “selling the family silver” and will receive maximum return from the investment through the increasing value of the asset and revenue income.<sup>8</sup> Birmingham City Council and Gateshead Borough Council have adopted this approach, full case studies are listed in **Appendix A**

52. The task group has developed a case study setting out the possible financial opportunities with a venture of this nature.

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<sup>7</sup> Commercial Councils, The rise of entrepreneurialism in local government, Localis, 2015.

<sup>8</sup> Commercial Councils, The rise of entrepreneurialism in local government, Localis, 2015.

53. Merton Joint Venture opportunity – A hypothetical illustration

54. The council owns a piece of land worth £5 million. The task group put forward two choices to realise the maximum value from the asset:

**55. Option one**

56. The council could sell the land for a profit.

**57. Option two**

58. The council enters into a joint venture agreement with a private sector organisation that has a recognised brand and a strong balance sheet. The council spends £10 million, with borrowing from public sector sources, to have the land developed to its specification.

59. Upon completion the development is worth £20 million due to the capital growth. Over a ten year period the property increases in value by 5% per year, amounting to £10 million over ten years. The development is then worth £30 million and the council's stake is now £10 million.

60. By retaining the property the council has doubled its money. There is also additional revenue from business rates and rent, which amounts to an additional income of £4.6 million over 10 years.

61. The council has doubled the value of its initial investment within ten years and generated revenue income. This development will also have positive effects on the local economy by creating jobs and encouraging ancillary services and businesses to support the anchor tenant.

**62. Option three**

63. The council uses its own land and finances to build a purpose built specification on behalf of a developer. The Developer will be required to sign a 30 year lease with no clauses and pay rent to the council.

64. The task group believes that Morden Town Centre will be an important local development which will have a lasting impact on the economic prosperity of the area. Therefore, rather than giving the development portfolio to a property developer and consultants, our residents will be better served if the council

takes a leading role deciding priorities for local need in consultation with residents. The project should be delivered in partnership with an anchor tenant using preferential borrowing rates or partnership with a developer on a joint venture.

### **65. Preferential Borrowing Rate**

66. The task group considered how the council can maximise the use of the local authority preferential borrowing rates to generate additional income. Councils benefit from the advantage of being able to borrow money from central government at a cheaper rate than many businesses. This however is governed by strict regulations. The task group was informed that councils are prohibited from lending at below market rate and giving competitive advantage to a developer because of State Aid rules. Additionally, they are not permitted to enter into deals which are not market competitive. However there are ways in which councils can maximise their capital borrowing and this should be explored in more detail.

### **67. Recommendation**

68. That officers explore options for maximising the use of local authority preferential borrowing powers to generate income, while monitoring borrowing limits and utilising external knowledge.

69. Council to explore opportunity to retain control of parts of Morden town centre regeneration by developing properties which may include opportunities for anchor tenants.

70. To explore the opportunities to develop a joint venture with a developer as illustrated in this report.

### **71. Merton Brand**

72. The task group considered the possibility of using a third party to provide services using the Merton Council Brand. This would involve conducting an audit of services that the council can no longer offer but are still in demand. The council could tender to find a private company to deliver the service and receive a profit share for loaning its brand and expertise to attract a customer base. This is similar to the Virgin strategy and is linked to the principle of

outsourcing. Rushcliffe Borough Council and Cheshire East Council have adopted similar approaches, full case studies are listed in **Appendix A**.

73. The task group was informed that the council already does this successfully in a number of areas. For example within the Contractors Health and Safety Assessment Scheme (CHAS) which generates money from health and safety approvals. It is an arms length company. The council has recently employed a Managing Director to grow the business. The task group believes the council should build upon the success of this model by looking for similar opportunities elsewhere.
74. The council also takes this approach with Kingdom, the company which provides the litter enforcement service. They issue a fixed penalty charge to residents who drop litter and a percentage of the revenue is shared with the council. The potential to grow this approach needs to be considered across each directorate to assess the opportunities available, potentially deploying the service under the Merton brand.
75. Again, task group members looked at good practice from other councils. Harrow has a commercial services website which is separate from the main website. They have also started active marketing campaigns; making it easier for residents to know what services are provided. They have commercialised a number of their services including the gardening service. Camden Council was also cited as a good practice example for its MOT service.

**76. Recommendation:**

77. That officers explore services that would be suitable to be delivered under the Merton logo. The opportunity would be best suited to a pre-existing contract or selling spare capacity.

**78. Solar street lighting system.**

79. The task group was very keen to test innovative ideas. It met with Solar Sonic marketing a new ground breaking product in the both in the UK the Middle East and Africa. The product is a multi-purpose solar-powered street lighting system, which offers revenue generating opportunities. It provides lighting totally off grid and stand alone and therefore has no impact on existing

services. These lamp posts emit half of the power of current solar panels in Merton. Each unit can include high quality cameras which are better than current generation CCTV, as well as Wi-Fi capability. Individual lamp posts can be used for advertising and therefore generate income for the council. There will be no necessity to work with advertising agencies and we could offer advertising spaces to customers such as local businesses.

80. Solar Sonic reported that the council can generate approximately a minimum of £300,000 in revenue per year. No capital would be required in advance and the company will provide staff training and deal with the service and maintenance of the lamp posts. The technology would be constantly updated as part of the maintenance agreement.

81. The task group believes that an opportunity such as this could provide a significant income contribution to the council. It also has the benefits of supporting community safety through advanced closed circuit television and support for local businesses with affordable advertising. The lamp posts also contribute to energy efficiencies with low running costs. Doncaster Borough Council has adopted a similar scheme. The full case study is listed in **Appendix A**

**82. As Councillor Najeeb Latif is a Director at Solar Sonic he resigned from the task group before the discussion and recommendations were agreed.**

**83. Recommendation:**

84. That officers explore the possibility of installing a pilot multi purpose lighting system in Merton

**85. Energy Services Company (ESCO) for Merton**

86. In 2014, the Sustainable Communities Panel commissioned a task group to review Climate Change and the Green Deal. One of its principal recommendations asked the council to develop a business case for developing an Energy Services Company (ESCO). The Panel has asked this task group to review the progress with the ESCO given that all the other recommendations of the Climate Change and Green Deal task group have been implemented.

87. The purpose of the Merton ESCO should be to generate and/or distribute heat and power through a local district heat network (either independently or in partnership with a third party). The overarching strategic aim of the ESCO was, be to generate income and address fuel poverty which was a real threat.

88. The recommendation from the Climate Change and Green Deal task group was;
89. That Cabinet commission a feasibility study to look at establishing an Energy Services Company (ESCO) for Merton, with a view to producing a business case for the ESCO which should include a risk assessment of the proposals. A further detailed investigation into the potential for a Merton ESCO should include:
90. Future Merton obtaining specialist legal advice on the Council's scope and legal limitations in generating, distributing and selling energy and advise on the development of an ESCO;
91. Feasibility investigations into the potential for district heating at Morden Town Centre and Colliers Wood / South Wimbledon
92. Further scoping of energy efficiency retrofit potential in Merton
93. Identification of where existing regeneration proposals/programmes may take forward energy efficiency improvements, alone or in partnership without the need for an ESCO to be in place.
94. The task group found that the case for developing an ESCO was strengthened during the course of this review. This initiative will generate money for the council. As a service is it efficient and not labour intensive or complex. A new development will benefit the most from an ESCO and Merton currently has five developments taking place with the estates regeneration as well as Morden town centre and the leisure centre.

The task group were exasperated at the slow pace of this project. The Head of Sustainable Communities reported that the procurement for business case has begun.

**95. Recommendation:**

96. That the officers seek advice and expertise from councils who have implemented an ESCO, such as Peterborough.
97. That officers present the business case for the ESCO to the Sustainable Communities Overview and Scrutiny Panel alongside the new Estates Plan



## Appendix A

### Local Authority case studies on commercialisation projects

In **Basingstoke and Deane Council** 30 per cent of their income comes from grants and tax, and 70 per cent from other sources - the reverse of the normal proportion. The council receives £15.5m from their commercial property portfolio (the 5th biggest in the country), and £3.5m from investment income, and have purchased the freehold of the Festival Place shopping centre as it gives them a 5-6 per cent annual return.

**Birmingham City Council** has set up Business Birmingham, an inward investment programme, in partnership with the Greater Birmingham & Solihull LEP and Invest Black Country. In 2013/14, the programme's efforts resulted in a 57 per cent rise in foreign investment projects, driven largely by the area's strengths in sectors such as advanced manufacturing and the automotive industry, as well as its backing for fast-growing new industries such as digital media and IT services. Investment by foreign firms generated a record 4,337 new jobs in the area in 2013/14; almost double the number created the previous year. The jobs boost is worth £362 million to the economy. *Contact:* [tony.smith@birmingham.gov.uk](mailto:tony.smith@birmingham.gov.uk)

**Cheshire East Council** recently launched the first two in a series of wholly-owned arm's-length service delivery companies. Waste and street scene services will be operated by Ansa Environmental Services, and bereavement services – including burial, cremation, memorial and bereavement support will be managed by Orbitas Bereavement Service. Both will be chaired by councillors.

**Doncaster Borough Council** has taken a broader invest-to-save approach through a £50m Investment and Modernisation Fund in 2013/14. Financed through borrowing, the idea is that the fund will pay for itself over time by enabling the council to adopt new, cheaper approaches to delivering its services. By enabling local authorities to bypass the more costly and time-consuming channels for capital borrowing offered by central government, the scheme will not only help the council to meet its budget reduction targets, but also deliver more efficient public services.

One of the main projects in this portfolio was smart lighting. By replacing the existing lamps in each of Doncaster's 33,000 residential street lights with more energy efficient LED lamps, the council made substantial savings while simultaneously providing better quality lighting for its residents. The lights will also be fitted with

telecells that enable dimming control and remote access through an innovative new computer management system, which prevents wasted energy on streets and sites where additional lighting is not required, in effect providing a hyper-local response to lighting.

According to the council, the need for budget savings was the key driver of the project. They estimate that the new lights will bring total energy consumption down from 10.9 to 2.2m kW/h, generating energy savings of around 80 per cent. They have calculated that lower energy costs alone will cut £857,000 annually from the total energy bill. Further savings will be made from the new computer management system, which will allow the council to tailor their 'dimming and trimming' of the lights to the fluctuations of electricity prices. By automatically identifying defective lights, the computer system will also greatly reduce the cost of employing scouts to manually identify faults and lower the risk of third party claims. At this rate, the project will have paid for itself in six years, after which the council will save £1.3m per year.

**Gateshead is** utilising new development opportunities - A new Trinity Square development in Gateshead Town Centre incorporates a Tesco Extra store, 47 other retail units, a cinema and accommodation for 1,000 University of Northumbria students. The council built partnerships with Tesco, training providers and the Work Programme, bringing together partners around a strategy to ensure that local unemployed residents were given the support and opportunities to access job opportunities. Over 150 unemployed residents have moved into employment in the development so far. *Contact: heatherlee@gateshead.gov.uk*

**Guildford Borough Council**, like many authorities, owns a variety of investment property. The Council acquired the assets over a number of years to facilitate the economic development of the borough and generate rental income that helps support the wider financial position of the Council. In 2012, the Council implemented an asset strategy to ensure that all assets, including investment property were reviewed to ensure assets were still fit for purpose and, in the case of investment property, achieved the required returns.

In 2013/14 the Council bought two new additional investment properties for a total of £17million. The acquisitions generated gross additional income of nearly £1.4million to the general fund, once interest and MRP are taken into account this is net additional income of £793,000.

Since the introduction of the revised strategy in September 2014, the Council has acquired one additional property and re-purchased 3 long leases on units it held the freehold title for within the industrial estates. The Council has so far spent £7.1million of its £25million fund and generated additional income of £530,000 (£410,000 net of

MRP and interest). We continue to look for further opportunities to spend the remainder of the fund but are on target to meet or exceed our income target.

In addition, the Council has a number of redevelopment schemes in which it aims to provide capital investment to generate income. This includes the redevelopment of the town centre in partnership with the developers Land Securities. Under the development agreement the Council will receive a ground rent and car parking income in return for contributing its land and some finance to the scheme.

**Rushcliffe Borough Council** has developed a project called Streetwise which currently provides a wide range of grounds maintenance, street cleaning and environmental services to the council and a number of parish councils. The council has an ambitious vision to transform this service into a successful social enterprise with the longer-term aspiration of it developing into social franchise. This project will reduce costs to the council, build the capacity of community involvement, promote social inclusion, and secure and grow employment.

**Seven Oaks District Council** plans to become financially self-sufficient by generating income from a property portfolio alongside cutting costs and making small increases in council tax. The council has already invested £8m of reserves and approved a further £10m where borrowing from the Public Works Loan Board may be used to finance the scheme. Current investments include a working men's club next to Council-owned housing development land, a petrol station and an office block. The council is investing to meet its economic and social goals by supporting a new hotel in Sevenoaks and developing mixed tenure housing in nearby Swanley. It has also set up its own Property Investment Company, Quercus7.

**Woking Borough Council** has had to deal with a 40% cut from their budgets since 2010 but due to the success of the following income generating activities they have not had to close any frontline services for local residents. A mixed economy approach has been taken with a variety of different delivery models and partners being used including the private sector as well as not for profit. Interestingly Woking have increased their support for the not for profit sector to £1.4 million a year.

The councils own a number of companies, one example is an arms-length company to build and finance power stations. The council operates as a private sector landlord and developer and this alone generates £1.25 million a year in income. They also provide energy for Milton Keynes which produces additional income which is then reinvested in improving energy efficiency for Woking residents.

Another innovative example is the joint venture company that the council has set up with a private sector partner to undertake redevelopment projects, for example an Asda store. In addition the council Investment Strategy Reserve has raised £350 million worth of funding to invest in. The projects are making an immediate return and therefore a net benefit to local taxpayers.

In 2005, **Wychavon District Council** entered into a joint venture with Waitrose to build a supermarket and to help regenerate Droitwich Spa town centre.

The project came about as a result of problems Waitrose were having acquiring land to build a new store in Droitwich. Wychavon was keen for Waitrose get the land they needed, as the town's retail offer was split between a run-down high street and a 1970s shopping precinct in desperate need of an update.

The joint venture aimed to acquire land and build the new Waitrose. It would include a refurbished car park, providing more than 340 parking spaces in the heart of the town.

Waitrose thus secured a prime spot for their store and Wychavon gets a better return on its investment through renting the site back to Waitrose, which ultimately helps keep council tax down. As part of the arrangement the council now owns the entire site plus the supermarket which has been leased to Waitrose until 2030.

The Waitrose store has been successful and is trading over its expected levels. The project has helped to regenerate the town centre, attracting more vibrant shops and offering better car parking. There are early signs of increased visitor numbers to the town and, anecdotally, the retail sector remains relatively strong. The retail vacancy level in Droitwich town centre has remained below national and regional levels.

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