

Our commercial investment activity

- 1.1 Since 2016, the Council has made a number of prime commercial investments, all of which are in the Heathrow economic area. The Council considers that defining an economic area restricted to Spelthorne only is to ignore the reality that Heathrow Airport is the real driver of the economy for West London, North Surrey and the Thames Valley. We are part of that economic zone and the airport plays an important role in our local economy. 7% of our residents (6,700 in 2018) work at Heathrow, and this figure increases to 25% in our two northernmost wards. For every 10 direct jobs at Heathrow, there are 26 jobs created locally within the supply chain. The airport also contributes significantly to local training and education. For example, the Heathrow Academy provides training to those wanting to work at the airport, schools outreach programmes are used to promote STEM subjects, and the Heathrow careers fair attracts around 7,000 young people annually.

The future expansion of the airport is something that the Borough has supported for a number of years, as long as the proposed scheme comprehensively and effectively mitigates the impacts on our communities, businesses, services and environment.

1.2 An overview of our assets and approach

The Council has chosen to invest in best-in-class assets located in the Heathrow economic area and are very well sited next to transport hubs.



Illustration 1: Location of our commercial assets

Investment Criteria

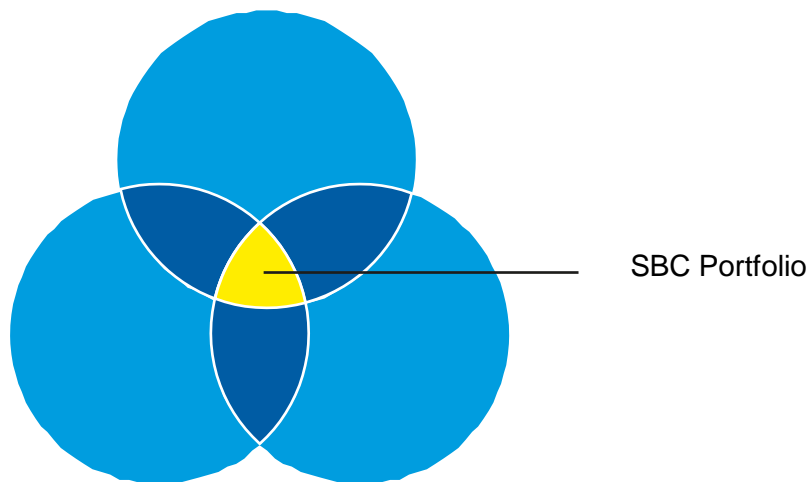


Illustration 2: Factors shaping our investment decisions

- 1.3 The Council has invested in properties that have attracted a strong and diverse tenant mix from different sectors of the economy. These are blue-chip tenants which provide good levels of security for the Council's investment activities.

1.4 Repayment allocation - as at August 2018

Management Costs 1%

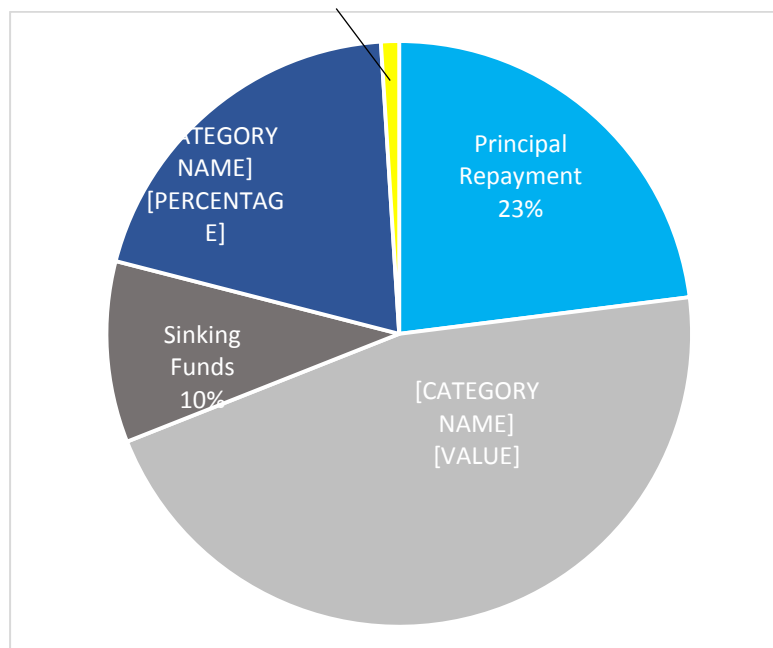


illustration 3: How loans are repaid and money allocated

The income from our investments (see Table 1, above) has made a substantial impact on the stability of the Council. In 2020/21 the net surplus (after making allowances for management costs, interest etc.) will be £9.9m.

1.5 Our reasons for investing

In order to fund our developments we have acquisition parameters, which are set out in full in *Appendix 2*, but these are the primary reasons we have previously invested:

- to generate income to offset reducing Government funding and other pressures in order to support provision of services for residents
- for housing development
- for strategic purposes to allow for regeneration either now or in the future.

Having achieved our objective of significantly boosting our income to support provision of services, our focus is now on the second and third objectives set out above. It is also important to note that we maintain the assets which we purchased in 2016-2018 and which support the revenue budget. We regularly review and update our acquisition parameters.

What if we had not invested?

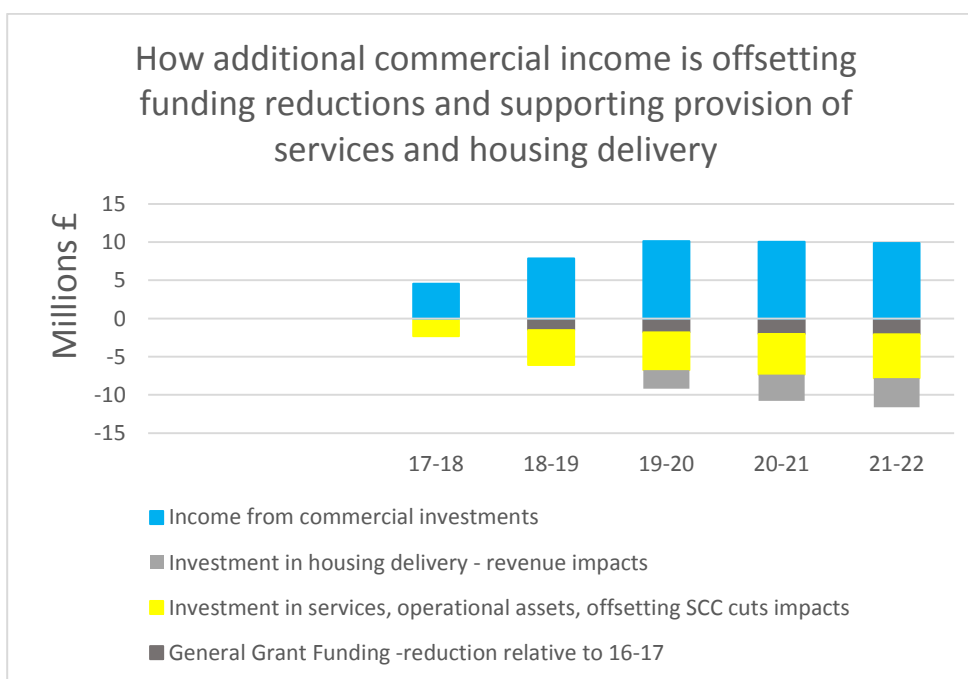


Table 1 : Increase in property income to offset decline in government funding

2.1 Our Investment so far

If the Council had not taken the decision to invest to deliver significant commercial income from 2016-2018, this would have led to major cuts in services, particularly the services we are not under a statutory duty to deliver such as:

- Day Centres (net cost of £452,800)
- Meals on Wheels (net cost of £30,100)
- Spelride Community Transport net cost (£153,700)
- Extension of the Greeno Centre (additional £130,000 capital investment) and the Fordbridge centre (£130,000 capital investment) to provide additional facilities for older people
- New Meals on Wheels vans (£126,000) or Spelride vehicles (£250,000)
- Laleham Park Pavilion (£250,000 capital investment)

2.2 It would also have led to a reduction in the overall capacity of the Council to deliver for residents, leading to:

- Reduced maintenance of parks and open spaces
- Reduced waste collection frequency
- No ability to Increase budget for planned maintenance of frontline operational assets supporting service delivery (up to an additional £750,000 per annum)
- Need for revenue contributions to capital expenditure to cover projects not financed by grant, receipts or generating revenue savings/income (£750,000 per annum)
- Increased fees and charges, such as significantly increasing car parking charges
- Inability to plug the considerable gaps which are emerging as a result of Surrey County Council cuts on social care services (estimated impact on Spelthorne budget to date is approximately £500,000)

Some of these cuts would have hit older and vulnerable residents the hardest.

The additional income the Council has generated has enabled us to put our Revenue budget on a more sustainable footing by ceasing to use reserves to support the Revenue Budget (In the 2016/17 Budget - £786,000 needed to be taken from reserves)