

**Property Investment Strategy
30 January 2019**

Report of the Portfolio Holder for Finance

PURPOSE OF REPORT

To consider the Property Investment Strategy for approval.

This report is public.

RECOMMENDATIONS OF COUNCILLOR WHITEHEAD

- (1) That Council approves the Property Investment Strategy included as Appendix A.

1.0 Introduction

- 1.1 The Cabinet meeting on 4 December 2018 approved the principles of the overarching financial resilience strategy, *Funding the Future* and their incorporation into the Medium Term Financial Strategy. On from this on 18 December, Cabinet approved the key principles of the Property Investment Strategy.
- 1.2 One of the key pillars of the financial resilience strategy is 'investing for a return or to reduce costs' which looks to careful risk managed investment in commercial property in order to make a net yield which contributes to the net revenue budget. This reports sets out the principles that will be included in the Council's Property Investment Strategy.
- 1.3 A number of informal sessions on the Property Investment Strategy have been held with members and, on 11 January 2019, a workshop testing out the key strategy principles was well attended by members.
- 1.4 A separate paper covering the governance arrangements for the Property Investment Strategy is included on this Council agenda.

2.0 Proposal Details

- 2.1 The Property Investment Strategy is included as Appendix A to this report.
- 2.2 A separate report on the governance arrangements for this strategy is considered on this agenda and if agreed, these arrangements will be included within and appended to the strategy.

3.0 Details of Consultation

- 3.1 Officers have provided a series of briefing sessions on the *Funding the Future* strategy which have been open to all members. In respect of the Property Investment Strategy, briefings have been made available to Cabinet and Scrutiny before Christmas with an

invitation to all members. A workshop open to all members was held on the 11 January 2019, after which the strategy was updated.

- 3.2 At the workshop on the 11 January 2019 members had the opportunity to work through the investment matrices and scoring systems. In general members indicated they approved the approach of a scoring matrix to assess the viability of any proposal, the yield matrix to confirm the likely return and the social value scoring to give clarity over any benefits to the district.
- 3.4 Members also made a number of suggestions for additional information and changes to the matrix. The feedback was recorded but of particular note was the desire to have clarity that the proposal was within the framework, e.g. ethical, geographical and environmental. Members also requested additional evidence to be provided in the matrices in respect to particular market segments. This included information of wider sector performance, local and national competition, and for retail product lines/market and exit proposals.
- 3.5 Members also requested the yield and social value documents provide greater clarity on additional benefits that may accrue such as business rates, impact on a high street frontage, detail on any social impact such as employment and how this would be measured.
- 3.6 Member feedback has been incorporated into the appended documents.

4.0 Options and Options Analysis [including risk assessment]

	Option 1: Approve	Option 2: Not Approve
Advantages	The prospect of long term financial resilience to help maintain the provision of good quality council services	None
Disadvantages	New ways of working and adapting reasonably quickly to new approaches.	A series of hard and unpalatable decisions will need to be taken on cuts and service reductions.
Risks	Commercial property investment brings some risks and these are covered in some detail in this report.	Potential financial instability delivery of services being reduced.

5.0 Officer Preferred Option (and comments)

- 5.1 Option 1 Is the preferred option as the development of a robust Property Investment Strategy is the next logical step following the agreement by Cabinet to the principles of the *Funding the Future* Financial Resilience Strategy

6.0 Appendices

- 6.1 The strategy document and appendices are appended to this report as follows:

- Appendix One – Property Investment Strategy
- Appendix Two – Yield Calculator
- Appendix Three – Risk Matrix
- Appendix Four – Outcomes Matrix

RELATIONSHIP TO POLICY FRAMEWORK

This is design to facilitate the implementation of the Medium Term Financial Strategy and to facilitate *Funding the Future*.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Human Resources, Sustainability and Rural Proofing)

None

LEGAL IMPLICATIONS

The Council has the legal power to acquire, use and dispose of land principally under the Local Government Act 1972 and other Acts which give the Council powers to acquire land for a particular purpose.

In accordance with section 120(1), Local Government Act 1972, the Council has the power to acquire any land where it is for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area.

If the Council decides to dispose of land, there is a legal requirement to obtain best value (with very limited exceptions)

Depending on the nature of the particular type of property concerned, there may be other statutory requirements or procedures to be undertaken before any acquisition, appropriation or disposal of land.

In addition to this the General Power of Competence, introduced by the Localism Act 2011, permits a local authority exercising the general power:

.... to do it in any way whatever, including—

- (a) power to do it anywhere in the United Kingdom or elsewhere,
- (b) power to do it for a commercial purpose or otherwise for a charge, or without charge, and
- (c) power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.

This would mean the Council would have to set up a company to manage property purely for financial gain if it decided to exercise the general power.

FINANCIAL IMPLICATIONS

Property investments will require borrowing and will make a financial return. The yield calculation within the strategy is designed to ensure that all financial implications from any property investment are captured.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

This policy will be developed and led by the Regeneration Team

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer is the author of this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted in the drafting of this report and has no further comments

BACKGROUND PAPERS

Cabinet paper (18 December 2018) on property investment principles.

Contact Officer: Dan Bates

Telephone: 01524 58 2000

E-mail: dbates@lancaster.gov.uk