

## CABINET – 17 APRIL 2018

### EXTRACT MINUTE

#### 8. **COMMERCIAL PROPERTY INVESTMENT STRATEGY**

The Cabinet considered a report by the Director (RB) (Reference 18/87) in respect of a new Commercial Property Investment Strategy. Members were advised that this new strategy was intended to generate net financial returns for the Council in order to help maintain valued service provision to the Borough's residents, businesses and visitors and to help create and support economic development activity that contributed to the growth of the Borough. Under the umbrella of the Commercial Strategy, this strategy again offered innovative and creative solutions as a means of narrowing the projected £5 million budget gap over the next three years as an alternative to simply making further budget cuts. In accordance with the proposed strategy, property investments would divide into two distinct streams of activity: traditional investment in prime and near to prime real estate that would provide a secure long term income stream to the Council, and the second stream, not only to generate a positive rate of return for the Council but also aimed at generating economic growth and development through, for example, unlocking public land and buildings for socio economic benefits within the wider economic partnership areas. The report also set out two distinct scoring matrices to assess the business case for proposals under the two work streams, and clear and robust governance arrangements for the implementation of the strategy comprising an officer level property selection team, a Property Investment Governance Board, and the Audit Committee which would consider the scoring matrix for Stream 2 schemes, and receive quarterly monitoring reports on the strategy. Members were assured that the report before them was based on extensive legal and financial advice. The report set out both the legal framework in which the strategy would operate and how the strategy was aligned to the Council's Financial Strategy, Capital Investment Strategy & Treasury Management Strategy. Updated Prudential Indicator information was contained within the report that detailed, amongst other indicators, how the strategy was to be financed and the revenue implications of the Council's Capital Investment Strategy Programme. The strategy report also responded to guidance recently issued by central Government on local government investments and the activity proposed by the strategy would ensure the Council took full regard of the recommendations contained within the updated guidance. Whilst the strategy report outlined proposals for investment purposes, just as important was the work being undertaken to challenge the Council's existing assets in order to maximise yields and rate of returns from the existing portfolio as well as to rationalise the portfolio where appropriate. Members were also advised of a correction in the report, namely, in the penultimate paragraph of the Governance Arrangements on page 108 of the report, rather than reading "acquisitions and development opportunities that do not meet the minimum criteria" should read "...that do not meet the minimum weighted score on the scoring matrix". The Chairman welcomed this report, and the significant progress it represented for the Council, and echoed the Director, Mr Bradley in thanking all those officers who had contributed to the development of the strategy. The Portfolio Holder, Councillor Cockerill similarly commended the new strategy, but proposed an amendment that the relevant Portfolio Holder with investment responsibilities, instead of the Deputy Leader of the Council, be a member of the Property Investment Governance Board. Councillor Cockerill also asked what

safeguards were in place in the Constitution to prevent the Director with delegated powers to make property investment decisions, taking such decisions contrary to the advice of the PIGB. In response, Mr Bradley advised that in addition to the checks and balances outlined in the report, all decisions made by any part of the Council (including officer delegated decisions) were subject to the overarching principles of public law. These provided that decisions that were, for example, outside of the decision maker's power, or unreasonable, irrational, were unlawful and challengeable by Judicial Review. Further, the Council's Monitoring Officer and s.151 Officer had statutory duties to ensure the legal and financial probity and propriety of decisions of the Council, the Monitoring Officer having the power to suspend unlawful decisions prior to their implementation. The Portfolio Holder, Councillor Mallory suggested that given the importance and complexity of the strategy, briefings should be provided for the benefit of councillors. She also encouraged Members to speak to the Director if they had any queries. With the permission of the Chairman, Councillor Cluer addressed the meeting, agreeing that a Member briefing would be beneficial before the Council considered the strategy next month, registering her concern at the large amount of borrowing inherent in the strategy, and calling for wider political representation on the PIGB.

**RESOLVED** that the Cabinet recommend that full Council:

- (i) approve the proposed Commercial Property Investment Strategy (the Strategy) described in this report and attached at Appendix A, together with the objectives, Prudential Indicators and limits, investment criteria and governance arrangements, and resolve that the Strategy be adopted;
- (ii) approve a capital fund of £30m funded from borrowing from the Public Works Loan Board and a revenue budget of £100k funded from the Council's Investment Fund, to facilitate the purchase of properties and to pursue development opportunities that meet the criteria contained within the Strategy;
- (iii) approve the changes required to the current approved and operational borrowing limits and associated Prudential Indicators as set out in Appendix B, in order to accommodate the increased prudential borrowing requirements set out in this report;
- (iv) amend Article 8.9 (ii) of the Constitution to alter the terms of reference of the Audit Committee to include  
'(j) receive quarterly reports on the implementation of the Commercial Property Investment Strategy and make any recommendations to full Council'
- (v) delegate authority to the Audit Committee to approve the risk/ rate of return scoring matrix referred to at Appendix A.2.1
- (vi) delegate authority to the Director (LD) to make the necessary amendments to the Constitution arising out of this report

And subject to Council approval of the recommendations set out at 1 above, that the Cabinet approve:

- (i) the proposed governance arrangements for the Property Investment Governance Board (PIGB) and the Property Selection Team (PST) set out at paragraph 6 of this report and at Appendix A3 of the Strategy (*with the amendment that the relevant Portfolio Holder with investments responsibility sit on the PIGB instead of the Deputy Leader of the Council*)
- (ii) the delegation of authority to the Commercial Director, following consultation with the PIGB, to approve expenditure and to acquire and/or dispose of such legal estates and interests in land and to make such property investments as are within the overall limit and criteria of the Strategy, subject to the Commercial Director preparing a business case and risk assessment in line with the Strategy, and to take any and all decisions necessary for the implementation of the Strategy, save for where authority is reserved to the Leader of the Council under the Strategy

### **Reasons**

- To enable the Council to build a stronger commercial property portfolio through the purchase of prime or nearly prime investment property within the Borough and wider Local Enterprise Partnership regions that can generate income and financial returns to contribute towards the revenue shortfall identified in the Council's Financial Strategy and to stimulate economic growth
- To generate income and financial returns from development and regeneration projects throughout the Borough and wider Local Enterprise Partnership regions to both stimulate economic growth and to contribute towards the revenue shortfall identified in the Council's Financial Strategy;
- To establish governance arrangements and control measures to manage the risks associated with commercial property investments