

# Cabinet

12 December 2017



<b>Title</b>	Property Investment Strategic Parameters		
<b>Purpose of the report</b>	To make a decision		
<b>Report Author</b>	Heather Morgan, Group Head Regeneration and Growth		
<b>Cabinet Member</b>	Councillor Ian Harvey	<b>Confidential</b>	No
<b>Corporate Priority</b>	Financial Sustainability		
<b>Recommendations</b>	<b>Cabinet is asked to approve:</b>  <b>The Property Investment Strategic Parameters attached at Appendix 1 for immediate adoption.</b>		
<b>Reason for Recommendation</b>	Cabinet is being asked to approve the Property Investment Strategic Parameters shown in <b>Appendix 1</b> which outline: <ul style="list-style-type: none"><li>a. The purposes for which the Council invests in property acquisitions, and</li><li>b. The conditions which must be met for investing for revenue generation and/or social investment purposes.</li></ul>		

## 1. Key issues

- 1.1 The Council has undertaken a number of major acquisitions since summer 2016 (BP International Campus) which have significantly grown our property portfolio. A rigorous assessment of every asset has been undertaken prior to investment. It is nevertheless deemed prudent to set out clearly the property investment strategic parameters the Council uses in making investment and development decisions. This document enables the Council to be transparent about the reasons why the Council invests in property acquisitions, and the conditions which must be met for investing for revenue generation and/or social investment purposes.

## 2. Options analysis and proposal

- 2.1 The Council has two options (1) to continue to make investment decisions without any specified parameters or (2) to agree a set of strategic parameters which the Council will use in making property investment decisions.
- 2.2 It is recommended that the parameters outlined in **Appendix 1** are put in place for the reasons set out in paragraph 1.1. Not to do so would risk a lack

of transparency around the whole investment programme, meaning that stakeholders and residents would have less assurance around the performance of the Council's assets and how we manage risk associated with our property investments.

### **3. Financial implications**

- 3.1 There are no financial implications directly arising as a result of the proposed strategic parameters. Requests for capital budget provisions for property acquisitions are made to Full Council and individual acquisitions come before Cabinet with all the relevant financial information required to enable a fully informed decision to be made.

A key driver for our pursuit of assets is to generate ongoing sustainable income streams to help ensure that we can balance the Revenue Budget and continue to deliver services at current levels for our residents. Therefore Cabinet need to bear in mind that these investments are intended to deliver a surplus but can carry significant risk. It is therefore important that we continue to do thorough due diligence to understand the risks and to decide whether particular acquisitions are appropriate.

### **4. Other considerations**

- 4.1 These strategic parameters and the Council's property investment programme support three of the four main aims of the Corporate Plan which are:
- (a) Housing (to strive towards meeting the housing needs of our residents, providing working families and others in housing need within the borough with suitable housing),
  - (b) Economic Development (to stimulate more investment, jobs and visitors to Spelthorne and further the overall economic wellbeing and prosperity of the borough and its residents), and
  - (c) Financial Sustainability (to ensure that the Council can become financially self-sufficient in the near future).
- 4.2 An Asset Management Plan will be developed to cover in detail how the investment portfolio and the property estate will be actively managed, and will be subject to a future report to Cabinet.
- 4.3 A growing portfolio will require additional resource to manage it, and the Council is setting up a dedicated Property and Development Unit (PDU). A revenue cost 'set aside' is included as part of each acquisition with the intention that new staff in the PDU will largely be funded from this 'set aside' (alongside capitalising salaries where staff are directly involved in delivering development schemes).
- 4.4 There are no equality and diversity requirements arising as a result of these strategic parameters. Sustainability will be considered as necessary on individual acquisitions and developments.
- 4.5 There is currently no requirement on Councils for such strategic parameters to be developed or published, and as such there is no formal consultation process to be followed prior to adoption.

### **5. Timetable for implementation**

- 5.1 To be implemented with immediate effect.

**Background papers: None**

**Appendix1: Strategic Property Investment Parameters**