

Item 9 - Property Investment Strategy Update

The attached report was considered by the Policy & Performance Advisory Committee on 23 March 2017 and the Finance Advisory Committee on 28 March 2017. The relevant Minute extracts are below.

Policy & Performance Advisory Committee (23 March 2017, Minute 26)

The Chief Officer Communities and Business presented a report which updated Members on the progress of the Property Investment Strategy and looked at its future direction. The report sought updates to the Strategy and a further £25 million to be set aside for future investments.

Initial acquisitions had helped the Council to become financially self-sufficient and it was requested for additional funding to be allocated to the property investment strategy to enable the Council to achieve the ambition of 'self-sufficiency plus'. External investment advisors had analysed the current property investment portfolio and provided advice as to the future direction of the strategy. They recognised that good investment purchases had been made and that they were performing well.

Members discussed the report and asked questions. Members were advised that the decrease in the income yield reduction to 5% was due to market value trends and only be applied to new purchases. If money was borrowed from the Public Works Loan Board the yield would be 3% net of borrowing costs. Members were advised that before a property was purchased, the property team looked through all the details first before the Chief Finance Officer and then the relevant Portfolio Holders were consulted. The Council would only move forward with a purchase if its Red Book Valuation was acceptable and at or above the offer price. The Council would not make purchases above the Red Book Valuation.

Some concern was expressed at purchases being made outside the District. Members were informed that this would be at a minimum and where possible be kept within Kent. In response to questions raised about risk, Members were informed that advice had been received that a larger number of investments offered a better spread of risk. Members noted that the report was also being considered by the Finance Advisory Committee on 28 March 2017.

Resolved: That the report be noted with Members' support.

Finance Advisory Committee (28 March 2017, Minute 60)

The Chief Finance Officer presented a report which updated Members on the progress of the Property Investment Strategy to date and looked at the future direction of the strategy.

The Property Investment Strategy was approved by Council on 22 July 2014 to support the aim of the Council becoming more financially self-sufficient

as Government Support continued to reduce. The initial acquisitions had helped the Council achieve the aim and the report provided an update on the acquisitions to date and requested additional funding to enable the Council to achieve 'self-sufficiency +' and therefore provide extra value to residents. Funding previously approved had now nearly all been spent.

External investment advisors had analysed the current property investment portfolio and provided advice as to the future direction of the strategy. The advice had been used to propose changes to the Property Investment Strategy criteria and to support the reasons to set aside further funds.

A Scrutiny Committee Member Working Group had been looking at the Property Investment Strategy and was due to report back to the Scrutiny Committee on 30 March 2017.

The report requested approval for a further £25m to be set aside for the strategy, an amount recommended by Savills to reflect the likely future projects included in the report and to allow additional acquisitions to meet the council's aim of achieving 'self-sufficiency+'. Further acquisitions and developments would help the Council attain the Property Investment Strategy income assumptions in the 10-year budget and also start to deliver 'self-sufficiency+' and enhance the services provided to our customers even further.

The draft minutes of the Policy & Performance Advisory Committee which had met and considered the same report on 23 March 2017, were tabled for information. The Chairman advised that concern had been expressed by that Advisory Committee with regards to investment outside the district, and had suggested a restriction of within Kent. Members discussed this and also had the same concerns. It was felt that investing within the District not only benefitted residents but local knowledge had a large part to play in knowing what to invest in, and that by going out of the district the essence of the strategy would be eroded and there would be more risk involved with investing in 'unknown' locations. It was generally felt that 'south east' was too large but the Committee did not want to exclude Surrey or Sussex.

Some Members were uncomfortable with the sum of £25m requested. There was concern that there was not enough information to understand why the sum was needed.

It was noted that the length of the committee process hindered the ability to act on purchases.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That it be recommended to Cabinet that

- a) the updated Property Investment Strategy be agreed subject to limiting the geographical area of outside the district as a 50 mile radius from the Argyle Road Offices; and
- b) a further £25m be set aside for the Property Investment Strategy.