

CABINET

DATE OF MEETING: 1 July 2021

TITLE OF REPORT: **APPROVAL OF REFRESHED COMMERCIAL
PROPERTY INVESTMENT STRATEGY**

Report of: **Head of Corporate Services and S.151 Officer**

Cabinet Portfolio: **Commercialisation**

1 PURPOSE OF REPORT

1.1. This report seeks Cabinet approval of a refreshed Commercial Property Investment Strategy.

2 OFFICER RECOMMENDATION

2.1 That Cabinet approves the refresh Commercial Property Investment Strategy (attached as Appendix 1).

3 BACKGROUND

3.1 The initial Hart Commercial Strategy was published in August 2018. This established that commercialisation can have a range of definitions.

However, in the local government realm, it is normally identified as an action or range of actions, which leads to

- an increase in income,
- a reduction in costs (e.g. overheads)
- improve efficiency of service which decreases current or future costs.

3.2 As the financial and economic environment changes however, it is important to reflect this and update any commercial strategy to ensure it remains fresh and responsive. And at a time of continuing uncertainty on future financing of Local Government a focused, clear strategy is required to improve the resilience of the Council's finances, to ensure front line services are protected for our communities.

3.3 Recent changes which must be borne in mind when considering the Commercial Strategy includes

- The Government's response to the 2020 Chartered Institute of Public Finance and Accountancy (CIPFA) consultation on the Public Works Loan Boards lending to Local Authorities
- Changes in the economic climate and demand for commercial property.
- The ability to achieve corporate goals by considering the wider benefits of investment.

3.4 Overview and Scrutiny Committee met on the 15th June and considered a draft of the Commercial Property Investment Strategy and supported it but asked that Cabinet consider that the refreshed approach at this time should be more simply focused on the immediate priority of secure long term financial revenue until such time as the necessary income generating targets had been met. The refreshed Strategy attached at Appendix 1 reflects these suggestions.

4 CONSIDERATIONS

4.1 The refreshed Commercial Property Investment Strategy (the Strategy) attached at Appendix better reflects the changes and differing challenges that lie ahead. Its aim is to provide a more cleared and structured approach to commercial property investments. Not only is it focused on the immediate short term need to generate income to support the delivery of services, but it also recognises the social and economic benefits to Hart residents through the creation of a balanced property portfolio.

4.2 Furthermore, the Strategy, provides a more detailed framework for the Council's approach to investment including the objectives, scope and priorities and the balance of risk and reward.

4.3 To aid transparency and comparison, the main changes from the previous Commercial Strategy are as follows:

- Emphasis on investment within the district, whilst still enabling investment in the wider Local Enterprise Partnership areas
- Provides greater clarity on the evaluation of investment opportunities, based on a range of performance indicators
- Reflects the change in Public Work Loan Board borrowing rules that prevent a Local Authority borrowing for yield and how investments will continue.

5 FINANCIAL IMPLICATIONS

5.1 The Council in 2018 set a challenging target of generating £2m in net revenue from commercialisation. In terms of property acquisition, it has been relatively successful and is now well on the way in meeting this target:

	2020/21 actual £'000	2021/22 budget £'000	2022/23 budget £'000
Property One – Office Commercial	383	383	383
Property Two – Residential		196	392
Pipeline opportunity (contracts exchanged)		500	700
Total	383	1,079	1,475

5.2 The proposed refreshed Strategy seeks to build on this sound progress.

5.3 Any investment opportunities arising from the draft strategy, will be subject of a separate business case and decision-making processes

6 ACTION

6.1 Subject to Cabinet's agreement, the refreshed Strategy will be implemented immediately.

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APPENDICES

Appendix 1 – Proposed Commercial Property Investment Strategy