



Commercial Property Investment Strategy

Change of Direction

www.westlancs.gov.uk

Strategy Overview

A new Commercial Property Investment Strategy was approved by Council in July 2020 with funding of up to £30m, with the following objectives

- To invest in West Lancashire (and its immediate environs) to contribute to the recovery and growth of businesses.
- To generate additional new income streams for the benefit of the Council's General Revenue Account.
- To minimise the risk of holding commercial property through diversification of the portfolio and through undertaking robust evaluation of the potential investment



Principal approach

- The strategy envisaged that these objectives would principally be achieved by the Council acquiring commercial property with a sitting tenant renting the property, as this would enable the property portfolio to be expanded quickly.
- However, investing in existing commercial assets and/or developing new assets could also be pursued if the investment met the criteria set out in the strategy.



Change in PWLB borrowing rules (1)

- The Public Works Loan Board (PWLB) is a government body that can lend to local government at low interest rates and is the preferred source of finance for most smaller local authorities
- It was envisaged that the Strategy would be financed from PWLB borrowing
- However towards the end of 2020 the rules for PWLB borrowing were changed, and details on this were reported to the last Strategic Assets Purchasing Committee



Change in PWLB borrowing rules (2)

The PWLB will no longer lend to a local authority if it has any plans to buy investment assets primarily for yield, which have one or more of the following characteristics:

- buying land or existing buildings to let out at market rate
- buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment
- buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly



Future borrowing requirements (1)

The Council's plans for the future will require a significant level of borrowing to be taken out:

- New affordable homes to be built for the HRA through our development company
- Skelmersdale Town Centre Regeneration
- Replacement Leisure Centres
- Commercial Property Investment Strategy



Strategy – change in direction

- The benefits of being able to borrow at a low cost from the PWLB are felt to outweigh the potential benefits of being able to buy investment assets primarily for yield
- Consequently the strategy will move away from acquiring commercial property with a sitting tenant renting the property
- Focus on building new commercial assets or investing in / redeveloping existing commercial assets



Strategy – change in direction (2)

- It has been reported that a number of authorities have shelved their planned commercial investments as a result of the PWLB rule changes including Torbay, Reading, and West Berkshire,
- Our new approach will mean focusing on projects such as building a new solar PV farm at Whitemoss or building new Greenwood Business Centre type assets



Implications of new approach

- New approach is possible under existing Strategy but was not meant to be the principal approach
- Building new commercial assets likely to have greater benefits for example in terms of job creation than would be achieved by the Council buying an existing asset
- Strategy will take longer to deliver as building new assets takes time
- May help to protect Council interests in light of the government's new Right to Regenerate initiative that could allow the public to buy unused or underused Council owned land and buildings



Any Questions

Are there any questions on this change in direction for the Commercial Property Investment Strategy?

