



COUNCIL: 15 December 2021

Report of: Head of Finance, Procurement and Commercial Services

Contact: James Pierce (Extn. 5202)
(E-mail: James.Pierce@westlancs.gov.uk)

SUBJECT: REVISED COMMERCIAL PROPERTY STRATEGY

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To consider a review and update of the Commercial Property Strategy.

2.0 RECOMMENDATIONS

2.1 That the revised Commercial Property Strategy set out in Appendix 1 be approved, subject to consideration of the proposed changes recommended by the Strategic Assets Purchasing Committee at its meeting held on 30 November 2021, as follows:

A. That at point 2.2 of Appendix 1, the following wording in brackets be removed "*and it's immediate environs if this has beneficial outcomes for the district*".

B. That an additional bullet point at 2.4 of Appendix 1, be included to read "*Under exceptional circumstances investments outside the borough will be considered if there are demonstratable benefits for the borough, decision to be taken at a meeting of full Council*".

2.2 That the terms of reference for the Strategic Assets Purchasing Committee be amended as set out in Appendix 2.

3.0 BACKGROUND

3.1 The Council approved a new Commercial Property Strategy at its meeting in July 2020. As part of this new approach there is a commitment to regularly review the

Strategy to ensure that it is current and up to date and reflects new issues and developments.

4.0 CHANGES TO THE COMMERCIAL PROPERTY STRATEGY

- 4.1 The proposed amendments to the Commercial Property Strategy are shown as tracked changes in Appendix 1. The most significant change relates to developments in Public Works Loan Board lending arrangements, details of which have previously been reported to Members.
- 4.2 The practical effect of this development means that it is now difficult for the Council to invest in commercial property primarily for yield. This includes buying land or buildings which were previously operated on a commercial, basis which is then continued by the Council without any additional investment or modification.
- 4.3 Consequently the focus of the strategy going forward will be more on developing new assets or investing in existing assets ("build" rather than "buy"). This means that the strategy will take longer to implement as new developments take time to complete. However the new and / or improved assets that are created will deliver more service benefits than simply buying an existing asset.
- 4.4 Projects that are currently being considered include building a new solar PV farm to generate green energy and income from selling electricity to the national grid and / or local businesses, and building new industrial and business units that could deliver economic and employment benefits as well as a rental income stream. These projects will only progress if they meet the requirements set out in the strategy.
- 4.5 The revised strategy was considered at a meeting of the Strategic Assets Purchasing Committee on 30th November 2021. At the meeting there was a discussion on whether and how decisions should be made on investing outside of the Borough. Following this discussion, it was recommended that the following proposed changes be referred to Council for consideration:
- A. That at point 2.2 of Appendix 1, the following wording in brackets be removed *"and it's immediate environs if this has beneficial outcomes for the district"*.
- B. That an additional bullet point at 2.4 of Appendix 1, be included to read *"Under exceptional circumstances investments outside the borough will be considered if there are demonstratable benefits for the borough, decision to be taken at a meeting of full Council"*.

5.0 TERMS OF REFERENCE FOR THE STRATEGIC ASSETS PURCHASING COMMITTEE

- 5.1 The proposed changes to the Commercial Property Strategy will require a number of amendments to be made to the terms of reference of the Strategic Assets Purchasing Committee as follows:
- In future the Committee would scrutinise all commercial property and strategic asset investment decisions rather than the current limited set of financial instruments

- The Committee would only approve investments of up to £5m where the timescales for making a decision would not allow for Council consideration.

5.2 The proposed amendments to the existing terms of reference are shown as tracked changes in Appendix 2 and should help to improve the scrutiny and transparency of investment decision making.

5.3 The revised terms of reference were considered at a meeting of the Strategic Assets Purchasing Committee on 30th November 2021 and no comments were agreed on the revisions.

6.0 SUSTAINABILITY IMPLICATIONS

6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

7.0 FINANCIAL AND RESOURCE IMPLICATIONS

7.1 The Council's commercial property investments have, historically, shown steady rental levels and provide a significant contribution to the Council's revenue streams. The Commercial Property Strategy should contribute to the Council's corporate objectives as well as delivering a financial return that can help to support the Council's budget position.

7.2 Funding of up to £30m has been agreed for investment in commercial property through this strategy. The strategy will be financed from borrowing, although opportunities to secure other external funding wherever possible will be pursued. Actively seeking external funding will help to minimise Council borrowing, increase the financial returns generated by new schemes, and in some cases may mean the difference between whether schemes are viable or not.

7.3 A financial appraisal and assessment will be completed for each investment decision, that will take into account the cost of borrowing in terms of interest and debt repayment, as well as other relevant costs and the rental income generated. It will normally be expected that schemes must demonstrate at least a 2% net yield, on a prudent basis, to be considered financially viable. This requirement may however be reduced if the non-financial benefits of a scheme are so significant that it can justify this approach.

8.0 RISK ASSESSMENT

8.1 Regular review and monitoring of the Commercial Property Strategy will ensure it remains up to date and fit for purpose.

9.0 HEALTH AND WELLBEING IMPLICATIONS

9.1 There are no health and wellbeing implications arising from this report.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this report.

Equality Impact Assessment

This decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1 – Revised Commercial Property Strategy

Appendix 2 – Updated Terms of Reference for the Strategic Assets Purchasing Committee