

**SUBJECT: Proposed Property Acquisition Policy**

**MEETING: Economy & Development Select**

**DATE: 11<sup>th</sup> February 2016**

**DIVISION/WARDS AFFECTED: All**

**1. PURPOSE:**

To conduct pre-decision scrutiny of the proposed strategy for the acquisition of investment properties

**2. RECOMMENDATIONS:**

- 2.1** That Scrutiny review the proposed acquisition policy for investment properties prior to consideration by Cabinet.

**3. KEY ISSUES:**

- 3.1** The Council has undertaken a rationalisation programme of its operational assets to reduce holding costs. Given the scale of the budget cuts facing the Council during the MTFP, cutting costs alone will not be sufficient to manage the revenue shortfall.
- 3.2** It is proposed that the Council acquire investment properties that will facilitate a function e.g. economic development and or generate a minimum net income of 0.5% above the prevailing gilt rate to develop an additional revenue income stream as well as an appreciating capital asset.
- 3.3** The acquisition and purchase costs would be funded through the Public Works Loan Board, therefore there would be no impact on the Councils capital programme. Any proposed acquisition would need to meet the minimum eligibility criteria as follows:
- i. The acquisition will result in a net annual return of 0.5% above the prevailing government gilt rate for a 20 year investment.
  - ii Debt repayment has to be completed within 20 years.

iv Acquisitions should normally be pre-let to a tenant with a strong covenant with a minimum of 10 years unexpired on a commercial lease.

#### **4. REASONS:**

- 4.1 The Council has undertaken a similar programme of investing in sustainable energy initiatives within its property holdings as way of generating income and reducing operating costs.
- 4.2 Acquiring commercial assets will enable the Council to broaden its investment portfolio which will generate a revenue stream, help meet the Councils economic development objectives and result in an appreciating capital asset.
- 4.3 As with all investments, risk has to be factored into the consideration of any proposed acquisitions. The risk can be minimised through the acquisition of holdings in a variety of property sectors e.g. industrial, retail and offices. In addition we will be seeking to acquire properties with commercial tenancies in place, unless undertaking a land assembly exercise.
- 4.4 The approach of property acquisition has been identified through the budget setting process as an opportunity to be pursued within an agreed framework. This strategy seeks to put in place the required framework and objective evaluation criteria.

#### **5. RESOURCE IMPLICATIONS:**

- 5.1 None at this stage. If the Strategy is subsequently agreed any proposed acquisitions would be on the basis of a net revenue gain to the Council.

#### **6. FUTURE GENERATIONS AND EQUALITY IMPLICATIONS:**

- 6.1 This report seeks consideration of a draft property acquisition policy. It has no impact upon any service nor makes any recommendations upon how the capital receipt might be used. As such a FG&E is not considered necessary.

#### **7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS**

There are no safeguarding implications associated with this report

#### **8. CONSULTEES:**

Head of Finance  
Assistant Head of Finance  
Estates Manager

**9. BACKGROUND PAPERS:**

None

**10. AUTHORS:**

Debra Hill-Howells                      Head of Community Delivery  
Debrahill-howells@monmouthshire.gov.uk