



Extract from Joint Strategic Committee - 5 March 2019

JSC/098/18-19 Strategic Property Investment Fund 2019 (SPIF) and the Commercial Property Investment Strategy (CPIS) 2019/20

Purpose

1. Purpose

- 1.1 The purpose of this report is to set out a robust commercial property investment strategy, building upon the existing portfolio, 2018/19 CPIS (link provided under background documents) and previous Strategic Property Investment Fund (SPIF) reports.
- 1.2 To meet the statutory guidance on investment strategy, as detailed under s12 below, which stipulates councils are to prepare an annual investment strategy which must be approved before the start of the forthcoming financial year by full Council.
- 1.3 This report will support the Councils' Medium Term Financial Strategy, providing a basis for expansion and management of each Council's portfolio, by setting : -
 - Robust parameters to guide and support the development of risk managed, financially resilient, income generating commercial property portfolios.
 - Governance criteria to facilitate purchase of investment property, ensuring diligent analysis and transparency, supporting an informed decision making process. This remains unchanged from last year's CPIS.
 - Governance criteria to facilitate a commercial approach to the asset management of the investment properties, supporting proactive management, analysis and forecasting, in order to support strategic decisions, whilst qualifying risk and opportunity. This remains

unchanged from last years CPIS.

Summary of discussion:

Before the Committee was a report by the Director for the Economy, copies of which had been circulated to all Members and a copy of which is attached to the signed copy of these minutes as Item 7.

The report set out a robust commercial property investment strategy, building upon the existing portfolio, 2018/19 CPIS (link provided under background documents) and previous Strategic Property Investment Fund (SPIF) reports.

The Committee note that in order to meet the statutory guidance on investment strategy, as detailed under s12 below, the councils were required to prepare an annual investment strategy which had to be approved before the start of the forthcoming financial year by both Adur and Worthing Councils.

The report would support the Councils' Medium Term Financial Strategy, providing a basis for expansion and management of each Council's portfolio, by setting : -

- Robust parameters to guide and support the development of risk managed, financially resilient, income generating commercial property portfolios;
- Governance criteria to facilitate purchase of investment property, ensuring diligent analysis and transparency, supporting an informed decision making process, which remained unchanged from last year's CPIS.
- Governance criteria to facilitate a commercial approach to the asset management of the investment properties, supporting proactive management, analysis and forecasting, in order to support strategic decisions, whilst qualifying risk and opportunity. This remains unchanged from last years CPIS.

It was noted that Worthing Borough Council had invested £25.14m which had delivered a net income, after borrowing, of £522,210k. Adur District Council had currently invested £24.98m delivering a net income, after borrowing, of £521,730k.

The Committee was informed that Citicentric had provided an independent review of the Councils investment activity. A number of recommendations were made in relation to fund size, asset management, resourcing of the fund and flexibility to spend. The advice relating to fund size was included in section 7 of the report, with Citicentric recommending that 'the optimal fund size for a local authority investment fund is in the order of £250m' (£125m per Council).

The Committee was advised that 'retail assets' covered a diverse range of investments, not just high street. Each property was considered on a case by case basis with the Councils adopting a careful, prudent approach to their investments.

A Member asked how Officers decided which investments were allocated to Adur District or Worthing Borough Councils investment portfolio. Officers advised that the decision was based on the type of properties already held in existing funds, the budget available and the need to create balanced portfolios.

It was proposed and seconded that recommendations 2.2.5 and 2.2.8 be amended to include approval from the Leaders of the Councils as well as the Executive Members for Resources.

Decision,

The Joint Strategic Committee:-

- 2.2.1 noted the requirement to create a further additional post as part of the 2020/21 revenue budget to ensure the delivery of the Commercial Property Investment Strategy to provide additional necessary resourcing (Ref 9);
- 2.2.2 agreed the suggested delivery and governance model as set out in the report;
- 2.2.3 recommended to Adur District Council the adoption of the 2019 Commercial Property Investment Strategy;
- 2.2.4 recommended that Adur District Council:
 - i) increase their Commercial Property investment fund from the current £75,000,000 to £125,000,000 with a maximum investment in any year of £50,000,000;
 - ii) increase the operational and authorised borrowing limits by £25,000,000 in 2019/20.
- 2.2.5 recommended that Adur District Council resolve that the Strategic Property Investment Fund budget for future years may be brought forward with the approval of the Leaders and the Executive Members for Resources, following their consideration of a business case.
- 2.2.6 recommended to Worthing Borough Council the adoption of the 2019 Commercial Property Investment Strategy;**
- 2.2.7 recommended that Worthing Borough Council:**

i) increase their Commercial Property Investment fund from the current £75,000,000 to £125,000,000 with a maximum amount invested in any year of £50,000,000;

ii) increase the operational and authorised borrowing limits by £25,000,000 in 2019/20.

2.2.8 recommended that Worthing Borough Council resolve that the Strategic Property Investment Fund budget for future years may be brought forward with the approval of the Leaders and the Executive Members for Resources, following their consideration of a business case.