

REPORT TO RESOURCES P.D.G.

REPORT OF: CORPORATE FINANCE MANAGER

REPORT NO: CFM414

DATE: 16TH MARCH 2017

TITLE:	Review of Commercial Property Investment Strategy	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Key Decision	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor T Bryant – Executive Member Finance & ICT	
CONTACT OFFICER:	Richard Wyles – Corporate Finance Manager r.wyles@southkesteven.gov.uk 01476 406210	
INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below	Full impact assessment Required:
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	Executive meeting 7 th December 2015 http://moderngovsvr:8080/ieListDocuments.aspx?CId=164&MId=3194&Ver=4	

1. RECOMMENDATIONS

Resources PDG is asked to review the proposed changes to the commercial asset strategy and to recommend it to the Executive for approval.

2. PURPOSE OF THE REPORT

The commercial property investment strategy is focussed on identifying and securing investment opportunities in any business sector in order to secure a financial return. This initiative is a significant contributor to the Council's response to the funding challenges that lie ahead and to maximise the Council's financial headroom.

An investment has been established and meets regularly to consider and review opportunities for potential investment. Given the limited number of potential investments that been able to be considered, the opportunity has been taken to re-assess the investment strategy and consider amendments to the criteria to enable a wider range of opportunities to be considered.

3. DETAILS OF REPORT

The investment strategy was developed by Resources PDG and approved by the Executive in December 2015. At the time of its formation, the criteria proposed was reflective of the economic conditions prevailing at the time. Specifically the target yields were set that were appropriate for the commercial market and the borrowing costs (should borrowing be undertaken) at that time.

Since its approval, a number of opportunities have been identified but, to date, it has not been possible to secure any investments due to the variations in meeting the current criteria. The main difficulties in identifying opportunities that fully meet the criteria have been the target yield (financial return) and suitable location of the investment. There have also been some concerns regarding the incumbent tenant and the suitability of their use of the asset.

Therefore it is timely to review the strategy and to recommend some modifications that address the criteria constraints and the suggested amended strategy is shown at Appendix A. Specifically in response to the reduction in base rates, the target yield has been reduced and the geographical location has been increased in order to maximise the opportunities. For ease of reference the current strategy is also provided and is at Appendix B.

Members of Resources PDG are asked to consider the suggested amendments and should these be supported then the strategy will be presented to the Executive for their approval.

4. OTHER OPTIONS CONSIDERED

The strategy can remain unchanged but the outcomes may not be achieved.

5. RESOURCE IMPLICATIONS

Budgetary provision is included in the budget framework for 2017/18.

6. RISK AND MITIGATION

Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
Financial Risk	Implementation of updated strategy to increase the opportunities for commercial investment

7. ISSUES ARISING FROM IMPACT ANALYSIS

N/a

8. CRIME AND DISORDER IMPLICATIONS

N/a

9. COMMENTS OF FINANCIAL SERVICES

These are included in the report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

- 10.1 S.12 of the Local Government Act 2003 provides the Council with authority to invest for any purpose relevant to its functions or for the purposes of prudent management of its financial affairs.

11. COMMENTS OF OTHER RELEVANT SERVICES

None

12. APPENDICES:

Appendix A – proposed amended strategy
Appendix B – current strategy