



ST HELENS
BOROUGH COUNCIL

CABINET

11 November 2020

Report Title:	Investment, Land and Property Acquisition Strategy
Cabinet Portfolio	Cabinet Member - Regeneration and Planning
Cabinet Member	Councillor Richard McCauley
Exempt Report	No
Reason for Exemption	N/A
Key Decision	Yes
Public Notice issued	13 October 2020
Wards Affected	All
Report of	Lisa Harris Executive Director of Place Services lisaharris@sthelens.gov.uk
Contact Officer	Steve Littler Senior Assistant Director - Place, Growth & Regulatory Services stevelittler@sthelens.gov.uk 07834 394238

Borough priorities Please mark X for any priority supported by this report NB Use Section 4 - Background Information to explain how each selected priority is supported	Ensure children and young people have a positive start in life	
	Promote good health, independence and care across our communities	
	Create safe and strong communities for our residents	
	Support a strong, diverse and well-connected local economy	X
	Create a green, thriving and vibrant place to be proud of	
	Be a modern, efficient and effective Council	X

1. Summary

Summary of key issues in the report

- 1.1 The proposed Investment, Land and Property Acquisition Strategy sets out the Council's objectives for acquiring property and land for investment and strategic purposes. The strategy will provide a framework to guide such acquisitions whilst establishing the relevant criteria and protocol to be followed as opportunities are identified.

2. Recommendations for Decision

Cabinet is recommended to:

- i) Approve the Investment Land & Property Acquisition Strategy as set out in Appendix 1 and
- ii) Request that Council be asked to approve the necessary level of delegation as detailed in the Strategy together with all necessary changes to the Constitution as a result.
- ii) Approve the creation of a £10m reserve to be funded via Capital receipts

3. Purpose of this Report

- 3.1 The report seeks approval to the implementation of an Investment, Land & Property Acquisition Strategy. The intention being to establish a framework to secure long term and sustainable income streams for the Council, increasing its financial resilience over time, whilst also providing the ability to invest in strategic acquisitions that further the economic prosperity of the borough.
- 3.2 Adopting such a strategy will allow the Council to exploit commercial acquisition opportunities to support Council services in the future and support economic growth in the borough.

4. Background /Reasons for the recommendations

- 4.1 The Council faces unprecedented challenges with uncertainty around future government funding, overwhelming pressures on essential services and the implications arising from the recent COVID pandemic. Local authorities are under increasing pressure to reduce expenditure whilst improving services and managing ever increasing demand.
- 4.2 Land and property acquisitions for long term investment is a recognised strategy for generating sustained revenue income to support front line services and the Council's operation. Equally, acquisitions that support and drive the Borough's growth agenda through direct development also have the potential to deliver significant financial and economic benefits.
- 4.3 Historically the Council has not actively pursued the acquisition of properties or land purely for investment return purposes and those purchases that have taken place have generally been for operational or regeneration reasons. However, the Council recognises that a more formal approach specifically relating to strategic acquisitions and for commercial investment purposes is required to ensure decisions are made in a clear and transparent manner.
- 4.4 The Investment, Land and Property Acquisition Strategy therefore sets out the objectives for acquiring land and property for investment purposes, the key considerations when acquiring property as an investment along with the risks, the financial implications and the protocol to be adopted in consideration of any potential acquisitions.
- 4.5 Whilst the acquisition of property is not new to the Council, the existing governance arrangements need to align with what is a very competitive and fast-moving market. This therefore requires the extension of existing delegated powers in order to allow decisions to be made within commercial timescales.
- 4.6 The Acquisition Protocol set out in Appendix 1 to the strategy details the establishment of a Land and Property Acquisition Fund together with an Investment Property Acquisition Group, chaired by the Leader of the Council and including the Deputy Leader, Cabinet Members for Finance & Governance, Regeneration and Planning, the Executive Director of Place and Executive Director for Corporate Services with other appropriate, who would meet to consider and approve acquisitions in a timely manner.
- 4.7 A typical timetable for the purchase of commercial investments would be a maximum three-week marketing period followed by a further week for the submission of bids and then a 3-4-week period for due diligence investigations by the buyer's solicitors prior to exchange of unconditional contracts. Completion may be simultaneous or within 2-4 weeks of exchange.
- 4.8 The primary focus will be to acquire investments within Borough. Acquisitions will generally be made on the basis that they present a strong long-term income stream. However, acquisitions may be made on the basis that they provide a strategic benefit or support regeneration. There may also be opportunities to purchase out of Borough however, this will only be considered in exceptional circumstances.
- 4.9 The Council's aim would be to build a diverse asset portfolio across a range of land and property types and locations to ensure that risk is balanced against the yield and to ensure that that the Council is not over exposed to any specific market.

5. Community Impact Assessment

The Community Impact Assessment identified the following key implications

- 5.1 Investment or strategic acquisition opportunities within the Borough provides the ability to influence our economic growth and deliver on the Borough's key priorities.
- 5.2 Whilst the main criteria in assessing the attractiveness of the investment will be in respect of its financial return and risk, the Council will also consider those opportunities that display higher levels of environmental sustainability.

6 Consideration of Alternatives

- 6.1 The acquisition of property investments is not be entered lightly and full consideration as to the risks will be a key consideration for the Council. This should not however deter the Council from considering investment opportunities and being able to decide whether investment criteria will be achieved.

7 Conclusions

- 7.1 The proposed strategy provides a framework that would help to achieve the Council's growth objectives and could help to achieve financial sustainability of the Council. Adopting this strategy will allow the Council to react to any suitable investment opportunities as and when appropriate.

8. Implications

- 8.1 Legal Implications - What are the legal implications? Has the relevant Legal Officer confirmed that the recommendations within this report are lawful and comply with the Council's Constitution?
 - 8.1.1 Section 120 of the Local Government Act 1972 gives the Council the power to acquire property by agreement for the purpose of any of its functions or for the benefit, improvement or development of the borough.
 - 8.1.2 The Council also has the power to invest for the purpose of the prudent management of its financial affairs under section 12 of the Local Government Act 2003.
 - 8.1.3 Section 1 of the Localism Act 2011 enables a local authority to do anything that an individual generally may do (subject to prohibitions, restrictions and limitations in existing statute which are not applicable in the circumstances set out in this report). The provisions also enable the authority to exercise the power anywhere in the United Kingdom for commercial purposes. This would therefore enable the Council to acquire assets outside of the Borough boundary in exceptional circumstances.

8.2 Community Impact Assessment (CIA) Implications

What are the implications for the following areas identified from the CIA?

- 8.2.1 Social Value - How does the proposal support employing local people, spending in the local economy, and local procurement?

- 8.2.1.1 By acquiring investment opportunities or strategic land purchases in the Borough, this could support local economic growth and develop future employment.
- 8.2.2 Sustainability and Environment - How does the proposal impact on sustainability and the environment?
 - 8.2.2.1 When assessing investments, the Council will carefully consider the activities that are undertaken by the tenant(s) as part of the overall appraisal and specifically consider the environmental impact to the Borough and its residents.
- 8.2.3 Health and Wellbeing - How does the proposal support and promote public health and wellbeing?
 - 8.2.3.1 The inclusion of strategic acquisitions could well include land or property needed to promote or develop future health provision within the Borough to support Council priorities.
- 8.2.4 Equality and Human Rights – What are the Equality and Human Rights implications? If there is an adverse impact what mitigation has been put in place?
 - 8.2.4.1 There are no equality Implications arising from these proposals.
- 8.3 Customers and Resident - What are the implications for our customers/residents?
 - 8.3.1 The ability to generate sustainable revenue income through investment would potentially support the funding of Council services and operations that are vital to our residents.
- 8.4 Asset and Property - What are the issues? Does the report propose and reduction, addition or change to the council's asset base or its occupation?
 - 8.4.1 An assessment of appropriate land and property management requirements would be necessary in each case. In most cases, good investments will be let on FRI (full repairing and insuring) terms which will limit any management liabilities. Consideration will need to be given to lease events such as rent reviews, consents, assignments etc.
- 8.5 Staffing and Human Resource - What are the workforce implications? Have Senior HR Officers been consulted?
 - 8.5.1 None.
- 8.6 Risks - What are the issues? How are we mitigating them?
 - 8.6.1 Property investment carries risks due to wider economic conditions beyond the immediate control of the Council. These can include downside risks due to adverse movements in the underlying value of the asset. Other property related risks, such as those relating to physical defects and characteristics, can be assessed and therefore managed appropriately.
 - 8.6.2 The process of due diligence being undertaken prior to completion is key to the mitigation of property risks.
- 8.7 Finance - What are the financial implications – Revenue and Capital? VAT and Insurance? Contract and Procurement? Have the relevant Finance and /or Procurement Officers

confirmed that any expenditure referred to within this report is consistent with the Council's budget?

- 8.7.1 In order to enact the Investment Land and Property Acquisition strategy there is a requirement for the creation of a capital reserve, to be known as "The Land and Property Acquisition Fund". It is anticipated that an initial fund of £10 million be allocated to assist in funding property acquisitions.
- 8.7.2 The Property Acquisition Fund will be achieved and maintained through a combination of:
- i) Use of reserves available for investment (capital receipts).
 - ii) Replenishing the fund through ringfenced capital receipts arising from the sale of surplus assets held by the Council.
- 8.7.3 The primary source of funding acquisitions will be through prudential borrowing but a business case for each acquisition will be produced which will identify how the purchase and any repayments are to be funded. The Fund will need to meet the borrowing costs associated with acquisitions until such time as a sustainable income stream from such assets can be achieved.
- 8.7.4 It should be noted that HM Treasury is currently conducting a consultation regarding the future lending terms of the Public Works Loans Board (PWLB) the consultation closes on 31st July 2020. The Government is exploring restrictions on the use of PWLB funding to raise income through investment, due to significant concerns about Local Authorities using PWLB funding to finance commercial activity; therefore, there is a risk that there may be changes to PWLB lending terms in the future.
- 8.7.5 The consultation proposes the following changes to PWLB lending terms:
- i) Ending access to PWLB borrowing for LAs that wish to buy commercial assets primarily for yield – this will be done by asking authorities to provide a high-level outline of their capital plan for the year/years ahead, including assurance from the S151 Officer that the LA is not borrowing in advance of need and does not intend to buy commercial assets primarily for yield
 - ii) If an authority plans on purchasing commercial assets in any given year, they would not be allowed to access PWLB borrowing in that year for any scheme
 - iii) If an authority utilised PWLB borrowing and was subsequently found to have pursued a debt-for-yield scheme, HM Treasury reserves the right to require repayment of all loans in that year, subject to existing early repayment penalties.
- 8.7.6 These changes to lending terms will potentially have implications for the Investment Land & Property Acquisition Strategy. If the proposals, as set out in the consultation document, are approved, PWLB borrowing will not be an option for commercial purchases and PWLB borrowing will not be available for other schemes funded by borrowing within the capital programme, or for historic borrowing that is required, in the year of the commercial purchase.
- 8.7.7 The advantage to authorities from the potential changes in lending terms is that the Government has stated that it intends to lower the interest rate on all new loans from PWLB, subject to market conditions, once a new system can be introduced to address the debt-for-yield offer.

8.8 Policy Framework Implications Are the recommendations within this report in line with existing council policies? If not, how is this to be addressed?

8.8.1 The recommendations within the report are in line with the Council's Capital Strategy.

9. Background papers

9.1 Community Impact Assessment

10. Appendices

10.1 Appendix 1 – Investment Land and Property Acquisition Strategy.