

TO: Executive
9 May 2017

COMMERCIAL PROPERTY INVESTMENT STRATEGY - UPDATE
Chief Executive

1 PURPOSE OF REPORT

- 1.1 To update the Executive on progress made to date in implementing the Commercial Property Investment Strategy (CPIS) and market intelligence gained through this. As a consequence of this, to request that the final tranche of funding earmarked in 2018/19 to deliver the strategy is brought forward into the current financial year.

2 RECOMMENDATIONS

- 2.1 **That the Executive recommend to Council the release of £20m capital funding in 2017/18 from the indicative 2018/19 Capital Programme in order to accelerate delivery of the Council's agreed Commercial Property Investment Strategy.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 To facilitate implementation of the Commercial Property Investment Strategy.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Executive could determine to leave the phasing of funding to support the CPIS as originally approved, which is not recommended for the reasons set out in the report.

5 SUPPORTING INFORMATION

- 5.1 As part of the medium term financial strategy (articulated in the Efficiency Plan approved by Council last Autumn) sums of £20m have been earmarked in the capital programme in each of the three years 2016/17 to 2018/19 for investment in commercial properties. The aim of this is to secure on-going additional income of £3m by 2019/20. A formal Commercial Property Investment Strategy (CPIS) was subsequently considered by the Executive and adopted by Council in November 2016.
- 5.2 The first meeting of the Executive Committee: Commercial Property was held in December which considered and approved an "assessment matrix" that would ensure all proposals were fully assessed against the CPIS before any bids were made. In addition, external advisors are engaged before any purchase is made, to ensure that the condition of the property is professionally evaluated and that the tenancy is strong. This approach is fundamental to understanding and minimising the Council's risk exposure.
- 5.3 The Executive Committee has since met each month, immediately following Executive meetings, to consider any potentially suitable properties which the

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Council may wish to purchase and review progress on previously discussed opportunities.

- 5.4 The Council acquired its first new commercial property in February 2017. Extremely tight deadlines were set by the vendor for exchange and completion, which the Council was able to achieve. This has helped create a market perception that Bracknell Forest Council is good to do business with.
- 5.5 Over a dozen other properties have been considered. Bids have been made for several of these and one has been accepted, with detailed due diligence currently being undertaken before contracts are exchanged.
- 5.6 It is clear from the Council's experience in the market to date that a key factor in submitting successful bids is an ability to act quickly both in bidding and subsequently in completing and exchanging. The creation and regular meetings of the Executive Committee: Commercial Property and the agreed delegations to the Chief Executive and Borough Treasurer provide a governance framework that facilitates this.
- 5.7 Experience to date has also demonstrated that there is a significant level of market activity at the current time. Consequently, the only constraint the Council is likely to face in implementing the CPIS is the level of funding that has been formally approved. While an overall sum of £60m has been earmarked, £20m of this currently does not become available until April 2018.
- 5.8 Therefore, in order to enable the CPIS to be pursued as soon as practicable, without compromising on the robust assessment approach that has been taken to date, it is recommended that Council is requested at the earliest opportunity to bring forward the £20m earmarked for the CPIS in 2018/19 into the current year. If this is agreed, it would accelerate delivery of part of the Council's Efficiency Plan, take some of the pressure off other services to achieve savings in 2018/19 and create some additional one-off resources.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 There are no specific legal implications arising from the recommendation in this report.

Borough Treasurer

- 6.2 The Commercial Property Investment Strategy is a key element in the Council's Transformation Programme and is intended to realise net additional income of £3m over the current and subsequent two financial years, based on investments totalling £20m per year.

Equalities Impact Assessment

- 6.3 There will be no impact on specific groups arising from this report.

Strategic Risk Management Issues

- 6.4 Commercial investment, by its nature, cannot be risk free. The proposed approach is intended to strike a balance between minimising the Council's risk exposure while

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allowing it to generate significant additional income to help bridge the Council's budget gap of £25m over the next three years to 2019/20.

Other Officers

6.5 None.

7 CONSULTATION

Principal Groups Consulted

7.1 None.

Method of Consultation

7.2 Not applicable

Representations Received

7.3 None

Background Papers

None

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