

Meeting date: 5th November 2020

Report to: Cabinet



Subject/report title: Property Investment Strategy

Report from: Director of Resources and Deputy Chief Executive

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Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege

Public/private report: Public

Exempt by virtue of paragraph:

1. Purpose of Report

- 1.1 To seek approval for a revised Property Investment Strategy.

2. Decision(s) recommended

- 2.1 Cabinet is asked to approve the Property Investment Strategy as attached at Appendix A (Public) and Appendix B (Private).

3. Matters for Consideration

- 3.1 The Council's existing Property Investment Strategy was agreed in November 2017. The purpose of the Strategy as set out at that time was to ensure that:
- Investment in property was carried out in accordance with an approved process and complied with the published guidance on local government capital, treasury management and investments.
 - Whilst predominately concerned with direct property investment the Strategy also allowed the Council to invest in property funds or to take on the role of property development, either on its own or with a development partner.
 - The primary objective of the Strategy was to invest in property to deliver a

profitable income return on capital invested over the medium term, through a balanced strategy of acquisition, retention and management of good quality investments and to use the net income generated to support wider Council services.

- Preference was to be given to investments of economic or social benefit to the Borough.

3.2 Since that first Strategy was agreed in 2017 both the Government and the Chartered Institute of Public Finance (CIPFA) have issued refreshed property investment guidance. This guidance has been used to inform the revised Strategy which is attached at Appendix A. Where specific commercial terms of completed transactions are detailed these are included at Appendix B in the Private section of the Agenda.

3.3 The main points to note are:-

- The primary objective of the revised Strategy is to support the Council's economic development, regeneration and place making objectives.
- Whilst Local Authorities can still invest to generate a return they may not use borrowing to fund such activities. Investments that are primarily for income will be dealt with under the Council's Treasury Management Strategy. That Strategy prioritises security and liquidity over yield.
- The Strategy maintains the existing governance arrangements whereby any proposed investment will be reported to the Property Investment Board for detailed consideration prior to any recommendation being made to Full Cabinet.
- Further performance indicators have been included to demonstrate the financial impact of the investments the Council has made under this Strategy.

4. What options have been considered and what is the evidence telling us about them?

4.1 The recommended Strategy is based on the latest Statutory Guidance issued by Government and the further information provided by CIPFA both of which are summarised in the document. The 2017 Strategy included income generation as a primary objective and this has been removed from the revised version. However, in the view of officers the investment transactions completed under the 2017 Property Investment Strategy would still meet this revised Strategy.

5. Reasons for recommending preferred option

5.1 As set out above the Strategy has been revised to reflect the more up to date guidance. The Strategy is clear that its property investment activities will continue to support the Council's objectives, contains robust procedures for the reporting and consideration of proposed transactions and provides transparent information about the impact of those transactions on the Council's finances.

6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>Economy:</p> <ol style="list-style-type: none"> 1. Revitalising our towns and local centres. 2. UK Central (UKC) and maximising the opportunities of HS2. 3. Increase the supply of housing, especially affordable and social housing. 	<p>The Strategy's purpose is to set out the Council's approach to the acquisition and management of property assets. It is explicit that the purpose of these transactions will be to support the Council's objectives as set out in the Council Plan. See the "Links to other Council Plans, Strategies and Policies" section of Appendix A.</p>
<p>Environment:</p> <ol style="list-style-type: none"> 4. Enhance Solihull's natural environment. 5. Improve Solihull's air quality. 6. Reduce Solihull's net carbon emissions. 	<p>The Strategy's purpose is to set out the Council's approach to the acquisition and management of property assets. It is explicit that the purpose of these transactions will be to support the Council's objectives as set out in the Council Plan. See the "Links to other Council Plans, Strategies and Policies" section of Appendix A</p>
<p>People and Communities:</p> <ol style="list-style-type: none"> 7. Take action to improve life chances in our most disadvantaged communities. 8. Enable communities to thrive. 9. Sustainable, quality, affordable provision for adults & children with complex needs. 	<p>The Strategy's purpose is to set out the Council's approach to the acquisition and management of property assets. It is explicit that the purpose of these transactions will be to support the Council's objectives as set out in the Council Plan. See the "Links to other Council Plans, Strategies and Policies" section of Appendix A</p>

6.2 Consultation and Scrutiny: The Strategy has not been subjected to Scrutiny at this stage. The Strategy has been considered by the Property Investment Board who have supported the recommendation in this report.

6.3 Financial implications: The Strategy sets out the approach that it is proposed that the Council follows in relation to investments that are likely to be of a high value. The Strategy includes financial indicators that measure the impact of the investments made on the Council's financial position and appropriate risk mitigation measures where required.

6.4 Legal implications: The Strategy has been drafted to comply with both the Statutory Guidance and that issued by CIPFA. This includes the legislative requirement that Councils will not borrow in advance of need in order to invest solely for income.

6.5 Risk implications: The Strategy is designed so as to implement a series of governance and reporting requirements that will support the assessment and management of risk

when making key investment decisions.

- 6.6 Equality implications: No equality implications as a direct result of this report. However these will be considered and set out when any proposed investment under this Strategy is reported for decision.

7. List of appendices referred to

7.1 Appendix A - Draft Property Investment Strategy.

7.2 Appendix B – Private Appendix.

8. Background papers used to compile this report

8.1 None

9. List of other relevant documents

9.1 None