

**COMMERCIAL PROPERTY PORTFOLIO:
SUPPORTING A STRONG AND DIVERSE ECONOMY
(Report by Heads of Legal & Estates and Policy)**

1. INTRODUCTION

1.1 The purpose of this report is to propose a strategic direction on the (re)investment in the Council's commercial property portfolio to ensure —

- that the portfolio provides maximum support for the Council's priorities, specifically (but not exclusively) a strong and diverse local economy;
- retains physical assets for future generations;
- maximises the sustainability and profitability of the portfolio; and
- produces an acceptable return to support other (Council-wide) revenue projects.

2. BACKGROUND

2.1 The Council has invested in a commercial property portfolio which has produced long-term benefits for the District. The portfolio is continually reviewed to ensure that the assets are suitable and maintained in an appropriate condition. The Council's existing policies and strategies provide for the continued investment and reinvestment to update the portfolio, specifically in locations and in types of provision that would otherwise not be achieved through the private market. Such investment needs to be in line with the Council's overall financial strategy and to ensure that the portfolio continues to be profitable. The Council is well placed to do this because it can take a long-term perspective on investment and a realistic view on acceptable returns.

2.2 Overall the commercial property portfolio produces a net surplus of around £200k per year, which is used to fund new or existing expenditure that otherwise would be met from Council Tax.

2.3 The Council's policies (supported by a Best Value Review) on the ownership of commercial property set out the criteria to be considered in deciding whether or not to retain or acquire particular assets—

- the generation of an acceptable return on capital;
- the contribution to economic strength and diversity in the District;
- encouragement of the development of enterprise and new businesses;

- the provision of economic and employment activities in key sectors or locations;
- assisting in the creation of a variety of employment opportunities; and
- the provision of additional control/involvement in key development opportunities.

2.4 In considering any (re)investment opportunities in the Council's property portfolio, every effort is made to lever-in external funding which will reduce the Council's capital contribution and/or reduce future revenue expenditure, both of which help to maximise surplus from the portfolio. Increasingly external funding requires an element of matched-funding, a partnership approach, and the ability to react quickly to short-term opportunities. In addition, it has not always been possible to match the reinvestment of capital receipts from the realisation of redundant assets with opportunities to obtain inward investment.

3. THE WAY FORWARD

3.1 To resolve these issues and to maximise the opportunities for external funding, Cabinet is invited to consider the adoption of a medium term strategic investment plan linked to the commercial property portfolio. This would support the Council's priorities and the consequential development of physical assets to help deliver the objectives of a number of Plans and Strategies (the Community Strategy, Local Economy Strategy, Market Town Vision Statement and Action Plans) together with Regional and Sub-Regional objectives. Some proposed schemes have been identified and prioritised in conjunction with partners, especially those involved in the Huntingdonshire Strategic Partnership. A full economic appraisal would be produced before authority was sought for any scheme to proceed and for the release of a contribution from the Council towards the cost the projects. The proposals are set out in the attached schedule.

3.2 The Council's current medium term programme includes (re-phased) funding of £563k in 2007/09 for the provision of small industrial/commercial workspace in St Ives. One option to achieve this type of workspace would be to redevelop – possibly in partnership with a private investor – a Council-owned site, which is likely to become available on the relocation of the Council's depot and/or other operational sites being declared surplus to operational requirements. Also included in the Medium Term Plan is a provisional contribution of £300k, conditional on Government funding and the contribution of land, to establish a creative industries centre in St Neots to provide workspace and business support for new or developing businesses. The other proposals in the investment plan do not include provision in the MTP.

4. CONCLUSIONS

- 4.1 The current allocations in the MTP help to combine the Council's objectives of reinvestment in its commercial property portfolio while maximising external funding. The proposed investment plan would provide flexibility to deal with a wide range of investment and reinvestment opportunities and provide a clear signal to inward investors of the Council's support for the local economy through commercial property activity.

5. RECOMMENDATIONS

- 5.1 Accordingly, it is —

RECOMMENDED

- (a) that the investment plan suggested for the Council's commercial property portfolio be approved and that the progress of each project be conditioned on approval of a detailed appraisal; and
- (b) that, subject to consideration of the Medium Term Plan, the re-phasing of expenditure as proposed be approved.

BACKGROUND PAPERS:

LABGI Scheme

Contact Officers:

Colin Meadowcroft, Head of Legal & Estates
☎ (01480) 388021
Ian Leatherbarrow, Head of Policy
☎ (01480) 388005