

OVERVIEW AND
SCRUTINY COMMITTEE
1 NOVEMBER 2018

EXECUTIVE DIRECTOR
REPORT NO ED1807

COMMERCIAL PROPERTY

1. INTRODUCTION

- 1.1 This report has been prepared following a request from the Overview and Scrutiny Committee for a briefing to support a review of the Council's approach to investment in commercial properties.
- 1.2 It sets out the background to the Council's current position and outlines service review work currently being undertaken by the new Head of Regeneration and Property and the new Property and Estates Manager and recommends that the Overview and Scrutiny Committee take forward their consideration of this area on completion of that work.

2. BACKGROUND

- 2.1 The Council has run a portfolio of income generating property assets such as industrial estates for a number of years. As part of the former 8 point plan, a decision was made to acquire a number of further commercial properties to support the Council's aim to increase income and support ongoing sustainability. With one exception these properties are located in the Borough or in the Council's functional economic area.
- 2.2 To date eight properties have been acquired as set out in the table below. Two further properties (both in the Borough) are current proceeding though the acquisition process.

Investment property
10A Wellesley House, Farnborough Industrial Estate
Bridge House, Eelmoor Road, Farnborough
20 Blackwater Way Industrial Estate
31 Hercules Way, Cirrus, Farnborough Aerospace Centre
252 Ash Road, Aldershot
168 High Street, Guildford
Dominion Road, Worthing
Optrex Business Park, Rotherwick

- 2.3 Properties are currently acquired as a result of an identification, evaluation and selection process using a mix of specialist agents and local knowledge to identify potential opportunities. Senior officers and members are involved in the selection process with approvals confirmed by Cabinet.
- 2.4 As new acquisitions are funded by borrowing properties are expected to meet a minimum percentage rate of return and all acquisition calculations include appropriate allowance for management, repairs and maintenance.

3. CURRENT POSITION

- 3.1 The Chief Executive's report to Cabinet on staffing structures considered in May stated that given the Council's new priorities it was necessary to strengthen the Council's capacity and capability in a number of areas including regeneration and property. Two new roles were established, an Executive Head of Regeneration and Property and a Property and Estates Manager. The Council was successful in making appointments to both roles and in September and early October the appointees commenced in role.
- 3.2 A key task for both new postholders has been to give an early view of the areas of focus for the property service moving forward. To this end a review of service requirements is underway. This will include a view on the opportunities and return offered by the current portfolio and the potential and appropriateness for further acquisitions given the current market and indications by government and advisors to the sector on the extent to which local authorities should make commercial property investment a core part of their response to budget constraints as opposed to the broader economic or social wellbeing of the area .
- 3.3 The review work will be informed by recent guidance issued by the Chartered Institute of Public Finance and Accountancy on strategic property asset management, a copy of which is attached.
- 3.4 It is expected that this work will conclude during early 2019 with a view to any recommendations being taken forward in time for the new financial year.
- 3.5 Given their very recent appointment and acknowledgement that the Council needed to strengthen its expertise in this area, it is suggested that scrutiny of this service area would best take place once the initial review has been undertaken. These findings and associated recommendations could then be considered by the Committee.

4. WAY FORWARD

- 4.1 It is therefore proposed that the Executive Head of Regeneration and Property be requested to produce a substantive report on conclusion of the review work setting out his findings and proposals in relation to all the Council's income generating property assets and the property function more generally.

- 4.2 To assist with this report it would be helpful if the Committee could confirm that the list of areas that would need to be addressed in the report are as set out in the current work programme and identify any other areas that should be examined.

BACKGROUND DOCUMENTS:

None

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