

## Rother District Council

**Report to:** Audit and Standards Committee

**Date:** 11 April 2022

**Title:** Property Investment Strategy Update

**Report of:** Ben Hook

**Purpose of Report:** To update the Committee on the delivery of the Property Investment Strategy

**Officer**

**Recommendation(s):** It be **RESOLVED:** That the report be noted

---

### Introduction

1. This report is to update the Committee on the Council's activity in delivery of the Property Investment Strategy (PIS), and commitments against the £35m budget approved in February 2018.
2. Since the previous report to Audit and Standards Committee in May 2020 (Minute AS19/52), changes to Treasury Guidelines relating to the use of Public Works Loans Board (PWLB) borrowing have had an impact on the opportunities open to the Council in meeting the objectives of the PIS. The Covid pandemic and lockdown has also had a detrimental impact on our ability to purchase suitable properties. Nonetheless the Council has been successful in several acquisitions in pursuance of both the PIS and the Council's Corporate Plan.
3. This report should be read in conjunction with the earlier report as much of the background information remains substantially the same.

### The Property Investment Strategy

4. The current PIS was adopted by the Council in June 2020 (Minute CB20/05) and is attached as Appendix 1. The objective of the PIS is to support and safeguard the economy of the Rother area through the long-term protection of existing and the creation of new employment space, through investment in land and property in the Rother economic area.
5. The PIS sets out the types of property that the Council will seek to acquire and the factors that will be considered when assessing the suitability of potential acquisitions. It also describes how purchases may be funded and how the Council will manage risk.
6. In the past, it was feasible to consider properties that were outside the district boundary, provided that a case could be made for the acquisition having an economic benefit to the district. The recent tightening of Treasury Guidelines around the use of borrowing from the Public Works Loans Board (PWLB) effectively means that only properties within Rother District can now be considered, should the Council wish to borrow from that source and continue

to benefit from the 0.2% Certainty discount rate. In practice, the Council has only ever acquired premises within Rother.

### The Property Investment Panel

7. The Property Investment Panel (PIP) is made up of six Members and is chaired by the Leader of the Council. Current members of the PIP are Councillors Bayliss, Curtis, Dixon, Jeeawon, Mier and Oliver. The Terms of Reference for the PIP were revised and approved by Cabinet in June 2020 (Minute CB20/05) and are attached as Appendix 2.

### The Process for Identifying Investments

8. The process for identifying investments remains the same as outlined in the previous report. Once opportunities are identified, they are recorded by officers and are subject to the seven stage acquisition process outlined in Appendix 3. Progress in each case is monitored by close liaison with the Council's Legal Services team. The timescales indicated in Appendix 3 are indicative and may vary considerably from property to property, depending on circumstances.
9. The processes and procedures identified as a result of the earlier Internal Audit review (as reported previously) are in place and continue to be actioned as part of the acquisition process. A training session was held with members of the PIP in December 2020, hosted by CIPFA.

### Acquisitions to date

10. At that time of the previous report in May 2020 the following properties had been acquired:

14 Terminus Road, Bexhill	£850,000
16 Beeching Road, Bexhill	£825,000
18-40 Beeching Road, Bexhill	£825,000
1-7 Wainwright Road, Bexhill	£1
Glovers House, Bexhill	£7,450,000
Land at Barnhorn Green, Bexhill	£600,000
Market Square, Battle	£3,075,000
<b>Total</b>	<b>£13,625,001</b>

Since then the following further properties have been acquired:

Land at Mount View Street, Bexhill	£4,250,000
35 Beeching Road, Bexhill (headlease)	£675,000
64 Ninfield Road, Sidley	£100,000 *
<b>Total</b>	<b>£5,025,000</b>

\* Commercial element only of mixed use property acquired primarily for Temporary Accommodation.

11. Members will note, as detailed in confidential Appendix 4, that the PIP has also given approval to three further transactions with a total value of £11,697,000 that have yet to complete as they are undergoing the due diligence process.
12. Once these further transactions are taken into account, this takes the total value of purchases and commitments to £30,347,001 against the original £35m budget.
13. The above tables show the purchase prices only, net of costs. Acquisition costs such as stamp duty and professional fees, and the total cost of demolition works at 1-7, Wainwright Road amount to a further £2,685,503 also met from the original £35m budget. This leaves a balance of £1,967,496, which will reduce further for the acquisition costs associated with the properties referred to in paragraph 11 above.
14. In addition, the Council has approved the sum of £10m borrowing for the development of the site at Barnhorn Green. This was originally also intended to be met from the initial £35m PIS budget however as this is now almost fully committed, further budget approvals will need to be sought from Cabinet in order to facilitate further activity.

## **Risks & Challenges**

15. The previous report in May 2020 highlighted the earlier 1% uplift placed on PWLB borrowing in the autumn of 2019, which narrowed the margin for investment acquisitions. This was subsequently lifted but instead the Treasury has implemented tighter regulation on the use of the PWLB for property acquisitions, explicitly requiring that a direct local social or economic benefit be demonstrated, rather than acquisition for purely financial gain. The penalties for non-observance are strict, including withdrawal of access to all PWLB funding.
16. Whilst this removes the risk of public borrowing being used for speculative investments, it does push Councils towards regeneration led acquisitions where there is either already market failure or risk of market failure, where the private sector may be less likely to invest. These are by their nature higher risk or require additional investment in order to realise a benefit in the longer term.
17. As stated in the previous report, the Council's PIS is explicit in referencing local economic benefit as the basis for acquiring properties, which points towards properties within the district where the case for local economic benefit can be made. However, Rother does not have a significant commercial property market and in general transactions are small-scale. Whilst in theory the Council could acquire large numbers of small properties, the acquisition process is heavily resource intensive and the ongoing management of such properties would also require significant resourcing. The opportunities locally for acquisitions that will make a significant contribution to meeting the Council's income targets are few and far between.

18. Much of the Council's activity is therefore focused on development projects, such as at Blackfriars or Barnhorn Green, which will yield a return in the longer run but require time and investment to bring to fruition.

## Opportunities

19. Whilst there are likely to be few new acquisition opportunities that will make a significant impact on the Council's revenue income, the Council should continue to explore opportunities within the Council's existing portfolio to re-gear leases, particularly at Beeching Road Industrial Estate. The Council has been successful in enabling regeneration activity through its acquisitions to date and there may be scope to re-gear ground leases elsewhere on the estate in order to generate additional revenue.

## Conclusion

20. Members are asked to note this report and consider the work of officers and the PIP in the delivery of the PIS. RDC's interest in acquiring properties within the district is now well known by local agents, however opportunities that meet both the criteria of the PIS and which satisfy Treasury regulations around the use of borrowing are likely to be few and far between. Officers and the PIP will continue to assess each opportunity on its own merits.

## Other Implications

21. Appendix 4 is marked as confidential as these transactions have yet to complete and remain Subject to Contract.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	Yes

  

Report Contact Officer:	Ben Hook
e-mail address:	Ben.hook@rother.gov.uk
Appendices:	Appendix 1: Property Investment Strategy Appendix 2: Property Investment Panel Terms of Reference Appendix 3: Stages for Acquisition of Commercial Property Appendix 4: (Confidential) Transactions pending completion
Relevant Previous Minutes:	AS19/52
Background Papers:	N/A
Reference Documents:	N/A