

Case Study

Eastleigh Borough Council

Eastleigh Borough Council's main area of commercialisation has been in respect of property. They have actively been pursuing the purchase of a range of property assets which generate a high investment yield. By 2015, expenditure (financed principally by borrowing) will have reached over £100 million and includes a range of assets such as shops, banks, pubs and offices (one of which, following refurbishment, is now their headquarters).

Its innovative approach to property management now means the Council is landlord to a high profile mix of businesses including B&Q, Lloyds Bank, Wetherspoons, Matalan, Halfords, Pets at Home, Costa Coffee and Travelodge as a result of the freehold purchase of land and buildings over the last five years.

The most ambitious acquisition has been the Ageas Bowl, home of Hampshire Cricket, where the council is investing £40 million, including the construction of a 4* Hilton Hotel.

Assets owned by Council have risen, according to the latest valuation, from £55 million to £188 million. Revenue surplus after borrowing and other costs is almost £2.5 million per annum. The assets contribute to regeneration, economic and employment objectives. For example, the Ageas Bowl alone is forecast to generate £55 million in direct and indirect economic benefits annually and 500 additional jobs.

The Estates Team is unrecognisable from where it was in 2008 with the majority of staff being recruited from the private sector. This approach has sharpened management of the property portfolio. The Council went from being debt free to financing millions of pounds of investment through borrowing. Its Asset Management strategy focused on the use of ownership and acquisition of investment/regeneration properties. Key to this strategy is that each purchase must provide a good financial return at an acceptable risk and provide a cost effective contribution to achieving community or council priorities such as supporting local businesses, economic development or regeneration.

Robust processes were required to undertake this acquisition policy. An internal Property Transaction Evaluation group (PTEG) was established and a process of due diligence to ensure extensive financial and legal checks and balances were put in place.

Plans for the future

Although the market opportunities are shrinking, Eastleigh Borough Council will continue with the strategy as much as possible. Their wider aim is to become far more commercial in other areas, and recently the council has set up a Housing Development company to enable them to construct and own houses, both private and social rented.

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June 2011

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