

HUNTINGDONSHIRE DISTRICT COUNCIL

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| Title/Subject Matter: | Disposal and Acquisition Policy: Land and Property |
| Meeting/Date: | Overview & Scrutiny (Economic Well-Being) Panel – 4 th June 2015 Cabinet – 18 th June 2015 |
| Executive Portfolio: | Executive Councillor for Resources: Jonathan Gray |
| Report by: | Head of Resources: Clive Mason |
| Ward(s) affected: | All |

Executive Summary:

The main purpose of the Disposal and Acquisition Policy (see Appendix 1) is to provide a framework through which the Council will be able to effectively manage its estate of land and buildings within a commercial environment.

It is considered that the current thresholds and procedures within the Constitution are too restrictive to enable a more commercial approach to management of the Council's property portfolio, and therefore a new Policy and governance model is required. The new Policy sets out the legal context, principles and governance arrangements by which the Council will dispose and acquire land and property, including new monetary thresholds. The benefits that are expected to result following the introduction of the Policy are:

- to ensure that the changing needs of service requirements are managed effectively
- the rationalisation of assets are managed effectively
- the Council is transparent in its property dealings
- there is clarity of aim and consistency of approach between Officers, Members and other interested parties

Underpinning the Policy will be the Council's Investment Strategy and Capital Programme process and a detailed Code of Practice which sets out the processes that officers will follow to gain approval for disposal or acquisition. One of the main tenets of the Policy and supporting code and governance arrangements is the embedding of commercialisation within the disposal and acquisition decision making process. So commercial decisions can be made in the most efficient way possible, it is essential that the Council can "move quickly" so it can have in place the right balance of resource so it can maximise the commercial opportunities that present themselves.

The Commercial Investment Strategy is currently being developed and an early draft is expected to be presented to members in July 2015. The Strategy will set out the proposed investment levels, risk appetite and other factors that are essential in such a strategy.

The main criteria regarding the disposal and acquisition of assets is shown below:

- What constitutes an acquisition and the statutory powers of a Council to acquire an asset.
- The process of acquiring an asset.
- Budget responsibility.
- Estates service having responsibility for all asset acquisitions.
- Appropriate performance management assessments.

Thresholds for both Disposals and Acquisitions:

To ensure that the decision making process is as agile as possible; it is considered that the current thresholds within the Constitution are too restrictive. Consequently it is recommended that the following thresholds will allow the Council to make decisions in a more efficient and effective way.

| | |
|-----------------------|--|
| £0 - £500,000 | Managing Director (as Head of Paid Service) & Head of Resources (as Section 151 Officer), following consultation with Executive Councillor for Resources |
| £500,000 - £2,000,000 | Treasury and Capital Management Group |
| £2,000,000 + | Cabinet |

Governance:

It is proposed that a Treasury and Capital Management Group (TCMG) will be a formally constituted sub-committee of Cabinet, including the Leader, Deputy Leader and the Executive Councillor for Resources as well as relevant members of Corporate Management Team and the Responsible Financial Officer. The primary role of TCMG will be to agree:

- Treasury Management investment decisions (including the acquisition and disposal of all types of assets)
- The Capital Programme and the undertaking of all capital development, including the approval of Business Cases.
- Comment on Treasury Management performance.
- Call officers to account in respect performance relating to capital projects.

Resources

The Policy itself will not have any direct financial or legal implications. However, the operation of the Policy will require adherence to prescribed Council strategies (e.g. Treasury Management) and any statutory provisions relating to a Council's use of assets. However, the operation of the Policy is expected to provide for medium-term support to the Council's revenue budget.

Recommendation(s):

The Cabinet:

1. approves the:
 - i. Disposal and Acquisitions Policy; including the new monetary thresholds.
 - ii. creation of the Treasury and Capital Management Group.

2. recommends to the Corporate Governance Panel that it approves all required changes to the Constitution (including the Code of Financial Management) to reflect the requirements of the Disposal and Acquisitions Policy.

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1. WHAT IS THIS REPORT ABOUT?

- 1.1 Seeking approval for a new Disposal and Acquisition Policy: Land and Buildings (Appendix 1), and associated governance arrangements that will allow the Council to undertake, in a more efficient, effective and agile way, the disposal and acquisition of land and buildings in support of the Councils Treasury Management and Investment Strategies.

2. BACKGROUND

- 2.1 Members will recall, as reported to Council in February 2015, that over the medium term the Council faces considerable “revenue” financial challenges. Currently the Medium Term Financial Strategy is showing a revenue gap of £2.4m by 2019/20. However, as shown on the “Plan on a Page” (Appendix 2) if, as the Council is aiming to do, it removes its reliance on New Homes Bonus, the funding gap will increase to £8.2m.
- 2.2 The “Plan on a Page” also shows that the Council has in train a number of core business activities that will assist in bridging the funding gap. As well as alternative service delivery models and budget change programmes, the “Plan on a Page” recognises that income generation is one of those core business activities.
- 2.3 One of the main components of “income generation” will be the “Commercial Investment Strategy” (CIS); a draft of this is expected to be reported to members in July 2015. The aim of the CIA will be for the Council to invest in a wider portfolio of commercial type properties than it currently has to provide a long-term revenue stream. To enable this activity to be undertaken it is essential that the Council has in place a decision-making process that is appropriately agile that will support the disposal and acquisition of assets. Consequently, the Policy will include new procedures, monetary thresholds and governance arrangements.

3. SUMMARY PROPOSALS WITHIN THE POLICY

Disposals Policy

- 3.1 The aim of the disposals Policy is to ensure that the Councils current asset portfolio is disposed of in the most cost effective way possible; thereby ensuring that the best return is achieved. The main requirements of the disposal policy include:
- Land and property will only be declared surplus if it no longer meets corporate and/or investment priorities.
 - Land and property will only be disposed of when it is concluded that no other use can be made of the asset, within statutory provisions.
 - Land and property will be sold for the best consideration or where disposal by other means best meets corporate objectives.

Acquisition Policy

3.2 The aim of the acquisition Policy is to ensure that the Council only adds to its current asset portfolio for specific purposes; namely Service delivery, investment and future development in line with objectives and the Corporate Plan. The main requirements of the acquisition policy include:

- All acquisitions of land and property will be in respect of freehold, leasehold or licence.
- Land and property will only be acquired where it benefits service delivery and/or maximises investment opportunities and/or future strategic development.

Thresholds

3.3 As noted within the Constitution, the current thresholds for the disposal and acquisition of assets are:

- Up to £50,000, the Managing Director may grant/assign leases; approve variation in leases or their surrender and approve sub-lettings, restrictive covenants, grant licences, easements and way leaves etc.
- Approval of Corporate Management Team for all disposals and acquisitions between £50,000 and £200,000
- Approval by Cabinet for all disposals and acquisitions in excess of £200,000, for recommendation to Council as a “key decision”.

3.4 It is considered that the above thresholds will not give the Council the required agility needed for it to effectively operate within the commercial asset environment; this is primarily due to the length of time required for reports to pass through to Cabinet. Disposal and Acquisition decisions, although “not made overnight” will need to be made relatively quickly to enable the Council to maximise receipts or take advantage of assets that are for sale. Therefore, it is proposed that the thresholds noted in Table 1 are adopted.

| Table 1 | New Thresholds of the Disposal and Acquisition of Land and Buildings |
|------------------------|--|
| £0 - £500,000 | Managing Director (as Head of Paid Service) & Head of Resources (as Section 151 Officer), following consultation with Executive Councillor for Resources |
| £500,000 to £2,000,000 | Treasury and Capital Management Group (TCMG) |
| £2,000,000 + | Cabinet |

Governance

3.5 The thresholds proposed in paragraph 3.4 are a considerable change to those currently included within the Constitution. However, there will be tight governance around these new thresholds, this is illustrated below:

- Up to £500,000, these will be officer lead decisions. However, the officers concerned will be those at the strategic level within the Council. In addition, all decisions will only be made following consultation with the relevant Executive Councillor.
- Between £500,000 and £2,000,000, decisions will be made by the Treasury and Capital Management Group (TCMG). TCMG is not currently constituted as one of the Council's member decision-making committees, but it is intended that it will be when the review of the Constitution is completed. Key aspects of TCMG are that:
 - It will be a sub-committee of Cabinet.
 - It will have powers to make decisions in respect of both Treasury and Capital Asset Management.
 - Core members of the group will be the Executive Leader, Deputy Leader and the Executive Councillor for Resources, with co-opted as required by the Core members.
 - Officer support will be the Managing Director and the Head of Resources.
- In excess of £2,000,000 decisions will be made by Cabinet.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

- 4.1 To be completed after Overview & Scrutiny (Economic Well-Being) – 4th June 2014.

5. KEY IMPACTS/RISKS?

- 5.1 The key impact of the introduction of the Policy will be to allow the Council to be more agile in its decision making around the disposal and acquisition of land and buildings. In this way it will be able to react more quickly to opportunities that arise. All investment decisions will be subject to appropriate business cases and where necessary due diligence.

The risk of not having a more agile decision making process is that the Council may lose investment opportunities. This could mean that the Council's ability to meet the current gap in the revenue budget will be curtailed; and therefore any gap could have to be met from cuts in services.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Policy will support the achievement of the Corporate Plan requirement of "Ensuring we are a customer focused and service led council" by "becoming more business-like and efficient in the way we deliver services".

7. CONSULTATION

- 7.1 None

8. LEGAL IMPLICATIONS

- 8.1 This policy will impact upon the current Constitution. A review of the Constitution is imminent and therefore consideration to this policy must be given and amendments to the Constitution made as necessary.

8.2 References to Acquisitions and Disposals within the Code of Procurement will need to either be reviewed or removed.

9. RESOURCE IMPLICATIONS

9.1 The Policy itself will not have any direct resource implications. However, the operation of the Policy:

- will require adherence to prescribed Council strategies (e.g. Treasury Management) and any statutory provisions relating to a Council's use of assets.
- is expected to assist the Council in bridging the revenue funding gap as detailed within the Council's Medium Term Financial Strategy.

10 REASONS FOR THE RECOMMENDED DECISIONS

10.1 To put in place a "fit for purpose" approach to the disposal and acquisition of land and buildings that will support the Council's Investment Strategy. This will then in turn assist the Council in generating additional revenue income through the development of a commercial asset portfolio.

11. LIST OF APPENDICES INCLUDED

Appendix 1 – Disposal and Acquisition Policy.
Appendix 2 – Plan on a Page.

BACKGROUND PAPERS

Held with Resources

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