

**27 March 2015**

**Asset & Enterprise Committee**

**Property Acquisition Fund Policy & Procedure**

**Report of:** *John R Parling, Strategic Asset Manager*

**Wards Affected:** *None*

**This report is:** *Public*

**1. Executive Summary**

- 1.1 The Asset Management Strategy 2014/15 was approved by the Asset & Enterprise Committee on the 15 July 2014. One of the key actions in the Strategy is the “Acquisition of Revenue Generating Opportunities”
- 1.2 Policies have been prepared to provide guidance for the Acquisition, General Disposal and Disposals at less than Best Value and these are attached to a separate report to this Committee. The Acquisition Policy referred to is appropriate for normal situations however this Policy lacks the flexibility particularly in terms of time scales and is drafted on the basis of acquisitions for operational reasons and that all acquisitions would be by negotiation.
- 1.3 It is proposed that in certain circumstances that the Acquisition Policy is adjusted to enable the Council to make opportunistic purchases and to compete effectively with other parties

**2. Recommendation(s)**

- 2.1 That the Committee approve the Acquisition Policy which allows flexible adjustments in specified circumstances to enable the Council to acquire revenue generating assets.**
- 2.2 That the Finance and Resources Committee are requested to consider a Capital Programme allocation up to £10m within the Medium term Financial Plan for the acquisition of revenue generating assets to add and enhance the council’s current investment and operational property portfolios.**

### **3. Introduction and Background**

3.1 The key actions for 2014/15 set out in the Asset Management Strategy were:

- Asset Challenge Review
- Delivery of Major Projects
- Develop Housing for Social and Private Tenants
- Maximise Revenue and Capital Receipts
- Acquisition of Revenue Generating Opportunities

3.2 To achieve the key action “Acquisition of Revenue Generating Opportunities” it is necessary to introduce a process that that is efficient to compete in the current market place as well as being capable of being robust enough to satisfy the scrutiny of Council.

3.3 The Property Acquisition Fund Policy & Procedure (Appendix – A) sets out the following process and procedures;

- That the Strategic Asset Manager is authorised in appropriate circumstances to purchase land and property up to the maximum value of the Property Acquisition Fund subject to consultation and unanimous agreement of the Leader of the Council, Chair of Asset & Enterprise Committee, Chief Executive/Acting Chief Executive and the s151 Officer.
- Where such authorisation is exercised the property must be consistent with the aims and objectives of the Council and that the process contained within the Acquisitions Policy can not be complied within the timescales stipulated by the vendor.
- Prior to authorisation a “Justification Certificate” for the purchase should be prepared.
- The Justification Certificate shall comprise an appraisal of the open market capital and rental value, purchase costs, estimate of any repair/refurbishment costs and whole life cost analysis.
- Any use of the delegated authority should be reported to the next available meeting of the Asset & Enterprise, Finance & Resources Committees and Council.

- 3.4 Appendix – B illustrates the range of potential returns that may be achieved from revenue opportunities.
- 3.5 Initially it is proposed to identify opportunities within a 50 mile radius of Brentwood, however, opportunities within 100 mile radius will also be considered which are relatively attractive. Opportunities across all sectors will be considered that provide an initial net yield of 6% or more.
- 3.6 Non income opportunities are unlikely to be considered unless they offer short term capital gain which then can be recycled to acquire revenue generating assets.
- 3.7 The assets in the short term will be acquired and held by the Council itself until a Local Authority Trading Company (LATCO) is established and it is deemed appropriate to acquire assets through this vehicle.

#### **4. Issue, Options and Analysis of Options**

- 4.1 The Asset Management Strategy 2014/15 outlines a change in the way that the council's assets are managed. It puts forward a comprehensive and coordinated structure and implementation solutions to ensure that the Council's asset portfolio is efficiently and effectively managed to ensure best use and to maximise revenue and capital receipts.
- 4.2 The Property Acquisition Fund Policy & Procedure provides guidance and a process to deliver the Strategy's objectives in a consistent and transparent manner.

#### **5. Reasons for Recommendation**

- 5.1 Members need to ensure that best practice and transparency are maintained.

#### **6. Consultation**

- 6.1 None at this stage

## **7. References to Corporate Plan**

### **7.1 Corporate Plan 2013 –16, specifically:**

- a) A Prosperous Borough
- b) Set planning policy that supports discerning economic growth and sustainable development
- c) Promote a mixed economic base across the Borough, maximising opportunities in the town centres for retail and balanced night time economy

## **8. Implications**

### **Financial Implications**

**Name & Title:** Christopher Leslie, Financial Service Manager (S151 Officer)

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- 8.1 The Council has no available resources to fund an additional £10m commitment, therefore additional borrowing would need to be undertaken. The costs of borrowing would impact on the General fund account and therefore the investment must be able to demonstrate that the costs of borrowing can be covered in order to prevent further pressure on the Revenue budget.

### **Legal Implications**

**Name & Title:** Philip Cunliffe-Jones, Solicitor

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- 8.2 Local authorities have a statutory duty to balance their budgets. Local authorities cannot borrow to finance revenue expenditure or run deficits. The recommendation relates to capital expenditure – land is always Capital in local government finance. If there is sufficient scope for initiatives, which will have to be considered on a case by case assessment, the recommendation can be supported.

**Other Implications** (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.3 None

## **9. Background Papers**

9.1 None

## **10. Appendices to this Report**

Appendix A – Property Acquisition Fund Policy & Procedure

Appendix B – Investment Return Matrix

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