

PART 1 - PUBLIC

Decision Maker: **The Executive**

Date: **19th October 2011**

Decision Type: Non-Urgent Executive Key

Title: **THE COUNCIL'S FINANCIAL STRATEGY - DELEGATED
AUTHORITY FOR PROPERTY ACQUISITIONS**

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Chief Officer: Director of Renewal and Recreation

Ward: Borough Wide

1. Reason for report

1.1 Members of the Executive agreed at their meeting on 7th September, subject to the approval of Council, to create a regeneration/investment fund of £10million and an invest to save fund of £14million. This report (subject to Council agreeing the creation of the funds) seeks agreement to delegate authority to the Director of Renewal and Regeneration, in consultation with the Director of Resources, the Leader of the Council and the Portfolio Holders for Resources and Renewal and Recreation, to take decisions on the purchase of properties that meet the Council's criteria.

2. **RECOMMENDATION(S)**

2.1 Subject to the approval of Council to the Executive's decision to establish a regeneration/investment fund and an invest to save fund, the Executive is recommended to agree that decisions on the purchase of properties funded from these sources and costing in excess of £500,000 should be delegated to the Director of Renewal and Recreation in consultation with the Director of Resources, the Leader of the Council and the Portfolio Holders for Resources and Renewal and Recreation.

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A.
 3. Budget head/performance centre:
 4. Total current budget for this head: £10 million in regeneration/investment fund plus potential to bid for part of the invest to save fund - £14million
 5. Source of funding: Regeneration/Investment Fund and Invest to save Fund.
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Staff

1. Number of staff (current and additional):
 2. If from existing staff resources, number of staff hours:
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Legal

1. Legal Requirement: Statutory requirement. Statutory limitations exist on what can be purchased.
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 The Executive considered a report from the Finance Director at its meeting on 7th September on the Council's Financial Strategy 2012/13 to 2015/16 (report no RES1107). This proposed the creation of an earmarked reserve of £10million which could be used to fund the acquisition of key investment opportunities. It also recommended that £14million should be set aside, funded from general reserves, to create an invest to save fund to enable "loans" to be provided for invest to save initiatives. In both cases it was proposed that the use of these funds would require the approval of the Executive.
- 3.2 Work has commenced to identify investment opportunities that would meet the aims set out in the Finance Director's report . These aims are to acquire properties for inclusion in the regeneration/investment portfolio which will provide key investment opportunities and which may also assist in the regeneration ambitions of the Council, resulting in the acquisition of assets to ensure value for money is obtained whilst seeking a long term alternative to current income streams. Effectively this should result in a level of income from investments being achieved which exceeds treasury management interest earnings. The work carried out so far has identified that, in order to acquire attractive investment opportunities, it is necessary to have a decision making process in place that can deliver decisions quickly. The timescale required to prepare and submit a report to the Executive could put the Council at a commercial disadvantage in the marketplace, where other investors are likely to be able to make offers and progress purchases more quickly. It is therefore recommended that a scheme of delegated authority be established to shorten the time taken to make a decision to purchase a property. If the criteria for purchase are met, it is recommended that a report providing full details of the proposal, including all the risks associated with a purchase, should be prepared seeking approval to proceed. The authority to approve a purchase could be delegated to the Director of Renewal and Recreation who would act in consultation with the Director of Resources, the Leader of the Council, the Resources Portfolio Holder and the Renewal and Recreation Portfolio Holder. The report, with details of the decision taken and the outcome, would then be submitted to the next available meeting of the Executive.
- 3.3 In the case of the invest to save opportunities there will be wider criteria relating to service/operational requirements that have to be met in progressing a proposal than when considering a property acquisition for the regeneration/investment objective. The Finance Director's report to the Executive on 7th September set out these criteria, which had been agreed by the Executive in 2009, and which are:
- Must provide net financial savings (significant savings with risk assessment to contribute towards reducing the budget gap)
 - Must provide additional progress towards meeting the Council's top priorities
 - Must have a reasonable pay back period
 - No further or alternative external funding is available
 - Clear identification of accountable officer, performance outcomes and monitoring arrangements to enable corrective action to be taken where required
 - Contributes towards additional performance improvement for the Council or stabilises current problem areas (mitigates against additional costs)

It was emphasised that any business case for funding an invest to save project had to be robust and the subject of a report to the Executive. It is anticipated that the property implications of an invest to save proposal could be reported to the Executive as part of the business case.

Authority for an acquisition could then be obtained, or, if appropriate, authority to proceed with a property acquisition could be delegated to relevant officers, in consultation with specified members as appropriate, on a case by case basis.

4 POLICY IMPLICATIONS

- 4.1 These proposals accord with the Executive's recommendation to Council which were contained in the report entitled "Update on the Council's Financial Strategy 2012/13 to 2015/16 dated 7th September 2011.

5 FINANCIAL IMPLICATIONS

- 5.1 The Executive is recommending to Council that a Regeneration/Investment Fund of £10million and an Invest to save Fund of £14m be set aside from general reserves. It should be noted that the acquisition of property will incur fees in the purchase process and stamp duty land tax which will form part of the cost of acquisition, and that on-going management costs will be incurred which will have to be deducted from the income generated from the investment. The investment would result in the acquisition of assets to ensure value for money is obtained whilst seeking a long term alternative to current income streams.

6 LEGAL IMPLICATIONS

- 6.1 The scheme of Executive and Non-Executive Delegation to Officers already gives the Director of Renewal & Recreation and the Director of Resources delegated authority to approve the terms of any property transaction where there has been a decision of the Council, Executive, Executive Portfolio Holder, Committee or Sub-Committee, to acquire or dispose subject to a capital value of less than £500,000 or rental value less than £50,000. While this would cover the purchase of properties once the Council has approved the creation of the proposed fund, it is likely that the cost of purchasing such property will often exceed these limits.

Non-Applicable Sections:	Personnel Considerations
Background Documents: (Access via Contact Officer)	Report no RES11075 to the Executive, 7 th September 2011.