

## **Strategic Property Acquisition Procedure**

The purpose of this procedure is to guide Council officers on the steps to take when making a recommendation for the acquisition of land and property assets funded from the general fund, in particular:

- how to assess whether a strategic or operational property meets the Council's needs
- show how the property contributes to strategic priorities and justify why it is required
- evaluate such acquisitions as part of a business case
- set out a structure for officers to make recommendations on whether to buy a property

This will help:

- guide strategic property acquisitions
- guide operational property acquisitions
- justify acquisitions of new freehold interests and existing tenant leases
- provide an easy-to-follow mechanism and procedures to assess individual properties
- set out how a property would help deliver strategic objectives

### **The procedure**

#### **Step 1 – Business Case**

The rationale for acquiring a strategic or operational asset will always be set within the context of how it will contribute to a particular project, the latter having been appraised as part of a business case<sup>1</sup>.

Strategic outline case (SOC) – makes the “strategic case” for how a project meets the strategic objectives of the Council. Where the delivery of the project is likely to involve the need to acquire a property interest, the SOC would provide the strategic justification for this. The need to acquire an asset may be one action (for example, as part of land assembly), but may not necessarily be all of the actions to be undertaken within the SOC.

Sometimes the strategic justification for the property acquisition within a SOC may be sufficient evidence upon which to approve an acquisition, especially where this is the predominant action required to complete a project.

Outline business case (OBC) / Full business case (FBC) – applies to more complex projects that involve a greater number of uncertainties and dependencies. The case for an acquisition (or series of acquisitions) would require further justification through an outline business case (OBC) or possibly full business case (FBC).

In either scenario, the business case process will be the mechanism by which a proposed acquisition is transparently and robustly justified, linking the strategic case to the strategic objectives of the Council. The approval of the business case is one part of the overall approval process for acquiring an asset.

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<sup>1</sup> The Business Case model (HMT Five Case Model) provides a disciplined and structured approach to arrive at the best possible decision for a particular project through examination of five cases including Strategic, Economic, Commercial, Financial and Management. A high-level strategic outline case (SOC) addresses the strategic case and will scope out the project and provide the case for a seeking approval for an acquisition to support the project.

## Step 2 – Scoring mechanism

In addition to the business case, a prospective property will be scored on the following criteria using a scoring mechanism of 0 to 4:

Criteria	Weighting Factor	Score of 4	Score of 3	Score of 2	Score of 1	Score of 0
Approved project	9	Yes – supports an approved Council project	Yes – supports an approved project subject to conditions	Part of project listed on committee cycle for consideration	Aspirational – part of project being looked at by a working group	No approval or working group
Council ownership	3	Council in full control of property	Yes, but leased; terms agreed to surrender	Yes, but leased; no terms agreed to surrender	No, but Council owns adjoining site	No
Site assembly	6	Critical part of land assembly	Essential to significantly ease site assembly, subject to conditions	Non-essential but desirable to significantly ease site assembly	Non-essential but with some ability to ease site assembly	No identified need for site assembly
Housing contribution	10	Critical to deliver Housing	High potential to deliver Housing	Potential to deliver housing but dependent on other factors	No housing provided but supports other housing sites	Housing not provided
Planning status	4	Granted and in date	Granted before but out of time / allocated in Local Plan	Pre-application evidence / allocated in Local Plan	Local Plan policies support change of use	No planning consent or Local Plan allocation
Affordability <sup>1</sup>	10	Revenue implications equate to net income equivalent to a 2% or more decrease in Band D council tax	Revenue implication equates to net income equivalent to a decrease in Band D council tax			Revenue implications equate to net income equivalent to a 2% or more decrease in Band D council tax

These pre-selected criteria represent the primary issues of importance to the Council when deciding whether or not to acquire a new asset of strategic or operational value. They relate to what owning such a property could do to contribute to achieving the Council's strategic priorities and were approved by the Executive at its meeting on 5 January 2021. The range of values that are likely to affect the Affordability score are explained in End Note i.

The weighting factor has been devised by way of paired comparison of each of the criteria against each other; this follows a robust methodology of determining the weighting, or importance, of each criterion.

Once an asset has been scored against each criterion, the sum total of all weighted scores is compared to a required Pass Mark of greater than or equal to 84. The Pass Mark score reflects an average weighted score of 2, which is regarded as 'acceptable'.

The weighting factor for each criterion and the Pass Mark are fixed, as approved by the Executive at its meeting on 5 January 2021.

Asset Management will provide access to a scoring matrix template for officers to use.

### In conclusion

The combination of a business case and scoring matrix together form part of the approval process. The relevant officer assessing a potential strategic property acquisition and recommending it for approval will need to:

- 1) justify the proposal as part of a business case, ready for approval by delegated powers or by the Executive
- 2) provide a scored assessment of the asset. Delegated authority approvals will only apply when the score is above the required Pass Mark.

The Constitution prescribes the boundaries for delegated approval. This requires that the proposed acquisition meets the criteria set out in this strategic property acquisition procedure, the value is within the prescribed price range for the delegated officer approving the transaction and budget provision exists on the approved general fund capital programme. If not, the decision would proceed to the Executive for approval.

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### END NOTE

<sup>i</sup> Affordability will be a calculation and the formula will be:-

$$\text{Net income} / \text{council tax base} / \text{GBC Band D council tax} * 100 = \text{the percentage we are after}$$

which will then lead to a score of 0 to 4

Where:-

- Net annual income is the gross income less direct operating costs but not financing costs
- The council tax base is the number of band d equivalent properties in the borough (this changes annually when we set the budget) – currently it is 57,645.39
- GBC Band D council tax is as exactly that (this also changes annually when we set the budget) – currently it is £176.82

So, for example if a property has gross income of £900k p/a and there are £100k p/s running costs the calculation will be:-

$$(\text{£}900,000 - \text{£}100,000) / 57645.39 / 176.82 * 100 = 7.8\%$$
 leading to a score of 4, such that we could reverse engineer the calculation to say:

Score 4 is likely to be income of £204,000 or more per annum

Score 3 is likely to be net income between of £0 and £203,999 per annum

Score 2 is nil net income but nil cost

Score 1 is net cost up to £203,999 per annum

Score 0 is net cost of £204,000 or more per annum