

Executive Report

Ward(s) affected: All

Report of Director of Strategic Services

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Strategic Property Acquisition Procedure and Request for Transfer of Funds

Executive Summary

As part of the 2016-17 capital programme, a bid for a £30 million Strategic Property Acquisition Fund was approved by Council. The objective of creating this fund was to acquire property to enable site assembly for future potential re-development projects and allow the Council to purchase land and property within the town centre, where the site was included in the [2016-17] unadopted town centre master plan and the Council's emerging regeneration strategy, or the Council itself was the main land owner within the site.

This report requests the transfer of £5 million from the provisional capital programme to the approved capital programme to allow further strategic and/or operational property acquisitions.

The decision to acquire property assets for operational and strategic purposes currently rests in all cases with proposals approved by delegated authority or Executive. The Council would benefit from introducing a clear process for assessing such acquisitions. In particular, to show how owning a property would contribute to economic, regeneration, and other strategic priorities of the Council. This report proposes the Council also adopts a new procedure to follow to provide a consistent approach to decision making in these circumstances.

Recommendation to Executive

- (1) That a new procedure for the Council to follow when considering and, where appropriate, approving the acquisition of strategic and/or operational property assets, as set out in Appendix 1 to this report, be adopted.
- (2) That the transfer of £5 million from the provisional capital programme (scheme no. PR371 – strategic property acquisitions) to the approved capital programme,

be approved.

- (3) That the Director of Strategic Services be authorised, in consultation with the Head of Asset Management, the Director of Resources, and the relevant Lead Councillor with portfolio responsibility for finance and asset management, to approve strategic and/or operational property acquisitions within the set parameters of the new procedure.

Reasons for Recommendation:

To secure the funding of various prospective property acquisition for strategic/ operational purposes and apply a robust and streamlined approach for future acquisition of operational and strategic property assets.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

1.1 To gain Executive approval for:

1. The transfer of £5 million from the provisional to the approved capital programme to enable officers to take advantage of opportunities to acquire key sites.
2. A proposed new procedure for considering and appraising strategic and operational property acquisitions which will provide a framework and governance for all future strategic and/or operational acquisitions.
3. A change to the scheme of delegation to officers within the Council's Constitution to authorise the Director of Strategic Services, in consultation with the Head of Asset Management, the Director of Resources, and the relevant Lead Councillor with portfolio responsibility for finance and asset management, to approve acquisitions for strategic and/or operational property within the set parameters of the new procedure so that cases can be dealt with in a faster and more efficient manner.

2. Strategic Priorities

2.1 Central to the Council's Corporate Plan is the fundamental theme of Place Making:

- Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes
- Making travel in Guildford and across the borough easier
- Regenerating and improving Guildford town centre and other urban areas

2.2 Approval of the transfer of the funds will allow officers the ability to secure key strategic sites to assist with these themes.

- 2.3 In addition, the adoption of the strategic property acquisition procedure will provide greater transparency for the Council in determining whether a prospective acquisition meets the strategic priorities of the Council.

3. Background

- 3.1 As part of the 2016-17 capital programme, a bid was submitted by Officers for £30 million for a Strategic Property Acquisition Fund. The aim of the fund was to acquire property and start site assembly for future potential re-development projects and allow the Council to purchase land and property within the town centre, where the site was included in the [2016-17] unadopted town centre master plan and the Council's emerging regeneration strategy.
- 3.2 There is currently £9.492 million remaining in the provisional capital programme for 2020-21 and £13.8 million for 2021-22; this report requests that £5 million is transferred to the approved capital programme to enable officers to take advantage of opportunities to acquire key sites.
- 3.3 With the creation of the new Guildford Urban Regeneration Plan, as well as other Council aspirations, the need has arisen to put in place a formal procedure for assessing whether a property meets the Council's needs against which to spend the allocated funds. Officers propose that the Council adopts a formal procedure for appraising prospective property acquisitions. The procedure includes a need to evaluate property acquisitions as part of a business case along with assessment criteria against which to score the property, as described in section 4 below.
- 3.4 The aim is to provide structure for officers to make recommendations on whether to buy a property and guide strategic property acquisitions within the Guildford Urban Regeneration Plan and other Council priorities (e.g. a new burial ground, intensification of use of the Slyfield Industrial Estate, etc.).
- 3.5 The procedure will also allow officers to make recommendations on whether to buy a property and to guide strategic property acquisitions for new sites. It will also be used to buy-out existing long leases on Council owned land.

4. Proposed strategic property acquisition procedure

- 4.1 This report proposes the adoption of a new procedure for all future acquisitions of land and buildings for strategic and operational purposes. The procedure provides greater transparency for the Council in determining whether a prospective acquisition meets the strategic priorities of the Council.
- 4.2 In most cases the proposed transaction will involve the acquisition of a freehold interest, but it may also include buying in of long leases where the Council is landlord.
- 4.3 The proposed procedure is provided at Appendix 1. Its purpose is to provide a mechanism to:

- assess how a potential strategic or operational property acquisition meets the Council's needs
 - show how the property would contribute to strategic priorities and justify why it is required
 - guide how to evaluate such acquisitions as part of a business case
 - set out structure for officers to make recommendations on whether to buy a property
- 4.4 The rationale for acquiring an operational or strategic 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. 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 would be one part of the overall approval process for acquiring an asset.
- 4.5 In addition to the business case, a potential site would be scored on set weighted criteria using a score of 0 to 4; the criteria being:
- Council ownership
 - Site assembly
 - Housing contribution
 - Planning status
 - Affordability.

5. Proposed amendments to scheme of delegation to officers

- 5.1 Currently, there are three separate delegations to approve the acquisition of land and buildings.
- 5.2 The scheme of delegation within the Council's Constitution authorises the 'Lead Specialist – Legal' to "approve purchases of land and buildings up to £1 million in consultation with the appropriate lead councillor, relevant Director, and Chief Finance Officer where budget provision exists on the approved general fund capital programme"¹.
- 5.3 It also authorises the Director of Service Delivery to "purchase non-housing stock land and buildings up to £1 million in consultation with the appropriate lead councillor and relevant Director where budget provision exists on the approved general fund capital programme" and "in relation to land and premises occupied or to be occupied by the Council and in consultation with the appropriate lead councillor, relevant Director and Chief Finance Officer to approve the acquisition of land or buildings up to 0.2 hectares in area".²
- 5.4 In order to deal with cases more effectively and transparently, officers propose that the scheme of delegation be amended to authorise the Director of Strategic

¹ The Council's Constitution dated 16 October 2020, Page 3-57, para 17.

² The Council's Constitution dated 16 October 2020, Page 3-59, para 15 and 16.

Services only to make certain decisions which meet the strategic property acquisition criteria up to a value of £5 million.

- 5.5 The Executive is, therefore, asked to approve the removal of the above paragraphs and to replace them with the proposed new delegated authority, as set out below:

The Director of Strategic Services be authorised in consultation with the Head of Asset Management, the Director of Resources, and the relevant lead councillor with portfolio responsibility for finance and asset management, to approve land and building purchases up to a value of £5 million, where budget provision exists on the approved general fund capital programme and within the set parameters of the strategic property acquisition procedure.

- 5.6 In addition to the delegations, the key controls for General Fund land and buildings³ include that, subject to appropriate budget availability having been approved, additions of land and buildings are subject, inter alia, to the following approvals:

- *“asset purchases of up to £1 million to be approved by the Director of Community Services, in consultation with the lead councillor with responsibility for assets....*
- *purchases of non-investment land and buildings must be in line with the business case approved for the capital programme. Purchases not meeting the business case approved for the capital programme require the approval of the Executive.”*

- 5.7 The Executive is, therefore, asked to approve the removal of the above paragraphs and to replace them with the proposed amendment as set out below:

“asset purchases of up to £5 million to be approved by the Director of Strategic Services, in consultation with the Head of Asset Management, the Director of Resources, and relevant lead councillor with portfolio responsibility for finance and asset management and within the set parameters of the strategic property acquisition procedure.”

- 5.8 The above delegation and key controls would not preclude any decisions which Officers deem should be taken by the Executive, in particular those for more complex projects that involve a greater number of uncertainties and dependencies, or which may require further justification through an outline business case (OBC) or possibly full business case (FBC).

6. Consultations

³ The Council's Constitution dated 16 October 2020, Page 4-148, C.5.2 (vii)

- 6.1 The Lead Councillors for Resources and Regeneration, as well as the Director of Resources have been consulted on this report and its appendices.

7. Key Risks

- 7.1 The proposals within this report will allow the Council to demonstrate a consistent and transparent approach in determining whether a prospective acquisition meets the strategic priorities of the Council, thereby reducing the risk of inconsistent decisions when making the assessment.
- 7.2 Officers often become aware of key potential acquisitions but, with no approved budget or agreed strategy for acquisitions, cannot act quickly enough to compete with other purchasers to take advantage of opportunities. Having a procedure and budget already approved will enable the timely and decisive decision making that is essential in this type of market to respond to opportunities as they arise.

8. Financial Implications

- 8.1 A £30 million Strategic Property Acquisition Fund was approved by full Council as part of the 2016-17 capital programme. There is currently £9.942 million remaining in the provisional capital programme for 2020-21 and £13.8 million for 2021-22. This report requests that £5 million is transferred to the approved capital programme.
- 8.2 Agreeing to acquire property has a financial impact on the Council that needs consideration as part of the approval process on whether to go ahead with a proposed transaction. Purchasing property will result in a Minimum Revenue Provision charge to the general fund, and interest cost from borrowing, both are currently assumed in the Medium-Term Financial Strategy. There will also be costs of maintaining the asset and the potential management of tenants – these are a direct hit on the general fund, but may be offset by rental income depending on the proposed plans for the property, so there could be a net income generation for the Council.
- 8.3 The proposed procedure for assessing transactions will allow affordability to be considered, whether by delegated approval or Executive. This will provide greater clarity and transparency.

9. Legal Implications

- 9.1 The Council would be following good practice guidance by adopting guidelines to enable it to achieve consistency in its decision-making process in relation to the acquisition of assets for strategic purposes. We have taken care to ensure the procedure is not based on legally irrelevant considerations and will ensure they are not applied so rigidly that they preclude the proper exercise of discretion in each case.
- 9.2 The Council is bound by the duty of best value under Section 3 of the Local Government Act 1999, as such the Council must remain cognisant of its use of public funds when purchasing strategic assets.

10. Human Resource Implications

- 10.1 All assets need to be managed and maintained correctly. If there is an increase in the Council's portfolio, even if only for an interim period, this will have an additional impact on workloads within the Asset Management team. This will need to be addressed at that time, either by obtaining additional resource (on a permanent or temporary basis) or by outsourcing the management of the additional assets.
- 10.2 There will be also be a resource implication for the legal team. Whilst it is anticipated that the legal work will be outsourced, the internal legal services team will be required to instruct the external solicitors.

11. Equality and Diversity Implications

- 11.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

12. Climate Change/Sustainability Implications

- 12.1 The Council declared a climate emergency on 23 July 2019. This strategic property acquisition procedure supports the Council's position regarding this. Consideration will be given to the ethical position and impact on climate change of any acquisition.

13. Summary of Options

- 13.1 The Executive has the option to agree to the proposals set out within this report which will allow the Council to consider matters in a consistent, robust and transparent manner. Alternatively, if the Executive chooses not to approve the recommendations to amend the Constitution, each acquisition would require Executive approval.
- 13.2 An amendment to the Council's Constitution to allow the Director of Strategic Services to approve such purchases within the parameters of the new procedure will provide clarity to the decision-making process, whilst not precluding any decisions for more complex projects to be taken by the Executive.

14. Conclusion

- 14.1 The report details the criteria required for selecting properties and additional conditions to purchase. An approved procedure for strategic/operational property acquisitions will allow the Council to demonstrate that it has adopted a consistent approach to decisions about property purchases and provide clarity to agreeing to such transactions using a step by step process.

15. Appendices

Appendix 1: Strategic Property Acquisition Procedure