

# Cabinet

06 November 2019



<b>Title</b>	Decision making in respect of Council property and the role of the Property and Investment Committee		
<b>Purpose of the report</b>	To make a decision		
<b>Report Author</b>	Michael Graham – Head of Corporate Governance		
<b>Cabinet Member</b>	Councillor Ian Harvey	<b>Confidential</b>	No
<b>Corporate Priority</b>	This item is not in the current list of Corporate priorities but still requires a Cabinet decision		
<b>Recommendations</b>	<b>To approve the set up and Terms of Reference of the Property and Investment Committee as a Cabinet Sub-Committee</b>		
<b>Reason for Recommendation</b>	<b>To update and streamline the decision making process for dealing with asset transactions whilst providing a clear audit trail for decisions</b>		

## 1. Key issues

- 1.1 The Council's property portfolio has changed dramatically over the last few years and in order for the Council to continue to proactively and effectively manage both its municipal and investment property portfolios, it has become necessary for officers to undertake a review of the current process for decision making to ensure it is 'fit for purpose'. The current delegated powers available in respect of disposals and acquisitions are as follows:

<b>Delegation</b>	<b>Authorised Officer or Member</b>
To approve freehold and leasehold disposals and acquisitions of land or interests in land not exceeding an estimated value of £50,000 per transaction	Group Head - Regeneration and Growth in consultation with the Chief Finance Officer
To approve freehold or leasehold disposals or acquisitions of land or interests in land not exceeding an estimated value of £100,000 per transaction	Chief Finance Officer in consultation with the Cabinet Member with responsibility for Asset Management

Any acquisition or disposal exceeding these values needs Cabinet approval.

- 1.2 In addition to the above, on 26 September 2018 Cabinet agreed a new delegation giving authority for the Chief Executive, in consultation with the Leader, to transfer property to and from Knowle Green Estates Limited (KGE), on such terms as he thinks fit. This was for administrative efficiency in order to allow for timely transfers to and from KGE, as and when required.
- 1.3 Whilst this process of decision making has been appropriate and sufficient for many years it is now apparent that it is no longer 'fit for purpose'. This is due to a number of issues but mainly:-
- a) Rentals from lettings on the investment properties are much higher than those on the municipal portfolio and are likely to significantly exceed the levels set in the delegations which means that it is likely that every lease to be granted by the Council will require Cabinet authority.
  - b) Whilst the delegation referred to at 1.2 above has been necessary for the effective management of the transfer of property between the Council and KGE it would be prudent to make these decisions part of the remit of a formal committee, thus providing a transparent process and a proper audit trail.
- 1.4 As a result of the above, officers have been considering how we structure decision making in the future to ensure that the Council can make fully informed and transparent decisions but at a speed that is acceptable within a fast moving and commercial environment.

## **2. Options analysis and proposal**

### **2.1 Option 1 (preferred option)**

The Property and Investment Committee (PIC) is currently a working group set up to consider strategic acquisitions and receive reports on the management of strategic investments. Its attendees are senior officers of the Council with the Leader and Portfolio Holder for Finance. This group does not have power to make decisions.

Option 1 therefore seeks to formalise PIC as an official sub-committee of Cabinet, giving it the power to make decisions on lettings and make recommendations on acquisitions in respect of properties in both the investment and municipal portfolios as well as agreeing to the transfer of assets to and from KGE.

The proposed powers under this preferred option are as follows: -

Portfolio	Power	Decision Maker
Investment and Municipal	1) To approve freehold or leasehold disposals or acquisitions of land or interests in land not exceeding an estimated value of <b>£50,000</b> per transaction  2) To approve freehold or leasehold disposals or acquisitions of land or interests in land not exceeding an estimated value of <b>£100,000</b> per transaction  3) To approve any leasehold disposals (lettings) in respect of the investment and municipal properties which exceed the levels delegated to officers/members  4) To consider and make recommendations to Cabinet on acquisitions or freehold disposals which exceed those delegated to officers/members  5) To consider and make recommendations to Cabinet and/or Council in respect of any proposed development opportunities	Group Head - Regeneration and Growth in consultation with the Chief Finance Officer  Chief Finance Officer in consultation with the Cabinet Member with responsibility for Asset Management  PIC  PIC  PIC
Residential	Subject to receiving valuation advice, to approve the transfer of assets to or from Knowle Green Estates Limited, as required	PIC

*(Please note the delegations to officers and members shown at points 1) and 2) above remain unchanged)*

2.2 It is intended that the Chief Finance Officer maintains lists of properties for each of our three “funds” investment, municipal and residential (via Knowle Green Estates Ltd).

2.3 The proposed changes to the Terms of Reference for PIC are set out in the **Appendix**

2.4 **Option 2**

Leave arrangements as they are. This is not an advisable option particularly in respect of the new lettings. The Council needs to grant these leases to fill the voids in our investment portfolio. The commercial lettings market moves quickly and in order to secure tenants on tight timescales officers will have to

use urgent action procedures to avoid losing a potential tenant who is not prepared to wait for a meeting to take place within the Council's Cabinet cycle.

**3. Financial implications**

- 3.1 The changes proposed do not have any direct financial implications, the proposal is seeking to streamline the decision making process whilst ensuring all decisions are documented and transparent.

**4. Other considerations**

- 4.1 Whilst this approach formalises a standing informal working group, and therefore involves more process and paperwork, it does give better transparency and a better audit trail for all stakeholders.

**5. Timetable for implementation**

- 5.1 If Cabinet are mindful to agree to the proposals set out in this report, the Committee Services team will be able to start the process of diarising the meetings for the next year (these dates will need to be advertised as it is likely that, due to the commercially sensitive content, they will all need to be held in private).

**Background papers: There are none**

**Appendix:**

**Draft Terms of Reference for PIC**