



PR.24 14/15

Policy and Resources
Committee

Date: 6 November 2014

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Acquisitions & Disposal Policy

Report by:

Commercial Director

Contact Officer:

Penny Sharp
Commercial Director
01427 675185
Penny.sharp@west-lindsey.gov.uk

Purpose / Summary:

The purpose of this report is to set out the proposed policy for the Council's acquisition and disposal of land and property assets

RECOMMENDATION(S):

- (1) That members approve the acquisitions and disposal policy.**

IMPLICATIONS

Legal:

The 'Localism Act 2011' introduced the 'General Power of Competence', enabling local authorities to operate commercially and flexibly unless prevented by other legislation. This can include the acquisition and disposal of assets to provide capital and/or revenue funding. In addition, the Local Government Finance Act 2012 and the Health and Social Care Act also support local authorities acting freely and in the interests of the communities they serve. Section 123 of the Local Government Act 1972 requires the Council to secure best consideration from the disposal of an asset, letting a lease or other interest in property unless the Council considers the disposal is important for the physical, economic or social well-being of the area.

The Acquisitions and Disposal Policy is intended to complement the Council's existing legal and governance framework as set out in the Constitution and Financial/Contract standing orders. All acquisitions and disposals will need to follow the appropriate legal/financial processes in addition to this proposed policy.

Financial: FIN/75/15

There are no direct financial implications arising from this report. As stated above, all land/property transactions are required to follow the Council's existing Financial/Contract Procedure Rules.

Staffing : There are no direct staffing implications arising from this report.

Equality and Diversity including Human Rights :

The proposed Acquisition and Disposals policy has no direct equality and diversity implications. Each individual land/property transaction would need to consider any equality implications arising from the acquisition/disposal.

Risk Assessment :

Adopting the Acquisitions and Disposal Policy will give the Council a clear framework to follow regarding land and property transactions. This should help provide assurance that the Council is demonstrating probity, due diligence and strategic alignment in its land/property transactions.

Climate Related Risks and Opportunities :

There are no direct climate related risks arising from this report.

Title and Location of any Background Papers used in the preparation of this report:

None

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Background

The challenging financial climate of recent years has resulted in the need to radically realign local public services and finances. Maximising the use and effective management of assets has become even more central to the way local authorities are seeking to deliver services and provide value for money.

The Council recognises that the effective and prudent management of its property portfolio plays a vital and critical role in its wider service delivery objectives, where property supports its staff and customers in direct service delivery and where property can and should support local regeneration and, where appropriate, deliver robust and valuable investment income.

2 Underlying Principles

The application of sound commercial principles and best practice should underpin the Council's approach to estate management and support its vision of an *'Entrepreneurial Council'*. The Council aims to retain a portfolio of property which is:

- flexible and fit for purpose.
- cost effective in use.
- statutorily compliant and meets the needs of all stakeholders, in terms of accessibility and in the provision of a healthy & safe working environment.
- environmentally resilient and promotes sustainability.
- financially sound - delivering the highest levels of investment income at the lowest possible risk.
- aligned to the delivery of economic development and regeneration

The commitments which support this approach to the Council's asset management, and in particular, its approach to acquisitions and disposals are outlined below. As a basic principle, any property or interest in property which does not, or cannot immediately and visibly support these principles will be subject to strict managerial review or, if being considered as an addition to the portfolio, detailed scrutiny.

A property or interest in property must therefore:

- Support a regeneration priority or corporate priority.
- Be appropriate to the nature and scale of the Councils' assets and operations.
- For investment return, be consistent with the Council' risk management framework.
- Be compliant with current applicable legislation, regulatory and statutory requirements and other requirements to which the Council subscribes.
- Demonstrate (or demonstrate its future ability to meet) the Council sustainability criteria and objectives.

Central to the approach is the use of a computer aided asset management system (CAAM) which allows the Council to readily assess the true current and future costs of the entire property estate. Accurate data will identify individual property costs across a broad spectrum of key performance indicators and allow for, and support, strategic decision making.

3 Acquisitions and Disposal Policy

The proposed Acquisitions and Disposal Policy is set out in Appendix 1. It contains the principal elements governing West Lindsey District Council's approach to the management, disposal and acquisition of physical assets and legal interests in property, land and buildings.

The Policy is not intended to be, or represent, an inflexible or fixed strategic approach to disposal and acquisition. Rather, it provides a flexible framework with proper systems for internal control. It is informed by the 'Corporate Plan' (2012 – 2016), the principal strategic 'Asset Management Plan' and current and emerging requirements placed on local authorities by Central Government.

It should be noted that the Policy requires an independent valuation to be obtained when acquiring or disposing of assets in order to maximise value for money. This replaces the previous policy commitment to use the District Valuer. Whilst it may be that the District Valuer is still used on some occasions to secure the independent valuation, other valuers can also be used, for example, the Council's retained agent.

4 Conclusions

The Acquisitions and Disposal Policy should strengthen the Council's approach to asset management. It is recommended, therefore, that Members agree to adopt the policy set out in Appendix 1.

Asset Acquisition & Disposal Policy

1. Scope

The acquisition and disposal policy covers all of the Council's interests in property, land and buildings and extends to short; medium and long term leasehold agreements, licences and freeholds. It covers the full life of the asset including acquisition, depreciation, enhancement and modification/refurbishment.

2. Accountability

Responsible Officer	Commercial Director
Contact Officer	Team Manager (Assets)
Authorisation for variances	Chief Executive Officer
Effective Date	November 2014

Reference Documents

- WLDC Corporate Plan 2012 – 2016;
- WLDC Financial Procedure Rules¹;
- WLDC Corporate Risk Management Policy;
- Local Government Act 1972;
- Guide for the Disposal of Surplus Property (OGC Dec 2005);
- Circular 06/2003 (Disposal of assets at less than market value);
- WLDC Asset Management Plan;
- Property Management in the Public Sector (RICS 2008).

3. Aim & Objectives

AIM: To optimise the use of current and future (acquired) assets for the benefit of the local community in West Lindsey.

- **OBJECTIVE 1: Optimise the service potential and value of assets by:**
 - Ensuring assets are appropriately used and maintained;
 - Improved management of the existing asset base;
 - Improved flexibility of the asset base;
 - Positioning existing and future (acquired) assets to meet the long term service delivery priorities of West Lindsey District Council;

¹ Any acquisition & disposal must follow the Finance Procedure Rules.

- Disposing of assets surplus to operational or community requirements i.e. do not meet the cost/performance/value criteria required by the Council.

OBJECTIVE 2: Maximise value for money by:

- Taking account of the full cost of acquiring, holding, using and disposing assets through their lifecycle;
- Acquiring assets which provide robust income and which support the Council revenue account;
- Disposing of assets which are surplus to requirements and which can stimulate commercial activity in third party ownership or housing and provide capital receipts or reduce the Councils cost base and/risk profile;
- Providing a social return on investment;
- Providing a transparent and consistent approach, by:
 - “Securing best price”,
 - The use of an independent Valuer;
 - Consistent policy when disposing of assets to the third sector / community;
 - Careful consideration of State Aid, and tax implications;
 - The Council through delegated powers to Policy & Resources Committee and to officers taking informed, but timely decisions.

OBJECTIVE 3: Contribute to economic growth, regeneration and sustainability by:

- Meeting service demands by providing operational property in the right location to support economic sustainability in the local area and size to make the best use of accommodation;
- Improving assets to optimise service delivery
- Acquiring commercial assets which can be let to local business or to attract business to the area and so which supports economic activity and sustainable regional growth;
- Acquire assets, which if left could accelerate social/commercial decline but if acquired would stimulate commercial and social activity.
- Encouraging the improvement of assets across the built environment which would improve the competitiveness of West Lindsey District;
- Investing in socially beneficial property based projects which benefit the health and social wellbeing of the residents of the District and which provide investment income and/or capital appreciation whilst complying with the Councils risk profile.

OBJECTIVE 4: Assign responsibility and accountability by

- Clearly defining ownership and control of assets;
- Clearly defining control of the acquisition and disposal process strategically and operationally;
- Determining and communicating accountability and reporting responsibilities throughout each step of the acquisition and disposal process and promoting a fully integrated approach to management, acquisition and disposal.

4. Operational Management of Assets – performance criteria

Safety

- Ensuring that all retained and acquired property assets meet Health & Safety requirements.
- Security measures are embedded across the property estate.
- Address asset failures that present a risk to the public, staff or contractors promptly.

Customer Satisfaction

- All physical and operational assets support the delivery of the Council's services effectively and efficiently.
- Existing and new assets are flexible in use and fit for purpose.

Sustainability

- All new and retained assets will meet the sustainability standards expected by public sector operators and their stakeholders, but appropriate to the asset age and construction methods.
- To reduce CO emissions where practical.
- Where existing assets fail to meet suitable operational practice standards, they will be improved or removed from the portfolio and offered for sale or lease to third party users or investors.

Quality

- Property assets will be operated safely, efficiently, reliably and proactively with a focus on lifecycle costing and maintenance.
- The acquisition/disposal policy will be guided by the true lifecycle cost and use of any physical asset.
- The quality of property management will be guided by the application of best practice and PAS 55.

A Place to Work

- Creating and investing in operational property that provides a conducive work environment that supports the Council's staff and the jobs they perform.

Investment

- Support a regeneration priority or corporate priority.
- Be appropriate to the nature and scale of the Councils' assets and operations.
- For investment return, be consistent with the Council's risk management framework.
- Be compliant with current applicable legislation, regulatory and statutory requirements and other requirements to which the Council subscribes.
- Demonstrate (or demonstrate its future ability to meet) the Council's performance criteria.

5. Benefits of Policy Implementation

The scale of management and investment in physical assets can expose the Council to a range of risks. A strategic approach to the management, acquisition and disposal of such assets will enable the Council to manage the risks and secure better value for money and improved service delivery.

The benefits of a consolidated communicated strategic approach are:

Appropriateness

- Aligns assets with services and community expectations;
- Promotes sustainable development objectives;
- Most effectively allocates resources.

Effectiveness

- To contribute to the regeneration and economic development of the District;
- Minimises demand for new assets;
- All relevant costs are considered and optimised over the life cycle of the asset;
- A considered and communicated approach to (asset) acquisition and disposal focuses attention on the most effective use of existing assets;
- Promotes a commercial approach to asset retention, acquisition and disposal.

Efficiency

- Demonstrates to all stakeholders that the Council is managing its physical estate strategy effectively;
- Demonstrating accountability for the retention, acquisition and disposal of assets;
- Provides benchmarks and frameworks which can be used to plan for and assess future investment.

Economy

- To manage assets through the use of effective systems and procedures.

Performance Evaluation

The performance of the retention and particularly acquisition/disposal strategy can be evaluated by both quantitative and qualitative measures.

Quantitative

- The cost of assets. Existing assets should be constantly measured against the acquisition/ disposal criteria which will act as a driver for efficiency;
- The financial contribution of both operational and non-operational assets can be measured.

Qualitative

- Stakeholder satisfaction with the service delivered and working environment;
- Accessibility and affordability of public access to essential assets and points of service;
- Social return on the use of assets.

Dated: November 2014

Review Date: November 2015

Definitions

Term	Definition
Acquisition	Includes the purchase of freehold, leasehold interests, receipt of a donation, land swop or other similar activity that will result in the Council securing a legal interest in an asset.
Disposal	Includes the sale of freehold, the grant of leasehold interests for a term greater than 25 years, making a donation by freehold transfer or lease, land swop, reduction in value for example demolition of whole or part of a building, or other similar activity that will result in the Council losing a legal interest in an asset.
Independent Valuation	Means a valuation undertaken by a Member of the R.I.C.S. and who personally has no interest in the property and whose company has no interests, for example representing another party.
Financial Procedure Rules	The Rules in the WLDC Constitution relevant to the acquisition and disposal of assets together with the delegated powers relevant to such actions.