

## Appendix 2: Property Purchase Policy

### 1. Introduction

Where the council requires land or property in order to meet its objectives but does not have a suitable or viable alternative within its portfolio, it can consider acquisition as a possible option.

Acquiring property in a competitive market can be fast moving and therefore our approval process will need to respond accordingly to maximise opportunities. This policy identifies the governance approach for approving property and land purchases which are time critical whilst ensuring a clear and robust framework for risk assessment, management and mitigation during the decision-making process.

Property purchase may be considered if there is not a suitable or viable alternative within the existing portfolio and one or more of the following:

- i. there is a specific council priority/objective that is delivered through the purchase
- ii. the purchase is considered to be strategic to the way the council intends to deliver services in the future
- iii. a purchase facilitates the delivery of financial savings for the council, for example, it mitigates payments made to third parties to provide property or land for council use

This Property Purchase Policy supplements existing governance arrangements by identifying funding and establishing an expedited process where:

- The purchase is time-critical and cannot be put through the normal Cabinet process
- The purchase is reasonably straight-forward, for example, it is not dependent on a large procurement exercise or requires a further large investment by the council
- Prudent financial modelling shows that the borrowing costs and any other financial hurdles are likely to be met for the purchase so there is no additional impact on the Medium Term Financial Strategy (MTFS), Capital and Treasury Management strategies

The Property Purchase Policy has not been designed for:

- Purchases where Cabinet process timescales are acceptable
- Purchases where the sole purpose is to generate income for the council
- Large scale regeneration purposes
- Purchases which are speculative and highly risky
- Acquisitions that include an additional financial commitment from the council which requires a separate decision and, were approval not granted, would make the initial purchase commitment void
- Purchases which are unlikely to be able to cover their own borrowing costs after accounting for their own operating costs within the MTFS period and beyond
- Individual purchases over £20m

It is intended that these kinds of purchases are still required to go through the existing Cabinet process.

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### 2. Property Purchase Capital Fund and Revenue Budget

A new £50m Property Purchase Capital Fund will be established and has been included as an envelope in the budget. A maximum purchase price of £20m per individual property transaction has been set and this will be drawn down as required.

A revolving corporate feasibility fund has been identified to explore potential opportunities in case of abortive acquisitions (for example, if a building condition survey reveals a serious structural issue). If acquisitions are successful, all costs will be capitalised.

### 3. Governance

#### 3.1 Property Acquisition Board

A new Property Acquisition Board (“the Board”) will be established to provide a robust decision-making framework.

The Board will meet when required to ensure that the council can react to the demands of a competitive market. Papers may need to be sent by email if diaries cannot be accommodated.

The Board will be chaired by the Strategic Director of Corporate Resources.

The Board will comprise of representatives from: Legal, Finance, Strategic Property and relevant Service representatives. Appropriate Directors and/or Strategic Directors may be invited if the acquisition is for their Service.

The Board will not have decision making powers itself but the individuals on the Board will include an officer (the Strategic Director of Corporate Resources) who has the ability to make a decision at each of the Gateway stages outlined below, and the relevant officer consultees needed to inform the ICMD decision making process.

#### 3.2 Decision Making Process

The decision-making process is designed for potential property acquisitions to pass 4 key gateways:

1. **Gateway 0 Opportunity screening** – basic assessment of the suitability of the opportunity and shortlisting by officers
2. **Gateway 1 Project Mandate** – Property Acquisition Board approval required for spend in next stage to further assess opportunity against the completed Project Mandate template and early due diligence
3. **Gateway 2 Business Case Approval** – Property Acquisition Board approval required for business case which includes the completed financial assessment tool with confirmation of funds from Finance and commensurate due diligence and evidence of good title

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4. **Gateway 3 Individual Cabinet Member Decision** - there will be a final decision to proceed with the acquisition by the Individual Cabinet Member for Good Growth following consultation with:
- the Leader of the council,
  - the Cabinet Member for Inclusive Economy,
  - the Strategic Director of Corporate Resources and
  - the Director of Legal and Democratic Services.

The process chart in Annexe A details the actions around the Gateways.

Due to the financial commitment required the following may apply for acquisitions under this process:

- Compliance with the key decision process including listing on the Forward Plan, publication of a report 5 clear days in advance and potential call-in (unless urgency procedures are required)
- Timelines for decision may shift if required

Conditions for purchase of land or property under this policy are:

1. Prudent financial modelling and sensitivity analysis shows the financial hurdles are likely to be met for the purchase including the costs of borrowing being met over the MTFS period and beyond
2. Consultation with relevant members and officers
3. Appropriate due diligence and risk assessment (including evidence of good title) proportionate to the amount of capital being invested and purpose of the purchase
4. Compliance with the relevant council financial guidelines
5. Sufficient funding being available in the capital programme and revenue budget

### 3.3 Due diligence for property purchases

Due diligence should be appropriate and commensurate to the type and size of the purchase. Where appropriate, external advice should be sought to provide assurance around the business case.

1. Either a Red Book Valuation or Development Appraisal from an external valuer
2. Building condition survey
3. An assessment of works and potential costs to bring the property to net carbon zero in line with our climate emergency targets
4. A clean title report
5. Site and environmental surveys including flood surveys
6. Checks around planning and land constraints
7. Assessment of the effect on MTFS (considering all applicable service costs)
8. Internal modelling using professionally sourced inputs where required
9. Sensitivities/scenario testing

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