

BOROUGH OF KETTERING

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Report Originator	Strategic Management Team	<i>Fwd Plan Ref No:</i>	
Wards Affected	All	12 th April 2017	
Title	PROPERTY INVESTMENT STRATEGY 2017 - 2022		

Portfolio Holder: Cllr Ian Jelley

1. PURPOSE OF REPORT

To present the Property Investment Strategy 2017 -2022 to the Executive for consideration and approval and to formalise the delegated authority for the acquisition process.

2. INFORMATION

- 2.1 The Council recognised, some time ago, that it needed to move towards a more commercial way of operating if it was to realise its aim of being more financially independent.
- 2.2 The Flexible Resources Working Group (FRWG), as part of a suite of recommendations regarding future working, reported to Council on the 19th April 2016 and the following recommendations were made:
- a) An asset management Board be set up as a cross party group of members to consider investment opportunities.
 - b) The Terms of reference of the Board were approved.
 - c) That the Executive be commended to delegate responsibility to the S151 officer to implement the instructions of the asset management Board.
 - d) Any changes to the Council's constitution relating to the above, which are necessary, be made.
- 2.3 As a consequence the Asset Management Board (AMB) was established to help shape the Council's new asset management arrangements through the development of a new Property Investment Strategy. It is likely that the AMB will be superseded in time with governance arrangements around specific delivery vehicles, which will be better determined and informed as the Asset Management Strategy progresses and the portfolio starts to build.
- 2.4 The AMB, or whatever arrangement supersedes it, had the responsibility for overseeing the development of this Property Investment Strategy and, subsequently, for monitoring the performance of the investments at an

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aggregate level (i.e. the overall performance of the portfolio against an agreed benchmark of performance).

3. PROPERTY INVESTMENT STRATEGY – PARAMETERS

3.1 The Property Investment Strategy incorporates all of the parameters agreed by the AMB; these were:

- a. Ethical - What (if any) ethical consideration should be in place to guide investments on assets.
- b. Location - Where the asset investment opportunity exists and what is acceptable.
- c. Risk & Returns - What is an acceptable range of financial return (net rate of return) for the portfolio as a whole? This will be referred to as the 'Aggregate Benchmark Rate of Return' (ABRR).
 - Deciding what risk profile is appropriate and what checks and balances it needs to have in place.
 - Operationally, the portfolio is likely to be split between safer/low risk based investments (which will generate a lower rate of return) and more riskier investments, that may generate a greater level of return – as long as the aim is to at least achieve the ABRR overall that would be acceptable.

4. ACQUISITION

4.1 The Property Investment Strategy is designed to provide a framework for Kettering Borough Council to compete in the property market on an equal footing enabling the acquisition of properties for investment at pace whilst ensuring that governance processes are in place, full assessments are made and risks are minimised.

4.2 Section 3 of the Strategy outlines one of the key strategic objectives; the requirement for a governance framework that enables the Council to move at a timely pace in line with the market decision making process .

4.3 The Asset Management Board have developed a clear framework for assessment for each individual asset prior to acquisition to enable this. Senior officers will assess and record each property investment opportunity against the criteria with the Strategic Management Team. This will result in a recommendation to either acquire a property or reject it.

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- 4.4 If the assessment favours a purchase the Council's S151 Officer, under delegated authority, will then begin the acquisition process. This is illustrated in the acquisition flow diagram as an Appendix to the Strategy. During the pre-completion stage the assessment and decision will be shared with the Asset Management Board members.
- 4.5 Due to the commercial sensitivity of the price and acquisition process it is essential that the details of the purchase will be private and confidential up to the point of completion.
- 4.6 The acquisition of an individual asset up to the value of £3 million will be through delegation to the S151 Officer. As this acquisition costs rise they will be subject to the following parameters: -
- Acquisition costs from £3 to £10 million delegation to the S151 Officer in consultation with the Finance portfolio holder.
 - Any acquisition from £10 to £20 million will be the S151 Officer in consultation with the members of the Asset Management Board.
 - Acquisitions above £20 million would be outside the budgetary framework and would be determined by Executive and/or Council.

5. REPORTING AND MONITORING

- 5.1 The criteria within the property investment framework will provide the template for the record of each acquisition decision.
- 5.2 As part of the Council's financial performance monitoring a quarterly report will be developed showing the:
- Acquisitions completed within the last quarter.
 - Net rate of return from the portfolio of property investments.
 - Portfolio management cost as a % of the portfolio value.

6. CONSULTATION AND CUSTOMER IMPACT

- 6.1 None

7. POLICY IMPLICATIONS

- 7.1 As outlined in the attached strategy

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8. FINANCIAL RESOURCE IMPLICATIONS

- 8.1 The Property Investment Strategy is a key component of the Council's Medium Term Financial Strategy.

9. HUMAN RESOURCE IMPLICATIONS

- 9.1 None at this stage. As the Council's property portfolio grows, it may be necessary in the future to reassess the property team capacity as the landlord management function increases.

10. LEGAL IMPLICATIONS

- 10.1 The Council has the following powers available to allow it to invest in commercial property in order to create an income stream:
- i. Investment - Section 12 of the Local Government Act 2003 gives the power to invest for any purpose relevant to the Council's functions or the prudent management of its financial affairs.
 - ii. Borrowing – Section 1 of the Local Government 2003 gives the power to borrow for any purpose relevant to its functions and for the purposes of prudent financial management.
 - iii. General power of Competence – Section 1 Localism Act 2011 – this power may be used to allow the Council to invest in property for commercial purposes
- 10.2 In some circumstances commercial activity must be undertaken through a company. Specialist legal advice will be obtained to ensure that the purchases made under the investment strategy fall within the legal powers available to the Council.

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11. RECOMMENDATION

- a) that the Property Investment Strategy be approved
- b) that the Executive delegate responsibility to the S151 officer to purchase assets within the approved capital budget subject to the following parameters:
 - Acquisition of an individual asset up to the value of £3 million will be through delegation to the S151 Officer.
 - Acquisition costs of an individual asset above £3 million to £10 million, delegation to the S151 Officer in consultation with the Finance Portfolio Holder.
 - Acquisition costs of an individual asset above £10 million to £20 million will be the S151 Officer in consultation with the members of the Asset Management Board.