

REPORT TITLE: STRATEGIC ASSET PURCHASE SCHEME

13 NOVEMBER 2017

REPORT OF PORTFOLIO HOLDER: Cllr Guy Ashton – Portfolio Holder for Finance

Contact Officer: Joseph Holmes Tel No: 01962848220 Email  
[jholmes@winchester.gov.uk](mailto:jholmes@winchester.gov.uk)

WARD(S): ALL

PURPOSE

Following review of the Strategic Asset Purchase Scheme (SAPS) over the first nine month of activity, it is proposed to increase the scheme's fund by an additional £15m; this will bring the total allocated to £30m. The scheme has worked well to date with the first purchase being the Bus Station, which was subject to Council approval, and with further potential acquisitions being brought to the SAPS Board. The Council has been made aware of further potential acquisitions that would potentially put the fund to above £15m. The Council is therefore requested to increase the SAPS fund.

RECOMMENDATIONS:

That Cabinet recommend to Council:

1. That the Strategic Asset Purchase Scheme fund be increased by an additional £15m to be eventually financed by prudential borrowing
2. That amendments to the Scheme such that:
  - (a) a minimum of a 65% score against the existing agreed criteria is required; and
  - (b) the Portfolio Holder for Finance and Finance Manager (Capital & Treasury) be members of the SAP Boardbe approved.
3. That the proposed acquisition detailed in exempt Appendix A of the Report be approved.

## IMPLICATIONS:

### 1 COUNCIL STRATEGY OUTCOME

2 The report contributes towards the Council Strategy as it is delivering one of the aims under the 'entrepreneurial approach' outcome.

### 3 FINANCIAL IMPLICATIONS

3.1 The financial implications of individual acquisitions will be considered on a case by case basis by the Board and, where an acquisition exceeds £4m, by Council.

3.2 As acquisitions will hasten the need for external borrowing (alongside the wider capital programme) for the Council, due consideration will be given to the yield a property will generate alongside how it will meet the Council's strategic objectives.

### 4 LEGAL AND PROCUREMENT IMPLICATIONS

4.1 The Council has the power to purchase assets for investment purposes and has implemented the Strategic Asset Purchase Scheme. This report seeks approval to increase the scheme fund. There are no specific legal or procurement issues arising from this report.

### 5 WORKFORCE IMPLICATIONS

5.1 None

### 6 PROPERTY AND ASSET IMPLICATIONS

6.1 A number of opportunities for the acquisition of property are arising. The properties under consideration are either of strategic importance in the delivery of Council objectives, or are capable of generating income streams.

6.2 Opportunities to acquire property often have to be pursued quickly and if those opportunities which arise are to be secured, it is necessary to have the funds available in order to conclude a timely purchase.

### 7 CONSULTATION AND COMMUNICATION

7.1 Discussed at SAPS Board meeting and agreed by S151 officer.

### 8 ENVIRONMENTAL CONSIDERATIONS

8.1 When a property is considered for acquisition there are occasions where environmental issues may need to be investigated. If concerns about the potential for pollution within a site are triggered, a range of options to determine its extent will be explored. This can vary from requesting an environmental search in the Local Land Charges up to a detailed analysis of site conditions by an appropriately qualified consultant. It may be necessary to

adjust the purchase price or not to proceed with a purchase if the extent of and liability for pollution on a site cannot be agreed.

- 8.2 In other cases a property may have its development potential limited by nesting birds, roosting bats or other protected species. Again if concerns are raised about the impact of wild life on a property appropriate surveys would be undertaken and the potential for mitigation identified.

## 9 EQUALITY IMPACT ASSESSMENT

- 9.1 None

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property</i>		
<i>Community Support</i>		
<i>Timescales</i>		Ability to use the governance structure in place ensures a faster speed of decision making for purchases
<i>Project capacity</i> Insufficient resource to manage properties	The risk has been mitigated by appointing external agents to undertake the valuation of property, to assist with the purchase negotiations and to manage the instruction of Solicitors.	Agents are able to access off market opportunities for the Council which it would not otherwise hear about.
<i>Financial / VfM</i> Inability to finance long-term borrowing need	SAPS Board to give due consideration to impact on revenue budgets and ability of Council to finance future borrowing  Consideration given to expected yield and quality of tenants	Borrowing costs available to the Council are at historic lows increasing the potential net yield
Cost of borrowing available to the Council increases	Monitoring interest rates and forecasts in conjunction with the	

	Council's treasury advisors and, where advantageous to do so, borrowing ahead of need	
<i>Legal</i>		
<i>Innovation</i>		
<i>Reputation</i> – Government reduces the Local Government sector's ability to borrow	The Council's strategy is focussed on financial returns amongst other objectives including economic development. Any potential adjustments from Government are unknown at present.	
<i>Other</i>		

## 11 SUPPORTING INFORMATION:

- 11.1 The Council approved the Strategic Asset Purchase Scheme (SAPS) at the January full Council meeting. The budget for the SAPS was set at £15m. To date, the Council has spent £4.7m and allocated further funding in a pending transaction. Therefore, the Council has a residual fund of £10.3m though this could be reduced in the coming days. The SAPS governance includes that any transaction over £4m be brought to full Council for approval.
- 11.2 There are now other properties that could be made available to the Council to purchase. If all of these properties were purchased then the Council would exceed the original allocation of £15m. Full Council are requested to increase the allocation to the SAPS fund by a further £15m to £30m.
- 11.3 The SAPS has been in place for nine months and there have been five meetings of the Board to date. A variety of potential acquisitions have been considered. There are two clarifications of the scheme. Firstly that the total score should be a minimum of 65% (which is per the original report highlighting a minimum figure of 65 out of 100) and secondly the membership should also include the Portfolio Holder responsible for Finance and the Finance Manager (Capital & Treasury). This is implicit in the original paper but this seeks to clarify this position. All existing governance structures remain in place and there are no proposals to amend these.
- 11.4 On 2nd November the Bank of England increased the base rate from 0.25% to 0.5%. It is not expected to have a material impact on the Council's cost of borrowing in the short term. Interest rates and forecasts are monitored in conjunction with the Council's treasury advisors; the impact of any significant change is considered in the context of the Council's overall borrowing need including the timing of external borrowing.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Option 1 - Retain the existing £15m limit. This has been rejected as it would mean the Council potentially missing out on opportunities to enhance the Council's financial position, asset management base and economic development activity.
- 12.2 Option 2 – Increase the SAPS limit beyond a further £15m. This has been rejected as the existing limits and ability for the full Council to hold the SAPS Board to account within the existing governance framework has worked well to date and enables full Council to exercise reasonable control over the scale of the SAPS.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

CAB 2872

#### Other Background Documents:-

None

### APPENDICES:

Appendix A - Proposed Acquisition (exempt)