

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF THE CONSTITUTION WORKING PARTY ON 30 NOVEMBER 2020

SUBJECT: Committee Responsibility for Land Property and Asset Management.

REPORT AUTHOR: Nigel Lynn, Chief Executive

DATE: November 2020

EXTN: 37600

PORTFOLIO AREA: Corporate Support, Economic, Residential and Community Wellbeing

EXECUTIVE SUMMARY:

This report proposes the allocation of responsibilities for land property and asset management to the Economic Committee, notes the allocation of HRA land assets and property to Residential and Wellbeing Committee and confirms the financial thresholds for delegation to officers

RECOMMENDATIONS:

The Working Party is requested to recommend to Full Council:

1. To note that Residential and Well Being Services Committee is delegated all functions (acquisition, disposal, declaring as surplus to requirements, repair and maintenance) relating to HRA land assets and property both residential and commercial (this includes the small number of residential properties held for accounting purposes in the General Fund but let and managed by Residential Services);
2. To resolve that Economic Committee be delegated responsibility for all functions is delegated all functions (acquisition, disposal, declaring as surplus to requirements, repair and maintenance) relating to General Fund land assets and property both residential and commercial; responsibility for the General Fund Property Investment Strategy and the Development of a Commercial Strategy;
3. To resolve that the threshold values for delegation to officers remain as they are but Corporate Policy and Performance Committee be delegated responsibility for reviewing the thresholds in consultation with the Chief Executive and the Section 151 Officer; and
4. The Monitoring Officer make consequential changes to the wording of the Committee terms of reference to reflect the outcome of the above recommendations.

1.BACKGROUND:

The Working Party has asked for an understanding of the property land and asset terminology used in the delegation of functions to Committees and to officers. This is in order for it to best understand how to allocate functions between the new Committees proposed for 2021/22 Municipal year when the new Committee style constitution comes into effect.

The current proposal is that Property and Asset Management is within the terms of reference of two Committees, Corporate Services Committee and Economic Committee. When this was originally tabled the distinction or rationale for this division was not clear and led to discussions over a number of meetings of the Working Party. This report provides additional background information including how terminology has been used..

As initially proposed the Corporate Services Committee would have responsibility for the Asset Management Strategy and for the Property Investment Strategy. In particular it would

“determine matters relating to the acquisition of or disposal of land and assets where the value exceeds £750,001 considered under the Property Investment Strategy”

As initially proposed The Economic Committee is to have responsibility for

“Property and Estates” would lead on the “Commercial Strategy” and would have responsibility for matters “relating to the disposal of land and assets where the value exceeds £250,001(other than the commercial properties dealt with through the Property Investment Strategy by the Corporate Policy and Performance Committee)”[this is a typo]

The Council does not currently have a Commercial Strategy.

The Working Party has proposed that the Asset Management Strategy and the Property Investment Strategy be the responsibility of the Economic Committee.

A further iteration has been proposed that the Corporate Committee be responsible for operational properties and that commercial properties be the responsibility of the Economic Committee. However, investigations have revealed that it is not possible to categorise properties and land in this manner. This is because the Council has a Property Investment Strategy where assets are categorised as

1. Full Operational (corporate) properties from which services are delivered
2. Part Operational properties (partly let out on a commercial basis)
3. Commercial properties leased out on a commercial basis
4. Properties leased out in a non -commercial basis to community organisations
5. Concessions

In the absence of a coordinated council wide commercial strategy the allocation of these land assets and properties by way of a constitutional settlement is a reversal of the proposition that *form should follows function*. The form of the constitution is not the place to determine the operation of the Council’s commercial function.

Housing Properties come under the HRA and are not part of this report other than for noting purposes. For clarity and avoidance of doubt HRA Assets and Property come under the auspices of the Residential and Wellbeing Services Committee. This Committee will decide on the acquisition, disposal and repairs, maintenance and improvement of HRA Land and Property, whether residential or commercial. (This includes the small number of residential

properties held for accounting purposes in the General Fund but let and managed by Residential Services).

The following considerations are relevant to the allocation of property functions: -

Commercial Strategy - there is no commercial strategy yet in existence, but it is proposed that a strategy be developed so that there is a coordinated Council wide approach to commerciality including the approach to land and other assets.

Asset Management Strategy

The Council has a core annual programme comprising asset management of all non HRA assets. This involves capitalised repairs and improvements for all the Council's non HRA assets. The Asset Management Strategy establishes the priorities for this programme having regard to the condition of the various assets and their respective priorities in terms of delivering council services or generating income. In other words, it informs which properties are to be repaired improved or disposed of in any given year. The Strategy is currently developed by Cabinet and proposed to be allocated to Corporate Services Committee

Capital Strategy (Corporate Policy and Performance Committee)

The Capital Strategy is a strategy for capital investment decisions over the next three years and informs the detailed annual capital budgets over that time period. The strategy aims to balance capital expenditure needs and expectations with the available resources. The capital strategy is supported by the capital programme.

Capital Programme

The Capital programme for the HRA and the General Fund are completely separate entities each having their own budget and financial model and for these reasons the HRA capital programme and General Fund capital programme are treated separately.

HRA Capital Programme (Residential and Wellbeing Services Committee)

The HRA capital programme 2020 to 2022 proposes the acquisition 250 new dwellings over the 10-year life of the plan. The acquisition will be funded from RTB receipts subject to availability and borrowing.

The General Fund Capital programme

The General Fund capital programme is currently funded by (1) Grants (2) Section 106 contributions (3) capital receipts (4) Direct Revenue contributions and (5) Borrowing (6) and in future CIL.

Property Investment Strategy and Fund (Economic Committee)

The Property Investment Strategy sets the framework for property investment decisions funded from the sale of Council assets (General Fund capital receipts) in order to generate revenue income to support services. Council policy is to use non HRA Capital receipts in support of the General Fund capital programme

The Property Investment Fund has been established with the aim of acquiring properties to generate a return for the Council. Property acquisitions are funded by earmarking a proportion of the Council capital receipts from land and property disposals. Acquisitions can only be made once a full business case has been completed and the risks fully understood and evaluated.

The Economic Strategy when developed will be broader than just using a proportion of general fund capital receipts to make property investments decisions.

Financial Delegation Thresholds

Officers consider that the proposed financial thresholds for both committees (which reflect current practice) should ideally be increased but some CWP Members wanted the thresholds to be reduced further. It was decided to leave this as proposed for the time being.

3. OPTIONS:

Members have five options to consider

Option 1

Do nothing. This is not an option as the transition to committee governance requires a decision

Option 2

All land and property assets except HRA to be responsibility of the Economic Committee

Option 3

All land and property assets except HRA land and assets to be responsibility of the Corporate Services Committee.

Option 4

All land and property assets except HRA to be responsibility of the Economic Committee pending the development of a Commercial strategy.

Option 5 - a combination of the other options as follows:

	Type of asset	Committee
1.	Full operational (corporate) properties from which services are delivered	Corporate
2.	mostly operational properties (partly let out on a commercial basis)	Corporate
3.	mostly commercial (partly occupied for operational purposes)	Economic
4	Commercial properties leased out on a commercial basis	Economic
5	Properties leased out in a non -commercial basis to community organisations	Corporate
6	Concessions	Economic
7	Car Parks, Leisure Centres, Play areas, toilets, cemeteries, parks and similar assets	Relevant Service committee

4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council	NA	
Relevant District Ward Councillors	NA	
Other groups/persons (please specify)	NA	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial		NO
Legal		NO
Human Rights/Equality Impact Assessment		NO
Community Safety including Section 17 of Crime & Disorder Act		NO
Sustainability		NO
Asset Management/Property/Land		NO
Technology		NO
Other (please explain)		NO
6. IMPLICATIONS:		
The Council needs to have included its review of the new Constitution ready for the new Committee structure which will come into force in May 2021.		

7. REASON FOR THE DECISION:

Option 2 is considered to be the best practicable option. The Council is inching towards developing a co-ordinated commercial approach to General Fund land asset and property management. As “*form follows function*” it is inappropriate to decide the constitutional form for property management before the function has been developed. Therefore in order to allow the Economic Committee to develop a Commercial Strategy all land and property assets except HRA land assets and property are to be responsibility of the Economic Committee. The development of the Commercial Strategy will determine the subsequent committee allocation of these responsibilities.

8. BACKGROUND PAPERS:

Previous reports to the Working Part – 17 and 24 August 2020 and 12 October 2020

