

REPORT TO COUNCIL – 27 January 2016

REPORT OF CABINET – 18 January 2016

Cabinet met on 18 January 2016. The minutes are published on the Council's website.

The following Members were present at the meeting:

Present:

Mayor Dorothy Thornhill
Councillor Johnson
Councillor Scudder
Councillor Sharpe
Councillor Taylor
Councillor Watkin

Also present:

Councillor Bell
Councillor Mehta

The following was a recommendation to Council:

39 PROPERTY INVESTMENT STRATEGY, GOVERNANCE AND MANAGEMENT ARRANGEMENTS

A report was received from the Head of Regeneration and Development on the progress that had been made to date since the Property Investment Board was established in March 2015. The report also included a proposed Property Investment Strategy recommended by the Property Investment Board.

Councillor Sharpe commented that as it had been alluded to earlier, the Council's funding from central government would diminish to nothing in the future. If the Council was to retain the current level of services and fulfil its aspirations then it would be necessary to seek other ways to generate income and make the best use of resources. The Council's property portfolio had a value of £100m. However, the key issue was that the portfolio was dominated by retail which did not necessarily achieve the best returns. Through the property review it was being clarified which assets were important for operational or community reasons and which were there to provide an income.

This was a dynamic area which did not sit well with committee meeting schedules. The purpose of the report was to enable quicker decisions to be

made by increasing the delegation and enabling decisions to be made by the Property Investment Board in accordance with the Property Investment Strategy. Council would be asked to agree the changes to the constitution on the levels of delegation. Any decisions on property had to be subject to a business case agreed by the finance and legal sections. The decisions would be reviewed through the Major Projects Board where questions could be raised. It was necessary, however, to be able to move quickly when properties came onto the market.

Councillor Bell commented that the Property Investment Board had met on four occasions in 2015, and again today. There needed to be more Major Projects Board meetings on a regular timetable as currently they were often cancelled. It was important for back bench councillors to have the opportunity to review decisions.

The Mayor considered that Councillor Bell had a valid point. It was also important that the policy and framework were very clear so councillors would be reassured about governance. Once a decision was taken to purchase property it would be final.

The Managing Director commented that decisions that were made within the context of the investment strategy were approved by the Property Investment Board. The report included a matrix which would be used to determine which properties would be an appropriate purchase. He suggested inviting Lambert Smith Hampton to Major Projects Board to demonstrate how the criteria from the matrix would be applied, what sort of acquisitions might result and the format of the business case so the members could see the structures involved. For example purchasing high value light industrial properties would give a better return than the 6% yield on retail properties which the council was receiving currently. The decisions taken were purely commercial and not political.

The Mayor commented that a similar practice had been in place at Hertfordshire County Council for a number of years and asked Councillor Bell to feedback any information to Watford if there were any further helpful practices.

In response to a request from Councillor Bell the Managing Director agreed to provide a list of the properties going to auction in February.

RESOLVED

That Cabinet:

1. approves the property investment strategy annexed to the report.
2. agrees further changes to the scheme of delegation in order to expedite decision making and ensure a commercial approach.

3. recommends to Council further changes to the constitution to that end.
4. notes that decisions on funding the acquisition of replacement assets by recycling receipts from the disposal of investment property will be made by the Property Investment Board in accordance with the agreed Property Investment Strategy, taking into account the Council's other financial commitments.
5. that in order to ensure a commercial approach to property investment management, services including rent collection are outsourced and that the Head of Regeneration and Development is authorised to procure and appoint an appropriate specialist firm.

Appendices

- Report to Cabinet 18 January 2016.