



Cabinet

Tuesday, 11 February 2025

Asset Investment Group Terms of Reference

Report of the Director – Finance and Corporate Services

**Cabinet Portfolio Holder for Finance, Transformation and Governance,
Councillor D Viridi**

1. Purpose of report

To provide an update on governance regarding the Asset Investment Group (AIG) and that the AIG Terms of Reference (ToR) are refreshed along with the rationale for both the AIG and the associated ToR.

2. Recommendation

It is RECOMMENDED that Cabinet approves the Terms of Reference for the Asset Investment Group at paragraph 4.5.

3. Reasons for Recommendation

To ensure good governance is maintained in the acquisition of assets on behalf of the Council.

4. Supporting Information

4.1. The purpose of the Asset Investment Group (AIG) originally was to ensure 'fleet-of-foot' property decisions could be made, linked primarily to commercial decisions. This was linked to driving financial return to support the Council's budget. Subsequently CIPFA introduced rules to prohibit such investments, primarily stating Councils cannot borrow from the Public Works Loans Board if its Capital Programme includes asset acquisition where the prime intention is commercial return. Consequently, the Council has refrained from such asset investments and no longer has an Asset Investment Strategy, which was predicated on asset acquisition for commercial return.

4.2. The Council has always been mindful that there needs to be strict governance regarding both making and reporting on such decisions ie asset acquisition or disposal (and this is subject to the Council's Asset Acquisition and Disposal Policy). The Governance process surrounding asset acquisitions is summarised at Appendix A. The processes in place strike a balance so that 'fleet of foot' decisions can be taken with regards to asset acquisition, or disposal (via a business appraisal process); and that there is necessary accountability and transparency through either individual Cabinet reports on the

acquisition or retrospective Cabinet endorsement via the normal budget monitoring process. The Council's standard governance processes prevail. The reporting to Cabinet, Corporate Overview Group, Governance Scrutiny Group; and ultimately changes to the Capital Programme to Full Council, ensures there are checks and balances in the decision-making process.

- 4.3. Whilst the Council does no longer acquire assets for pure commercial reasons it may need to acquire assets for other reasons. A recent example is the potential acquisition of land for carbon offsetting and allocating funds for potential asset acquisition. Given £1.5m has been made available, the relatively small size of the fund means the requirement for such decisions will be infrequent. Furthermore the relatively high cost of land in Rushcliffe and availability of suitable land means opportunities are limited.
- 4.4. A key part of the process is the role of the AIG. The nature of asset availability is ad hoc, and opportunities can arise at any moment in time. Considering asset acquisition involves many factors, whether property focused, finance issues, and broader social, environmental and governance factors. Pertinently these involve confidential decisions due to both the commercial nature of making an 'offer' for the acquisition as well as the often-short time frame to make such offers. This requires both members of the Council's executive and necessary professional decision making by relevant officers, thus ensuring confidentiality, proper due diligence and expedient decision making.
- 4.5. To take account of the move away from acquisition for purely investment purposes, it is proposed that the broad Terms of Reference for the AIG are revised as follows:
 - Frequency of meetings are ad hoc, dependent on when opportunities for asset acquisition or disposal avail.
 - Membership of the Group is linked to executive and professional disciplines required. The core Group consists of the Leader, Chief Executive Officer, Portfolio Holders for both Finance and Property and also the Directors responsible for both Finance and Property.
 - A quorate of a minimum of four individuals (Two Councillors and two officers) is required for such decision making.
 - Asset appraisal reports are completed and input is likely from other professional disciplines in particular the Director for Neighbourhoods and the Council's Monitoring Officer (e.g. environmental and legal implications).
 - Any decisions taken will be reported to Cabinet and subject to any necessary scrutiny and the Council's finance and contract standing orders.

5. Alternative options considered and reasons for rejection

The Council could decide not to have an Asset Investment Group but this would compromise its ability to effectively acquire future assets.

6. Risks and Uncertainties

- 6.1 Any asset investment requires proper asset appraisal to ensure property, environmental, finance and legal risks in particular are addressed. The AIG should ensure business cases are properly appraised and reported to Cabinet with any other necessary scrutiny. This should ensure proper transparency and accountability and that the investment meets the Council's corporate objectives.
- 6.2 A poor investment decision could lead to an increase in financial costs or not achieve its desired social and/or environmental value and a potential adverse impact on the Council's reputation.
- 6.3 Broader property and financial risks are balanced by portfolio diversification.

7. Implications

7.1. Financial Implications

There are no direct financial implications. Any potential asset acquisition will have financial implications assessed.

7.2. Legal Implications

There are no direct legal implications. Any potential asset acquisition will have its legal implications assessed.

7.3. Equalities Implications

There are no direct equalities implications.

7.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no direct implications.

7.5. Biodiversity Net Gain Implications

Any BNG implications will be considered with any individual asset acquisition.

8. Link to Corporate Priorities

The Environment	Land acquired for carbon offsetting should improve the environment.
Quality of Life	There are no quality of life implications.
Efficient Services	Any acquisition has to be within the confines of the council's overall budget envelope.
Sustainable Growth	There are no sustainable growth implications.

9. Recommendation

It is RECOMMENDED that Cabinet approves the Terms of Reference for the Asset Investment Group at paragraph 4.5.

For more information contact:	Peter Linfield Director – Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Cabinet Report, 21 July 2015 Asset Investment Strategy 2015 – 2020
List of appendices:	Appendix A – Governance Arrangements for Asset Acquisition or Disposal

Governance Arrangements for Asset Acquisition or Disposal

