

Bath & North East Somerset Council

DECISION MAKERS:	Cllr Paul Crossley, Cabinet Member: Leader of the Council Cllr David Bellotti, Cabinet Member for Community resources	
DECISION DATE:	7 July 2014	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2685
TITLE:	Assignment of premises	
WARD:	Kingsmead	
AN OPEN REPORT CONTAINING EXEMPT APPENDICES		
List of attachments to this report: Appendix One – Business Case Appendix Two – Site Location and Layout Plans		

1 THE ISSUE

1.1 This report sets out the terms of the proposed acquisition by way of assignment and surrender of a Property.

2 RECOMMENDATION

The Cabinet Members are asked to approve:

2.1 The acquisition of a property by way of assignment and surrender.

2.2 Capital spend on the acquisition of the property and the necessary adjustments to the 2014/15 capital budget to reflect this approval.

The Cabinet Members are asked to note:

2.3 The intention is to temporarily finance the requirements of this investment pending the generation of a capital receipt from further disposals and/or restructuring of individual leases within the commercial estate. The money generated from such disposals will be 'ring fenced' to fund this and any such future acquisitions as and when necessary and to pay down the debt from previous acquisitions/transactions which have been undertaken in line with the Council's investment approach in respect of the Council's commercial estate.

2.4 The 'ring fencing' of receipts does not apply to those receipts already included in the Approved budget to fund the future Capital programme.

3 FINANCIAL IMPLICATIONS

The intention is to temporarily finance the requirements of this investment pending the generation of capital receipts from further disposals and/or restructuring of individual leases within the commercial estate. A business case and the financial implications are set out in Appendix One.

The actual method of the temporary financing will be a Treasury Management decision and will be based on the availability of cash balances, the overriding need to borrow and any other considerations required to manage the Council's cash and debt positions.

The Council's capital programme includes a provisionally approved budget of £10million in 2014/15 and a further £5million in 2015/16 for property acquisitions which lead to future revenue generation. This report requests the full approval of the capital spend on the acquisition of this property and the necessary adjustments to the 2014/15 capital budget to reflect this approval.

This proposal links to the already approved Medium Term Service Resource planning requirement to generate an additional £1 million of income from the Commercial Estate as part of the 2013/14-2015/16 planning period.

4 CORPORATE PRIORITIES

4.1 There are no direct corporate priorities that are taken into consideration in this matter. Indirectly the increased income generated will help the Council to achieve the priorities. The Council's objective for its investment estate is to obtain a reasonable return and to ensure secure income. The acquisition of the property is in pursuance of the benefits it will confer upon the Council and its area, in accordance with s120 of the Local Government Act 1972. The acquisition increases the Council's legal ownerships facilitating the implementation of an estate management strategy for that particular area of the City which is subject to on-going regeneration and public realm works.

5 THE REPORT

5.1 Background

5.1.1 The Council has been given an opportunity to acquire the leasehold interest in a property. Details are attached as Appendix One.

5.1.2 The Property is a landmark building comprising lower ground, ground and two upper floors. In total, the property extends to just under 2,508.3 sq m (27,000 sq ft). It is located in the city centre, in a prominent position, although in a secondary location.

- 5.1.3 The Council holds the Freehold interest in the property. The interest that will be assigned to the Council is the remainder of the leasehold interest, namely a lease with approximately 128 years remaining at a peppercorn rent. The entire property has been sub-let with individual tenancies.
- 5.1.4 A plan of the site is set out in Appendix Two, detailing the Council's current interests, together with the premises which is proposed to be assigned.
- 5.1.5 An external acquisition agent (Hartnell Taylor Cook) was engaged to assist with the proposal.
- 5.1.6 On their advice the Council prepared the offer as set out in Appendix One.
- 5.1.7 Council's approval to the items contained in paragraph 2 is required.
- 5.1.8 Such approval would normally be dealt with by way of a Cabinet decision. However, given the timescales and urgency surrounding the submission of the offer and subsequent formal exchange of contracts, if successful, the Council's s151 Officer and Corporate Property Officer have resolved that the decision needs to be made by the Cabinet Members under rule 4 of the urgency provisions in the Constitution.

Accordingly the matter was placed on the agenda of the Group Leaders meeting on Monday 7th July 2014, for discussion. In order to accommodate the formal requirements of the rule 4 decision, an invitation to the meeting was also sent to Councillor John Bull, the Chair of the Resources PDS Panel (in addition to his capacity as Group Leader), and Vernon Hitchman as Council Monitoring Officer. Tim Richens as s151 Officer, and Richard Long as Corporate Property Officer (and report author) also attended.

5.2 Structure of deal

- The Council will acquire the leasehold interest of the Property, by way of assignment and surrender. A reverse premium will be paid to the assignor for their interest.
- The purchase will be funded by temporary financing. The internal financing will be structured so that it amounts to long term debt funding with the capital being repaid by way of disposal of low income producing assets or reversionary interests. It is anticipated that the loan will be redeemed over the short to medium term.
- The cost of internal financing is less than the rental income which will be received from the Property.
- A detailed Business case is set out in Appendix One.

6 RISK MANAGEMENT

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

7 EQUALITIES

7.1 The equalities impact has been assessed and it is considered that there no issues to have an impact on the matter.

8 RATIONALE

8.1 The rationale for the recommendation is supported by the business plan as set out in Appendix One.

9 OTHER OPTIONS CONSIDERED

9.1 None.

10 CONSULTATION

10.1 The decision is being taken under the special Urgency provisions of the Council’s constitution (Rule 16). The Chair of the Resources PDS Panel has agreed that special urgency provisions apply. The comments of the Chief Executive, Monitoring Officer and Chief Financial Officer were also obtained.

11 ADVICE SOUGHT

The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services), and Section 151 Officer (Divisional Director - Finance).

Contact person	Richard Long – Corporate Property Officer (Head of Property) 01225 477075
Background papers	None
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