

Bath & North East Somerset Council		
DECISION MAKERS:	Cllr Charles Gerrish, Cabinet Member for Finance and Efficiency	
DECISION DATE:	26 October 2016	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2916
TITLE:	Property acquisition, Bath	
WARD:	Abbey	
REPORT CONTAINING EXEMPT APPENDICES		
List of attachments to this report:		
Appendix One – Business Case (Exempt by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972)		
Appendix Two – Site Location (Exempt by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972)		

1 THE ISSUE

- 1.1 The capital programme for 2016/17 currently has £5.9m fully approved and a further £5m provisionally approved for property acquisitions. This report seeks to move an element of the £5m provisionally approved budget to a full approval in order to fund this acquisition.

2 RECOMMENDATION

- 2.1 The Cabinet Member agree that £1,788,650 of the £5 million funding provisionally approved by Council in February 2016 for property acquisition be fully approved.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 A provisional budget of £5m was approved by Council in February 2016 for property acquisitions.
- 3.2 Total costs of the proposed acquisition are £7,761,650. This report seeks approval to draw down £1,861,650 from the provisionally approved budget of £5m with the remaining £5.9million funded by the budget already approved by Council in February 2016.
- 3.3 The acquisition costs will be funded by service supported borrowing, costs of which have been factored in against future rental income projections.

3.4 This acquisition will contribute towards achieving the revenue income targets set out within the strategic review.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 In terms of the Corporate Strategy this acquisition has direct relevance in the following areas:

- A Strong economy & growth – As a major landlord the Council is able to exercise active management over its estate in seeking to reduce the number of voids and seeking to ensure a wide and varied mix of retail uses within the city centre.
- An efficient business – this acquisition contributes significantly towards achieving the Council's strategic review targets as well as the Directorate Plan income generation aspirations.

4.2 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 nearby in Sawclose.

5 THE REPORT

5.1 The Council has been given an opportunity to purchase a retail investment which generates revenue income essentially from four occupational lease interests which, in total, generate a passing rent of £446,400 per annum. Three of the tenants have a Delphi Score that reflects a 'very low risk' of business failure.

5.2 The Property comprises a four story mainly Grade II Listed period property but with modern infill also. The ground floor retail units are currently fully let and there are 39 residential flats which are sold off above on a three long leases. The retail units extend to 15,301 sq ft in total.

5.3 The Property is held by way of part freehold and part long leasehold ownership. The long leasehold is made up of three leases which are for a term of 150 years from 8 April and 7 October 1998, expiring on 4 April and 3 October 2148 (c.132 years unexpired) respectively, at an annual rent of a peppercorn, without further review. The Council is the Superior Landlord, i.e freeholder of these leases.

5.4 The Council has been advised in this acquisition by external agents Bruce Gillingham Pollard.

5.5 Site location plans are attached in the appendix to this report.

5.6 The acquisition is to be funded through long term borrowing. The cost of internal financing is less than the rental income which will be received from the Property

5.7 A more detailed analysis of the acquisition and a supporting business case is provided within the appendix attached to this report.

6 RATIONALE

6.1 The rationale for these decisions is largely on a value for money basis, having considered the risks to the Council of not taking them, including the risk to the delivery of the project.

7 OTHER OPTIONS CONSIDERED

7.1 None

8 CONSULTATION

8.1 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 in accordance with the Rule 16 requirements.

9 RISK MANAGEMENT

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

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Background papers	None
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