

Bath & North East Somerset Council		
MEETING/ DECISION MAKER:	Cllr Charles Gerrish, Cabinet Member for Finance and Efficiency	
MEETING/ DECISION DATE:	On or after 25th March 2017	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2953
TITLE:	Acquisition of an income generating property investment to incorporate within the Commercial Estate.	
WARD:	N/a	
AN OPEN REPORT CONTAINING EXEMPT APPENDICES		
<p>List of attachments to this report:</p> <p>Annex - Access to Information Arrangements (Exclusion of access) - Information Compliance Ref: LGA 403/17</p> <p>Appendix One EXEMPT – Business Case (Exempt by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972</p> <p>Appendix Two EXEMPT – Valuation Report (Exempt by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972</p>		

1 THE ISSUE

- 1.1 This report sets out the terms of the proposed acquisition of an income generating investment property.

2 RECOMMENDATION

The Cabinet Member is asked to approve:

- 2.1 The acquisition of an investment property.
- 2.2 Capital expenditure on the acquisition of the property and any necessary adjustments to the 2017/2018 capital budget to reflect this approval.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 A budget of £53.6m was provisionally approved by Council in February 2017 for property acquisitions. Release of this funding is subject to individual business case for each investment opportunity. Total costs of the proposed acquisition are £9.6m including fees.

3.2 The Council's capital programme includes a provisionally approved budget of £29.1 million in 2017/18 and a further £24.5 million in 2018/19 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 2017/18 capital budget to reflect this approval.

3.3 This proposal links to the already approved Medium Term Service Resource Plan which places a requirement to generate an additional £1.475 net million of income from the Commercial Estate as part of the 2017-18 to 2019-20 budget period.

3.4 The acquisition costs will be funded by service supported borrowing, costs of which have been factored in against future rental income projections.

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 – The Council is able to exercise active management over its property holdings and seek to ensure a varied portfolio mix and diversification of risk.
- 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 In line with the Council's Financial Plan the income will be earmarked to protect frontline services, including the provision of adult social care; children and environmental services pursuant to the Councils general power of competence under s.1 Localism Act 2011.

4.3 The acquisition of the property is in pursuance of the benefits (and in particular those of an economic nature) that it will confer upon the Council and its area, in accordance with s120 of the Local Government Act 1972. The acquisition aligns itself with the emerging strategy for the future management of the Council property portfolio.

4.4 The economic benefits conferred to the Council and its area specifically include:

- 4.4.1 Diversification and mitigation of risk to the portfolio, in terms of location, sector and type;
- 4.4.2. Council resourcing - the acquisition will provide resources required to assist in the delivery of the Council frontline services, which benefits the Council and its area directly; and
- 4.4.2. Opportunity – There are limitations in terms of demand and supply from being geographically constrained. By seeking opportunities within an appropriate drive time distance and within the LEP and other neighbouring areas, outside B&NES,

provides exposure to a larger number of significant assets which provides scale.

5 THE REPORT

- 5.1 The Council has been given an opportunity to purchase the freehold interest of an industrial investment which generates revenue income from a single occupational lease which produces a passing rent of £696,094 per annum. In accordance with the emerging acquisition strategy this opportunity is located outside of the Council's geographical area.
- 5.2 A 'Creditsafe' rating has been sought by the Council's advisers and this shows a rating of 85, which represents a 'very low risk' Company.
- 5.3 The Property comprises a bespoke industrial warehouse constructed in 2004 and extends to approximately 89,862 sq ft (8,348 sq m) of warehouse and office accommodation. The property has a high office content and the warehouse provides production and product test area.
- 5.4 The Property is held freehold. It is subject to an occupational lease for a term of 20 years expiring 30th April 2025 with five yearly rent reviews increasing by 12.5% of the preceding rent.
- 5.5 An external acquisition agent (Hartnell Taylor Cook) has been engaged to assist with the purchase and an independent Valuer (Knight Frank LLP) to support the business case.
- 5.6 An offer to acquire the property was prepared in accordance with the advice received from the advising agents, as set in Appendix One.
- 5.7 Location and site plans are included in the appendix to this report.
- 5.8 The offer is subject to Cabinet Member's approval to the items contained in paragraph 2.
- 5.9 The acquisition is to be funded through long term borrowing.
- 5.10 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.
- 6.2 The rationale for the recommendation is supported by documents in the accompanying Appendix.

7 OTHER OPTIONS CONSIDERED

- 7.1 None

8 CONSULTATION

8.1 The comments of the Monitoring Officer (Head of Legal and Democratic Services) and Chief Financial Officer were obtained. The Strategic Director for Resources has also been consulted.

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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