

Single Member Cabinet Decision

**Executive
Forward Plan
Reference****E 2964****Property acquisition**

Decision makers	Councillor Charles Gerrish, Cabinet Member: Finance & Efficiency; Councillor Tim Warren, Cabinet Member: Leader of the Council.
The Issue	Proposed acquisition of an income generating office investment.
Decision Date	5 th April 2017
The decision	The Cabinet Members approve: 1.1 The acquisition of an investment property; and 1.2 Capital expenditure on the acquisition of the property and any necessary adjustments to the 2017/2018 capital budget to reflect this approval.
Rationale for decision	<p>The rationale for the decision is largely on a value for money basis, having considered the risks to the Council of not taking it.</p> <p>The decision is being made in accordance with Rule 16 of the Council's constitution. It would generally to be an ordinary single member decision but to enable the transaction to complete successfully it is necessary to use of the Council's urgency procedure.</p> <p>The urgency arises as a result of the owner of the property requiring exchange of contracts within 10 working days of agreeing to dispose of the property to the Council. The acquisition will be subject to appropriate due diligence for a transaction of this nature.</p>
Financial and budget implications	<p>The Report refers.</p> <ul style="list-style-type: none">• Total costs of the proposed acquisition are £9.12m including fees.• The capital programme includes a provisionally approved budget of £29.1m in 2017/18 and a further £24.5 million in 2018/19 for property acquisitions which lead to further revenue regeneration.• Of the £29.1m provisional approval for 2017/18, there are two single member decisions in process for £9.598m for the purchase of another property and £6.8m for Bath Quays South development (2017/18 spend of a £14.4m approval). This leaves a balance of £12.695m.• In addition it is proposed to re-phase £3.1m unspent provisional approval from 2016/17 to 2017/18 leaving a total of £15.83m available to cover this request.• The proposal links to the already approved Medium Term Service Resource Plan which places a requirement to generate an additional £1.475 million (net) of income from the Commercial Estate.

	<ul style="list-style-type: none"> • The acquisition costs will be funded by service supported borrowing, costs of which have been factored in against future rental income projections. • 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. <p>The decision is urgent as a result of the owner of the property requiring a contract exchange date within 10 working days of exchanging Heads of Terms which were agreed on 22 March 2017. Appropriate due diligence will be undertaken prior to completion.</p>
<p>Issues considered (these are covered in more detail in the report)</p>	<p>The Report refers.</p> <ul style="list-style-type: none"> • The Council has been given an opportunity to purchase the freehold interest of an office investment. • In accordance with the emerging acquisition strategy this opportunity is located outside of the Council’s geographical area. • The Property comprises a detached office constructed in 2007 of approximately 30,430 sq ft. • The occupational lease is for a term of 10 years expiring 30th June 2027 with a five year rent review. There is a tenant only break option as at 30th June 2022. • If the break is not exercised the tenant is entitled to an additional rent free period of nine months and two weeks. • The Lease commenced 21st December 2016 although the rent commencement date is 4th January 2018. The Vendor is ‘topping up’ the rent so that the investment purchase is effectively income producing from completion of the transaction. • There is a passing rent is £696,094 per annum. • The tenant is deemed of undoubted, excellent covenant strength. • An external acquisition agent has been engaged to assist with the purchase and an independent Valuer to support the business case. • An offer to acquire the property was prepared in accordance with the advice received from the advising agents. • The offer is subject to Cabinet Member’s approval. • The acquisition is to be funded through long term borrowing.
<p>Consultation undertaken</p>	<p>The comments of the Monitoring Officer (Head of Legal and Democratic Services) and Chief Financial Officer were obtained. The Both Chief Executive and Strategic Director for Resources have also been consulted.</p>
<p>How consultation was carried out</p>	<p>Consultation has included ‘Face to face’ meetings, telephone conversations and written communication (including observations and commentary) which have been considered and included within the Report.</p> <p>In addition the Monitoring Officer, S151 and Chief Executive have confirmed that they accept that the decision is urgent and ready to be made in line with the recommendation in the report.</p> <p>The Chair of the Resources PDS panel has also been consulted about</p>

	the urgency of the decision and had confirmed that they regard it as urgent.
Other options considered	None.
Declaration of interest by Cabinet Member(s) for decision, including any dispensation granted:	None
Any conflict of interest declared by anyone who is consulted by a Member taking the decision:	None

Signatures of Decision Makers	Charles Gerrish Tim Warren
Date of Signature	April 2017