

## Joint Single Member Cabinet Decision

**Executive  
Forward Plan  
Reference****E 2990****Property acquisition**

<b>Decision makers</b>	Councillor Charles Gerrish, Cabinet Member: Finance & Efficiency; Councillor Tim Warren, Cabinet Member: Leader of the Council.
<b>The Issue</b>	Proposed acquisition of an income generating office investment.
<b>Decision Date</b>	On or after 22nd July 2017
<b>The decision</b>	The Cabinet Members approve: 1.1 The acquisition of an office 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.
<b>Rationale for decision</b>	<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 15 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 seller of the property demanding that the Council exchanges contracts and completes the transactions within a very short timescale. The acquisition will be subject to appropriate due diligence for a transaction of this nature.</p>
<b>Financial and budget implications</b>	<p>The Report refers.</p> <ul style="list-style-type: none"><li>• Total costs of the proposed acquisition are £9.565m including fees.</li><li>• 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.</li><li>• Of the £29.1m provisional approval for 2017/18, single member approvals have been obtained for £18.718m (£9.598m in March and £9.12m in April for the purchase of two properties). In addition it is proposed to re-phase £3.14m unspent provisional approval from 2016/17 to 2017/18 leaving a total of £13.5m currently available.</li><li>• This report requests the full approval of the capital spend on the acquisition of this property.</li><li>• 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 as part of the 2017-18 to 2019-20 budget</li></ul>

	<p>period.</p> <ul style="list-style-type: none"> <li>• The acquisition costs will be funded by service supported borrowing, costs of which have been factored in against future rental income projections.</li> <li>• The business case assumes long term borrowing for the entire purchase and on this basis the level of annual rent of £552,800 offers good value for money as it delivers net income after borrowing costs on an annual basis of £198,000 which is a 2.1% yield on the initial investment, as well as providing the economic benefits as set out in the report.</li> </ul> <p>The decision is urgent as the seller is demanding that the Council exchanges contracts and completes the transactions within a very short timescale. Appropriate due diligence will be undertaken prior to completion.</p>
<p><b>Issues considered (these are covered in more detail in the report)</b></p>	<p>The Report refers.</p> <ul style="list-style-type: none"> <li>• The Council has been given an opportunity to purchase the freehold interest of an office investment.</li> <li>• In accordance with the emerging acquisition strategy this opportunity is located outside of the Council’s geographical area.</li> <li>• The ‘Property’ comprises two semi- detached buildings that are linked internally. It was constructed around 2000 and provides approximately 30,554 sq ft of office accommodation.</li> <li>• There are separate occupational leases (a current lease and a reversionary lease) relating to the two individual buildings. The expiry for both reversionary leases is 29th September 2026, therefore there is approximately 9.28 years remaining. There is a rent free period which comes into effect from 30th September 2017 for approximately eleven months until 17th August 2018. The vendor will ‘top up’ this rent free period so that the cash-flow to the Council is effectively continuous.</li> <li>• There is a passing rent is £552,800 per annum.</li> <li>• The tenant is considered to be of strong covenant strength.</li> <li>• An external acquisition agent has been engaged to assist with the purchase and an independent Valuer to support the business case.</li> <li>• The investment sale has been competitively marketed and a number of parties have been interested, submitted bids and a second round ‘best and final offers’ sought. Following advice received from the Council’s purchasing agent an offer to acquire the property was prepared and terms (conditional) have been agreed in principle.</li> <li>• The valuation report in Appendix Two confirms the purchase price to represent market value although it is stated that they view the purchase price agreed falls at the ‘highest end of a tolerable range.’</li> <li>• The offer is subject to Cabinet Member’s approval.</li> <li>• The acquisition is to be funded principally through long term borrowing.</li> </ul>

<b>Consultation undertaken</b>	The decision is being taken under the special Urgency provisions of the Council's constitution (Rule 15). The Chief Executive, Monitoring Officer (Head of Legal and Democratic Services), Section 151 Officer, Chief Financial Officer and the Strategic Director for Resources have been consulted. The Chair of the Resources Policy Development and Scrutiny Panel has been informed.
<b>How consultation was carried out</b>	<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>The Chair of the Resources PDS panel has also been informed about the urgency of the decision who confirmed that she was happy with the urgency points made.</p>
<b>Other options considered</b>	None.
<b>Declaration of interest by Cabinet Member(s) for decision, including any dispensation granted:</b>	None
<b>Any conflict of interest declared by anyone who is consulted by a Member taking the decision:</b>	None

<b>Signatures of Decision Makers</b>	<p>Charles Gerrish</p> <p>Tim Warren</p>
<b>Date of Signature</b>	July 2017