

Report to Cabinet

26th May 2016

By the Cabinet Member for Finance and Assets



Horsham
District
Council

DECISION REQUIRED

Not Exempt

Exempt Appendix 2 (Not for Publication – Exempt under Paragraphs 1, 2, 3, 5 of Part 1 of Schedule 12A to the Local Government Act 1972)

Property Investment Purchase (Address details in Appendix 2: Exempt).

Executive Summary

On the 9th September 2015, the Council approved an allocation of £5m for the purposes of investment in commercial property as an additional revenue stream to support council spending.

A suitable property has been identified which is located in Horsham. The details of the property, purchase price and rental income are contained in exempt Appendix 2.

The minimum target yield approved by the Council is 6% and this investment produces a yield on cost in excess of that figure.

Recommendations

That the Cabinet is recommended:

- i) To approve the purchase of the investment property, details of which are set out in Appendix 2.
- ii) To delegate responsibility to the Cabinet member for Finance and Assets for approval of the external valuation which has been commissioned.

Reasons for Recommendations

The Council has approved the allocation of £5m for investment purchases and the property is a suitable investment for these purposes.

Background Papers

(Appendix 2 Exempt items)

Wards affected: The proposal affects all wards.

Contact: Brian Elliott, Property and Facilities Manager

Background Information

1 Introduction and Background

- 1.1 On the 9th September 2015, the Council approved the allocation of £5m for the purchase of investment property.
- 1.2 A suitable property has been introduced to the Council and the relevant details of the transaction are set out in Appendix 2.
- 1.3 Part 4E, rule 16 of the Council's constitution (Special Urgency) provides that if by virtue of the date by which a decision must be taken Rule 15 (general exception) cannot be followed, then the decision can only be taken if the decision taker (if an individual) or the chairman of the body making the decision, obtains the agreement of the chairman of a relevant Scrutiny Committee that the taking of the decision cannot be reasonably deferred. The agreement of the Chairman of the Overview and Scrutiny Committee has been provided.

2 Relevant Council policy

- 2.1 Council policy is to seek to invest in the commercial property sector in order to generate additional revenue streams.

3 Details

- 3.1 The background and details of this proposed purchase are set out in exempt Appendix 2.

4 Next Steps

- 4.1 Following Cabinet approval the Council will instruct solicitors and proceed with the due diligence process.

5 Outcome of Consultations

- 5.1 Comments from the Head of Legal services are incorporated in this report.
- 5.2 Comments from the Head of Finance are incorporated in this report.
- 5.3 Comments from the Director of Property, Planning and Economic Development are incorporated in this report.

6 Other Courses of Action Considered but Rejected

- 6.1 Rejection of this property as a suitable investment.
- 6.2 Buying the property and utilising it for other purposes. This has been considered however there are restrictive covenants in the title, which limit the use to recreational purposes. While this is a wide ranging use and can incorporate other commercial uses, the opportunity exists to carry out a pre-letting of the property on

acceptable terms, which will provide the Council with an immediate income and prevent the loss of goodwill that would arise in the event of the establishment being closed for a period of time while other options were considered.

7 Financial Consequences

- 7.1 The financial impact of this investment will be to increase the Council's rental income per annum by the rent payable under the Lease.

8 Risk Assessment

- 8.1 Commercial property investment has a number of risk factors.

Risk assessment continued in Appendix 2 (Exempt information)

Appendix 1

Consequences of the Proposed Action

How will the proposal help to reduce Crime and Disorder?	It is considered that this proposal has no direct impact on Crime and Disorder
How will the proposal help to promote Human Rights?	This proposal is considered to be consistent with the provisions of the Human Rights Act 1988 although it is not considered that it will directly help to promote Human Rights.
What is the impact of the proposal on Equality and Diversity?	It is considered that any impact will be consistent with the Council's duties and applicable policies in respect of Equality and Diversity.
How will the proposal help to promote Sustainability?	This is an existing property and no sustainability features are proposed.