

CABINET

**COUNCILLOR PAUL TAYLOR
CORPORATE SERVICES PORTFOLIO HOLDER**

17th October 2017

REPORT NO. LEG 1717

KEY DECISION? NO

COMMERCIAL PROPERTY ACQUISITIONS

SUMMARY

The acquisition of commercial properties forms an element of the Income and Commercial project of the Councils Transformation Programme. The Council needs to be able to make timely offers on commercial acquisitions to be able to compete in the market. This report seeks a delegation to enable bids to be made within the parameters set out in this report with action taken being reported to the next cabinet meeting.

RECOMMENDATION

To delegate authority to the Solicitor to the Council, in consultation with the Leader of the Council, the Corporate Services Portfolio Holder, the Head of Financial Services and the Chief Executive to make offers to acquire commercial properties within the allocated capital budget and report to the subsequent Cabinet meeting.

1. INTRODUCTION

- 1.1 The Council has a programme of commercial property acquisitions to increase revenue and regularly monitors the market for suitable opportunities. A capital budget has been approved by Council on 27th July, 2017 to be used for such acquisitions. Some opportunities are off market, without time constraints, but frequently properties are offered by commercial property agents acting for the vendor through a formal bid process with tight time deadlines. The Council needs to be able to undertake its due diligence and offer for suitable properties within these time deadlines. The marketing of such opportunities may be as little as 2-3 weeks in some instances.
- 1.2 This report recommends giving delegated powers to enable offers to be made on a subject to contract basis and normally subject to survey, to be able to meet these time scales.

2. DETAILS OF THE PROPOSAL

General

- 2.1 When a potential acquisition is identified either by the Estates Team or through a purchasing agent, a process of due diligence is undertaken to ascertain whether the property would be an appropriate acquisition for the Council. This involves looking at the projected financial return by calculating that the Internal Rate of Return will provide a good rate of return; checking the legal title and lease; checking the planning history; undertaking appropriate searches to include environmental issues; financial checks on the occupational tenants and market research into the general area and the occupiers. This leads to the completion of a Property Transaction form with a recommendation on whether an offer should be made or not. Some proposed acquisitions will not reach this stage, having been discounted either on financial grounds or for some other reason.
- 2.2 If there is sufficient time, or the property is off market, then an acquisition decision making report will be brought to cabinet in the normal way. The delegated authority should only need to be used for properties being sold through a bidding process where the council needs to comply with the time deadlines of the selling agent in order for its bid to be considered. The acquisitions and the recommendation contained in the Property Transaction Form will have been considered by the Head of Finance, the Chief Executive and the Solicitor to the Council before any offer is made to acquire any given property. Additionally, the Leader and Corporate Service Portfolio holder will have been briefed and consulted on the proposed acquisition .

Alternative Options

- 2.3 Not to bid on properties which are subject to a formal bids process as the next Cabinet meeting available to make the decision is likely to be after the time deadline for the bid.

Consultation

Internal officer consultation

3. IMPLICATIONS (of proposed course of action)

Risks

- 3.1 Any commercial property acquisition has risks in that the market value of any property can go up and down depending on what is happening in the economy. The processes are in place try to minimise these risks through due diligence and either using a Purchasing Agent to advise the Council on the market value of the property, or where there is no purchasing agent, by obtaining a valuation to inform negotiations. This is not a formal red book valuation. Making acquisitions decisions using delegated powers

will not change the level of risk given the consultations and procedures that are either in place or are to be put in place.

Legal Implications

- 3.2 Section 9E(3) Local Government Act 2000 allows for the discharge of any executive function by an officer of the Council

Financial and Resource Implications

- 3.3 None

Equalities Impact Implications

- 3.4 None

Other

- 3.5 None

4. CONCLUSIONS

- 4.1 The proposed delegation is to enable the Council to act in a timely manner so opportunities to bid to acquire commercial properties are not missed due to time constraints imposed by the bidding process.

BACKGROUND DOCUMENTS:

List

CONTACT DETAILS:

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