



REPORT OF:	STRATEGIC HEAD OF ACQUISITIONS
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TO:	EXECUTIVE
DATE:	13 SEPTEMBER 2018
EXECUTIVE MEMBER:	COUNCILLOR MRS N. BRAMHALL

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	REDHILL

SUBJECT:	UPDATE ON ACQUISITION OF FREEHOLD IN REDHILL
<b>RECOMMENDATION:</b> Further to the Executive Approval in July 2018, proceed with the acquisition of the investment at the revised price noted within Part 2 of this report.	
<b>Reason for Recommendation:</b> To obtain Executive authority to proceed with this acquisition on revised terms to secure additional income needed to support the Council's 5 Year Plan.	
<b>EXECUTIVE SUMMARY</b> This report seeks authority to continue with the acquisition of the freehold interest of a building in Redhill on the revised terms noted within Part 2 of this report.	
<b>The Executive has authority to determine recommendation.</b>	

## STATUTORY POWERS

1. Section 2 of the *Local Government Act 2000* gives local authorities the power to do anything in the furtherance of the economic, social or environmental wellbeing of their area. The exercise of that power is specifically linked, in section 4 of the Act, to works required in furtherance of community and corporate plan objectives.
2. This acquisition is anticipated to provide financial enhancements to the well-being of the area for the reasons set out in the exempt Part 2 section of this report.
3. Whilst there is no statutory requirement to achieve best consideration on an acquisition, the Council's adopted Asset Management Plan and its medium term Financial Strategy require that any acquisitions made add to the value of the Council's existing asset portfolio and in turn the Council's income. These aspects are addressed in the exempt Part 2 section of the agenda. .

## BACKGROUND

4. Following Executive approval being obtained in July 2018, the owner of the subject property has advised the Council they require some amendments to the proposed terms of the sale.
5. As detailed in the earlier Executive report, this acquisition is a longer term strategic investment opportunity providing investment income for the Council, which is identified in the Councils corporate plan as a key objective.
6. Each investment is assessed on its own merits and whilst the vendor has advised the Council they require some changes to the original terms proposed it is still considered a purchase on the revised terms will provide the Council with a significant income stream.

## ISSUES

7. The purchase will remain subject to the usual due diligence in relation to the legal title, purchase price, surveys and environmental assessments.
8. The changes proposed to the agreed terms are still considered to provide the Council with a good acquisition opportunity on competitive terms with other comparable property transactions.

## OPTIONS

9. Complete the purchase of the Freehold Interest on the revised terms  
This is the recommended option.
10. Investigate alternative property acquisitions or joint venture on the purchase  
The property market continues to attract significant interest from investors. This option is not recommended as the acquisition is considered to offer an attractive prospect for investment income when assessed on the revised terms.
11. Do Nothing  
For the reasons set out in this and the earlier July 2018 Executive report this is not the recommended option.

## LEGAL IMPLICATIONS

12. In accordance with section 120 of the Local Government Act 1972 the Council has the power to acquire land by agreement for the benefit, improvement or development of its area.
13. There is no legal duty to consult the public on any commercial terms of the acquisition. These are matters for the authority. Executive is entitled to determine them at its discretion, notwithstanding any previous decisions it has made, having considered the contents of this report.
14. Although the Council is not under an explicit duty to acquire property at market value it still must have regard to its fiduciary duties to its Council tax payers and its best value duty.
15. Legal and valuation advice will be sought as necessary throughout the acquisition process.
16. The acquisition of land is exempt from the Contract Procedure Rules under paragraph (f) of Appendix A of on page 194 of the Constitution.

## **EQUALITIES IMPLICATIONS**

17. There are no equalities implications; this is the acquisition of a freehold building with occupational leases already in place.

## **COMMUNICATIONS IMPLICATIONS**

18. Until the Council has exchanged contracts on the acquisition there would be no plans to issue any communications. This is the procedure when confidential contract negotiations are being held by the Council on acquisitions.

## **RISK MANAGEMENT CONSIDERATIONS**

19. These have not changed from those noted in the July 2018 Executive report.

## **FINANCIAL IMPLICATIONS**

20. The purchase price and acquisition costs comprising stamp duty land tax, introducing agents fees, valuation advice, surveys and legal fees are set out in the Part 2 report.
21. There are no changes to the level of income the acquisition will provide or the companies who occupy the building.
22. The purchase remains within the capital budgets for property acquisition planned by the Council and there are no changes proposed to how the acquisition will be funded.

## **CONSULTATION**

23. The Leader of the Council, Deputy Leader of the Council and Portfolio Holders for Property and Regeneration and Finance have been consulted about the changes relating to this acquisition and have confirmed that they are content for the acquisition to proceed.

## **POLICY FRAMEWORK**

24. The acquisition still reflects the aim of the Council's Asset Management Plan to undertake acquisitions to produce a greater financial return than alternative investment options in accordance with the Council's medium-term financial strategy.

Background papers: None.