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TO	Partner, Shareholder and Trustee Executive Sub-Committee
DATE	23/03/2023
EXECUTIVE MEMBER	Portfolio Holder for Investment and Companies

KEY DECISION REQUIRED	Y
WARDS AFFECTED	Earlswood and Whitebushes

SUBJECT	Acquisition of Property in Redhill
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RECOMMENDATIONS
<p>That the Chief Finance Officer in consultation with the Executive Members for Investment & Companies and Finance & Governance, be authorised to:</p> <p>(i) Acquire the Freehold and Long Leasehold properties referred to in Part 2 of this report; and</p> <p>(ii) Agree any variations to the heads of terms and to the acquisition price further to external valuation advice and due diligence investigations.</p>
<p>REASONS FOR RECOMMENDATIONS</p> <p>To obtain authority to acquire, subject to the usual due diligence, two property interests in Redhill which form part of a strategic site, the primary purpose of which is to support future regeneration objectives in the area.</p>

EXECUTIVE SUMMARY

This report seeks authority to acquire one freehold interest and one long leasehold interest in two properties in Reading Arch Road, Redhill. Full details of the Council's offer, the financial implications and the property addresses are set out in the report in Part 2 of the agenda.

The acquisitions present an opportunity for the Council to increase its strategic land holdings in Redhill town centre. These additional ownerships would give the Council the majority interest in this land holding with a view to potential future developments on the site, which is allocated in the Development Management Plan.

The Partner, Shareholder and Trustee Executive Sub-Committee has authority to approve the recommendations.

STATUTORY POWERS

1. Section 1 of the Localism Act 2011 gives local authorities a general power of competence that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation.
2. As the primary purpose of this acquisition is to support delivery of the Council's regeneration ambitions to achieve socio-economic benefits for residents of the borough, it is therefore compliant with CIPFA's Prudential Code for capital finance in local authorities and associated borrowing regulations.

BACKGROUND

3. A site at Reading Arch Road has been allocated in the Council's Development Management Plan (DMP) for a retail and residential development.
4. The Council already owns a significant part of the allocated site, having acquired additional freehold and long leasehold interests in 2021.
5. These acquisitions represent a further opportunity to continue assembling the site in advance of any possible future compulsory purchase in order to enable redevelopment of the site and realise the planning and regeneration benefits envisaged by the DMP allocation.

KEY INFORMATION

6. Seven of the nine units on the site, along with the access road, are already in the Council's freehold ownership.
7. Four of these units are subject to long leases and the proposed acquisition would extinguish one of those long leasehold interests and leave just one industrial unit plus two areas of open storage and ancillary land/buildings in third party freehold ownership.
8. Acquisition of the interests will also enable the Council to generate additional rental income from market lettings in the short to medium term.

9. A plan of the site showing the Council's existing ownership, long leasehold interests and the interests to be acquired is included in the exempt Part 2 report on this agenda.

OPTIONS

10. The Sub-Committee has two options:

Option 1: Acquire the Freehold and Long Leasehold Interests. This is the recommended option. Subject to a successful due diligence process, the Council will acquire property that adds to an existing strategic interest in Redhill, which will help realise additional regeneration benefits in the future.

Option 2: Do nothing. This option is not recommended as it could compromise the Council's ability to compulsorily purchase parts of the site in the future if it has not taken reasonable steps to acquire interest by negotiation.

LEGAL IMPLICATIONS

11. As identified in the Statutory Powers section of this report, the Council has a general power of competence that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation.
12. In accordance with section 120 of the Local Government Act 1972 the Council has also has the power to acquire land by agreement for the benefit, improvement, or development of its area.
13. The CIPFA Prudential Code for Capital Finance in Local Authorities and the CIPFA Code of Practice for Treasury Management stipulate that Councils are not allowed to borrow to invest solely for financial return. However, the purpose of these acquisitions is for longer term planning and regeneration benefits, with the future role of the wider site confirmed via an existing Local Plan allocation.
14. There is no legal duty to consult the public on any commercial terms of the acquisition.
15. Although the Council is not under an explicit duty to acquire property at market value it still must have regard to its fiduciary duties. Accordingly, the acquisition will be supported by a formal "Red Book" valuation.
16. Legal advice will be sought as necessary throughout the process.

FINANCIAL IMPLICATIONS

17. The purchase price, acquisition costs and other financial implications are set out in the exempt Part 2 report on this agenda.
18. The purchase will be funded through prudential borrowing, the costs of which can be accommodated within the treasury management budget over loan term.

EQUALITIES IMPLICATIONS

19. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;

- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not.

20. The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.
21. There are no direct equalities implications arising from this report and the recommended actions are not considered to present any change to the Council's Public Sector Equality Duty.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

22. There are no direct environmental sustainability implications arising from this report.

COMMUNICATION IMPLICATIONS

23. There are no direct communications implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

24. All asset investment activities carry an inherent level of risk, however, all usual and appropriate due diligence will be carried out when acquiring the property. An overview of general risks associated with commercial asset activity, and risk management/mitigation measures, is included within the Commercial Strategy Part 2.
25. Additional risk management considerations are set out in the exempt Part 2 report on this agenda.

CONSULTATION

26. The Portfolioholders for Investment & Companies and Finance & Governance have been consulted about the proposed acquisition.

POLICY FRAMEWORK

27. The recommendations of this report are consistent with the Council's Policy Framework and support the Council's "Reigate & Banstead 2025" five-year plan objectives to drive the continued economic prosperity of the borough, facilitate improved business infrastructure, and confirm the borough's reputation as a great place to do business. As noted above, the recommendations are aligned with the Development Management Plan.
28. The proposals are also consistent with the objectives of the Asset Management Plan 2023 - 2028 and Commercial Strategy.

BACKGROUND PAPERS

None

