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<b>TO</b>	Commercial Ventures Executive Sub-Committee
<b>DATE</b>	Thursday, 7 November 2019
<b>EXECUTIVE MEMBER</b>	Executive Member for Investment and Companies

<b>KEY DECISION REQUIRED</b>	Yes
<b>WARDS AFFECTED</b>	Redhill East

<b>SUBJECT</b>	Acquisition of Property in Redhill East - 7 November 2019
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**RECOMMENDATIONS**

- (i) **Subject to satisfactory due diligence, the Head of Legal and Governance, in consultation with the Head of Finance & Assets, Members of the Commercial Ventures Executive Sub-committee plus the Executive Member with responsibility for Housing & Benefits, be authorised:**
- a. **To acquire the leasehold of the properties in Redhill East, as detailed in the exempt report set out in the Part 2 section of this agenda, and to finalise and agree all associated agreements to support the acquisition, in line with the principles and financial requirements of this report and the accompanying exempt report.**
  - b. **To fund the acquisition and supporting costs from the funding allocated within the approved Capital Programme for 2019/20 to 2023/24 for investment in capital schemes to support delivery of the Corporate Plan, Housing Delivery Strategy and Investment Strategy, as detailed in the exempt report set out in the Part 2 section of this agenda.**

**REASONS FOR RECOMMENDATIONS**

To obtain authority to acquire, subject to due diligence, the leasehold of the specified residential properties in Redhill East, which will provide the opportunity to support the provision of housing in the borough and also allow for the potential to generate income for

the Council, thereby supporting the delivery of the Council's Corporate Plan objectives.

## **EXECUTIVE SUMMARY**

This report seeks authority to acquire the leasehold of a number of properties in Redhill East ward.

The acquisition of these properties would provide the opportunity to support the provision of housing in the borough as the Council would control a number of residential units, which it can then ensure are managed in a responsible and effective manner. The Council would also have the opportunity to prioritise providing support for potential tenants in line with its Housing Strategy. This opportunity would also support the Council's Corporate Plan objectives around housing. Additional details are set out in the exempt report in the Part 2 section of this agenda.

In addition, acquisition of these properties would provide the opportunity to generate income for the Council, as set out in the exempt report in the Part 2 section of this agenda. This income would help to support the wider Council services, and would support the Council's Corporate Plan objectives around the Council becoming financially sustainable.

**The Commercial Ventures Executive Sub-Committee has authority to approve the above recommendations.**

## **STATUTORY POWERS**

1. The Council has wide ranging powers to promote the economic, environmental and social well-being of the borough. These powers are derived from the Local Government Act 2000 and also include the powers of general competence under section 1 of the Localism Act 2011 to do anything that individuals with full capacity generally may do, subject to the provisions of the Act.
2. It is considered that the proposed acquisition would promote the well-being of the borough through supporting the provision of housing in the area, along with the opportunity to support the financial sustainability of the Council and the wider provision of Council services.
3. Funding for the acquisition is allocated within the approved Capital Programme for 2019/20 to 2023/24 for investment in capital schemes to support delivery of the Corporate Plan, Housing Strategy and Investment Strategy.

## **BACKGROUND**

4. The Council's current and emerging 5 Year Corporate Plan include objectives to support the provision of housing for local people. In line with this, the Council has a developing Housing Delivery Strategy, which was considered by the Overview and Scrutiny Committee on 17 October 2019.
5. The developing Housing Delivery Strategy includes a vision to make best use of housing development opportunities and to take commercial decisions to secure more housing choice. It is considered that the proposed acquisition of these properties would support this vision.
6. In addition to supporting housing provision, the proposed acquisition would also

provide the opportunity for the Council to generate funding to support other services. By way of general context for the consideration of investments, funding for Local Authorities has reduced in recent years and there is a likelihood of further significant reductions to available funding from 2021/22 onwards. Simultaneously, the demands faced by Local Authorities have increased in many areas.

7. The Council's Corporate Plan contains a priority for the Council to be financially self-sufficient, without impacting on the priorities of its residents. As such, to enable the Council to continue to deliver the current level of services to the borough and its residents, it is necessary for the Council to acquire additional sources of income. The acquisition of the leasehold properties identified offers the opportunity to generate income to support these objectives.

## KEY INFORMATION

8. The details of the properties in question, the acquisition thereof, and the associated financial information are contained in the exempt report set out in the Part 2 section of this agenda. This information is confidential as it relates to the financial and business affairs of the Council (in addition to the housing impact), and the public interest in maintaining this confidentiality is judged to outweigh the public interest in disclosing this information. This is in keeping with paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.
9. As identified above, the acquisition is intended to support the provision of housing in the local area, as well as providing an opportunity to generate income for the Council. This would support the Council's current and emerging 5 Year Corporate Plan objectives and the vision of the developing Housing Delivery Strategy. Any income generated would support the Council's financial sustainability and the provision of its services
10. As identified, the recommended authorisations are subject to due diligence to confirm that there are no problems with the legal title, purchase price, surveys, environmental considerations or other significant factors, and that projections regarding financial considerations are accurate.
11. Details of the risk management considerations are set out under the Risk Management Considerations section below, and the in exempt report set out in the Part 2 section of this agenda.

## OPTIONS

12. The options available to the Commercial Ventures Executive Sub-Committee are set out below:

Option 1: Authorise the acquisition of the leaseholds of the properties and associated delegations and use of funding. **Subject to the identified due diligence, this is the recommended option** as it will provide the opportunity to support the provision of housing in the local area, along with the potential to generate income for the Council, and support the objectives of the Corporate Plan.

Option 2: Do not authorise the acquisition of the leaseholds of the properties and associated delegations and use of funding. **This is not the recommended option** as it will not provide support the provision of housing the local area, the opportunity to generate income for the Council, or support the objectives of the Corporate Plan.

## **LEGAL IMPLICATIONS**

13. As identified in the Statutory Powers section of this report, the Council has the power to acquire the leasehold of the properties, subject to the provision of the Localism Act 2011.
14. The Council has wide ranging powers to promote the economic, environmental and social well-being of the borough, particularly with regard to the general power of competence granted by section 1 of the Localism Act 2011.
15. There is no legal duty to consult the public on any commercial terms of the acquisition. These are matters for the authority. The Commercial Ventures Executive Sub-Committee is entitled to determine them at its discretion, having considered the contents of this report.
16. The Council must have regard to its fiduciary duties to its Council Tax payers and its best value duty.
17. Legal and valuation advice shall be sought as necessary throughout the acquisition process.

## **FINANCIAL IMPLICATIONS**

18. As identified in paragraph 3, funding for the acquisition is allocated within the approved Capital Programme for 2019/20 to 2023/24 for investment in capital schemes to support delivery of the Corporate Plan, Housing Delivery Strategy and Investment Strategy. The costs will be funded through prudential borrowing through the Council's treasury management arrangements and provision will be made for the associated loan repayments in the revenue budget going forward.
19. The proposed acquisition in this report also offers the potential to generate a revenue income stream and a financial return as the asset increases in value. However, there are also financial risks inherent in the proposed acquisition, and members of the Commercial Ventures Executive Sub-Committee should consider these in making their decision.
20. Additional financial information is detailed in the exempt report set out in the Part 2 section of this agenda.

## **EQUALITIES IMPLICATIONS**

21. There are no direct equalities implications of this decision. The acquisition of the identified leaseholds should have no negative or discriminatory effects upon any individuals with protected characteristics.
22. The use of the properties, if acquired, will be determined by a subsequent decision of the appropriate Council body. This decision will be supported by an Equalities Impact Assessment on the implications of the decision and its potential impacts upon individuals with protected characteristics, and will have regard for the Council's Public Sector Equality Duty.
23. Any financial benefit secured for the Council will be used to support the Council's Corporate Plan. The Council's Corporate Plan and associated policy documents have been developed with due regard for equalities implications.
24. 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.

25. 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.

### **COMMUNICATION IMPLICATIONS**

26. No communications would be issued until the Council has exchanged contracts on the proposed acquisition, in line with the confidential nature of the contract negotiations.
27. Further communication matters are detailed in the exempt report set out in the Part 2 section of this agenda.

### **RISK MANAGEMENT CONSIDERATIONS**

28. With regard to its function as an investment, the proposed acquisition is not without risk. The opportunity to generate a financial return for the Council depends upon the rental and/or sale value of the properties acquired, which will be supported by independent valuation where appropriate. At present, it is judged that this value is sufficient to provide a positive return under the proposed terms, but, in the event of a significant decline in the property market, there is the potential for this return to be reduced or to become negative.
29. Additional risk management considerations are detailed in the exempt report set out in the Part 2 section of this agenda.

### **CONSULTATION**

30. The Leader of the Council and Executive Members with responsibility for Finance, Investment & Companies, and Housing & Benefits have been consulted with regard to the recommendations of this report.

### **POLICY FRAMEWORK**

31. As identified, the proposed acquisition would support the Council's Corporate Plan objectives through support the financial sustainability of the Council and the provision of housing in the local area.
32. The proposed acquisition is in line with the Council's Capital Investment Strategy.