



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

SIGNED OFF BY	Head of Legal and Governance
AUTHOR	Catherine Rose, Head of Corporate Policy
TELEPHONE	Tel: 01737 276766
EMAIL	Catherine.Rose@reigate-banstead.gov.uk
TO	Commercial Ventures Executive Sub-Committee
DATE	Thursday, 30 January 2020
EXECUTIVE MEMBER	Portfolio Holder for Investment and Companies

KEY DECISION REQUIRED	Y
WARDS AFFECTED	Earlswood & Whitebushes

SUBJECT	Acquisition of property in Earlswood & Whitebushes
----------------	--

RECOMMENDATIONS
<p>(i) That, subject to satisfactory due diligence, the Head of Legal and Governance, in consultation with the Head of Finance and Assets and members of the Commercial Ventures Executive Sub-Committee, be authorised to:</p> <ul style="list-style-type: none">(a) Acquire the freehold/leasehold of the properties in Earlswood and Whitebushes as detailed in the exempt report in Part 2 of the agenda; and(b) Fund the acquisition and supporting costs from the funding allocated within the approved capital programme for investment in capital schemes to support delivery of the Corporate Plan, Housing Delivery Strategy and Investment Strategy, as set out the Part 2 report
REASONS FOR RECOMMENDATIONS
<p>To obtain authority to acquire the freehold/leasehold of the specified properties in Earlswood and Whitebushes, subject to due diligence, to assist in the achievement of the Council's place-shaping and commercial objectives as set out in the Council's five year Corporate Plan.</p>
EXECUTIVE SUMMARY
<p>This report seeks authority to acquire the freehold/leasehold of a number of properties in Earlswood and Whitebushes ward</p>

The acquisition of these properties would provide an immediate revenue income stream for the council, contributing to our corporate objective to become financially self-sustaining.

Acquisition would also help to enable the Council – in the longer term – to undertake redevelopment, contributing to the delivery of corporate place-shaping ambitions and priorities to invest in our towns and villages, drive continued economic prosperity and deliver new housing in the borough.

Additional details of how the acquisition will support these objectives is set out in Part 2 of the meeting agenda.

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 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.

BACKGROUND

2. The vision set out in the Council's new five year Corporate Plan is to (amongst other things) deliver quality services and support, make the borough a great place to live, work in, do business in and visit, and to be flexible and sustainable.
3. To achieve this overall vision it sets a number of 'people' and 'place' objectives, including to:
 - Secure the delivery of homes that can be afforded by local people and which provide a wider choice of tenure, type and size
 - With our partners, invest in our town and village centres, so they continue to be places where people choose to live, work, do business and visit
 - 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; and
 - Ensure new development is properly planned and sustainable and benefits the borough's communities and the wider area.
4. The Corporate Plan also recognises that to achieve this vision and deliver these objectives the Council needs to become financially self-sustaining and to generate additional income to build its financial resilience through responsible and sustainable commercial activities.
5. The Council's Local Plan, including the recently adopted Development Management Plan, explains in more detail the Council's place-shaping ambitions for the borough.

KEY INFORMATION

Sub heading

6. Details of the properties in question and financial information is set out in the exempt report in Part 2 of the agenda.
7. The acquisition will support the delivery of Corporate Plan objectives identified in paragraph 3 above, as well as providing an opportunity to generate an income stream for the Council. As such, it is consistent with the Corporate Plan reference to “invest in new property assets or development opportunities in our economic area where these will provide a reliable revenue income stream or longer term capital receipt”
8. The income received would contribute to the continued provision of high quality services by the Council.
9. The report recommendations are subject to a due diligence exercise (which will include legal, finance and environmental considerations) to confirm that the acquisition is sound.

OPTIONS

10. The options available to the Sub-Committee are:
11. Option 1: Authorise the acquisition of the property freeholds/leaseholds, associated delegations and the use of funding subject to satisfactory due diligence. This is the recommended option as it will contribute towards the achievement of a range of corporate objectives including financial sustainability, place-shaping, supporting towns and villages and promoting economic sustainability.
12. Option 2: Do not authorise the acquisition. This option is not recommended as it would represent a missed opportunity to deliver against a number of corporate people and place priorities and to generate income for the Council.

LEGAL IMPLICATIONS

13. As identified in paragraph 1, the Council has the power to acquire the freehold/leasehold of the properties, subject to the provisions of the Localism Act 2011.
14. There is no legal duty to consult the public on any commercial terms of the acquisition. These are matters for the authority. The Sub-Committee is entitled to determine them at its discretion, having considered the contents of this report.
15. Legal and valuation advice will be sought as necessary in undertaking due diligence in advance of any acquisition. The Council must at all times have regard to its fiduciary duties to Council taxpayers and to its best value duty.

FINANCIAL IMPLICATIONS

16. The current capital programme includes funding for investment in capital schemes to support delivery of the Corporate Plan, the Housing Delivery Strategy and Investment Strategy. This acquisition falls within the parameters of that element of the capital programme.
17. In acquiring the properties, consideration will be first given to whether the purchase can be funded without borrowing. It is, however, likely that the costs will be funded

through prudential borrowing through the Council's treasury management arrangements. In this event provision will be made for the associated loan repayments in the revenue budget going forward.

18. The proposed acquisition in this report offers the potential to:
 - Generate a revenue income stream in the short to medium term
 - Generate a capital receipt or increased income stream from redevelopment in the medium to long term
19. Additional financial information is detailed in the exempt report set out in Part 2 of the agenda.
20. The financial risks associated with the acquisition are set out in paragraphs 24 to 27 below and the Part 2 report; Sub-Committee members should consider these in making their decision.

EQUALITIES IMPLICATIONS

21. The Council has a 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; to advance equality of opportunity between people who share protected characteristics and people who do not; and to foster good relations between people who share those characteristics and people who do not.
22. No direct equality implications have been identified associated with this acquisition opportunity. Any future development activity in relation to the properties in question would need to incorporate consideration – through an Equality Impact Assessment - of potential impact on people with protected characteristics and how potential negative impacts could be avoided and positive impacts enhanced.

COMMUNICATION IMPLICATIONS

23. No communications implications have been identified.

RISK MANAGEMENT CONSIDERATIONS

24. Any acquisition comes with an element of risk. The risks associated with this proposed acquisition are detailed in the Part 2 report. In summary:
25. Risks associated with property purchase: Legal and financial risks associated with the property acquisition process can be mitigated by undertaking appropriate due diligence in advance of the purchase, as provided for by the report recommendation
26. Risks associated with rental income streams: These risks can be mitigated by undertaking appropriate due diligence in advance of the purchase. However, it should be recognised that rental income can be interrupted due to tenant default or void periods between lettings. There is also always a risk of rental values falling due to fluctuations in the market.
27. Risks associated with future redevelopment activities: Redevelopment activities have inherent risks, such as unforeseen environmental or planning issues, changes in market circumstances, cost over-runs, and contracting delays. These risks can be managed through careful project management, comprehensive preparatory and

investigative works, financial viability modelling and regular reporting. External advisors will be used where expertise does not exist 'in-house'.

CONSULTATION

28. The Leader and Executive Members with responsibility for Finance, Investment and Companies and Corporate Direction and Governance have been consulted as part of the preparation of this report.

POLICY FRAMEWORK

29. The proposed acquisition would support the delivery of objectives within the Council's Corporate Plan, as outlined elsewhere in this report.
30. The acquisition is also in line with the Council's Capital Investment Strategy 2019 and 2019/20 Capital Programme.

BACKGROUND PAPERS

1. Reigate & Banstead 2025: Our five year corporate plan www.reigate-banstead.gov.uk/rbbc2025
2. Reigate & Banstead Local Plan Part 2: Development Management Plan: www.reigate-banstead.gov.uk/dmp