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**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	11 <sup>th</sup> April 2019
<b>Subject:</b>	Property Acquisition
<b>Key Decision:</b>	Yes This report concerns capital expenditure of over £1 million
<b>Responsible Officer:</b>	Paul Walker, Corporate Director - Community
<b>Portfolio Holder:</b>	Cllr Keith Ferry – Deputy Leader and Portfolio Holder for Regeneration, Planning and Employment Cllr Adam Swersky – Portfolio Holder for Finances and Resources
<b>Exempt:</b>	No but the three appendices are exempt by virtue of paragraph 3 of Schedule 12a to the Local Government Act 1972 (as amended) in that it involves the likely disclosure of information relating to the financial or business affairs of any particular person (including the authority holding that information)
<b>Decision subject to Call-in:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 - Part II Appendix 2 – Part II Appendix 3 – Part II

## **Section 1 – Summary and Recommendations**

This report sets out details of a proposed property acquisition within the borough

### **Recommendations:**

Cabinet is requested to:

1. Approve the proposed property purchase on the Head of Terms set out at Appendix 1.
2. Delegate to the Corporate Director, Community, following consultation with the Portfolio Holder of Regeneration, Planning and Employment and the Portfolio Holder for Finance and Resources, the final approval of the purchase, including any variation to the Heads of Terms, subject to satisfactory survey reports, valuation, due diligence and financial viability

### **Reason: (For recommendations)**

This proposed property acquisition will be a strategic addition to the Council's property portfolio.

## **Section 2 – Report**

### **Introductory paragraph**

1. The Council has been exploring acquiring a property available to purchase within the borough. This purchase provides greater strategic options for the Council in the future. The details of this property are set out in Appendix 1 due to the commercial confidentiality of the transaction.
2. Subject to the finalisation of the due diligence process, as detailed in recommendation 2, if the particulars of the property do not meet the Investment Property Strategy, the purchase will still be considered for purchase as a strategic addition to the Council's property portfolio to enable the Council to support its asset management aims for the borough.

### **Options considered**

3. **Option 1 – Do not purchase.** This option will mean that the Council misses an opportunity to strengthen its property portfolio within the borough and, in forthcoming years, to provide a revenue stream to the Council.

4. **Option 2 – Purchase the property.** This option gives the Council the opportunity to strengthen its property portfolio in the borough and, in forthcoming years, to provide a revenue stream.

## Implications of the Recommendation

### Staffing/workforce

The management of the property will be undertaken by Corporate Estate with support on repairs and maintenance from the Facilities Management Team. This additional work will be managed within the current workforce and will not require any further expense.

### Risk Management Implications

Risk included on Directorate risk register? **Yes/No**

Separate risk register in place? **Yes/No**

Investment in property is a relatively new initiative for the Council. It is, however an activity where the risks are well understood.

The main risks can be summarised as:

- Economic and property market risks
- Asset- specific risks – location, building quality, length of unexpired lease(s), financial strength of the tenant, rental levels payable.
- Environmental and regulatory risks
- Reputational risks

A report will be presented for this property transaction with details of the due diligence investigations, to be approved by the Corporate Director Community in consultation with the Portfolio Holders.

### Procurement Implications

There are no procurement implications.

### Legal Implications

Local authorities have broadly drawn powers allowing them to invest and to borrow, in each case either for purposes relevant to the performance of any of their functions or generally for the prudent management of their financial affairs (s1 and s12 of the Local Government Act 2003). They may also acquire property by agreement located either inside or outside of their borough for the purposes of any of their functions, including their investment functions, or otherwise for the benefit, improvement or development of their area (s120 of the Local Government Act 1972). Lastly, they may also take any action (whether or not involving the expenditure, borrowing or lending of

money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions, which would again include their investment functions (s111 of the Local Government Act 1972).

The Council will need to ensure that in exercising its investment and borrowing functions to expand its property portfolio, that any actions are reasonable and proportionate and for proper purposes consistent with the Council's prudential regime and its investment strategy. Investment decisions are to have in mind the Council's fiduciary duties to ensure the sound management of the public finances.

Legal due diligence will be required on the acquisition, to include a review of title and ownership, and searches and enquiries of the vendor, in order to ascertain relevant liabilities and encumbrances connected with the subject property. The results of the legal enquiries, and any associated risks, should be considered prior to any decision to enter into contract.

On any sale of an investment property the Council will be required to obtain best consideration in accordance with s123 of the Local Government Act 1972. Usually this will be achieved by placing the property onto the open market or otherwise, in respect of a sale agreed off market, demonstrating by way of professional valuation that it is achieving no less than the best consideration which is reasonably obtainable.

## **Financial Implications**

The 2019-20 Capital Programme includes £25m for the purchase of commercial property investment against which there is a net income return of £350k built into the 2021/22 budget.

The Council's Investment Property Strategy, approved by Cabinet in December 2015, requires a minimum gross yield of 7% for office investments. This yield is to cover capital financing costs and a net income return to the authority.

Indications are that based on current borrowing rates the property meets the net income return in the budget. This will be confirmed as part of the final due diligence and financial viability process when all costs have been confirmed.

When all costs are confirmed a full financial viability will take place alongside consideration of the purchase as a strategic in-borough investment.

## **Equalities implications / Public Sector Equality Duty**

There are no Equalities Implications.

## Council Priorities

The Council's vision:

### Working Together to Make a Difference for Harrow

- Building a Better Harrow
- Supporting Those Most in Need
- Protecting Vital Public Services
- Delivering a Strong Local Economy for All
- Modernising Harrow Council

Acquisition of this property will contribute to the strategic theme of being more Business Like and Business Friendly.

## Section 3 - Statutory Officer Clearance

Name: Dawn Calvert  Chief Financial Officer

Date: 3 April 2019

Name: Matthew Dineen  on behalf of the  
Monitoring Officer

Date: 1<sup>st</sup> April 2019

## Section 3 - Procurement Officer Clearance

Name: Nimesh Mehta  on behalf of the  
Head of Procurement

Date: 2 April 2019

Name: Paul Walker  Corporate Director,  
Community

Date: 3 April 2019

**Ward Councillors notified:**

**NO as it impacts on all Wards**

**EqIA carried out:**

**NO**

There are no Equality Issues regarding this proposal

## **Section 4 - Contact Details and Background Papers**

**Contact:**

Belinda Prichard – Head of Corporate Estate

020 8420 9330

Belinda.prichard@harrow.gov.uk

**Background Papers:**

None

**Call-In Waived by the Chair of Overview and Scrutiny Committee**

**YES**