

Key Decision Required:	No	In the Forward Plan:	Yes
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CABINET

14 JULY 2017

REPORT OF THE PORTFOLIO HOLDER FOR RESOURCES AND CORPORATE SERVICES

A.10 TERMS FOR THE ACQUISITION OF AN INVESTMENT PROPERTY IN CENTRAL CLACTON-ON-SEA

(Report prepared by Andy White)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To agree in principle the acquisition of a substantial investment property located in central Clacton-on-Sea.

EXECUTIVE SUMMARY

In September 2016 Cabinet established a policy for acquisition of commercial property. One suitable property has been identified but acquisition was aborted because of conflicting insurance and occupancy issues.

The Council has been offered the opportunity to purchase the freehold of a substantial investment property in central Clacton-on-Sea.

The rental from the property could make a substantial contribution to addressing the Council's financial pressures.

The location of the property and the terms negotiated are set out in the report in Part B of this Agenda.

RECOMMENDATIONS

That the principle of the acquisition of a substantial investment property in central Clacton-on-Sea be approved, subject to Cabinet's decisions as set out in the report in Part B of this Agenda.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The proposed acquisition would contribute to the Council's priorities to:

- Balance our budget
- Make the most of our assets

FINANCE, OTHER RESOURCES AND RISK

The Cabinet established a budget for acquisition of commercial property in September 2016.

The value of the property under consideration exceeds the budget and additional funding is required. Full details of price and funding are set out in the report in Part B of this agenda.

Risk

The acquisition of the property is subject to a range of ordinary risk factors as envisaged in the Commercial Investment Policy. These risks and control measures are set out in the report in Part B of this Agenda.

LEGAL

Section 120(1) of Local Government Act 1972 provides for the Council to acquire land either within or outside the District for any purpose within that or any other Act or for the benefit, improvement or development of the area.

Section 12 of the Local Government Act 2003 provides a general power to invest (a) for any purpose relevant to its functions under any Act or (b) for the purposes of the prudent management of its financial affairs.

Acquisition can take place notwithstanding that the land is not immediately required for that purpose, however, in this case investment in property is proposed in order to diversify its investment portfolio which in turn generates potential capital growth and revenue rental income, which can be reinvested and supports the Council's financial position and management of investment risk and by doing so benefits the district in line with the statutory power.

Investment is for financial return either rental or capital growth and assets acquired for these purposes must be distinguished from assets intended to deliver other strategic goals or outcomes, as these fall outside of the definition of investment property.

It is important to note that financial returns achieved through property investment are also treated differently to income generated through service provision for accounting purposes.

In coming to decisions in relation to management of assets, the Council must act in accordance with its statutory duties and responsibilities.

In September 2016 Cabinet delegated authority to acquire property meeting the agreed criteria to officers in consultation with the leader and the Portfolio Holder. Although the property in question meets the criteria as set out in Appendix B the capital value of the property is significantly above the level agreed at the time and accordingly officers have decided to refer the decision on acquisition to the Cabinet for consideration.

OTHER IMPLICATIONS

Consideration has been given to the Implications of the proposed decision in respect of Crime and Disorder, Equality and Diversity, Health Inequalities, Consultation/Public Engagement and Wards; and any significant issues are set out below.

None

Ward: Pier

PART 3 – SUPPORTING INFORMATION**BACKGROUND**

In September 2016 Cabinet established a policy for acquisition of commercial property. The aim of the policy is to utilise available one off funding to generate ongoing revenue in support of the Council's overall financial position.

One suitable property was been identified outside of the district but acquisition was aborted because of conflicting insurance and occupancy issues.

The Council has been offered the freehold of a substantial town centre building.

CURRENT POSITION

Terms for the acquisition have been provisionally agreed and are set out in the report in Part B of this Agenda.

FURTHER HEADINGS RELEVANT TO THE REPORT

None

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

None