



ADUR & WORTHING
COUNCILS

**Record of Officer
Executive Decision**
Ref. No: HMP&I/016/18-19
Date of Decision: 4 March 2019

If you have any questions about this decision, please contact 01903 221006 or email heather.kingston@adur-worthing.gov.uk

Record of Decision: Purchase of a property for the Strategic Property Investment Fund for Adur District Council.

Decision taken by: Head of Major Projects & Investment

Declaration: I do not have a disclosable pecuniary interest, or conflict of interest.

Delegated authority:

At 3.13.2 of the Adur District Council Constitution's "Officer Scheme of Delegation" the Head of Major Projects & Investment has delegated authority "To acquire land in connection with the Council's functions and to take leases, easements, licences and wayleaves of, in, or over buildings or land in connection with the Council's functions." The Constitution specifies "Where acquisition of land is purchased through the Strategic Investment Fund, the delegation is to be exercised in consultation with the Leader, Executive Member for Resources and the Chief Financial Officer".

Decision:

To acquire the freehold interest in a multi-tenanted 24,958 sq.ft office building, with 99 surface parking spaces, in Milton Keynes, Buckinghamshire, for Adur District Council's Strategic Property Investment Fund for £5,675,000, excl purchase costs, subject to necessary building, surveying and legal due diligence.

Key Decision: Yes

Reason for the Decision:

The Strategic Property Investment Fund was established as a key part of the Council's Medium Term Financial Strategy to ensure the delivery of income from commercial property to supplement the Council's other sources of income. An Investment Strategy was adopted by Adur District Council in July 2018 which set out in broad terms an approach which aims to build a balanced commercial property portfolio with a variety of property types including industrial, commercial, office and retail, and in a wide geography to prevent against local circumstances. The purchase of a multi-tenanted office building in Milton Keynes enables the Council to achieve the adopted strategy objective of a balanced portfolio both in geographic, asset type, and in terms of length of tenure.

The proposed investment will result in an estimated annual gross income of £403,000. After the cost of borrowing, this will deliver an estimated net income of c.£182,000 per annum for Adur District Council in year one.

The building is fully let to two tenants. 77% (18,104sq.ft) of the income is secured against a good covenant automotive parts specialist retailer. The remaining 24% (6,854 sq.ft) is let to a good covenant multinational photographic technology firm. In terms of Adur's portfolio, the Council have bought a number of properties with lease expiry around 2028/29. To prevent a slew of lease renewals all occurring at the one time we are advised to seek out shorter/longer terms leases and this fits that objective.

The purchase of a higher yielding property with a shorter lease term for one tenant supports diversification of lease expiries to manage risk profiles across the portfolio. The net yield at c6.68% is considered prudent to generate a stronger financial return allowing us to accelerate the development of capital reserves. The wider locality is earmarked for mixed use residential/commercial redevelopment, likely to come forward within the short to medium term, which is expected to improve the micro location, underpinning future redevelopment potential in the longer term.

Alternative Options Considered:

To not purchase the property. This is not the preferred approach for the reasons set out in the paragraphs above.

Other Matters Considered:

Legal Advice and Issues	X	Financial Advice and Issues	X
Sustainability Issues	X	Equality Issues	X
Community Safety Issues		Human Rights Issues	X
Reputation	X	Risk Assessment	X
Health and Safety Issues	X		

Consultation:

In line with the requirements set out in Adur District Council's Constitution the Head of Major Projects & Investment has consulted, with the Leader and Executive Member for Resources for Adur District Council and the Chief Financial Officer, prior to making this decision.

Background Papers:

- Joint Strategic Committee 10/07/2018 "Commercial Property Investment Strategy"
<https://www.adur-worthing.gov.uk/media/media,149801,en.pdf/>

Call-in: The call-in deadline for this decision will be 5:00pm on Monday 11 March 2019.

A handwritten signature in black ink, appearing to read 'Cian Cronin', with a long horizontal stroke extending to the right.

Signed:

Dated: 4 March 2019

Name: Cian Cronin, Head of Major Projects and Investment

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