

## **ITEM 11 Property Purchase under Head of Estates Delegation**

Report of the Finance Portfolio Holder

### **Recommended:**

- 1. That the decision to pursue the purchase of the properties identified in the Confidential Annexes to the report be noted.**
- 2. That, following completion of the purchase, the budget for property investments be re-established in the Council's Capital Programme at £3M, with the additional sum to be financed from the Capital Receipts Reserve.**

### **SUMMARY:**

- In November 2015, Council approved a delegated authority to the Head of Estates, in consultation with a Member Panel, to purchase property investments where the timing of the normal Council approval process would reduce the Council's ability to complete the purchase.
- The Head of Estates, after consulting the Panel, has recently exercised his authority to progress the purchase of two properties in Andover.
- In accordance with the original approval, this report is presented to update Council on the details of the purchases.

## **1 Introduction**

- 1.1 The Council's Medium Term Financial Strategy (MTFS) sets the aim of working to a position where the Council is not dependent on the government's revenue support grant by 2020/21.
- 1.2 The workstream known as Project Enterprise has been established to progress this element of the MTFS.

## **2 Background**

- 2.1 In recognition of the fast pace of the local property market, Council approved a delegated authority to the Head of Estates, in consultation with a cross-party Member panel, to purchase property investments from a pre-approved capital budget. A sum of £3M was approved for this purpose.
- 2.2 The panel consists of Cllrs North, Giddings, Hurst, Stallard and Ward.

- 2.3 The panel was established as a means of enabling approval of property investments where the timing of the traditional Council approval process would reduce the Council's ability to complete the purchase. The reason for the use of the Panel in this case is set out in section 6 of Confidential Annex 1.
- 2.4 A requirement of setting up the panel was that the details of any property approvals would be reported to the next Council meeting. The panel has recently confirmed its support for a report recommending the purchase of two houses in Andover. The purpose of this report is to update Council on that decision.

### **3 Corporate Objectives and Priorities**

- 3.1 Project Enterprise has been established to support the objectives of the MTFs, by increasing the Council's income in order to reduce its reliance on government support. The income generated from the investment approved by the Member Panel will work towards achieving this objective.
- 3.2 The properties considered by this report will also help to deliver the Corporate Plan objective of, Live where the supply of homes reflects local needs.

### **4 The Properties**

- 4.1 The report to the Member panel recommended the purchase of two houses. A copy of the report and the marketing details for both properties are attached as Confidential Annexes.
- 4.2 All five Councillors on the Panel agreed the purchases as shown in the Annexes.
- 4.3 Should either purchase be completed, it is expected that the Council will lease the houses to Valley Housing Ltd (the Council's 100%-owned property management company) for future management and letting.

#### Property 1

- 4.4 The first property is a three-bedroom former Council-owned house in Andover. See Confidential Annex 2 for property details.
- 4.5 Further to the consultation with the Member panel, a purchase price has been agreed with the vendor within the recommended budget limit.
- 4.6 The building survey was carried out on 13<sup>th</sup> March 2018 and has confirmed that the property is in good condition. Minor works required to ensure the property is of a lettable standard can be contained within the approved budget.
- 4.7 The Council's legal team has begun the conveyancing process to complete the purchase.

## Property 2

- 4.8 The second property is a four-bedroom former Council-owned house in Andover. See Confidential Annex 3 for property details.
- 4.9 A maximum purchase price was recommended to the panel based on an estimate of works required to the house and the returns stipulated in the Investment Strategy.
- 4.10 On 16 March 2018, the vendor rejected the Council's maximum bid. Therefore, the purchase of this property will not be completed.

## **5 Risk Management**

- 5.1 An evaluation of the risks associated with the matters in this report indicates that further risk assessment is not needed because the issues covered do not represent significant risks.
- 5.2 The risks associated with the purchases are explained in section 8 of the Confidential Annex.

## **6 Resource Implications**

- 6.1 The business case for the purchases is shown in more detail in section 4 of the Confidential Annex.
- 6.2 The amount approved to complete each purchase is £213,000 and will be financed from a pre-approved budget of £3M in the Council's Capital Programme.
- 6.3 With only one acquisition expected to be completed, the amount remaining in the Capital Programme budget is forecast to reduce to £2.79M.
- 6.4 It is recommended that this budget be re-established at £3M after the completion of the purchase, with the additional amount to be financed from the Capital Receipts Reserve.

## **7 Legal Implications**

- 7.1 The legal work required to complete the property purchase will be carried out by the Council's Legal & Democratic Services team.
- 7.2 Delegated authority is already in place for an onward lease from the Council to VHL for future management of the properties.

## **8 Conclusion and reasons for recommendation**

- 8.1 The Head of Estates has exercised his delegated authority to progress the purchase of two houses after consultation with the cross-party Member panel established for that purpose.

8.2 This report provides Council with the details of that decision and the progress made since the decision was taken.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
<u>Report</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
<u>Annexes</u>			
It is considered that the annexes contain exempt information within the meaning of paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended. It is further considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information because the information relates to the financial or business affairs of both the Council and third parties.			
No of Annexes:	3	File Ref:	
(Portfolio: Finance) Councillor Giddings			
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Report to:	Council	Date:	11 April 2018