

ITEM 12 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 purchases, 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 three 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 has 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 is set out in section 6 of Confidential Annexes 1, 2 and 3.
- 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 reports recommending the purchase of three houses in Andover.
- 2.5 The purpose of this report is to update Council on those decisions.

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 Each of the three properties was the subject of a separate report to the Member panel. A copy of the reports and the marketing details for the properties are attached as Confidential Annexes.
- 4.2 Should any of the purchases 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.
- 4.3 All three houses are three-bedroom former Council-owned properties located in Andover.

Property 1

- 4.4 Further to the consultation with the Member panel, a purchase price has been agreed with the vendor within the recommended budget limit.
- 4.5 The building survey was carried out on 18 April 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.
- 4.6 Contracts were exchanged on 8 June and, at the time of writing the report, completion of the purchase was scheduled for 15 June.
- 4.7 The report to the Member panel and marketing details of this property are shown in Confidential Annex 1.

Property 2

- 4.8 The report to the Member panel indicated an expected cost for the purchase of the house and also set a maximum amount that would be offered in case further negotiation was required.
- 4.9 The purchase price has since been agreed at the expected cost shown in section 4 of Confidential Annex 2.
- 4.10 The building survey was carried out on 18 May 2018 and has confirmed that the necessary works to bring the property to a lettable standard can be contained within the approved budget.
- 4.11 The conveyancing work for this purchase is ongoing with no problems foreseen at this time.

Property 3

- 4.12 A price for the purchase of the property has been agreed with the vendor at the purchase price proposed in the Member Panel report.
- 4.13 The building survey was carried out on 7 June 2018 and has confirmed that the necessary works to bring the property to a lettable standard can be contained within the approved budget.
- 4.14 The conveyancing work for this purchase is ongoing with no problems foreseen at this time.
- 4.15 The report to the Member panel and marketing details of this property are shown in Confidential Annex 3.

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 Confidential Annexes 1-3.

6 Resource Implications

- 6.1 The business case for each of the purchases is shown in more detail in section 4 of Confidential Annexes 1-3.
- 6.2 The total amount approved to complete the three purchases is £634,000 and will be financed from a pre-approved budget of £3M in the Council's Capital Programme.
- 6.3 If all three properties are completed in line with the approved budget, this would leave a balance of £2.366M in the Capital Programme for property acquisitions.

- 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 three 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:	N/A
(Portfolio: Finance) Councillor Giddings			
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Report to:	Council	Date:	27 June 2018