

TRAFFORD COUNCIL

Report to: Executive
Date: 26th June 2017
Report for: Decision
Report of: The Executive Member for Investment

Report Title

Acquisition of commercial property with development potential

Summary

The report seeks approval for the Council to acquire a commercial property in Old Trafford, which has the potential for redevelopment.

Recommendation(s)

The Executive is recommended to:

- a) Note the detail of the proposed acquisition of a commercial property in Trafford ("the Site") as set out in the presentation made to the Executive meeting on 26 June 2017;
- b) Approve the principle of the acquisition of the Site for investment purposes
- c) Note that it may be appropriate for the acquisition to be made jointly with a third party and approve the principle of the acquisition by the council acting in partnership with a third party;
- d) Note that both (b) and (c) above are conditional upon a satisfactory business case (independently reviewed) and commercial terms being approved by the Executive Member for Investment in consultation with the Chief Executive and under advisement from the Chief Finance Officer
- e) Delegate authority to the Executive Member for Investment in consultation with the Chief Executive, and under advisement from the Director of Legal and Democratic Services and the Chief Finance Officer, to finalise the terms of the proposed acquisition and the terms of the partnering arrangement (if required) to support the acquisition; and
- f) Delegate authority to the Director of Legal and Democratic Services in consultation with the Interim Corporate Lead – Property & Investment to agree the terms of and to enter into any documents required to implement the above recommendations.

Contact person for access to background papers and further information:

Name: Richard Roe
Extension: 4265
Background papers: None

Implications

Relationship to Policy Framework/Corporate Changes	Supports policy for Economic Growth and Development
Financial:	<p>The Council approved an investment fund of £20m at the Budget Council Meeting in February 2017.</p> <p>This investment would form part of that investment portfolio the aim of which is to generate income to assist with the long-term financial sustainability of the Council.</p> <p>Due diligence will be completed on any investment before it is undertaken to ensure that the balance of risk taken / reward is appropriate.</p>
Legal Implications:	<p>Section 120 Local Government Act 1972 provides the power for acquisition of land by agreement (whether inside or outside the local authority area) for the purpose of:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Any of their functions under this or any other enactment, or <input type="checkbox"/> The benefit, improvement or development of their area. <p>Acquisition can take place notwithstanding that the land is not immediately required for that purpose.</p>
Equality/Diversity Implications:	None
Sustainability Implications:	None
Resources Implications: eg Staffing/ICT/Assets	Once acquired the property will need to be managed, and arrangements are being put in place to do this.
Risk Management Implications:	There are risk implication associated with any commercial acquisition and investment. Risk in relation to this acquisition has been mitigated through the use of external advice to assess value and condition, and a potential strategic partnership with a third party to share risk.
Health and Wellbeing Implications:	No direct implications
Health and Safety Implications:	No direct implications.

1.0 Background

- 1.1 Reports to Executive in December 2016 and February 2017 set out the proposed approach to developing investment opportunities to generate sustainable income streams. This included the acquisition of investment property, and the participation in development. The 2017/20 Capital Programme included an estimated sum of £20m for property investment.

- 1.2 In line with this strategy, an opportunity has been identified to acquire a commercial property with development potential, in Old Trafford. The development of this site would generate a financial return for the Council and support our wider regeneration aspirations.
- 1.3 As part of due diligence on the acquisition, the Council has commissioned external professional advice to value the property and to assess the current condition and identify refurbishment costs over the next ten years. This has determined that the proposed purchase price is appropriate, and the refurbishment costs have been incorporated in the business plan. The valuation report has also assessed the market rent price for the property, which is in line with that provisionally agreed with the potential occupier.
- 1.4 The Council is seeking to purchase the property either in its own right or in partnership with a third party company with expertise in this area. The option for a partnership approach is dependent on agreeing suitable commercial terms. This approach would mitigate the risk to the Council by reducing the Council's financial exposure and by ensuring that a company with the appropriate business skills to support the acquisition, refurbishment and ongoing management are fully engaged in the acquisition. However, it would also reduce the potential return to the Council. Should partnership terms not be agreed, the Council will procure the necessary external advice as appropriate.
- 1.5 The location of the property, the commercial terms of the acquisition and the identified occupier are all commercially sensitive and are therefore set out in the associated Part II report.

Other Options

The Council could decide not to proceed with the purchase of this property and to invest in other opportunities. The Council would therefore not benefit from the potential investment return from the acquisition and the regeneration benefits that have been identified through its proposed use.

Consultation

No consultation is required at this stage. The proposal is in line with the Council's developing investment strategy. Consultation will take place through the planning process in the usual way for any changes in use or redevelopment of the property and site.

Reasons for Recommendation

To enable the Council to complete the purchase of the property.

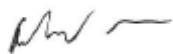
Key Decision

This is a key decision currently on the Forward Plan: Yes
If key decision has 28 day notice been given? Yes

Finance Officer Clearance NB

Legal Officer Clearance JLF

DIRECTOR'S SIGNATURE

A handwritten signature in black ink, appearing to be 'JLF', written over a horizontal line.

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.