



GUILDFORD BOROUGH

MANAGING DIRECTOR: Sue Sturgeon
HEAD OF SERVICE: Chris Mansfield
DATE: 17 October 2013
SUBJECT: Authorisation to spend further funds than are currently approved for investment property acquisition.
KEY DECISION: Yes
EXEMPT INFORMATION: Yes

MANAGING DIRECTOR DELEGATED APPROVAL UNDER *PARA 24 (URGENT MATTERS)*

1. PURPOSE OF DECISION AND BACKGROUND

- 1.1 We have a £10.827 million capital project in the 2013-14 approved capital programme for the purchase of commercial investment property. We have identified an opportunity to put in a bid for the freehold office at Liongate, Ladymead, Guildford. The proposed bid is £11.95 million, net of standard purchasers costs of 5.8 per cent, therefore requiring a total sum of £12.643 million. A capital supplementary estimate of £1.816 million is required in order to proceed with the bid.

In the first year, the Council will receive rental income of £1.3 million. We will then receive an annual rental of £980,000 following an agreed lease regear. A purchase at the proposed bid price will show an initial yield of 10.28 per cent for the first year, falling to a net yield of 7.75 per cent after the lease regear. Based on a worse case scenario and assuming that:

- the tenant operates their break clause at year five of the regear lease
- the council has to incur refurbishment costs and
- there is a letting void,

the investment would show an internal rate of return of 10.1 per cent.

This investment opportunity far exceeds our approved investment criteria, it significantly exceeds the minimum initial yield of four per cent and the overall scoring of 220 far exceeds the threshold score of 174.

2. REASON FOR URGENCY

- 2.1 The property is being sold as part of a portfolio and bids are being called by Wednesday 23 October. By delaying until after the next Council meeting we would lose the opportunity to acquire this investment.

3. CONSULTATION

- 3.1 We have consulted with Councillor Nigel Manning who supports this.

4. LEGAL IMPLICATIONS

- 4.1 Under paragraph 24 page 64 of the constitution, the Managing Director, in consultation with the Leader, can act in the best interests of the Council where there is not sufficient time to report to the Council, Executive, committee or sub-committee.

The decision to submit a bid for the property would result in the need for a capital supplementary estimate of £1.816 million.

Under B.8.2(d) page 227 of the constitution, in cases of urgency and with the agreement of the chairman of the relevant scrutiny committee that the matter is urgent, the Leader/Executive is authorized to approve capital supplementary estimates in excess of £100,000 or 5% of the approved budget for the scheme up to a maximum of £250,000 where it is not practical to convene a quorate meeting of the Council.

4. RECOMMENDATIONS

- 4.1 That the Leader authorises a capital supplementary estimate of £1.816 million.
- 4.2 That the Managing Director authorise the Development Surveyor to submit a bid of £11.95 million (net of VAT and acquisition costs), and to progress the acquisition of the proposed property for the Council if the bid is succesful.

5. REASONS FOR RECOMMENDATIONS

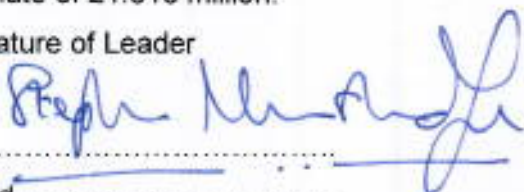
- 5.1 The reason for the decision is to enhance the level of investment return of the Councils current reserves and to provide a secure rental return on the capital investment.

Originator:

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In accordance with B.8.2(d) of the constitution, I authorise a capital supplementary estimate of £1.816 million.

Signature of Leader



Dated

17-10-13

In accordance with the delegated authority referred to above, I hereby approve the above-mentioned proposal, subject to the agreement of the relevant Lead Councillor.

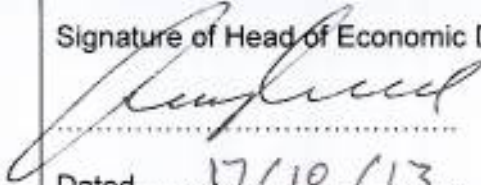
Signature of Managing Director

.....S/DG.....

Dated.....15/11/13.....

I hereby support the above-mentioned proposal.

Signature of Head of Economic Development

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Dated.....17/10/13.....

Signature of Lead Councillor:

.....N. Manning.....

Dated.....17/10/13.....