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Cambridge City Council

STRATEGY AND RESOURCES SCRUTINY COMMITTEE

To: **Scrutiny Committee Members** - Councillors Robertson (Chair), Sinnott (Vice-Chair), Baigent, Benstead, Bick, Cantrill, Hipkin, Holt, Sarris and M. Smart

Alternates: Councillors Abbott, C. Smart and Holland

Leader of the Council: Councillor Herbert

Executive Councillor for Finance and Resources: Councillor Owers

Despatched: Wednesday, 27 January 2016

Date: Monday, 8 February 2016

Time: 5.00 pm

Venue: Committee Room 1 & 2 - Guildhall

Contact: Sarah Steed

Direct Dial: 01223 457013

AGENDA

**Also invited to this Scrutiny Committee meeting:
All members of the Executive, Chairs and spokes of Community Services,
Environment and Housing Scrutiny Committees.**

1 Apologies for Absence

2 Declarations of Interest

Members are asked to declare at this stage any interests that they may have in an item shown on this agenda. If any member of the Committee is unsure whether or not they should declare an interest on a particular matter, they should seek advice from the Head of Legal Services before the meeting.

3 Public Questions

4 Record of Urgent Decisions taken by the Executive Councillor for Finance and Resources

To note decisions taken by the Executive Councillor for Finance and Resources since the last meeting of the Strategy and Resources Scrutiny Committee.

4a Record of Urgent Decision: Acquisition of Cambridge Road Retail Park, Haverhill Suffolk (Pages 5 - 16)

Attached: RoD.

Procedure for dealing with Agenda item 5.

The Scrutiny Committee and other Councillors attending are to note that it is not the purpose of this meeting to support, amend or defeat budget amendments i.e.: There is no vote.

Regarding any budget amendments, the purpose of the meeting is for the Scrutiny Committee to examine, and where appropriate to comment on, amendments. The comments, along with the amendments, will feed through to the Council's budget meeting on Thursday 25 February 2016.

The Executive is entitled to change its budget recommendations in the light of the discussions at the Scrutiny Committee meeting.

5 Amendments to the Budget Setting Report February 2016

Budget amendments to follow.

Under **Council Procedure Rules - Budget recommendations and amendments**, there is five working days following publication of the Executive budget recommendations during which amendments or alternatives may be proposed (i.e. until Friday 29th January 2016 at 17.00). Any budget amendments received will be published after this time and date.

Information for the Public

Location

The meeting is in the Guildhall on the Market Square (CB2 3QJ).

Between 9 a.m. and 5 p.m. the building is accessible via Peas Hill, Guildhall Street and the Market Square entrances.

After 5 p.m. access is via the Peas Hill entrance.

All the meeting rooms (Committee Room 1, Committee 2 and the Council Chamber) are on the first floor, and are accessible via lifts or stairs.

Public Participation

Some meetings may have parts that will be closed to the public, but the reasons for excluding the press and public will be given.

Most meetings have an opportunity for members of the public to ask questions or make statements.

To ask a question or make a statement please notify the Committee Manager (details listed on the front of the agenda) prior to the deadline.

- For questions and/or statements regarding items on the published agenda, the deadline is the start of the meeting.
- For questions and/or statements regarding items NOT on the published agenda, the deadline is 10 a.m. the day before the meeting.

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A loop system is available in Committee Room 1, Committee Room 2 and the Council Chamber.

Accessible toilets are available on the ground and first floor.

Meeting papers are available in large print and other formats on request prior to the meeting.

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CAMBRIDGE CITY COUNCIL

Record of Executive Decision

RECOMMENDATION TO ACQUIRE CAMBRIDGE ROAD RETAIL PARK

Decision of: **Councillor Owers** Executive Councillor for Finance and Resources

Reference: 15/URGENCY/S&R/06

Date of decision: 15/12/2015 **Recorded on:** 8/1/2016

Decision Type: Key Decision

Matter for Decision: The balance payment needed to acquire Cambridge Road Retail Park, Haverhill Suffolk CB9 7GS of £1,000,000 to be funded by capital receipts.

Why the decision had to be made (and any alternative options): To approve the use of capital receipts to fund the additional expenditure on the acquisition of a commercial property in order to proceed with the acquisition.

The Executive Councillor’s decision(s): To approve that the balance of payment needed to acquire Cambridge Road Retail Park of £1,000,000 is funded by capital receipts

Reasons for the decision: As outlined above and in the report.

Scrutiny consideration: The Chair and Spokesperson of the Strategy and Resources Scrutiny Committee were consulted prior to the action being authorised.

Report: A report detailing the background and financial considerations is attached.

Conflicts of interest: No conflicts of interest were declared by the Executive Councillor.

This urgent decision will be reported to the next Strategy & Resources Committee.

Comments: None



To: Councillor: Richard Robertson - Chair George Owers – Executive Councillor for Finance & Resources Tim Bick – Opposition Spokesperson	Return to: Dave Prinsep Head of Property Services The Guildhall Cambridge CB2 9QJ
To Officer: Caroline Ryba – Head of Finance	
Date: 3 December 2015	Tel: 7431
E-mail: dave.prinsep@cambridge.gov.uk	

MEMBER CONSULTATION

This is a formal consultation letter seeking your views in the following circumstances:

- ✓ Urgency Action: your views are being sought as a committee Chair or Spokesperson on a matter which is not delegated to officers but on which action must be taken as a matter of urgency.

Please reply in writing by **12 noon on 11 December 2015** by completing and returning one copy of this consultation letter.

Subject : Acquisition of Cambridge Road Retail Park, Haverhill, Suffolk. CB9 7GS.

Background: Strategy and Resources Scrutiny Committee on 19/01/2015 approved the allocation of £8.0m for investment in acquiring commercial property. An offer has been made and accepted subject to contract for a retail warehouse investment meeting the criteria set out in that report. The balance of funding available from the initial budget is insufficient and approval is sought to fund the balance from capital receipts.

Recommended Action: The Executive Councillor is recommend to approve that:

The balance of payment needed to acquire Cambridge Road Retail Park of £1,000,000 is funded by capital receipts.

Member Response:

I support / do not support the action recommended above.

Member Comments/Reason:

Signed **Councillor**

Date



To: Executive Councillor for Finance and Resources:
Councillor George Owers
Report by: Philip Taylor – Senior Estates Surveyor
Relevant scrutiny committee: Strategy & Resources Scrutiny Committee
Wards affected: None

ACQUISITION OF Cambridge Road Retail Park, Haverhill, Suffolk. CB9 7GS.

1. Executive summary

- 1.1 On 27th November, the Head of Property Services sent a Member Consultation document and report on his intention to exercise delegated powers in connection with the acquisition of a new commercial property, Cambridge Road Retail Park, Haverhill.
- 1.2 As part of that report, it was identified that there was a shortfall in available funding identified for commercial property acquisition in the 2015/16 Budget. The financial benefits of the additional expenditure were set out in that report as were some potential funding sources.
- 1.3 This Urgent Report seeks approval to fund the balance of payment needed of £1,000,000 from capital receipts.

2. Recommendations

The Executive Councillor is recommended to approve that:

- 2.1 The balance of payment needed to acquire Cambridge Road Retail Park of £1,000,000 is funded by capital receipts.

3. Background

- 3.1 The Member Consultation document and report set out in detail the proposed acquisition of the Cambridge Road Retail Park, Haverhill. It identified that following the earlier acquisition of Orchard Park Local Centre, the remaining balance identified for commercial property acquisition was £6,349,000 and so there was a shortfall in funding the proposed acquisition. Potential funding sources were referred to in that report.
- 3.2 Acquiring commercial property is dependent upon what is available in the

market at the time. It is highly unlikely that lot sizes will be available that match the budget and so there is always the probability of the available lot sizes being either under or over the allocated budget.

- 3.3 It is proposed to fund this acquisition from existing capital receipts balances and that from Clay Farm (above that required to finance the collaboration/infrastructure costs).

4. Implications

(a) Financial Implications

- 4.1 The purchase price agreed is £7m and there will be the usual acquisition costs including Stamp Duty Land Tax, agent's fee, survey fees and legal fees estimated in the region of 5% (of which 4% is Stamp Duty Land Tax).
- 4.2 As set out above, the additional funding required of £1,000,000 above the remaining balance for commercial property acquisition will be met from existing capital receipts balances and that contractually due from Clay Farm. The additional expenditure above £6,349,000 will achieve the same rate of return of just over 6.1% and the total income from this acquisition will be £451,625 p.a.

(b) Staffing Implications

- 4.6 As the Member Consultation document and report dated 27 November 2015.

(c) Equality and Poverty Implications

- 4.8 As the Member Consultation document and report dated 27 November 2015.

(d) Environmental Implications

- 4.9 As the Member Consultation document and report dated 27 November 2015.

(e) Procurement

- 4.10 As the Member Consultation document and report dated 27 November 2015.

(f) Consultation and communication

- 4.11 As the Member Consultation document and report dated 27 November

2015.

(g) **Community Safety**

4.12 As the Member Consultation document and report dated 27 November 2015.

5. Background papers

These background papers were used in the preparation of this report:

Member Consultation document and report dated 27 November 2015.

6. Appendices

None.

7. Inspection of Papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Philip Taylor or Dave Prinsep
Author's Phone Number: 01223 – 457431 or 457318
Author's Email: philip.taylor@cambridge.gov.uk or
dave.prinsep@cambridge.gov.uk



To: Councillor: Richard Robertson - Chair George Owers – Executive Councillor for Finance & Resources Tim Bick – Opposition Spokesperson To Officer: Caroline Ryba – Head of Finance	Return to: Dave Prinsep Head of Property Services The Guildhall Cambridge CB2 9QJ
Date: 27 November 2015	Tel: 7431
E-mail: dave.prinsep@cambridge.gov.uk	

MEMBER CONSULTATION

This is a formal consultation letter seeking your views in the following circumstances:

- ✓ Councillors: your views are sought on a matter which officers are required to consult you prior to exercising delegated powers.

Please reply in writing by **12 noon on 4 December 2015** by completing and returning one copy of this consultation letter.

Subject : Acquisition of Cambridge Road Retail Park, Haverhill, Suffolk. CB9 7GS.

Background: Strategy and Resources Scrutiny Committee on 19/01/2015 approved the allocation of £8.0m for investment in acquiring commercial property. A retail warehouse investment has been identified as meeting the criteria set out in that report and Head of Property is seeking to exercise his delegated authority to acquire the Cambridge Road Retail Park investment.

Recommended Action: That the Head of Property Services exercises his delegated powers to approve the purchase of the Cambridge Road Retail Park investment for £7,000,000 plus acquisition costs.

Member Response:

I support / do not support the action recommended above.

Member Comments/Reason:

Signed **Councillor**

Date



To: Executive Councillor for Finance and Resources:
Councillor George Owers
Report by: Philip Taylor – Senior Estates Surveyor
Relevant scrutiny Strategy & Resources Scrutiny
committee: Committee
Wards affected: None

ACQUISITION OF Cambridge Road Retail Park, Haverhill, Suffolk. CB9 7GS.

1. Executive summary

1.1 On 19/01/2015 Strategy and Resources Scrutiny Committee approved the funding allocation of £8.0m for investment in acquiring commercial property. A retail warehouse investment has been identified meeting the criteria set out in that report and Head of Property is seeking to acquire this property under the delegated authority granted at the above meeting. The property proposed to be acquired is the Cambridge Road Retail Park in Haverhill.

2. Recommendations

It is recommended that the Head of Property Services:

2.1 Approve the purchase of the Cambridge Road Retail Park for £7,000,000 plus acquisition costs.

3. Background

3.1 The 19/01/2015 committee report set out some objectives to be met in relation to any investment acquisition and the proposed purchase meets these objectives, namely;

- Relatively close location in Haverhill, Suffolk some 18 miles away
- Rate of return above the target rate at 6.1% after taking acquisition costs into account
- Good environmental performance – the largest unit of 35,057 sq ft has an EPC rating of B and the smaller unit of 3,887 sq ft a rating of C.

- Excellent ratings for most of the income with B&Q and Halfords as tenants– c97% of income from tenants with Dun and Bradstreet ratings of 5A1 which is as good as it can be.
 - Full tenant repairing leases so relatively low management and low maintenance with other costs recharged to the tenants.
 - The property is in good condition and there is potential for further development on the site in the future subject to planning.
- 3.2 Harvey Spack Field have been marketing the investment as part of a larger portfolio but has agreed to split the portfolio and sell individual properties. MP Real Estate has been undertaking extensive searches to identify suitable investments for the Council and identified this one. They were instructed to undertake due diligence and submit an offer on the Council's behalf.
- 3.3 A conditional offer of £7,000,000 has been accepted subject to:
- Contract
 - Verification of the information contained within the investment brochure and tenancy schedule
 - Satisfactory measured, building and desktop environmental surveys
 - Purchase proceeding by way of a Transfer of Going Concern (TOGC)
 - Simultaneous exchange and completion within 20 working days of receipt of legal contract documentation.
- 3.4 This is a modern purpose built retail warehouse scheme in Haverhill with B&Q, Halfords and We Buy Any Car as tenants. There is a large Sainsburys store and petrol station next to this property and is considered well located. The lease to B&Q runs until 2028 and Halfords until 2020. There is potentially further income growth through a solar scheme and possibly a future development opportunity. Haverhill has recently approved new development in the region of 2,500 new homes to the north east of Haverhill and although this is still some time off, should help with robustness of investment in the future.

4. Implications

(a) Financial Implications

- 4.1 The purchase price agreed is £7m and there will be the usual acquisition costs including Stamp Duty Land Tax, agent's fee, survey fees and legal fees estimated in the region of 5% (of which 4% is Stamp Duty Land Tax).

- 4.2 Fully tenanted and producing £451,625 per annum, the initial return is 6.1% taking account of acquisition costs, which exceeds the Council's required target return. There is a rent review due on the Halfords unit in December 2015 and so this may see an increase.
- 4.3 The transaction will be treated as a Transfer of a Going Concern (TOGC) which will protect the Council's partial VAT exemption. This takes any transaction outside the scope of VAT.
- 4.4 An election to charge VAT will need to be submitted to HMRC to comply with TOGC requirements. The Council's VAT Officer has been consulted and is comfortable that the transaction adheres to the HMRC's requirements.
- 4.5 The balance remaining in the capital plan for commercial property investment is £6,349,000. This acquisition, taking into account costs of acquisition, will be about £7,350,000 and so there is a shortfall of approximately £1m. Finance has confirmed that funding is available to complete the purchase within the timeframe set out by the vendor and the source of funding can be resolved afterwards. There are several potential sources of funding and the Head of Property Services could consider the disposal of other commercial property if necessary to fund this acquisition to improve the overall portfolio

(b) Staffing Implications

- 4.6 MP Real Estate has acted for the Council in acquiring the investment, working closely with Property Services in identifying and reviewing investment opportunities.
- 4.7 The day to day management will be dealt with by the existing Property Services team within existing capacity as the acquisition will require low management input and is relatively local.

(c) Equality and Poverty Implications

- 4.8 An Equality Impact Assessment has not been conducted as this will be an acquisition of tenanted commercial property to generate an income stream. The property is modern and compliant with current DDA requirements.

(d) Environmental Implications

- 4.9 The property has good EPC ratings of B and C and will therefore have a low positive impact on the wider property portfolio overall.

(e) **Procurement**

4.10 We appointed MP Real Estate to acquire the investment on behalf of the Council. Due to the expediency required we did not obtain quotes from any other agencies and having spoken the Council's Procurement Officer recognise that we need to get a waiver exemption signed by the Director for Business Transformation for fees, which will amount to 0.75% of the purchase price, which is considered below industry standard of 1%.

(f) **Consultation and communication**

4.11 This is a specialised area and so no public consultation has taken place. Internal consultation has taken place with Finance.

(g) **Community Safety**

4.12 There are no Community Safety implications.

5. Background papers

These background papers were used in the preparation of this report:

Strategy & Resource Scrutiny Committee – Commercial Property Investment Report 19/01/2015

MP Real Estate Pre-Bid Review

Harvey Spack Field investment particulars

6. Appendices

None.

7. Inspection of Papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Philip Taylor
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