

# Record of decision taken under urgency procedure provisions by a Council officer



Title:	Oxfam House, 2700 Oxford Business Park, Oxford
Wards Affected:	N/A - Out of Borough
Decision taken under delegated authority by virtue of:	Urgency procedure provisions under Standing Order 48.1 in Section 4 of the Council's Constitution.

## Summary

The Strategy and Resources Committee of 28 September 2015 authorised use of the Urgency Procedure for acquiring investment properties over £5m in value for the Investment Property Portfolio. The committee also approved the procedure set out in the Policy for Governance and Portfolio Management.

In accordance with the policy, the Strategic Director for Resources has authorised the acquisition of Oxfam House in Oxford for the sum of £29,890,000. This transaction provides the Council with a prominent, large, modern Grade A office building on Oxford Business Park, Oxford. The office is Oxfam's UK Headquarters and has been let to them since it was constructed in 2005 for a term of 25 years. There are 8.25 years to expiry on the current lease agreement.

## Decision

### The Strategic Director for Resources agrees that:

1. Following the satisfactory completion of legal and other due diligence checks to proceed with the acquisition of the property known as Oxfam House from Aviva Investors Pension Property Fund Ltd for a sum of £29,890,000.
2. The Council exchanges on the Contract for sale of the Freehold on 18<sup>th</sup> November 2016 with completion of the Title Transfer on 23<sup>rd</sup> November 2016.

### Reasons for Decision:

This proposed transaction provides an opportunity to acquire a modern single let prestigious office building in Oxford for the sum of £29,890,000.

The acquisition meets all the criteria set out in the Policy agreed by the Strategy & Resources Committee for investment property acquisitions and the outcome of due

diligence investigations on the property, tenant, title and existing lease is satisfactory.

The lease to Oxfam is on a fully repairing and insuring basis. This makes it the tenant's responsibility to look after the property for the duration of the lease. At expiry tenant will also be responsible for any dilapidations that may have accrued so the Council should not have any need to refurbish the building for re-marketing if the tenant decided to vacate then.

A separate service charge covers the costs of maintaining the external areas of the Oxford Business Park estate. This managed by the estate's management company and the service charge is recovered from the tenants under the terms of their lease.

The financial risks of this transaction are mitigated by the financial strength of the tenant which has a Dun & Bradstreet rating for Oxfam of 5A-1 where 1 represents a minimum risk of business failure. The tenant has a long term connection with this location having been established in Oxford in 1942.

Additionally there is provision for rent reviews every 5 years so there is potential for rental growth. The passing rental is based on £19.40 sq ft with evidence of headline rentals from other offices nearby of £25 per sq ft. The property consequently has the potential to perform well in the future.

In accordance with the Policy on Governance and Portfolio Management agreed by the Strategy & Resources Committee in September 2015 for its Investment Property Portfolio (IPP), the Lead Councillor for Resources was informed on the 14<sup>th</sup> October 2016 of the intention to recommend this property to the Investment Property Board for consideration. The Board agreed unanimously on 20<sup>th</sup> October 2016 that this acquisition met the criteria set by the Strategy & Resources Committee and recommended its acquisition.

Appropriate due diligence has been satisfactorily undertaken on title, the property and the tenant.

I am therefore satisfied that the acquisition should proceed.

### **Reasons for urgency**

Under the IPP policy, the Urgency Procedure is to be used for acquisition over £5m. The IPP Board considered this situation and approved the recommendation to offer £29.89M for this investment. The normal commercial framework and timetable for such transactions means that it is necessary to use the agreed IPP Policy/Urgency Procedure as set out in the Report to Strategy & Resources Committee of 28 September 2015 – Governance and Portfolio Management Arrangements for the Investment Property Portfolio.

### **Options, if any, considered and rejected**

A range of properties have been introduced for consideration as suitable investments for the Investment Property Portfolio. Oxfam House, Oxford Business Park, Oxford fits well with the criteria set out in the Governance and Portfolio

Management Arrangements for the Investment Property Portfolio.
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### Financial implications

The investment decision assumes that the purchase price will be funded by prudential borrowing. The interest rate used for this is the current rate for a 50 year PWLB annuity loan which is 2.83%.

This purchase will provide an annual rent payment to the council of £1.69m. The net surplus after costs is £484k per year for the first four years and with potential further growth at rent reviews/lease renewals or new lettings over the 50 year financing period.

Decision taken by:	Strategic Director of Resources
Decision taken on:	17th November 2016
To be implemented on:	18th November 2016

Date the Chief Executive was consulted:	17th November 2016
Outcome of the consultation:	Approved

Date the Leader of the Council was consulted:	Councillor Ruth Dombey 17th November 2016
Outcome of the consultation:	Approved

Date the relevant Committee Chair was consulted:	Councillor Simon Wales Lead Member for Resources 17th November 2016
Outcome of the consultation:	Approved

### Declarations of conflicts of interest

None
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**Background Documents**

Exempt:

Decision Report 16th November 2016	Yes
Report to Strategy & Resources Committee of 28 September 2015 – Governance and Portfolio Management Arrangements for the Investment Property Portfolio	No