



**OFFICE OF THE POLICE & CRIME
COMMISSIONER FOR THAMES VALLEY**

REPORT FOR DECISION – REF NO. 2016/09

Fountain Court, HQ North Kidlington - Purchase of the freehold interest

Executive Summary:

The purpose of this report is to provide information on the terms agreed with the current owner for the PCC to purchase the freehold interest, and to seek approval for the sale to proceed.

TVP occupies the whole building with a number of business support and Force-wide operational functions. The building is held by way of two leases that expire in September 2020 at a current rental cost of £602,400 per annum.

Following an approach from the owner in late 2015, to establish whether the PCC had an interest in purchasing, a net present cost assessment was undertaken, and was reported to the Strategic Estates Group (SEG) in March. This concluded that a purchase could be justified, and also that to continue to lease beyond 2020 was not value for money. CCMT in April approved negotiations being undertaken, and that in no circumstances would the leases be renewed in 2020.

Terms have now been provisionally agreed, approved by the Strategic Estates Group on 11th July, and are recommended for approval by the PCC in this report.

Recommendation:

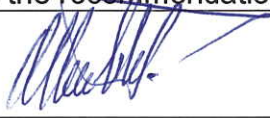
It is recommended that the PCC:

1. approves the terms for the purchase of the freehold interest in the sum of £7.15m, with legal completion on 28th September 2016. The PCC will then own all 3 HQ North buildings having acquired the other 2 in 2012. Ownership of our HQ buildings is demonstrated to be better value for money than continuing to lease on commercial rental terms
2. gives authority to Property Services to negotiate any necessary detail and clarity around the principal terms and conditions, in particular the service charge/sinking fund credit, without further recourse unless the terms or conditions change significantly.

Police and Crime Commissioner

I hereby approve the recommendation above.

Signature



Date

15.7.16

PART 1 – NON-CONFIDENTIAL

1 Introduction and background

- 1.1 TVP occupy 3 buildings on its “HQ North” site with a range of business support and operational functions. Originally all 3 buildings were separately leased from different landlords. Meadow House and Kingfisher Court were purchased in 2012.
- 1.2 Fountain Court is held on two leases expiring in 2020, at a current rent cost of £602,400 pa. The ground floor lease had a rent review due in February 2016. In previous years the owner has not considered selling, but in late 2015 approached Property Services seeking a view on purchasing the freehold. The value to an investor in having the PCC as a tenant is significant, however as a lease expiry date approaches, uncertainty around what a tenant may decide to do reduces marketability and adversely impacts on value.
- 1.3 Following a report to the Strategic Estates Group in December 2015, approval was given to open negotiations and to undertake a financial assessment. Property Services also undertook work to assess the feasibility of withdrawing from Fountain court in the event a purchase was not possible or viable. A further report was submitted to the SEG in March recommending pursuing a purchase on certain terms, but also in no circumstance to renew the existing leases in 2020. A viable alternative to purchasing Fountain Court was established, with a similar financial impact, although a strong preference was shown by CCMT to purchase Fountain Court if possible, subject to acceptable terms being negotiated.

2 Issues for consideration

- 2.1 Ownership usually represents better value for money long term than leasing at commercial rents. While leasing some buildings can be justified and may be unavoidable, the approved Asset Management Plans since 2010 have supported a move towards greater ownership where this is viable. Consequently we have seen the proportion of the estate floor area owned increase from 74% in 2010 to 84% now. A significant number of leaseholds have been surrendered, and acquiring the freehold of previously leased HQ buildings has been reflected in this.
- 2.2 The role of both HQ sites in Kidlington remains important strategically. There are no plans to consolidate them into a single location, and with the rationalisation of satellite operational sites, and gradual rollout of Smarter Ways of Working, we are planning for greater space utilisation. Planning permission has been recently given to replace C Block at HQ South should that be necessary.
- 2.3 Terms have been provisionally agreed between the freeholder and the PCC’s appointed estates surveyors, Lambert Smith Hampton. The principal terms are:
 - A purchase price of £7.15m exclusive of VAT + normal acquisition costs
 - An exchange of contracts within 3 weeks of PCC approval and completion on 28th September 2016
 - The rent review on the ground floor lease is resolved at a nil increase
 - The service charge balance (currently around £252,500 but expected to reduce as some works are undertaken) to be reimbursed to TVP
 - Purchase is subject to surveys as part of the due diligence process
 - Purchase is subject to the PCC and freeholders Board approvals

3 Financial comments

- 3.1 The report to SEG in March included a financial assessment reviewed by Corporate Finance and by the Chief Finance Officer and Deputy Chief Executive of the Office of the PCC.
- 3.2 The assessment involved a net present cost comparison of several options including continuing to lease, purchasing, and implementing an alternative strategy to enable Fountain court leases to be surrendered. The highest cost option, by a significant margin was continuing to lease.
- 3.3 The provisionally agreed purchase price is marginally outside the upper parameters of the financial appraisal, but this does not affect the ranking of options nor the recommendation to proceed with a purchase. Funding is envisaged to be through borrowing.
- ~~3.4 Advice on valuation was commissioned from Lambert Smith Hampton and also from Carter Jonas before negotiations progressed. This advice confirms that the provisionally agreed purchase price is fair.~~

4 Legal comments

- 4.1 The acquisition of the freehold should not present any unforeseen legal issues or concerns. It is expected to be a relatively smooth transaction as with the purchase of the other two buildings in 2012 and the legal documentation will be dealt with by Blake Morgan on behalf of the PCC.
- 4.2 There is an issue over the "residual" common estate roads/pathways owned by the separate estate management company that covers adjoining sites. This reflects the original position of all three HQ North buildings being in separate ownership when built. At a later date Property Services will consider how this may be addressed in the longer term, but this does not adversely affect the purchase of Fountain Court.

5 Equality comments

- 5.1 Not applicable

6 Background papers

- 6.1 None submitted in view of previous detailed reports to the SEG and to CCMT.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? Yes / No

If yes, for what reason?

Until what date?

Is there a Part 2 form? Yes

ORIGINATING OFFICER DECLARATION (as appropriate):

	Officer	Date reviewed
Name & Role		
Head of Unit	David Griffin, Head of Property Services	12/7/2016
Legal Advice	N/A	
Financial Advice	Linda Waters, Director of Finance	12/7/2016

PCC STATUTORY OFFICERS' APPROVAL

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.


Chief Executive

Date **14/7/2016**


Chief Finance Officer

Date **14/7/16**

