



backs onto Friar's Walk car park which is owned by the Council. Appendix A sets out the commercial terms.

- 2.2** The decision whether or not to purchase is urgent as the Council must confirm immediately whether it is in a position to proceed with the sale.
- 2.3** The sale particulars are attached at Appendix B, demonstrating the strength of covenant and the tenancy schedule.
- 2.4** The buildings are constructed to a high standard and appear sound and the Council has carried out a visual inspection of the premises. All maintenance and repair liabilities can be recharged to the tenants via a service charge, including officer time to manage the properties. The offer has been made subject to satisfactory surveys.
- 2.12** Bidding for the property was conducted via a 2-round process and competition was fierce. The Council is in a strong position with exchange and completion to follow within a month of the bid being accepted.

### **3 Financial Appraisal**

- 3.1** Under the local authority 'prudential borrowing' framework, the Council is able to borrow to fund the purchase of property to be held by the General Fund, on the condition that the borrowing is affordable in terms of its impact on the budget and council tax.
- 3.2** Financial modelling indicates that this commercial property will generate an average annual net return of 4.4% after allowing for interest costs at current rates associated with a 50 year loan, repaid in full at the end of the period. A range of scenarios has been tested against this base scenario, including variations in inflation, units becoming vacant for a period of time and exceptional management or maintenance costs arising for which the Council may become liable. Each scenario generated a positive annual long-term return and the acquisition of the property is considered to satisfy the 'affordability' test.
- 3.3** A further factor which mitigates against financial risk is that the acquisition will be of a freehold property abutting a site already owned by the Council.

### **4 Legal Implications**

- 4.1** External lawyers have been instructed to produce the following:
  - A headline issues summary of each of the 4 leases focussing on any potential issues from a legal point of view that could have an impact on the value of the investment.
  - A brief overview of the freehold title focussing on any major issues which could impact on value.

- Assistance to enable the Council to put forward an initial bid.

Any outstanding legal work will be undertaken now that the bidding process has concluded. For example, the seller will only be releasing copies of the standard search documents to the preferred bidder. The search documents will have to be checked to ensure that they do not show any unacceptable risks.

### **Risk Management Implications**

**5** The key risks have been identified within the body of the report. See Legal and Finance comments for risks and mitigation.

**5.1** The land is within Flood Zone 3 and was subject to flooding in 2000, along with many other properties in Lewes. However, Lewes is largely protected from fluvial flood and the North Street development will complete a defence protection return to 100 year levels.

### **Equality Screening**

**6** There are no equality impacts as a result of the recommendations in this report.

### **Background Papers**

**7** None

### **Appendices**

Appendix A Commercial terms (exempt)

Appendix B Sale particulars