

**A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to the financial and business affairs of any particular person (including the authority holding that information)**

Cabinet  
Council

27<sup>th</sup> November 2018  
4<sup>th</sup> December 2018

**Name of Cabinet Member:**

Cabinet Member for Jobs and Regeneration - Councillor J O'Boyle

**Director Approving Submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected:**

Lower Stoke

**Title:**

Binley Court, Brindle Avenue, Coventry – Investment Acquisition.

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**Is this a key decision?**

Yes – the proposals will have financial transactions in excess of £1m

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**Executive Summary:**

This report is seeking approval for the freehold acquisition of an income producing office investment known as Binley Court.

It comprises a purpose built, two storey, 31,000 sqft, courtyard style office building with secured onsite car parking.

The office has recently been let on a floor by floor basis on new 10 year leases with break options at year 5 to Orbit Group Limited and Aptiv Services UK limited.

The commercial sensitive financial details of the proposal are contained within the private part of the report

The level of return generated is assessed based on the level of risk associated with the length of lease and the security of the income. The negotiated price has been validated by external property experts as providing 'market value' for the Council.

It is intended that the property would be held by the Council as an investment asset and managed by the Council's Commercial Property Management.

**Recommendations:**

That Cabinet is recommended to request that Council:

1. Approve the terms for the acquisition of the freehold interest in Binley Court (identified edged red on the plan in the Appendix) subject to the current tenancies. Details of the financial commitment are outlined in the private report.
2. Delegate authority to the Deputy Chief Executive (Place) advised by and in consultation with the Director of Finance and Corporate Resources and the City Solicitor to complete the necessary legal documentation”
3. Delegate authority to the Deputy Chief Executive (Place) in consultation with the Cabinet Member for Jobs and Regeneration, for any subsequent variation in terms.
4. Approve the adjustment of the capital programme to reflect the proposed capital expenditure incurred in the acquisition of the freehold interest in Binley Court.

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4. Approve the adjustment of the capital programme to reflect the proposed capital expenditure incurred in the acquisition of the freehold interest in Binley Court.

**List of Appendices included:**

Site plan

**Other useful background papers:**

None

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

Yes4<sup>th</sup>December2018

Report title: Binley Court, Brindle Avenue, Coventry – Investment Acquisition.

## **1. Context (or background)**

- 1.1 The Council is currently looking at ways of increasing revenue income to support the provision of services it is seeking to deliver.
- 1.2 An opportunity has been presented to the Council to acquire an income producing, office property investment, within the Lower Stoke area of the City.
- 1.3 The two storey office building is constructed around a central open courtyard. The accommodation extends to 31,000 sqft (2,880 sqm). The building was formally part of the GEC Marconi office and factory premises at this location but is now the only remaining commercial building. The rest of the former site has been developed for housing.

The accommodation has a specification of:-

- Raised access floors
- Recessed lighting
- Combined Heating, Ventilation and Air Conditioning system
- 8 person lift
- Security gate and barriers
- 102 car parking spaces (1 per 304 sqft)

- 1.4 The offices are let to two tenants, both on new 10 year leases, with an tenant only 5 year break option:-
  - 1.4.1 The ground floor and central courtyard is let to Aptiv Services UK Limited. They are an electric engineering and design company, with major clients including JLR and Ford. It is an UK subsidiary of Delphi Automotive Plc. These offices will house their general business and administration functions. Initially 80 employees will be located at Binley Court. The majority of their employees have been relocated from offices in Leamington Spa. The tenant has undertaken a major refit of the office accommodation ahead of their occupation. Aptiv's rent is guarantee by Hellermann Tyton Limited – another subsidiary of Delphi Automotive Plc.
  - 1.4.2 The first floor is let to Orbit Group Limited. A registered housing provider who operate in Coventry as well as across the Midlands, East and South East. This is to be an administrative office bringing together 180 staff from offices around the region. They are also undertaking a major refurbishment of the office accommodation before occupying. Orbit's Creditsafe's rating is considered Low Risk.
- 1.5 The rent and service charge payable by the tenants is outlined in the financial section of the private report.

## **2. Options and recommended proposal**

- 2.1 The income producing investment opportunity presented provides the Council with the ability to acquire a freehold tenanted office building, in an accessible location within the City, with good levels of secure onsite car parking.
- 2.2 Further investment by both tenants will further improve the quality of the office accommodation within the building.

- 2.3 Based on the purchasing cost, the anticipated return generated on the investment proposed is outlined in the finance section of the private report.
- 2.4 The price proposed to purchase the freehold interest and the level of return anticipated has been valued by, Lambert Smith Hampton, independent property agents acting for the Council in this purchase. They have confirmed that the price represents market value.
- 2.5 If the Council didn't proceed with the purchase of the interest, it would need to find alternative property to purchase to secure alternative income. The investment market is still very competitive at present and an alternative option which similar investment criteria is difficult to identify.

## 2.6 **Issues**

- 2.6.1 Under the terms of both leases there is a tenant only 5 year break clause. If the tenant wishes to exercise this option, they would need to give a minimum of 6 month's notice and pay a 6 month rent penalty.
- 2.6.2 If after 5 years the tenants exercised their options to break the intention would be to look to re-let the accommodation.
- 2.6.3 The basic configuration and layout of the property, its size and the secure onsite parking provides a good, flexible office property suitable for a variety of tenants. Although the building is located within a primarily residential area and not a business park the quality of the property provides strong optimism that the property would readily re-let.
- 2.6.4 Should the office market have altered dramatically and there were no realistic options to relet the building in 5 years time, consideration could always be given to converting the offices into residential accommodation. This option would be supported by the new housing which has been built around the site in recent years.
- 2.6.5 Any acquisition will be subject to the findings of a building survey.
- 2.6.6 Risks associated with investing in commercial property are being mitigated because the fundamentals of the building proposed to be acquired are sound in terms of a popular business location, the quality and flexibility of the accommodation along with a lease to a strong national business.
- 2.6.7 The return is substantially higher than that which placing the money on deposit because there is a pricing of the risk factored in.
- 2.6.8 Acquiring the freehold interest not only provides the Council with greater income but also the potential added flexibility, if required in the future, if commercial advantageous to redevelop the site.

- 2.7 **Recommendation** – To proceed with the purchase of the office investment.

## 3. **Results of consultation undertaken**

No public consultation has been undertaken

## 4. **Timetable for implementing this decision**

- 4.1 Subject to Cabinet and Councils approval it is anticipated that the acquisition of the freehold interest would be completed within 28 days of the decision.

## **5. Comments from the Director of Finance and Corporate Services**

### **5.1 Financial implications**

The commercially sensitive financial implications of this transaction are contained within the private report.

### **5.2 Legal implications**

The Council's appointed external property investment agents, Lambert Smith Hampton have verified that the terms of the acquisition specified in this report represent market value for the acquisition of the freehold interest.

Section 120 (1) of the Local Government Act 1972 ("the 1972 Act") authorises the Council to acquire any land by agreement for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area. By virtue of Section 120 (2) of the 1972 Act the Council may acquire by agreement any land for any purpose for which they are authorised by the 1972 Act or any other Act to acquire land, notwithstanding that the land is not immediately required for the purpose: and until it is required for that purpose, it may be used for the purpose of any of the Council's function.

Officers within Legal Service (Place Directorate) will agree and complete the legal documentation effecting the acquisition of the freehold interest

## **6. Other implications**

### **6.1 How will this contribute to achievement of the Council's Plan?**

The purchase of the freehold interest and the net financial income benefits that flow from it will contribute to the Council Plan of making the most of our assets to deliver priorities with fewer resources.

### **6.2 How is risk being managed?**

The risks have been identified as ensuring that the proposed benefits of the development scheme are realised. These are being managed through the independent assessment of the risk and return proposed including considering the strength of the business occupying the property and ability for them to pay the rent and service charge and through the provisions in the lease maintain the condition of the property during and at the end of the current lease.

### **6.3 What is the impact on the organisation?**

The impact to the organisation will be minimal however it will generate additional work for officers within Place Directorate in dealing with the acquisition of the freehold interest.

### **6.4 Equalities / EIA**

An Equality Impact Assessment has not been undertaken as the proposal concerns the disposal of land for redevelopment as no Council service or group will be impacted.

An equality impact assessment is a process designed to ensure that a policy project or service does not discriminate against any disadvantaged or vulnerable people. Section 149 of the

Equality Act 2010 imposes an obligation on Local Authorities to carry out an equality impact assessment when the local authority is exercising a public function.

An equality impact assessment has not been undertaken by officers as the proposal set out in this report relates to the acquisition of a legal interest in the land and does not constitute a change in service delivery policy or the exercise of a public function.

#### **6.5 Implications for (or impact on) the environment**

The Council's acquisition of the freehold interest in the commercial office property proposed will have no additional implication or impact on the environment.

#### **6.6 Implications for partner organisations?**

There are no implications for any partner organisations.

**Report author(s):**

**Name and job title:**

**Paul Beesley, Manager Property Development, Disposal & Acquisitions**

**Directorate:**

**Place Directorate**

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## Location Plan - Binley Court



PLACE DIRECTORATE  
PROPERTY  
ONE FRIARGATE  
COVENTRY  
CV1 2GN  
Tel: 024 7683 2633



**Title: Binley Court**

Drawn By: LB  
Scale : NTS  
Date: 29/10/2018

Martin Yardley - Deputy Chief Executive, Place  
Richard Moon - Director, Project Management & Property Services

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