

RECORD OF OFFICER DECISION

This form must be completed by or on behalf of the relevant Officer immediately after any decision has been made. Please send to the Proper Officer for publication in accordance with the Council's Constitution.

NAME OF OFFICER MAKING DECISION (INCLUDING JOB TITLE) AND THE DECISION BEING MADE	Nick Vickers Chief Financial Officer Decision to proceed as funder and owner of the Sittingbourne Town Centre regeneration project retail development.
TITLE OF REPORT	Property Investment
DATE THE DECISION WAS TAKEN	11 April 2017
SUMMARY OF REASONS FOR DECISION	The funding agreement has now been drafted, the financial appraisal undertaken and the Council will now become the funder and owner of the Retail development. The detail of this decision is attached.
BACKGROUND	Cabinet 9 November 2016 http://services.swale.gov.uk/meetings/documents/g1719/Printed%20minutes%2009th-Nov-2016%2019.00%20Cabinet.pdf?T=1
DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	This matter was discussed further at Scrutiny Committee on 29 November 2016 and at Cabinet on 7 December 2016 the previous decisions taken were one again endorsed.
DETAILS OF ANY CONSULTATION UNDERTAKEN	The Council has taken legal advice from Pinsent Masons and the investment case has been evaluated by Turnberry Real Estate.
DETAILS OF ANY CONFLICTS OF INTERESTS	None
CONTACT FOR ENQUIRIES/FURTHER INFORMATION	nickvickers@swale.gov.uk 07920428575

A copy of this Notice will be published on the Council's website (<http://www.swale.gov.uk>)

Sittingbourne Town Centre Regeneration Retail Development

On 9 December 2016 Cabinet received a report on Property Investment in relation to the Sittingbourne Town Centre Regeneration Retail and Leisure projects. Cabinet agreed that:

(1) That approval be given to funding and acquiring of the leisure and big box retail development in Sittingbourne.

(2) That borrowing of up to £28m be approved, in line with the Council decision on 16 March 2016.

(3) That investment of up to £2.2m in highways-related infrastructure for Sittingbourne Town Centre be approved.

(4) That funding of up to £500,000 to underwrite unconditional pre-works demolition costs, which will be funded from South East Local Enterprise Partnership (SELEP) funding, be approved. If the development agreement does not go unconditional, the Council will be required to repay this funding to SELEP.

(5) That delegation be given to the Head of Finance, in consultation with the Leader and Cabinet Member for Finance and Performance, the final decisions on the amount of borrowing within the limit set, other financing and release of the funds for highway works and demolition costs.

(6) That delegation be given to the Head of Finance, in consultation with the Leader and Cabinet Member for Finance and Performance, to agree the final Terms of the Agreement.

At the time of the report the financial appraisal prepared by Turnberry Real Estate combined the Retail and Leisure elements of the project. Subsequently it became clear that with construction tenders for the Retail build received and accepted and with the good progress on the demolition of the buildings on the Princess Street site the Retail development could be approved in advance of the Leisure project where construction tender responses have only very recently been received by Spirit of Sittingbourne (SOS).

Pinsent Masons were commissioned to draw up a funding agreement and this has now been agreed with SOS as part of the Deed of Variation.

Turnberry Real Estate have undertaken a financial appraisal the results of which are summarised below:

Construction Costs	£5,257,783
Average Annual Net Yield (before interest)	14.08%
Average Annual Net Yield (after interest)	13.50%

This represents a highly attractive financial return for the Council.

Turnberry Real Estate have prudently assumed some borrowing but at the current time I envisage that the construction will be funded by internal borrowing. Interest rates on deposits are extremely low so we are forgoing very little investment income and are avoiding borrowing costs, although minimum revenue provision at 2% per annum will need to be made. This position will be revisited when the project is complete and revenue being received to pay for external borrowing costs.