

WELWYN HATFIELD BOROUGH COUNCIL  
SPECIAL CABINET – 23 OCTOBER 2018  
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT AND  
CULTURAL SERVICES)

PROPERTY INVESTMENT

**1     Executive Summary**

- 1.1     The Council currently operates a business incubator unit called Weltech Business Centre, it is specifically designed to accommodate start-up and small businesses. The centre is being run by the Corporate Property team and all the units are fully let and have been for a long period of time.
- 1.2     There is an ongoing demand to support small and start-up businesses. Building on the success of Weltech, officers have been trying to find suitable office accommodation that could replicate the business model elsewhere in the Borough. In the absence of an available capital budget, there is a risk that the need to involve both Cabinet and Council in decision making will put us at a disadvantage in the property purchase process. For example, business decisions are often based on the timetable set out by the vendor, with little influence or control by the Council. The purpose of this report is to seek agreement for the future purchase based on a set of principles set out in the report.

**2     Recommendation(s)**

- 2.1     That Cabinet agrees in principle to purchase suitable office accommodation to replicate the Weltech Business Centre model elsewhere in the Borough, with the aim to continue to support the start-up and small businesses sector.
- 2.2     That Cabinet agrees to give delegated authority to the Corporate Director (Resources, Environment and Cultural Services), in consultation with the Executive Member for Resources and Executive Member for Environment and Planning Delivery due to his experience and knowledge on commercial properties, to agree property investments as set out in paragraph 3.5 of this report.
- 2.3     That Cabinet recommends to Council to agree £8m to be added to the current year capital programme for the purchase of properties suitable to replicate the Weltech Business Centre operation model.

**3     Explanation**

- 3.1     The Council currently operates a business incubator unit called Weltech Business Centre, it is specifically designed to accommodate start-up and small businesses. There are 49 business units in total and each unit ranges from single occupancy to multiple staff. All the units are fully let and have been for a long period of time. The Centre provides a reception service to each of the business units and answers the phones in the company name, thereby adding a

professional image to the business. This is particularly important when start-ups are trying to build their client base and reputation.

- 3.2 The Centre also provides a virtual office for start-ups not yet ready for a full time office. There are 13 businesses currently operate as virtual office and the Centre provides a professional business address, dedicated phone number and a reception service including call answering under company name. The Centre also provides conference room facilities for use by the business units, virtual office clients as well as external businesses. There are 35 external businesses that use our conference room facilities.
- 3.3 Officers would like to build on the success of Weltech and have been trying to find office accommodation that could replicate the business model elsewhere in the Borough. It is also important to note that the new centre could also be used as the next steps for a number of long term licensees to move into, thereby freeing up space for small and start up businesses at the current Weltech Business Centre.
- 3.4 When suitable office accommodation becomes available on the market, it will be necessary to respond quickly and effectively to market opportunities as the speed of decision making is key to the nature of property investments. This is particularly important when the property is popular, the vendor could call the buyers to bid for the property by a certain deadline. The bidding timetable is set by the vendor, and would often require the buyer to exchange as quickly as possible. Our Cabinet and Full Council timetable will not be sufficiently responsive to cater for such events and will mean the need to call for Special Cabinet/Council meetings in short notice.
- 3.5 It should also be noted that making property investment in the borough is something that the council has been used to in the past, notably in Hatfield Town Centre. It will be necessary to respond quickly and effectively to market opportunities as the speed of decision making is key to the nature of property investments. Therefore this report is seeking delegated authority to be given to the Corporate Director (Resources, Environment and Cultural Services) in consultation with the relevant Executive Member for Resources and Executive Member for Environment and Planning Delivery before agreeing to each of the property investment opportunities. The following principles will apply to the property investments:
- The overall capital investment must not exceed the capital budget to be approved by Council
  - Part of the property must have the ability to convert into a business incubator unit. Whilst there may be practical reasons why the conversion may not be done as soon as the purchase of the property is completed (for example, waiting for the current tenants to move out at the end of their tenancy), the conversion should start whenever possible within one year of completion of purchase.
  - The property must not be held solely to generate profit and must be linked to the council's wider objectives such as promotion of economic development and regeneration as stated in the corporate plan.
  - The target return of investment must be at least 5% and recommended for purchase by a reputable firm, who usually produce an investment acquisition

report as back up evidence or the estimated investment return must be verified by an independent Royal Institution of Chartered Surveyors (RICS) qualified person.

- The purchase of the property must be subject to survey

### **Implications**

#### **4 Legal Implication(s)**

- 4.1 Section 1 of the Localism Act 2011 confers on local authorities a general power of competence to do anything that individuals generally may do, including power to act for commercial purpose and the benefit of the authority, its area or persons resident or present in its area.
- 4.2 Section 1 of the Local Government Act 2003 created an express power for borrowing. When borrowing for investment local authorities must have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (2011) (the Prudential Code).
- 4.3 Following the Prudential Code the council should ensure that property investments should be made not only with the objective of generating profit but should also contribute towards the service delivery objectives and/or place making role of the council.

#### **5 Financial Implication(s)**

- 5.1 It is expected that up to £8m will be required to purchase office buildings and convert it for use as another Weltech Business centre.
- 5.2 The actual cost of conversion will depend on the current use and the conditions of the buildings and it will be necessary to factor this cost within the £8m budget. The total budget will be funded from the council's capital resources and part of this will be met from borrowing.

#### **6 Risk Management Implications**

- 6.1 There is a risk that the council may not receive a return of 5% in the long term (e.g. changes in the wider economy and/or demand of office accommodation). Likelihood Low, Impact Medium
- 6.2 Officers may not be able to find any buildings suitable for use as another Weltech Business Centre within the budget allocated. Likelihood low, impact low/medium

#### **7 Security & Terrorism Implication(s)**

- 7.1 There are no security or terrorism implications.

#### **8 Procurement Implication(s)**

- 8.1 There are no procurement implications.

#### **9 Climate Change Implication(s)**

- 9.1 There are no direct climate change implications to consider.

## **10     Health and Wellbeing Implication(s)**

10.1   There are no direct health and wellbeing implications to consider.

## **11     Link to Corporate Priorities**

11.1   The subject of this report is linked to the following Council's Corporate Priorities:

- "Our Economy – Promoting Investment and Regeneration"
- "Our Economy – Supporting Sustainable Economic Growth"
- "Our Council – Achieving Value for Money"

## **12     Communications Plan**

12.1   Officers will be working with the Communications team for a press release to be issued in when the purchase of a business incubator unit is completed.

## **13     Equality and Diversity**

13.1   An Equality Impact Assessment (EIA) has not been carried out in connection with the proposals as there are no equalities or diversities issues arising from the report.

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