

ITEM No ...8.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 19 AUGUST 2019

REPORT ON: DUNDEE HOUSE SALE & LEASEBACK UPDATE

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 269-2019

1 PURPOSE OF REPORT

This report provides an update on the sale and leaseback of Dundee House.

2 RECOMMENDATION

2.1 The Committee is asked to note

(a) the sale of Dundee House to Canada Life

(b) the Council entering a 40 year lease of Dundee House from Canada Life.

3 FINANCIAL IMPLICATIONS

3.1 As per Committee Report 95-2019(Article II of the minute to Policy and Resources Committee 21 February 2019) this will enable revenue savings equivalent to £433,000 in 2019/20 as the initial rent is substantially less than the annual debt servicing cost.

3.2 The lease rental is subject to an annual increase of 2.75% and therefore the revenue savings reduce by approximately £20,000 per annum.

3.3 An overall receipt of £23.8m was received. This was £1.8m higher than originally estimated. Just over £20m of this will be used to repay the outstanding debt on the building. The remaining balance can be used to repay other Loans Fund advances or added to the Capital Fund.

4 BACKGROUND

4.1 Committee Report 95-2019 (Article II of the minute to Policy and Resources Committee 21 February 2019) identified a significant revenue budget saving from a proposal to sell Dundee House to Tayside Pension Fund or an institutional investor and then enter into a leaseback agreement

4.2 An independent evaluation of this opportunity was undertaken to ensure that this proposal is best value and in keeping with similar opportunities and current market conditions. This identified Canada Life as the most suitable purchaser.

4.3 Accordingly, the sale of Dundee House, 50 North Lindsay Street, Dundee, to Canada Life for £23.8M, and immediate finance leaseback for 40 years was settled on 10th June. An agreement was put in place to allow the building to be returned to the Council on lease expiry for £1.

5 POLICY IMPLICATIONS

5.1 This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

6 CONSULTATIONS

6.1 The Council Management Team were consulted in the preparation of this report.

7 BACKGROUND PAPERS

7.1 None.

Gregory Colgan
Executive Director of Corporate Services

08 August 2019