

**REPORT TO: POLICY & RESOURCES COMMITTEE – 21 FEBRUARY 2019**

**REPORT ON: DUNDEE HOUSE SALE & LEASEBACK PROPOSAL**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 95-2019**

## **1 PURPOSE OF REPORT**

This report provides detail of the business case for the sale and leaseback of Dundee House.

## **2 RECOMMENDATION**

2.1 The Committee is asked to approve

(a) the sale of Dundee House to Tayside Pension Fund (or a special purpose vehicle set up by Tayside Pension Fund) and

(b) the Council taking a 40 year lease of Dundee House from Tayside Pension Fund.

## **3 FINANCIAL IMPLICATIONS**

3.1 The transaction will create a capital receipt of approximately £2m for the Council in 2019/20. The proposal will also enable revenue savings of £433,000 in 2019/20 as the initial rent of £720,000 is substantially less than the annual debt servicing cost of £1.153m. The lease rental is subject to an annual increase of 2.75% and therefore the revenue savings reduce by approximately £20,000 per annum. The rental eventually exceeds the fixed annual debt servicing costs however the Council will have a right to buy back Dundee House if and when it is prudent to do so.

## **4 BACKGROUND**

4.1 Tayside Pension Fund have an investment allocation available for local and alternative investment. The acquisition of Dundee House and subsequent leaseback to the Council would be a suitable investment if the Council were willing to commit to a long lease.

## **5 PROPOSAL OVERVIEW**

5.1 The Council will sell Dundee House to the Tayside Pension Fund (or a special purpose vehicle set up by Tayside Pension Fund) for £22m. Dundee House will be immediately leased back to the Council at the initial rental of £720,000 which is subject to a fixed 2.75% increase per annum. The lease will be a full repairing and insuring lease for 40 years. The Council will have the right to re-purchase Dundee House at the end of the 40 year lease term for no cost and the Council will also have the ability to buy it back at an agreed cost prior to the end of the 40 year lease term.

## **6 SALE ASSESSMENT**

6.1 To ensure that specialist appraisal is undertaken, in line with the approved process, an independent evaluation of this opportunity has been undertaken to ensure that this proposal is best value and in keeping with similar opportunities and current market conditions.

## **7 POLICY IMPLICATIONS**

7.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues other than the risks noted in the Council's Risk Registers.

## **8 CONSULTATIONS**

8.1 The Council Management Team has been consulted in the preparation of this report.

9 **BACKGROUND PAPERS**

9.1 None.

**Gregory Colgan**  
**Executive Director Of Corporate Services**

**February 2019**