

**REPORT TO:** Scrutiny and Overview Committee

16 April 2019

**LEAD MEMBER:** Lead Cabinet Member for Finance

**LEAD OFFICER:** Interim Executive Director - Corporate Services

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## **PURCHASE OF INVESTMENT PROPERTY**

### **Purpose**

1. To respond to a request from the Chairman of the Committee for answers to specific questions in relation to the purchase of 140 Cambridge Science Park.

### **Recommendations**

2. There are no recommendations as the purchase has already been completed.

### **Reasons for Recommendations**

3. Not applicable as there are no recommendations

### **Executive Summary**

4. The opportunity to purchase 140 Cambridge Science Park, as an investment property, came up without notice. To proceed promptly with the transaction, it was necessary to treat the purchase as an urgent decision and waive the call-in procedure. The necessary authorities were obtained in line with the Council's Constitution and the purchase completed on 3<sup>rd</sup> April.
5. As the Chair of this Committee was on holiday the Vice Chair was consulted and raised many questions to scrutinise the purchase. The Chair has now raised a series of questions and asked for answers to be presented to this meeting.

### **Detail**

6. Question – Where did the money for the purchase come from?
7. Answer – The money comes from the Council's cash resources. The total cash resources represent accumulated past surpluses, reserves and collection fund balances.
8. Question – If there is a loan involved, what is the cost of borrowing?
9. Answer – There is no long-term borrowing, but because the purchase had not been anticipated it has been necessary to take some short term borrowing while other time deposits mature. As £3m was readily available, three short term loans for a total of

£10m were taken out. The loans comprise amounts of £2m for 2 months at 0.93%, £3m for 3 months at 0.90% and £5m for 6 months at 1.03%.

10. Question – What is the envisaged rent each year?
11. Answer - The current annual rent is £776,970. There are 5-yearly upwards only open market rent reviews, the first of which is due in October 2020.
12. Question – What is the term of the tenancy?
13. Answer – The lease is 15 years from 5 October 2015. There is a break option at the end of the tenth year on 12 months prior written notice.
14. Question – Who is the tenant?
15. Answer – The tenant is DisplayLink (UK) Ltd, a leading chip and software company whose technology is utilised in the products of some of the world's leading PC and peripheral brands.
16. Question – What's the covenant?
17. Answer - The covenant strength of the tenant is excellent, achieving the highest Dun & Bradstreet rating of 5A1. The Credit Safe check rating is A100 (very low risk). In the year to 31 December 2017 the company had a turnover of £53,907,886 and a pre-tax profit of £20,007,088.

## **Background Papers**

No background papers were relied upon in the writing of this report.

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