

CABINET	AGENDA ITEM No. 11
13 MARCH 2023	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Property	
Contact Officer(s):	Felicity Paddick	Tel.

DISPOSAL OF FREEHOLD LAND AT HEReward CROSS

RECOMMENDATIONS	
FROM: <i>Executive Director of Corporate Services</i>	Deadline date: <i>N/A</i>
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Approve the disposal of the freehold land at Hereward Cross as set out below and detailed in the Heads of Terms within the Appendix 1 to the report and subject to receipt of a satisfactory Red Book Valuation. 2. Delegates authority to the Executive Director of Corporate Services and Director of Law and Governance after consultation with the Cabinet Member for Finance and Corporate Governance, following receipt and approval of the Red Book Valuation to take all necessary steps to effect the decision in Recommendation 1 including entering into all agreements. 	

1. ORIGIN OF REPORT

- 1.1 The Council agreed at September 2022 Cabinet to a disposals plan which identified assets which the Council can release for sale over the period 2022-2025 to meet its target for capital receipts to support the Council's budget and capital strategies. This included the sale of surplus assets and a series of asset reviews, which includes potential ground rent disposals. Furthermore, it was agreed that each detailed disposal proposal would be brought back to Cabinet at a later date for consideration.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To consider the individual disposal of freehold land in Peterborough City Centre as detailed in this report and exempt annex.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.4, '*To be responsible for budget planning, monitoring and expenditure/savings over £500,000 ...*'
- 2.3 There is an exempt appendix attached to this report that is NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because it contains information relating to the financial and business affairs of the Council The public interest test has been applied to the information contained within this exempt appendix and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

- 4.1 The Council own the freehold land of Hereward Cross, a 0.48 Ha site situated within the City Centre. The Council benefits from a ground lease only. From the Council's freehold interest, two leasehold interests exist that cover the whole of the site. The leasehold interest situated at the northern end of the site is held by Tesco Stores Limited, the leasehold interest situated at the southern end of the site is currently held under a lease dated 6 July 2015 and between the 1) Council and 2) Pelican Partners (Peterborough) Ltd and comprises of a 1960s retail and residential development.
- 4.2 The 2015 lease was granted to Pelican Partners (Peterborough) Ltd, for a term of 200 years, expiring July 2215. The lease allows for five yearly RPI rent reviews. The current leaseholder has recently marketed their leasehold interest for sale at £6.3m on the open market, subject to the existing ground lease. It is understood that there was significant interest for the leasehold site.
- 4.3 The Council has recently been approached by a successful bidder of the leasehold interest to ask the Council if they would consider the disposal of that part of the Council's freehold interest that is currently subject to the 2015 lease. As the site falls within the reviews detailed in the disposals review, an internal valuation was undertaken. Following negotiation with the interested party, a mutually acceptable price has been reached, subject to Cabinet approval. Heads of Terms have been drafted, as detailed in the EXEMPT appendix. It should be noted that the Heads of Terms state that the sale is subject to Cabinet approval and an independent Red Book Valuation to ensure best consideration is achieved under legislation. The proposed completion date is 31 March 2023.

5. CORPORATE PRIORITIES

- 5.1 *Consider how the recommendation links to the Council's Corporate Priorities:*
1. The Economy & Inclusive Growth
 - A Carbon Impact Assessment has been completed – whilst this is a sale of land, development has already taken place and therefore there is minimal change to the net-zero carbon impact.

6. CONSULTATION

- 6.1 The disposals programme has already been considered at Cabinet in September 2022. This paper has been taken to Corporate Leadership Team on the 21st February and Cabinet Policy Forum on the 27th February 2023.

7. ANTICIPATED OUTCOMES OR IMPACT

- 7.1 The disposal of the land at Hereward Cross will materially contribute towards the capital receipts that the Council requires over the next two-year period as part of the capital programme.

In proposing to dispose of assets, the potential for revenue loss will need to be taken into account for future budgets as part of the Medium Term Financial Strategy.

8. REASON FOR THE RECOMMENDATION

- 8.1 The Council needs to secure capital receipts in this financial year and up to 24/25 as part of its overall capital programme.

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 The Council has the option to continue with the lease currently in place and receive the annual rent. However, this will not enable the Council to fulfil its requirement for significant capital receipts.

10. IMPLICATIONS

Financial Implications

- 10.1 The current revenue stream of circa £70,000 per annum from rental income under the existing lease will cease when the land is sold. Although relatively minor in terms of the capital receipt to be generated, this loss of income will need to be factored into future budget projections within the Council's Medium Term Financial Strategy.

Legal Implications

- 10.2 Under section 123 of the Local Government Act 1972 the Council has the power to dispose of its land in any manner it wishes, but this is subject to the requirement to achieve best consideration reasonably obtainable. . The recommendation for sale is conditional upon receipt of a satisfactory Red Book Valuation which will need to be approved by the Section 151 officer. The Council's freehold title should be deduced (by Property Legal) prior to sale in respect of the powers of acquisition and disposal, as to whether or not there are any statutory procedures consents or restrictions on disposal that may require looking at/obtaining prior to the Council's disposing of these plots of land.

The Council will retain that part of the freehold interest that is currently subject to the Tesco Stores Limited's lease and will remain Tesco's landlord.

The effect of the freehold disposal of the land that is subject to the 2015 lease, to the same entity that has won the bid for the leasehold, will be that both interests merge and will vest in the new owner. The Council will no longer have any proprietary interest in that part of the site.

Equalities Implications

- 10.3 No specific implications arising from this report although where necessary Equality Impact assessments will be carried out to support decision making.

Risk Assessment

- 10.4 There is a risk that the level of receipts planned to support the capital programme will not be realised. This is mitigated with a cautious view about what is achievable and how quickly with receipts scheduled into 2023/24 and beyond rather than over predicting in the current year.

The offer is conditional and subject to final Heads of Terms and contract.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 11.1 None.

12. APPENDICES

- 12.1 Appendix 1 - EXEMPT Appendix
Appendix 2 - Site Plan

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