

EXTRAORDINARY CABINET	AGENDA ITEM No. 4
18 APRIL 2023	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Felicity Paddick, Head of Estates Simon Lewis, Service Director Commercial, Property & Asset Management	Tel: 07801910971 01733452522

ACQUISITION OF SAND MARTIN HOUSE

RECOMMENDATIONS	
FROM: <i>Executive Director of Corporate Services</i>	Deadline date: <i>ASAP</i>
<p>That Cabinet recommends to Full Council</p> <p>1. To approve an additional capital budget for the purchase of the freehold interest of Sand Martin House</p> <p>That Cabinet:</p> <p>1. Approves the acquisition of the freehold interest of Sand Martin House on the terms set out in Appendix 2 subject to Full Council approval of the amended budget on 22 May 2023; and</p> <p>2. That authority is delegated to the Executive Director of Corporate Services and Director of Law and Governance, in consultation with the Cabinet Member for Finance and Corporate Governance to take all necessary steps including agreeing final terms and entering into all necessary agreements to facilitate the decision in Recommendation 1</p>	

1. ORIGIN OF REPORT

1.1 The freeholder of Sand Martin House is currently looking to sell their interest in the market and the Council has an opportunity to buy the freehold interest of the building currently occupied on a 25-year lease. Following an initial marketing campaign, several parties have already confirmed their interest in the freehold of the property. This report is seeking approval to acquire the freehold interest with the rationale behind the purchase of the property set out in the exempt appendix subject to approval from Full Council of the amended budget

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to consider the acquisition of the freehold interest of Sand Martin House 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- 2.3 There is an exempt appendix attached to this report that is NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because it contains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 annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

- 2.4 With the approval of the Mayor (in the absence of the Chair of the Growth, Resources and Communities Scrutiny Committee), urgency, and waiver of call-in procedures have been invoked to suspend the requirement to publish advance notice of the decision for 28 days and to waive the 3-day call-in period. This is due to the limited timescales on the Council to enable a decision in principle to be conveyed to the seller before completion of the purchase. In the event the acquisition does not take place within these timescales, there are significant financial implications to the Council for the remaining term of the Lease.

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 currently hold a lease for Sand Martin House with 20 years remaining on the unexpired term of the lease.

Following notification by the landlord of their intention to sell the property on the open market, it has given the Council an opportunity to acquire the freehold of the property. This would remove the Council's leasehold liabilities becoming the direct freeholder.

The proposed purchase includes the office and retail units at Sand Martin House, surface level car park and multi-storey car park (as detailed in the attached site plan). The Council have submitted a bid to the landlord's agent. This is subject to a final Red Book valuation being obtained, Cabinet approval of the purchase and Full Council approval of the budget, and this has been accepted. Heads of Terms are detailed in the attached exempt annex.

There are significant financial and operational benefits to the Council if the freehold interest is acquired and the details relating to these are contained within the exempt annex.

5. **CORPORATE PRIORITIES**

- 5.1 The recommendation links to the following of the Council's Corporate Priorities:

1. The Economy & Inclusive Growth
 - A Carbon Impact Assessment has been completed. The building already benefits from a Very Good BREEAM rating and EPC B. The acquisition enables the Council to have greater control of the sustainability of the building going forward.

Further information on the Council's Priorities can be found here - [Link to Corporate Strategy and Priorities Webpage](#)

6. **CONSULTATION**

- 6.1 Consultation has taken place with Officers, Chief Executive with Cabinet Policy Forum on 11 April 2023.

7. **ANTICIPATED OUTCOMES OR IMPACT**

- 7.1 The acquisition of Sand Martin House will enable the Council to own the freehold of a high-quality city centre premises and will remove all leasehold limitations on the building which provides significant financial and operational benefits to the Council.

8. REASON FOR THE RECOMMENDATION

- 8.1 Following the acquisition of the freehold interest of the site, the Council will have the ability to make financial savings in the short, medium, and long term and will have full control of the use of the building.

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 The Council could choose not to proceed with the purchase of the freehold interest in Sand Martin House. In this scenario, the lease will continue for the remaining 20-year term which is subject to five yearly upward only RPI rent reviews with no break options. In addition, the council will be limited to future options for the site and additional operational costs. This is therefore not recommended.

10. IMPLICATIONS

10.1 Financial Implications

- 10.1.1 The purchase of the property will require the Council to borrow to fund the acquisition. If the purchase is approved by Cabinet, the necessary approval for the increase to the Council's Capital Budget will be requested at the next Full Council Meeting on the 22 May 2023.

10.1.2

The costs of funding the borrowing for the acquisition have been modelled against the projected future rental costs for the remaining life of the lease. The rental costs are in excess of the costs of borrowing for the next 20 years and will additionally provide a saving for the Council in the next five years which will be incorporated within the Councils Medium Term Financial Strategy in due course.

10.1.3

The financial detail and assumptions of the business case are included in the Appendix 2

10.2 Legal Implications

- 10.2.1 Although there are no specific legal implications, there are some points to note below:

Powers of acquisition: Section 120 of the Local Government Act 1972 - Acquisition of land by agreement by principal councils

A point to note however; there is currently a negotiated sublease between the Council and a new Tenant with the Property Team to progress; advice would be to place the sublease transaction on hold until the freehold purchase is completed (by way of a simultaneous exchange and completion). The Council's current lease will merge with the freehold acquisition on completion.

10.3 Equalities Implications

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

11. BACKGROUND DOCUMENTS

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

- 11.1 There are none applicable.

12. APPENDICES

- 12.1 Appendix 1 – Site Plan
Appendix 2 - Exempt Appendix

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