

<b>ANNUAL COUNCIL</b>	<b>AGENDA ITEM No. 12</b>
<b>22 MAY 2023</b>	<b>PUBLIC REPORT</b>

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

<b>RECOMMENDATIONS</b>	
<b>FROM:</b> <i>Executive Director of Corporate Services</i>	<b>Deadline date:</b> <i>22 May 2023</i>
<p>It is recommended that Council:</p> <ol style="list-style-type: none"> <li>1. Approves an increase of the Capital Programme to cover the cost of acquiring the freehold interest of Sand Martin House which is currently leased.</li> <li>2. Approves the resulting budget virement between Corporate Property (rental cost) and Capital Financing (borrowing cost).</li> <li>3. 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.</li> </ol>	

### 1. PURPOSE AND REASON FOR REPORT

- 1.1 The purpose of this report is to approve a £50m increase in the 2023/24 Capital Programme to fund the acquisition of the freehold interest of Sand Martin House as detailed in this report and exempt Annex. The additional capital requirement will increase the Council's Capital Financing Requirement (CFR) and be funded from borrowing. It is important to note that the cost of capital (borrowing + Minimum Revenue Provision (MRP)) is significantly lower than the cost of the current rent over the remaining life of the lease so the option to purchase provides a considerable saving to the Council, as shown in the exempt Annex.
- 1.2 There are exempt appendices attached to this report (Appendix 2 and 3) that are considered to be NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because they contain information relating to the financial and business affairs of the Council. The public interest test has been applied to the information contained within these exempt appendices and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

### 2. BACKGROUND AND KEY ISSUES

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

Notification by the landlord of their intention to sell the property on the open market 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. Ownership of the property will provide both financial and operational benefits for the Council.

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 agreed a purchase price and is due to complete the acquisition on 31 May 2023. This is subject to approval for the increase to the Council's Capital programme. Heads of Terms are detailed in the attached exempt Annex.

### **3. CORPORATE PRIORITIES**

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

1. The Economy & Inclusive Growth

- 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.
- Once freeholders, the Council has the opportunity to offer any vacant and surplus accommodation to a wider market that can support the local economy.

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

### **4. CONSULTATION**

4.1 Consultation has taken place with Officers, Chief Executive, Cabinet Policy Forum and Group Leaders during April 2023. The proposal to purchase the freehold interest of Sand Martin House was approved at Cabinet on 18 April 2023.

### **5. IMPLICATIONS**

#### **Financial Implications**

5.1 The purchase of the property will require the Council to borrow to fund the acquisition. Full Council approval is required to increase the Council's Capital Programme and the Capital Financing Requirement, creating capacity for the required borrowing.

The financial modelling in the exempt Annex shows the clear and significant benefit of purchasing the freehold interest against occupying the property under the current lease.

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 provide a saving for the Council which will be incorporated within the Council's Medium Term Financial Strategy in due course.

The financial detail and assumptions of the business case are included in the exempt Annex and have been reviewed by the Council's treasury advisors Arlingclose.

The Council has also taken advice from its tax advisors on the SDLT and VAT implications of the purchase of the property.

#### **Legal Implications**

5.2 Amendments to the approved 2023/24 Capital Programme require full Council approval

#### **Equalities Implications**

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

## **6. BACKGROUND DOCUMENTS**

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

6.1 Cabinet Report 18 April 2023 – [Acquisition of Sand Martin House](#)  
[Acquisition of Sand Martin House - APR23/CAB/110](#)

## **7. APPENDICES**

7.1 Appendix 1 – Site Plan  
Appendix 2 - Exempt Appendix  
Appendix 3 - Exempt Appendix - Valuation

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