

<b>CABINET</b>	<b>AGENDA ITEM No. 9</b>
<b>22 MARCH 2023</b>	<b>PUBLIC REPORT</b>

Report of:	Cecilie Booth, Executive Director of Corporate Services and Section 151 officer
Cabinet Member(s) responsible:	Councillor John Howard, Deputy Leader and Cabinet Member for Corporate Governance and Finance
Contact Officer(s):	Felicity Paddick, Head of Estates

**DISPOSAL OF FREEHOLD LAND AT HEReward CROSS**

RECOMMENDATIONS	
<b>FROM:</b> <i>Executive Director of Corporate Services and Section 151 officer</i>	<b>Deadline date:</b> <i>N/A</i>
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1. Approve the variation of the Heads of Terms approved by Cabinet on 13<sup>th</sup> March 2023 for the disposal of the freehold land at Hereward Cross as set out in Appendix 1 to the report and in accordance with the Red Book Valuation.</li> <li>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.</li> <li>3. 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, to approve any further minor changes to the Heads of Terms provided that the effect of the change is in accordance with the Red Book Valuation.</li> </ol>	

**1. ORIGIN OF REPORT**

1.1 Cabinet agreed on 13<sup>th</sup> March 2023 to the disposal of Hereward Cross with agreed Heads of Terms approved. This report is seeking approval to amend the Heads of Terms approved in 13<sup>th</sup> March 2023.

**2. PURPOSE AND REASON FOR REPORT**

2.1 This is a supplementary report following the decision by Cabinet on 13<sup>th</sup> March 2023 to approve disposal of the property known as Hereward Cross.

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.'*

2.2 There is an exempt annex attached to this report that is NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because it contains information relating to the financial and business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.

### 3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	<b>N/A</b>
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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 comprising a 1960s retail and residential development. The Council benefits from a ground lease only.

4.2 In 2015 a new lease was granted to the leaseholder, Pelican Partners (Peterborough) Ltd, for a period of 200 years, expiring July 2215. The lease allows for five yearly 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 were approached by a successful bidder of the leasehold interest to ask the Council if they would consider the disposal of the freehold interest. As the site fell within the reviews detailed in the disposals review, an internal valuation was undertaken. Following negotiation with the interested party, a mutually acceptable agreement was reached, subject to Cabinet approval and a Red Book valuation.

4.4 Cabinet considered the report on 13<sup>th</sup> March 2023 and RESOLVED to:

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.

4.5 In January 2024, the property team were contacted by another interested party to acquire the property. The purchaser stated that they were acquiring the leasehold interest and wanted to also acquire the Freehold interest. A deal was agreed with the Heads of Terms detailed in the Exempt Appendix 1.

### 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 This paper will be taken to the Corporate Leadership Team on Monday 18<sup>th</sup> March 2024.

### 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 price agreed at the original Cabinet meeting which may then prevent the Council from securing the necessary capital receipts.

## **10. IMPLICATIONS**

### **Financial Implications**

- 10.1 The current revenue stream of c£80k per annum from rental income under the existing lease will cease when the land is sold. This will however ensure the council avoids increasing its level of debt and is able to recognise a c£80k per annum revenue saving on the cost of borrowing. Both financial implications have been included within the council's Medium Term Financial Strategy.

### **Legal Implications**

- 10.2 The Council has a requirement to achieve best consideration when it disposes of its assets under section 12 of the LGA 1972. The proposal in the report is seeking approval to vary the Heads of Terms previously agreed by the Cabinet which is within the scope of powers of the Cabinet.

The effect of the freehold disposal of the land that is subject to the 2015 lease, to the same entity that has now secured 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 N/A

## **12. APPENDICES**

- 12.1 1. EXEMPT annex  
2. EXEMPT – Valuation Report  
2. Site Plan

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