



Officer Decision Record – Key Decision

Key decisions taken by an officer are subject to the 5-day call in period from circulation to Members, and therefore the decision will be released for implementation following the call-in period and no call in being received.

1. Cabinet date and copy resolution this key decision relates to

Cabinet resolved at its meeting of the 8th March 2023 the principle of disposal.

“DN.117 PROPERTY AND LAND ASSET DISPOSALS

Cabinet considered a report from the Portfolio Holder for Finance, Resources and Assets seeking authority for the Council to dispose of a number of property and land assets that provided a low commercial return and/or that were surplus to the Council’s requirements.

RESOLVED -

1. That the principle of the disposal of property and land assets that either provide a low commercial return and/or are deemed surplus to the Council’s requirements as set out within the report now submitted and as outlined within Appendix One, supported by the reasoning as set out in the report now submitted, be approved.

2. That the Executive Director Place and Resources, in consultation with the Portfolio Holder for Finance, Resources and Assets, be delegated authority to dispose of the assets identified in the report now submitted at the Executive Director’s discretion and on such terms as the Executive Director thinks fit, and to ensure that all necessary actions are conducted in order to approve detailed terms as appropriate, and thereafter complete such disposal.

3. That the Assistant Director Law and Governance (Monitoring Officer) be authorised to complete and execute all requisite legal documentation in relation to the matters outlined above.

REASON FOR DECISION – There are a number of property and land assets that the Council hold which may be considered for disposal that provide a low commercial return and/ or proposed as surplus to the Council’s requirements. The disposal of property and land assets across the Borough will facilitate income opportunities from capital receipts.

OTHER OPTIONS CONSIDERED –

To do nothing would see associated costs and obligations continue to fall to the Council for those property and land assets that provide a low commercial return, or which are or are proposed as surplus to the Council’s operational portfolio. This is not considered a viable option for the Council to continue to hold such assets where there is little or no benefit in support of the Councils strategic priorities.

Freehold or Leasehold disposal will be considered on all potential property and land asset disposals as there may be proposed uses whereby a leasehold disposal would be more appropriate, or if the Council needs to retain a level of control of the use or future requirements of the property or land asset or its surroundings.”

2. Subject and details of the matter (to include reasons for the decision)

The Former Grant Street Public House, Grant Street, Cleethorpes (the “Site”) – as shown on the Location Plan at Appendix One.

The Site was purchased by the Council in 2015 following the Cabinet mandate dated 11th November 2015. The mandate stated:

‘...approval to a strategic land assembly exercise through the acquisition, on a vacant possession basis, of the O’Neill’s public house building and car park in Cleethorpes. The site sits within the identified ‘Station Quarter’ and acquisition will increase the Council’s ownership of the wider site and enhance the ability to facilitate wider scale redevelopment in the future. In the meantime, the plan would be to hold the asset and seek to lease it to a tenant pending longer term redevelopment’.

The Site was acquired on a freehold basis for £452,400 by the Council and has been let to a Tenant at a passing rent of £22,500 per annum. The lease ended on 7th February 2023 and the Site has since been vacant.

As such, a briefing Note has been circulated and comments considered by Legal, Regen, Tourism, Parking Services and Planning workstreams and the recommendation at Estates Programme Board resulted in the Site being placed on the market, for all opportunities (for sale or to let).

Progress

The Site was placed on the open market with our marketing Agent PPH Commercial prior to Christmas 2022.

The Site concluded with 'Best and Final Offers' on 3rd March 2023 and the below offers were received.

Offer 1 (preferred)

Leasehold - 99 years with a capital premium payment of £450,000 and a ground rent of £2,500 per annum which would increase by £2,500 every 10 years.

Unconditional cash offer.

Bar/Restaurant and will refurbish the upper floors for on-site operator residential use.

They do not require the rear car park; therefore the Council will retain the freehold and grant any necessary rights of way to the proposed Tenant.

Covenant to be placed on the immediate adjacent land (the freehold to be retained by the Council) prohibiting building a public house establishment.

Offer 2 (same party as Offer 1)

Freehold - £525,000 with an incentive of £25,000 and £5,000 (£555,000) towards legal fees if the transaction is completed before 28th April 2023.

Unconditional cash offer.

Bar/Restaurant and will refurbish the upper floors for residential use.

They do not require the rear car park; therefore the Council will retain the freehold and grant any necessary rights of way to the proposed Tenant.

Covenant to be placed on the immediate adjacent land (the freehold to be retained by the Council) prohibiting building a public house establishment.

Offer 3

Occupational lease - ground floor and basement only - £20,000 pax for a five-year lease with the ability to renew.

Bar and possible food service.

Offer 4

Freehold - £700,000 - conditional upon planning for change of use and funding is also required.

New Special Purchase Vehicle (SPV) - a limited company commonly used to purchase and manage buy-to-let property - to complete the property transaction.

12-month option period - therefore no guarantee of completion and at any point the offer could be withdrawn.

80 bed budget hotel with wine bar and restaurant on the ground floor.

In conclusion, whilst Offer 3 is the highest capital receipt, given the current condition of the property, it lacks certainty and is for an option to purchase only, subject to a successful planning application and funding. The purchase will also be carried out by a new SPV. The building could remain vacant for at least 12 months with the Council being responsible for the associated void costs (Business Rates alone being £17k payable per annum, along with Utility standing charges and repairs and maintenance, which could be in excess of £50,000 during 12 months (possibly higher as this is a locally Listed building) as well as possible issues with decay and security to the building. Taking all of the above into account it is reasonable to reduce the offer to circa £650,000 net with an anticipated completion date of between 12-18 months from now if the option is exercised. The net present value of £650,000 in 12-18 months is circa £620,000.

Furthermore if the option is not exercised, the Council could be faced with re-marketing and seeking to complete the property transaction with a further 12 months delay with a Site that has deteriorated in condition.

Offer 4 for a short-term lease is not attractive. The offer is for the ground floor only and excludes the upper floor. The Council would remain be responsible for repairs to the upper floors which are in significant disrepair as well as other void costs - including Business Rates. A risk of enforcement and future revue costs through void liability remains in the longer term. There are concerns over the viability and covenant strength of this offer, and landlord's references are not supportive.

The preferred offer therefore provides greater certainty on deliverability, and it is anticipated that following completion of the lease, the Site could be trading by Summer 2023.

Furthermore, the preferred offer does not include the car park and with some assurances on future use, would still leave the Council with the freehold ownership of the adjacent land with retained value as well as the leasehold interest of the Site.

With the Council retaining the car park element, this could generate an income of circa £30,000 per annum, yielding an asset value of £375,000 for the retained part, which should be considered in addition to the premium payment (capital receipt) for the lease of £450,000.

The leasehold offer when comparing with the freehold offers from a valuation point of view equates to an upfront payment of £450,000 plus the retention of an asset with a value of £130,000 (pub freehold subject to lease value) plus circa. £375,000 valuation for the retained Car Park. The total value would therefore be in the region of £955,000 (£450,000 of this achieved in a one-off premium payment on completion of the proposed lease and the rest retained in the adjacent freehold land).

Therefore, the preferred offer represents the 'best price reasonably obtainable' satisfying s123 of the Local Government Act and the highest value to the Council.

3. Decision being taken

That the Executive Director Place and Resources, in consultation with the Portfolio Holder for Finance, Resources and Assets accepts the preferred offer of a 99-year lease for the Site and the car park is retained by the Council. To proceed to completion and ultimate disposal on such terms.

This would mean the Council retain the freehold of the whole site and therefore an element of control over the proposed use of the building and adjacent car park.

This would result in a premium payment (capital receipt) of £450,000. In addition, by retaining the car park, there is an opportunity to relieve car parking pressures around Cleethorpes and receive an additional income of between £30k and £40k for car parking, subject to demand. The long ground lease of the building is recommended with reviewable upwards only rent reviews every 10 years and will also ensure that the building is brought back into use and kept in a good state of repair within a short timeframe.

4. Is it an Urgent Decision? If yes, specify the reasons for urgency. Urgent decisions will require sign off by the relevant scrutiny chair(s) as not subject to call in.

No.

5. Anticipated outcome(s)/benefits

The completion of a new 99-year lease of the Site (building) only, subject to a premium payment (capital receipt) of £450,000 plus an annual income of between £30k and £40k for the retained car park which will remain within the freehold ownership and management of the Council. The long ground lease is proposed with a reviewable upwards only rent and the Site will be brought back into a good state of repair allowing the Council greater control over the future use. Further, with a swift completion, there will be minimal risk regarding the holding and void costs of the Site being attributed to the Council.

6. Details of any alternative options considered and rejected by the officer when making the decision (this should be similar to original cabinet decision)

See above as part of the offers considered.

7. Background documents considered (web links to be included and copies of documents provided for publishing)

Cabinet Report and Decision of 8th March 2023 - Property and Land Asset Disposals

Report: <https://democracy.nelincs.gov.uk/wp-content/uploads/2022/06/12.-Property-and-Land-Asset-Disposals-Cabinet-Report.pdf>

Decision Notice: <https://democracy.nelincs.gov.uk/wp-content/uploads/2022/06/14.-Decision-Notice-8th-March-2023-PDF-239KB.pdf>

8. Does the taking of the decision include consideration of Exempt information? If yes, specify the relevant paragraph of Schedule 12A and the reasons.

No.

9. Details of any conflict of interest declared by any Cabinet Member who was consulted by the officer which relates to the decision (in respect of any declared conflict of interest, please provide a note of dispensation granted by the Council's Chief Executive)

None.

10. Monitoring Officer Comments (Monitoring Officer or nominee)

The above decision is consistent with the delegations made and the stated will of Cabinet.

11. Section 151 Officer Comments (Deputy S151 Officer or nominee)

The preferred option to leasehold dispose of this site would generate a £450k capital receipt which, under the utilisation of the flexible use of capital receipts policy, will be used towards funding transformational activity within the Council. This disposal will also generate an annual receipt for ground rent of £2.5k.

Additionally, the retention of the car park under the freehold ownership and management of the Council has the potential to generate an ongoing annual revenue income of between £30k and £40k.

12. Human Resource Comments (Head of People and Culture or nominee)

No direct HR implications.

13. Risk Assessment (in accordance with the Report Writing Guide)

The risk to the Council in progressing with a leasehold disposal of the Site in line with the preferred offer is considered minimal. The Council has been assured that funds are in place to fund the premium payment for the lease interest.

Future risks will be passed to and remain with the Tenant in respect to the Site and the operational costs and the obligation of repair and maintenance to an acceptable standard to ensure ongoing use, as well as investment opportunities.

It is acknowledged that the Council will retain the freehold of the whole site including the management responsibilities of the adjacent car park. However, the current use of the land results will result in an income to the Council to offset costs.

There are no identifiable environmental sustainability implications because it is the intention that the condition of the Site will be improved and thereafter maintained based on an operational use. The investment and usage will be a positive reflection to the street scene and will remove the financial commitments of the Council.

14. Has the Cabinet Tracker been updated with details of this decision?

Yes.

15. Decision Maker:

Name: Sharon Wroot

Title: Executive Director Place and Resources

Signed: REDACTED

Dated:10.05.23

16. Consultation carried out with Portfolio Holder:

Name: Cllr Stephen Harness

Title: Portfolio Holder for Finance, Resources and Assets

Signed: REDACTED

Dated: 10th May 2023

Appendix One

