

**Executive Board
21 December 2021**

Subject:	Investment Property Disposal – Garretts Green, Birmingham
Corporate Director(s)/Director(s):	Sajeeda Rose, Corporate Director for Growth and City Development
Portfolio Holder(s):	Councillor David Mellen, Portfolio Holder for Strategic Regeneration and Communications
Report author and contact details:	Beverley Gouveia, Development and Disposals Manager beverley.gouveia@nottinghamcity.gov.uk
Other colleagues who have provided input:	None
Subject to call-in: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Key Decision: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Criteria for Key Decision:	
(a) <input type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City	
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Type of expenditure: <input type="checkbox"/> Revenue <input type="checkbox"/> Capital	
Total value of the decision: See Exempt Appendix	
Wards affected: Not applicable	
Date of consultation with Portfolio Holder(s): 9 November 2021	
Relevant Council Plan Key Outcome:	
Clean and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Healthy and Inclusive	<input type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input type="checkbox"/>
Financial Stability	<input checked="" type="checkbox"/>
Serving People Well	<input type="checkbox"/>

Summary of issues (including benefits to citizens/service users):

The Council has commissioned an independent review of the new investment portfolio, which is held in the Property Trading Account. This review has been undertaken by a specialist investment agent with knowledge of the asset types and locations, and has led to the decision to dispose of a number of assets. This property is the first priority sale.

The consultant who undertook the investment review was approached by the freehold owner of the site regarding a possible purchase. For this reason, the independent investment consultant has been appointed to sell the asset on behalf of the Council. The property is held on a long leasehold and is sub-let, with the Council receiving income from the sub-tenant and paying a ground rent to the freehold owner. The freehold owner of the property has come forward with an above market offer to purchase the long lease interest from the Council and, therefore, disposal on these terms is recommended.

The property has been highlighted as one to sell due to the risk factor associated with the sub-tenant actioning the break option contained in the lease and the subsequent anticipated reduction in rental value and length of lease term, which both have a detrimental impact on the capital value. A sale at the proposed level would remove this risk and provide a capital receipt for the Council to use as directed by finance.

The property has not been openly marketed as the purchaser approached the agent advising the Council directly, which is not uncommon given they are the freehold owner of the site. As the purchaser has a special purchaser interest in the property, it is very unlikely a higher value would be achieved on the open market.

Does this report contain any information that is exempt from publication?

The appendix to the report is exempt from publication under Paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because the report contains commercially sensitive details relating to the terms of the proposed disposal that, if published, would prejudice the Council's future negotiating position.

Recommendation(s):

- 1** To approve the sale of the investment property on the terms as set out in the Exempt Appendix.
- 2** To pay disposal costs equating to 1.5% of the disposal price, as detailed in the Exempt Appendix.
- 3** To delegate authority to approve the final terms of the sale to the Corporate Director for Growth and City Development.

1. Reasons for recommendations

- 1.1 The sale will generate a significant capital receipt that can be used by the Council. The disposal will mitigate future risks associated with the tenant's break option, a potential fall in rent or associated void and reletting costs. The disposal will also relieve pressure on the Property Management team.

2. Background (including outcomes of consultation)

- 2.1 The Council has commissioned an external review of its new investment assets, which is a portfolio of 29 properties located throughout the UK. The review has been undertaken by an appointed specialist investment agent with knowledge of the asset types and locations. The review has resulted in a recommendation to sell a number of the asset, with the first priority sale being the subject property.
- 2.2 The subject property is held on a long lease and the freehold owner has approached the Council's agent with an offer to purchase the long leasehold interest. The offer is over the market value and is an off-market purchase.
- 2.3 The sale will remove considerable risk that the Council faces from the sub-tenant exercising their break in order to renegotiate the rent downwards, and there is also the risk that the tenant will vacate the property, which will leave the Council with significant void holding and re-letting costs.

3. Other options considered in making recommendations

- 3.1 Not to sell the property: this option has been rejected, as the offer received is in excess of market value and it removes future financial risks to the Council. Not selling the property will also retain the management burden in-house.

4. Consideration of Risk

- 4.1 Holding the asset will put the Council at financial risk. If the tenant chooses to exercise their break option either to negotiate a reduction in rent or to vacate the premises, the Council will lose revenue and may incur significant holding costs in the form of void business rates, refurbishment costs, void service charge costs and reletting costs. The sale of the asset will mitigate this risk.

5. Finance colleague comments (including implications and value for money/VAT)

- 5.1 The Finance comments are included in the attached Exempt Appendix.

Advice provided by Susan Tytherleigh, Finance Business Partner, and Tom Straw, Senior Accountant – Capital Programmes, on 24 November 2021.

6. Legal colleague comments

- 6.1 From the information supplied with the report and following discussion with the Council's Property department, the proposed transaction does not appear to raise any significant legal issues of concern. The sale of the long leasehold interest

should following the terms agreed between the parties and will be subject to normal property legal due diligence and the drafting, agreement and completion of formal contract and transfer documentation between the parties.

Advice provided by Jo Backhouse, Senior Solicitor – Conveyancing, on 22 November 2021.

7. Property colleague comments

- 7.1 The recommendations contained in this report and exempt appendix were circulated and approved by the Corporate Asset Management Group on 1 November 2021 and by the Asset Rationalisation Board on 9 November 2021. An electronic report to the Corporate Leadership Team covering the disposal was circulated on the 23 November 2021 and no objections have been received.
- 7.2 The sale of this property is supported as it accords with an independent review of the new investment assets which recommended this property be sold. This is due to a future risk of the tenant vacating or using the break notice to renegotiate the rent downwards and reduce the length of the lease. The offer received is from a party with special purchaser interest and, as such, the price to be paid is higher than would be expected from another party.

Advice provided by Pippa Hall, Acting Head of Corporate Property and Investment, on 24 November 2021.

8. Equality Impact Assessment (EIA)

- 8.1 An EIA is not required because this report does not represent proposals for a new or changing policy, service or function.

9. Data Protection Impact Assessment (DPIA)

- 9.1 A DPIA is not required because the proposals in this report do not relate to the release of data.

10. Carbon Impact Assessment (CIA)

- 10.1 Not applicable.

11. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

- 11.1 None.

12. Published documents referred to in this report

- 12.1 None.