

Asset Management - Granville Cinema

Cabinet	29 July 2021
Report Author	Rob Large, Interim Director of Property and Asset Management
Portfolio Holder	Cllr-David Saunders and Cllr- Reece Pugh
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	Eastcliff

Executive Summary:

The Council's Corporate Statement for 2019-2023 sets out the direction of travel for the next four years. The assets identified below represent ageing property that requires repair and capital investment but, should this be completed, will not improve the return on income, or fulfil any operational requirements.

Cabinet is asked to consider the assets and make a decision on the recommended way forward.

Recommendation(s):

1. To progress the following property through the Community Asset Transfer as listed in Option 1.
2. To give delegated authority to the Director of Property, in consultation with the Disposal Surveyor, to enter into the relevant Agreement(s), on terms to be agreed.
3. To give delegated authority to the Disposal Surveyor to agree Heads of Terms and enter into the Agreement(s).

Corporate Implications

Financial and Value for Money

The disposal of the asset listed in this report will generate a capital receipt for the authority. The Council's 2021-22 capital programme is predicated on the receipt of £48k disposal proceeds in order to fully fund it. It should be noted that this requirement rises to £800k for the 2022-23 programme based on current estimates.

The asset also requires a substantial level of capital investment to bring it up to required compliance standards, and disposal of the asset would avoid the requirement to finance

these costs and reduce ongoing maintenance costs and reduce the risk of incurring future capital expenditure.

Legal

The proposal has no legal implications.

Corporate

The Council's Corporate Statement sets out its commitment to 'Maximise the return on our assets and services'. This recommendation will be supporting the Councils Corporate Statement for 2018 -2023.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -

- *To foster good relations between people who share a protected characteristic and people who do not share it.*

The freehold sales will have no impact under the Equality Act 2010 and Public Sector Equality Duty. Transfers to benefit the community will support our commitment under these acts to continue to provide inclusive community facilities.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- *Growth*

1.0 Introduction and Background

1.1 Thanet Council is committed to a robust asset management strategy to renew underperforming land and property in order to achieve its corporate aims.

- 1.3 The property and land below have been fully appraised and are considered suitable for disposal via freehold transfer or lease.

2.0 The Current Situation

2.1 GRANVILLE THEATRE, VICTORIA PARADE, RAMSGATE, KENT CT11 8DG

The property comprises a 2 screen cinema/theatre building of 10,750 sq ft approx, with a total of 340 seats built circa 1947.

In 1998 it was let on a 20-year full repairing and insuring lease with effect from March 1997 at a rent of £10,000 pa which expired in 2017, but since then the tenant has held over under the security of tenure provisions of the Landlord & Tenant Act 1954.

The original rent was set on the basis that the tenants refurbished the building to create two auditoria at a cost of approx £160K. The tenant also received grant aid from Council, which covered rent for the first 5 years. However, other repairs to the building were left unfinished.

The lease was subsequently assigned to Granville Theatre Ltd (GTL), the current occupier, in May 2007, however, the building has been closed since March 2020.

A Schedule of works was prepared in April 2017 and identified £153k worth of repairs which included a replacement roof (the figure is exclusive of fees and VAT). The building has since deteriorated further with necessary works now estimated to have at least doubled in cost.

The property was nominated and accepted as an Asset of Community Value (ACV) on the 1st of October 2019 (ACV/19/GT).

The Council has been collaborating with the outgoing tenant to ensure a smooth handover and is due to take formal possession of the building in June 2021.

3.0 Options

The preferred and recommended options are as documented at the top of this report.

All options presented below will require an “intention to dispose” notice to be published in accordance with the Localism Act 2011 as the building is a registered ACV.

3.1 Option 1: Community Asset Transfer

Freehold transfer to a qualifying community organisation using our Community Asset Transfer policy and process with restrictive covenants limiting the use to allow for public use in perpetuity retaining the main use as cinema/theatre and arts and cultural events.

As well as Community Groups being suitably incorporated they must also be able to provide evidence of existing funds in excess of £300,000. The existing funds criteria is essential so that the council can be assured that the necessary works for the building are carried out at the outset.

We recommend that a new Schedule of Works report be obtained to incorporate in the sale agreement. This will require a new budget allocation.

If the proposal fails to deliver a viable arts and cultural community bid within 6 weeks, then a further marketing period of 6 weeks allowing all other qualifying community groups to be considered.

If the combined 12 weeks of marketing fail to deliver a viable bid, then proceed to option 3.

Note that community asset transfers are not a transfer at nil value; however, market value will be restricted by the community use.

All transfers will be subject to the transferee paying Thanet Council reasonable legal and surveying costs.

Option 2: Secure a new lease

Securing a new operator for the building under a new lease agreement would provide an ongoing revenue stream for the council. However, significant funding would be required to repair and refurbish the property to make it compliant.

According to the figures from the Schedule of works dated April 2017, the sum of £152,555 exclusive of fees would be required to bring the building up to standard. The building has since deteriorated further with necessary works now estimated to have at least doubled in value.

If rental income is assumed to be close to the previous lease terms of £10,000 per annum, then it is estimated that it would take approximately 30 years just to recover the required investment in the site to bring it up to standard.

Given the local cinematic competition from large chain Cinemas that outprice the smaller independent venues, the level of rent a business could afford to pay is likely to be unviable for TDC, unless the tenant receives further guaranteed outside support. If the tenant fails, then the property/liabilities revert to TDC as a tenant will look to the landlord for assistance in the event of financial difficulties.

Option 3: Open market disposal

A disposal on the open market would mean there will be no further ongoing liabilities for TDC. By open market disposal, the Council will be able to fulfil the requirement under the Local Government Act 1972, which compels TDC to obtain best consideration whilst being transparent and allowing all stakeholders the chance to purchase.

As the property is listed as an ACV the disposal will have to allow for a potential 6 months moratorium period.

Note that all disposals to be made at full market value, if sold at auction market value will be established on the auction day by the highest bidder.

Contact Officer: *Andreea Plant, Disposal and Acquisition Surveyor, Estates Department*
Reporting to: *Rob Large (Interim Director of Property Asset Management)*

Background Papers

Title: Strategic Asset Management Plan - Thanet District Council Website or contact estates@thanet.gov.uk.

Corporate Consultation

Finance: Chris Blundell, Director of Finance

Legal: Estelle Culligan, Director of Law and Democracy