

Asset Management - Investment Portfolio

Cabinet	27 January 2022
Report Author	Sue Burdock, Management Surveyor, Property and Asset Management Team
Portfolio Holder	Cllr Reece Pugh, Deputy Leader and Cabinet Member for Economic Development
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	Eastcliff

Executive Summary:

As outlined in the Strategic Asset Management Plan (SAMP) 2017 - 2021, the corporate portfolio is under review to ensure that the Council only retains assets that support corporate priorities and deliver value for money.

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

Recommendation(s):

1. To agree to surrender the current lease agreements with the existing tenant;
2. To agree a new lease with the proposed tenants for an extended term (25 years) at market rent for the premises listed in annexe 1;
3. To give delegated authority to the Director of Property to finalise the Heads of Terms for the Lease;
4. To give delegated authority to the Director of Law and Democracy, in consultation with the Portfolio Holder for Estates and Economic Development, to enter into the relevant agreements, on the terms to be agreed;
5. To give delegated authority to the Director of Law and Democracy to prepare and complete the Lease and all other ancillary documents on the agreed terms.

Corporate Implications

Financial and Value for Money

The Council's asset is currently in significant disrepair and whilst the Council could serve an interim schedule of dilapidations, it is unclear whether the current tenant can afford the level

of expenditure required to address the matters of disrepair. As such, there is a risk that the property could fall into further disrepair or the Council is handed back a property with significant repairing liabilities and is unable to secure satisfactory recompense from the current tenant and the Council has to fund the repairs or receive a lower capital receipt if the property were sold.

The recommendations outlined in the report would result in a new tenant taking occupation who has an intention to put the property into repair and make improvements thus protecting the Council's asset. Until the completion of repair works, the current tenant will be retained as a guarantor until the repairing issues are addressed. The new tenant will pay the existing rent for the first 3 years with a rent review thereafter. The proposal bears no further financial implications to the Council as it does not offer any Rent Free Period, or other lease incentives.

Legal

The proposal will require a number of legal documents including a deed of surrender, new lease and an agreement with the current tenant to act as guarantor until the repair works are completed.

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 Council's 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 advance equality of opportunity between people who share a protected characteristic and people who do not share it.

The procurement of a new lease term will have no impact under the Equality Act 2010 and Public Sector Equality Duty.

Corporate Priorities

This report relates to the following corporate priorities: -

- Growth

1.0 Introduction and Background

- 1.1 Thanet District Council is committed to a robust asset management strategy to renew underperforming land and property in order to achieve its corporate aims.
- 1.2 Additionally, the Medium Term Financial Strategy (MTFS) requires secure income and capital receipts.
- 1.3 The grant of any lease in excess of 10 years requires the approval of Cabinet.

2.0 The Current Situation

Westcliff Leisure Park, Royal Esplanade, Ramsgate

- 2.1 The existing tenant has a lease with Thanet District Council for a term of 20 years, which is due to expire in 2034. Prior to this her family has run this business successfully, but she has now decided to sell her business. The Council has a new interested party who has already agreed Heads of Terms. In order to secure the new tenant and provide the lease term required to secure the investment needed to address the existing disrepair, it will be necessary to surrender the existing lease back to Thanet District Council.
- 2.2 The proposed tenants are requesting a new lease for a term of 25 years which will enable them to continue to invest and develop the property. The lease will be a Full Repairing Lease, and the new tenants will be responsible for all repairs and maintenance of the property.
- 2.3 Westcliff Leisure Park is situated along Royal Esplanade, and comprises two crescent shaped buildings of solid brick construction; surrounding the boating pool in the centre. (Grade II listed). There are seating areas in front of both buildings and a childrens play area.
- 2.4 The property was built in approximately 1928 and is a very popular location for tourists and the local community of Ramsgate and surrounding areas.
- 2.5 The proposed tenants want to provide a family friendly venue with quality food and entertainment. There will be a cafe, pizzeria and an in-house bakery in the West building with a pop up bar and music studio in the East building. The use of the boating pool will stay the same and remain open for model boating clubs.
- 2.6 The rental, at present, is £10,500 per annum and it has been agreed that this will stay at the current rent for the first three years whilst the proposed tenants invest their money into the development and repair of the property.
- 2.7 The recommendation to enter into a new longer term lease will allow for an uplift in rent after the third year to market value; following on from this there will be five yearly upward only rent reviews, potentially increasing the income for the Council.

2.8 The proposed tenants have requested additional land to both sides of the property and this will be advertised for disposal to obtain any public feedback (as required by legislation) in the event there are no relevant objections, it is proposed the land will be included in the new lease either at the outset or by variation dependent upon timing.

3.0 Options

3.1 To agree to cease the current arrangements and negotiate a new lease for an extended-term for the property listed in Annexe 1. The new lease will result in a rental uplift after three years, with a further rent review every five years.

3.2 Not to renew the existing lease and seek to enforce the lease terms against the current tenant, albeit the tenant may not be in a position to fund the necessary repairs. In addition, the tenant could continue to look to assign the lease but ensuring the repairing issues are addressed as part of this is more difficult with only 12 full years left on the existing lease and the necessary investment required to address the disrepair issues. As such, the Council may need to carry out the required maintenance to the building out of capital funds and identify alternative revenue streams to compensate for the loss in rental income if the tenant defaults/enters liquidation.

Contact Officer: Sue Burdock - Management Surveyor

Reporting to: Mark Perris - Director of Property

Annex List

Annex 1: The Property for extending the lease term.

Annex 2: A Location Plan showing Westcliff Leisure Park, Royal Esplanade, Ramsgate

Annex 3: Mission Statement

Background Papers

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

Corporate Consultation

Finance: Matthew Sanham, Financial Services Manager

Legal: Estelle Culligan, Director of Law and Democracy