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Report of: Michael Crofts – Executive Director Place
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Report to: Co-operative Executive

Date of Decision: 15th December 2021

Subject: Heart of the City – Project Update

Is this a Key Decision? If Yes, reason Key Decision: -	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
- Expenditure and/or savings over £500,000		<input checked="" type="checkbox"/>		
- Affects 2 or more Wards		<input type="checkbox"/>		
Which Executive Member Portfolio does this relate to? Executive Member for City Futures: Development, Culture and Regeneration & Executive Member for Finance and Resources				
Which Scrutiny and Policy Development Committee does this relate to? The Overview and Scrutiny Management Committee				
Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given?	926			
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
Part 2 of this report is not for publication by virtue of Regulation 20(2) Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 because, in the opinion of the proper officer, it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.				

Purpose of Report:

This report seeks to: -

- 1) Provide an update to the Heart of the City II development since the last major report in July 2020.
- 2) Seeks authority to conclude arrangements with John Lewis & Partners and bring their lease to an end.
- 3) Set out options for the former John Lewis building which will be concluded as part of the engagement with the people of Sheffield to deliver a City Centre Strategic Vision which was reported on at Co-operative Executive on 26th October 2021.
- 4) Gain approval for the proposal to hold the Grosvenor House building in the Commercial Estate and to retain the rental income from the building and to keep under regular review the investment markets for when the optimum time for a disposal would be.

Recommendations:

That Co-operative Executive:

- 1) Notes the progress made to date on The Council's delivery of the Heart of the City II development, including the establishment of 4,400 jobs out of a planned 7,000, economic activity to date of £0.9bn out of a planned £3.7bn and progress with increasing sustainability of development, reducing carbon emissions and increasing biodiversity.
- 2) Delegates authority to the Executive Director of Place and the Executive Director of Resources in consultation with The Executive Member for City Futures: Development, Culture and Regeneration, The Executive Member for Finance and Resources, The Director of Legal & Governance, and the Chief Property Officer,
 - a. to finalise terms with John Lewis and
 - b. Instruct the Director of Legal & Governance to complete all necessary legal documentation required to document the terms of the lease termination with John Lewis agreed in accordance with the approvals delegated pursuant to this report.
 - c. Instruct the Director of Legal & Governance to complete all other necessary legal documentation required to document the terms of all remaining tenancies for the various blocks within the scheme.
- 3) Notes the options for the John Lewis Building which will be concluded as part of the work on the City Centre Strategic Vision following public engagement including a full climate impact assessment.
- 4) Approves the proposal to retain Grosvenor House in the Heart of the City Development as part of the Council's Commercial Estate until such time, through review of the real estate investment markets, that a disposal is appropriate to meet the Council's budget requirements and with any disposal being in accordance with the Council's disposal protocols and financial regulations.

Background Papers:

Queensberry – Interim progress report - John Lewis Building Feasibility Study - November 2021 plus Annex A & B, Condition and Carbon summaries from Arup.
Fourth Street – Draft Sheffield City Centre User experience - November 2021.
Summary Asbestos Review – John Lewis Building.

Previous Reports: New Retail Quarter – Compulsory Purchase Order Report to Cabinet 13th December 2006, Sheffield New Retail Quarter Report to Executive Leader dated 8th October 2013, New Retail Quarter Steps Towards Delivery Report to Cabinet on 23rd July 2014, Sheffield Retail Quarter Delivery of First Phase Report to Cabinet on 20th July 2016, Sheffield Retail Quarter – Proposed Appropriation of Land for Planning Purposes 15th December 2016. Sheffield Retail Quarter – Heart of the City Phase II Delivery of the next phases report to Cabinet dated 21st March 2018. Heart of the City II: Approval and endorsement for the Council’s updated delivery strategy dated 15th July 2020.

Lead Officer to complete: -		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Jayne Clarke
		Legal: David Sellars
		Equalities: Annemarie Johnston
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	Executive Director who approved submission:	Michael Crofts & Eugene Walker
3	Executive Members consulted:	Cllrs T Fox, M Iqbal, C McDonald
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Nalin Seneviratne	Job Title: Director – City Centre Development / Capital & Major Projects
	Date: 15 December 2021	

1.0 PROJECT UPDATE

- 1.1 Sheffield City Council is investing in the delivery of a key part of the future shape of the City Centre. Covering 7 hectares (17 and 1/3 acres), Heart of the City is delivering on key components of the developing City Centre Strategic Vision. It is already creating a mixed-use neighbourhood with the delivery of 420 new homes, a new city park, leisure facilities, new workspaces, new restaurants, and shops. The scheme is re-populating the city centre with a mix of uses including new homes that will energise the whole of the city. Space for local firms, including opportunities for new start-ups is being created on Cambridge Street and demand is already exceeding expectations. Local jobs combined with initiatives such as new construction jobs and the creation of apprenticeships means that Heart of the City and the Council's investment is having a tangible positive impact on local people and businesses.
- 1.2 **Heart of the City** is Sheffield City Council's flagship development scheme and one of the largest urban regeneration schemes in Britain. By repurposing buildings and adding new development for offices, retail, homes, and leisure attractions, we will attract and are already attracting more jobs to the city and encouraging more people to live in the city centre, making Sheffield an even more rewarding and dynamic place to live and work creating an attractive and vibrant city centre for the whole city.
- 1.3 **Grosvenor House** at the junction of Moorhead is already completed and is the new home to **HSBC** and law firm **CMS**, with new and exciting shops like **Monki** and **Weekday**, and the popular Sheffield **Marmadukes**. Cranes surrounding the area show how much else is currently being delivered. Along Pinstone Street two new buildings will be completed by early 2022, with the **Isaacs Building** and **Burgess House** due to provide new office space and homes.
- 1.4 365 new apartments are also underway at **Kangaroo Works** off Rockingham Street. Construction has begun on a flagship **Radisson Blu hotel** on Pinstone Street opposite the Peace Gardens. The city's first net zero carbon-ready office building - **Elshaw House** – will also add a visually striking seven floor office development, contributing to the Council's long-term ambitions to create a more sustainable and greener city.
- 1.5 Shopping remains important to the city centre. These new developments are designed to sustain new and existing shops, bars, and restaurants, with space included for new places to shop, eat, and drink. The scheme has been designed to be flexible, so that new spaces can adapt easily to different uses as the city evolves. Significant retail leasing is expected to follow scheme completions.
- 1.6 This adaptability is showcased on Cambridge Street, one of Sheffield's oldest streets. Retaining the key listed buildings and historic frontages, Cambridge

Street will become a cultural and social hub, one that reflects the past and future of the city centre. Currently under construction, **Cambridge Street Collective** will feature a **new food hall, top end restaurant** and a **small live entertainment venue** in the former **Bethel Chapel** building. Further up Cambridge Street, **Leah's Yard**, a complex of former mester's workshops, will provide **working space for crafts people and artists, in addition to other creative industries**, alongside space for **local independent retailers**. Together, these developments will create an exciting new mix of working space and places to shop, eat, drink and be entertained in at the very heart of the city centre.

1.7 To date the overall development has been a huge success with approximately 40% of the overall construction complete with some 2 years left before completion. More importantly the development is **67% let to tenants and occupiers** and is on target to meet its goals and targets for regeneration, jobs, and financial boost to the Sheffield economy.

1.8 **Block by Block Progress**



1.9 **Block A (Hotel & Gaumont)**

1.9.1 Construction commenced on both the Hotel and Gaumont buildings in May 2021 with completion of the works due in the Summer of 2023. The hotel element has been secured with Radisson for an upper mid-scale 154-bedroom hotel with roof top bar and restaurant via a 20-year Hotel Management Agreement. The hotel has been designed with sustainability in mind, with a Building Research Establishment Environmental Assessment Method (BREEAM) rating of excellent to be achieved along with the building supplied by Sheffield's district heating system for water heating and air source heat pumps for heating.

1.9.2 The Gaumont building will provide leisure and retail space with innovative design, re-utilising the existing structure, high level sustainability and introducing green walls to reactivate this area of the city. Interest in the Leisure space is strong with several national operations showing interest, having viewed the building recently.

1.10 **Blocks B & C (Issacs Building, Burgess, Athol, and Laycock Houses)**

1.10.1 Construction is close to completion with all buildings due to open in the first quarter of 2022. The project has faced many challenges over the last 2 years due to Covid and resultant supply issues along with the complication of retaining a Victorian façade and roof scene, however the quality has never diminished. Sales of the residential have been strong with circa 50% sold whilst maintaining the covenant of owner occupier sales only. Letting of the office has been a huge success with 2 tenants leasing all floors on long term leases (currently in legal hands) and are looking to open in the Summer of 2022.

1.10.2 All the shopfronts have now been ordered and will be installed by the end of February/early March 2022 in conjunction with the opening of the public realm. Whilst no new lettings for retail have been secured to date due to the current market recovering from its challenges, interest remains with retailers waiting to see the final product. A tenant has been secured though for the food unit located in the residential courtyard of Burgess and Laycock House.

1.11 **Block D (Grosvenor House)**

1.11.1 Following completion of the works in 2019, a long-term letting has been secured with international law firm CMS to compliment HSBC. In addition, lettings to New World Trading (The Furnace) on Charter Square, international retailers Weekday and Monki owned by H&M, and local cafe operator Marmaduke's add to the mix. The remaining space to let equates to just 9% of the total area built.

1.11.2 Interest remains in the remaining retail units however, most interested retailers want to see the completion of Blocks B, C and H (food Hall) and we expect to see further progress with lettings in the spring and summer of 2022.

1.12 **Block E**

1.12.1 The cladding works to the car park have now been completed and have transformed the look and feel of both the building and surrounding area. Shop fronts for the repurposed leisure and food & beverage space below have been ordered and will be installed by February 2022.

1.12.2 This positive change and the opening of The Furnace in Charter square has assisted in securing a tenant on a long lease to occupy 15,000 sq.ft. of space with an opening in the spring of 2022. This letting accounts for 60% of available area and further lettings are sure to develop over 2022 as this occupier opens to the public and the food hall (Cambridge Street Collective) completes in the summer of 2022.

1.13 **Block F (Kangaroo works)**

1.13.1 The leasing of the site is now complete, and construction is ongoing with construction works set for completion of spring 2023.

1.14 **Block G**

1.14.1 Following the securing of additional funding to create a new public park on part of the site, design has been completed and planning achieved. Procurement of the works is ongoing, and works are expected to commence in early next year with completion for Autumn 2022.

1.14.2 The two development sites that sit either side of the public park are now being prepared for marketing to the commercial sector and expected to be promoted in the spring of 2022 and completion of sales by close of the same year.

1.15 **Block G1 (Carver Street)**

1.15.1 The lease for the whole building to Cubo completed in January 2020 and despite delays to the fit out caused by the pandemic, the building opened to the public in April 2021. This exciting concept has been well received in the market with 70% of the managed workspace now let to tenants and the roof top bar trading extremely well over the summer period.

1.16 **Block H (Cambridge Street Collective, Bethel Chapel and H2 Office)**

1.16.1 Construction Works to all buildings commenced in February 2021 with works to

Cambridge Street Collective, Bethel Chapel, and associated buildings due for completion in the summer of 2022 with completion of H2, (Elshaw House) office and ground floor retail, set for Spring 2023.

- 1.16.2 A tenant has been secured for the Cambridge Street Collective which includes an exciting food hall and fine dining restaurant offers. On completion of the main works a fit out by the tenant will commence and is due to open in early 2023.
- 1.16.3 Interest in Bethel Chapel remains strong and will be launched to the market in March 2022, providing the necessary time for this sector and market to recover from the pandemic.
- 1.16.4 Elshaw House (H2) office has been designed with technologies that support net zero carbon and is paving the way for net carbon zero buildings. The launch of this building to the market will be made in early 2022 once the Issacs building leases complete.

1.17 **Leah's Yard**

- 1.17.1 Works to complete the phase 1 stabilisation of rebuilding floors, roofs and walls is due to complete this year enabling the building to stand on its own for the first time in several years.
- 1.17.2 During the stage 1 works, a tenant was selected and has worked with the team to develop the phase 2 works. The operators are proposing to provide a broad range of units for growing local businesses including studios, makers, retailers, and a café bar. This will include running regular public events, maker markets and themed evenings and will create a unique destination.
- 1.17.3 The lease is for the whole building and due for completion prior to entering the phase 2 works. The phase 2 design works of connecting the former Public House and "Chubbys" is complete, and planning consent was achieved in November with significant support from Historic England. Phase 2 procurement is ongoing and a start on site is expected in the spring of 2022 and completion by Summer of 2023.

2.0 **John Lewis & Partners – Lease Termination**

- 2.1 In 2020 Sheffield City Council and John Lewis agreed a deal to see John Lewis remaining as a key retailer in the city with a programme of refurbishment to address the outdated services and fabric of the building. To secure the building from the turbulence in the retail sector and take control of a key location in the

heart of the city, The Council bought out John Lewis from their old lease for commercial value (£3m plus costs, taking into account the poor condition of the building) and provided John Lewis with a new lease with an agreement on the refurbishment of the building.

- 2.2 In August 2020 John Lewis & Partners entered a new modern lease of the building having agreed to surrender their previous lease. This surrender and renewal were completed as stated above with the intention of retaining John Lewis & Partners within Sheffield City Centre and refurbishing the existing building.
- 2.3 In March 2021 John Lewis & Partners announced that several department stores would remain closed following the Covid pandemic. This included the department store at Barker's Pool, Sheffield.
- 2.5 Shortly following this announcement Council officers engaged with John Lewis & Partners in relation to their new lease of the building.
- 2.6 These discussions have culminated in a proposal for John Lewis & Partners to surrender their lease of the building and to be released from all obligations for the sum of £5m subject to contract. On completion, The Council will have received a financial settlement on a key site in the centre of Sheffield in excess of what it paid John Lewis to buy them out of their old lease.
- 2.7 Further information relating to the terms of this proposal are set out within Part 2 of this report the details of which are commercially sensitive and confidential.

The Former John Lewis Building

- 2.8 In the summer of 2021, the Council employed Fourth Street (experts in placemaking and destination development) to review the broad options for the former John Lewis building in the context of the city centre offer.
- 2.9 Alongside that work, the existing Heart of the City project team led by Queensberry have been analysing the options in terms of strategic design, costs, and carbon implications. A full climate impact assessment will be carried out to assess all options.
- 2.10 The discussion on options will take place as part of the public engagement on the City Centre Strategic Vision in early 2022. However, at this stage the reports from both Queensberry and Fourth Street are appended to this report for information.

3.0 Grosvenor House – Exit Strategy

3.1 General Background

The base case assumption for all blocks within previous Cabinet reports and elsewhere in this report, is based on the Council exiting from the intervention when blocks are complete. Modelling is therefore based on the Council “selling” (on a long leasehold basis) once the development is complete and fully let and using the receipt to reduce the level of borrowing of the block. However, previous

reports have also stated that the actual exit strategy will be considered for each of the blocks on completion, considering the current market economics, and the Councils overall borrowing levels, and wider commercial estate position. Properties could be retained as Operational Assets if that is determined the most appropriate course of action.

3.2 Grosvenor House

VAT Exempt treatment for HSBC purposes meant a 3-year hold requirement on completion of Block D to avoid any negative VAT implications. As that is now about to expire and the block is 97% let then it could be considered to be at the height of its market value and could be sold.

The block has a potential £5m p.a. rental value but with first HSBC lease break in Jan'29.

A decision is therefore now required to hold, sell, or sell with degrees of income guarantee to increase the potential capital receipt.

A valuation has been carried out by SCC investment advisor (CBRE) in terms of current market conditions, based on current occupation and letting terms.

Option	Capital Value	Impact
1. Hold (Do Nothing)	£73m	<ul style="list-style-type: none"> Council responsible for letting and carries all long-term asset management risk but will receive rental income as the reward.
2. Sale of Asset in Current Occupation	£73m	<ul style="list-style-type: none"> Value reflects current letting, future lease breaks, remaining Rent Free Periods and current investor yields. No further long-term financial risks
3. Sale with 15 Year Council Guarantee on Retail Units	£79m	<ul style="list-style-type: none"> As above but with Council covering £750k p.a. retail rental guarantee. Responsible for letting units and benefit from any rents secured during 15-year term.
4. Sale with Council Guarantee on HSBC Break Option	£75m	<ul style="list-style-type: none"> As option 2 but with Council covering the c£4m p.a. Office rental for 5 years if HSBC exercise break in Jan '29. Rents retained if HSBC don't break or from alternative letting if secured during 5-year term.
5. Sale with 15 Year Council Guarantee on Retail and HSBC Break Clause Guarantee	£83m	<ul style="list-style-type: none"> Options 3&4 combined
6. Sale with Index-linked Council Guarantee over the whole building	£109m	<ul style="list-style-type: none"> 35-year lease with £3.5m p.a. RPI linked (capped at 5% p.a.) lease payment. Council responsible for all letting and benefits from any profit rent secured during term. Carries long term income and service charge risk.

3.3 Analysis has been carried out on the impact of each of those options in terms of the use of the receipt to write down debt and then the residual impact of the retained letting risk in a worst- and best-case scenario.

The relative advantages and disadvantages of each option have also been considered.

This analysis is contained in Part 2 Appendix 2 to the report.

- 3.4 Having considered the options and their relative risks it is proposed to not sell at the current time when the investment market and office valuation is in a state of uncertainty. To therefore, retain the property as part of the commercial estate but to review the decision in 6 months' time and then no more than annually thereafter. Regular reviews will mean that we can respond to changes in market conditions in a timely manner. Consideration should also be given to engaging with HSBC at the appropriate time to review lease terms and/or purchase appetite.

The advantages and disadvantages of that option are set out below:

Property Retention

ADVANTAGES	DISADVANTAGES
Avoids "locking in" value in a depressed market	Significant level of exposure to letting and Business Rate risk in the medium to long term.
Closest to short term budget assumption in the worst-case scenario	Overall value decreases each year with erosion of HSBC and CMS lease certainty.
Retains control over all letting to manage standard of occupation.	long-term building condition risk retained
Significant upside possible with timely letting when leases end.	
Full value of rental income retained to pay down debt especially in the early years.	
Retains flexibility to sell in future depending on market conditions.	
Retains flexibility to manage debt repayment profile in future.	

4.0 HOW DOES THIS DECISION CONTRIBUTE?

- 4.1 As reported last year, Heart of the City meets an identified need for an improved city centre offer in terms of retail provision, housing, food, and drink/leisure facilities and providing additional high quality office space for jobs. It will give residents, workers, and visitors an exciting quality experience that is distinctively of Sheffield and which is the hub linking the existing city centre retail, cultural, leisure and employment offers.
- 4.2 The development integrates and complements the existing city centre and its shopping areas rather than sit in isolation from them. Built to retain existing street patterns and heritage buildings wherever possible, it integrates with the resurgence of The Moor as a shopping and leisure destination, the Devonshire Quarter of independent shops and bars, and Fargate.
- 4.3 The development will contain a broad mix of uses, including retail and hospitality

and whilst at the time of writing this report these sectors of the economy are under stress as a result of Covid-19, the delivery of individual units is some time away which will allow time for the market to recover. Ultimately the scheme is being designed with significant flexibility to allow for future trends

Economic Benefits

- 4.4 As set out in previous Cabinet reports by undertaking the Heart of the City II development the Council's aim was to create jobs and improve the economy of the city for all.
- 4.5 We anticipated in 2018 that the jobs that we would create within the Heart of the City II development site in the period 2019 to 2030 would be 7,000 and to date we have achieved securing 4,400 jobs.
- 4.6 In 2018 the increase in economic activity because of the Heart of the City II development was estimated at £3.7bn. To date we estimate we have delivered £0.9bn. So again, we consider that we are on track to deliver the predicted growth in the economy of the city.

5.0 HAS THERE BEEN ANY CONSULTATION?

- 5.1 As previous reports, the Council has over the years undertaken comprehensive consultation with key stakeholders and the public as to the development of this major city centre site and will continue to engage/consult as to the future of the Heart of the City II development.
- 5.2 As part of the normal development/planning process the public continue to have the opportunity to be engaged and to make comments on the development of each block. Recently, block H and block A have been out to consultation along with the designs for Pounds Park.
- 5.3 There is active engagement with a variety of stakeholders and the people of Sheffield at large through a variety of means including e-letters, website, consultations, social media, and face to face meetings.
- 5.4 Specific engagement on the future options for the John Lewis Building will be delivered through the work on the City Centre Strategic Vision in January / February 2022.

6.0 RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

6.1 Equality of Opportunity Implications

6.1.1 As in the 2020 report, The Heart of the City II site will be of universal positive benefit for all local people regardless of age, sex, race, faith, disability, sexuality, etc. Local people will benefit from the creation of a significant number of new full and part time jobs with several tenants signing up to the Real Living Wage as defined by the Living Wage Foundation.

6.1.2 The incorporation of a new public park with toilet facilities and the inclusion of changing room facilities in the scheme also improves the city centre offer and delivers positive benefits for all.

6.1.3 Future options for the John Lewis building and programming activity in Pounds Park offer the opportunity for providing uses for all citizens irrespective of income and demographics reinforcing the scheme as a civic hub. This aspect will be considered for the specific developments mentioned and be the subject of future reports.

6.1.4 The uses and opportunities for city centres are very dynamic and therefore the ability to seek to improve opportunity for all through building uses and the programming of space will be considered in future reports and linked to final decisions on how the Council holds or disposes of the project and how those options should be governed including how citizen participation can help to inform those decisions.

6.2 Financial and Commercial Implications

6.2.1 **Headline Financial Envelope**

In July 2020 Cabinet approved a revised set of financial parameters for the delivery of the masterplan based on a total capital expenditure envelope and long term residual financing costs for each block. This was based on the revised masterplan and taking account of the expected impact of Covid-19.

	March 2018	July 2020
<u>Total Capital Expenditure</u>	<u>£469m</u>	£372m
<u>Net Development loss</u>	<u>£71m</u>	£79m
<u>Maximum Annual Revenue Cost</u>	<u>£3m (24/25)</u>	£3m (38/39)

There has been a further review of each of the blocks in terms of cost and programme now informed by most of the blocks being subject to construction contracts with significant proportions of the costs fixed. There has also been a further review of the impact of Covid-19 and more general market trends towards turnover based rental terms on the Retail, F&B and Leisure letting.

This means the Council retain more of the risk of performance of all those units while it is holding them, and that risk is priced in by prospective purchasers of the blocks producing a lower capital value and thus a bigger overall loss.

	March '18	July '20	December '21
<u>Total Capital Expenditure</u>	£469m	£372m	£356m#
<u>Net Development loss</u>	£71m	£79m	£98m#
<u>Maximum Annual Revenue Cost</u>	£3m (24/25)	£3m (38/39)	£4m (23/24)*

Excludes any further costs /income relating to JLP building at this stage

* On a worst-case basis that blocks A, H & H1 complete with extended letting voids and low turnover generation

The capital budget for all block has now been approved through the Capital Approval process and will be varied as necessary through that process to reflect any changes to profile of spend, funding source etc.

Financial Risks

The Council is still carrying a significant level of risk in relation to the blocks it is currently developing regarding the risks associated with the construction and the demand risk for the commercial and retail spaces that are being created.

The figures above allow for a degree of letting risk including more extensive void periods on all commercial spaces when complete and allowing for the downside impact of turnover terms. However, these could be improved if current strong interest is secured into leases. Also, turnover deals mean that the landlord shares in the success of the operations which could produce a significant upside to the projections.

Revenue Budget Requirement

On completion of each block the residual borrowing costs will be charged to General Fund Budgets with Minimum Revenue Provision (MRP) and interest charged over a 40-year asset life. They will be offset by the increased Business Rates and Council Tax and any Rents received while held by the Council and ground rent receipts post sale. Any alternative proposals will be considered against the base case long term revenue implications



Because of the block-by-block approach then the impact on revenue budgets is similarly staggered. With a prudent degree of downside risks already built into short term projections this still allows a manageable impact on the Councils budgets as currently built into the Medium-Term Financial analysis.

6.3 Legal Implications

- 6.3.1 The surrender of the John Lewis lease is deemed to be an acquisition. Section 120 of the Local Government Act 1972 provides that a local authority can by agreement acquire any land for any purpose for which it is authorised which includes for the benefit or development of their area.

Section 1 of the Localism Act 2011 gives a local authority the power to do anything that individuals generally may do unless specifically prohibited.

The lettings referred to in this report are deemed to be disposals and should comply with the best value provisions of section 123 of the Local Government Act 1972.

7.0 **ALTERNATIVE OPTIONS CONSIDERED**

- 7.1 The overall project is now in full delivery. Options for the retention or disposal of buildings and the options for the John Lewis building are considered in this report and annexures.

8.0 **REASONS FOR RECOMMENDATIONS**

- 8.1 The reasons for the recommendations are to enable the arrangements with John Lewis to be concluded, to formalise agreement on retaining the Grosvenor House Block and to note overall progress on the project.

Michael Crofts - Executive Director – Place
Eugene Walker – Executive Director - Resources

15th December 2021