

<b>Rocket House Café/Restaurant Lease Renewal</b>	
<b>Executive Summary</b>	<p>The lease for this café/restaurant, owned by the District Council, is due for renewal. The tenant is an established business that provides jobs in the district.</p> <p>Several options have been considered to demonstrate the Council's best value duties, including renewing the lease on improved terms, ending the tenant's occupation to re-let the premises, or selling the property.</p> <p>Granting a new lease on improved terms will secure the Council's revenue at a market rent, ensuring best value is achieved while also providing security to the tenant's business and safeguarding local jobs.</p> <p>It is recommended that Option 1 to agree new lease with the existing tenant at a higher rent is taken forwards.</p>
<b>Options considered</b>	<p>The following options have been considered to ensure the Council achieves best value from it's letting of the property:</p> <ul style="list-style-type: none"> <li>• Option 1 - Agree new lease and rent increase with the existing tenant. – Recommended.</li> <li>• Option 2 - End the tenant's occupation and relet the premises – Not recommended.</li> <li>• Option 3 - Sale of the property - Not recommended.</li> </ul>
<b>Consultation(s)</b>	<p>Cllr Lucy Shires - Portfolio Holder for Finance, Estates &amp; Property Services.  Cllr Tim Adams- Leader of the Council - Portfolio Holder for Executive Support &amp; Legal Services and local member.  Cllr Jill Boyle – Local member  Daniel King – Assistant Director for Finance and Assets  Cara Jordan - Monitoring Officer</p>
<b>Recommendations</b>	<p>Resolution for Cabinet to approve:</p> <ul style="list-style-type: none"> <li>• The renewal of the lease with the existing tenant as per Option 1 detailed in the exempt appendix.</li> <li>• Delegate approval to the Asset Strategy Manager to agree the exact terms of the above legal agreement.</li> </ul>
<b>Reasons for recommendations</b>	<ul style="list-style-type: none"> <li>• Granting a new lease at the property will secure the Council's revenue income from the property at a market rent ensuring best value is achieved in line with the Council obligation under the Section 26 of the Local Government Act.</li> </ul>

	<ul style="list-style-type: none"> <li>Granting a new lease at the property will provide security to the tenant's business and secure jobs in the district.</li> </ul>
<b>Background papers</b>	Rocket House Cromer Cabinet decision 15/04/2024.

<b>Wards affected</b>	Cromer Town
<b>Cabinet member(s)</b>	Cllr Lucy Shires
<b>Contact Officer</b>	Milo Creasey – Trainee Estates Surveyor - <a href="mailto:milo.creasey@north-norfolk.gov.uk">milo.creasey@north-norfolk.gov.uk</a>  Renata Garfoot - Asset Strategy Manager - <a href="mailto:Renata.Garfoot@north-norfolk.gov.uk">Renata.Garfoot@north-norfolk.gov.uk</a>

<b>Links to key documents:</b>	
Corporate Plan:	A strong responsible and accountable Council <ul style="list-style-type: none"> <li>We will ensure the Council maintains a financially sound position, seeking to make best use of its assets and staff resources, effective partnership working and maximising the opportunities of external funding and income.</li> </ul>
Medium Term Financial Strategy (MTFS)	The proposal secures an increased income from this asset for the duration of the lease term.
Council Policies & Strategies	Asset Management Plan 2018 - 2022

<b>Corporate Governance:</b>	
Is this a key decision	Yes

Has the public interest test been applied	<p>Exempt appendices</p> <p>Information in this appendix involves the likely disclosure of exempt information as defined in paragraph 3, Part 1 of schedule 12A (as amended) to the Local Government Act 1972.</p> <p>This paragraph relates to:</p> <p style="padding-left: 40px;">Para 3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)</p> <p>The public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:</p> <p style="padding-left: 40px;">The information is commercially sensitive, relating to negotiations around lease renewal and rent. Releasing this information would be likely to prejudice would be likely to have a prejudicial impact upon those businesses as well as the Council in obtaining best value.</p>
Details of any previous decision(s) on this matter	NA

## 1. Purpose of the report

- 1.1 The purpose of the report is to seek Cabinet approval to renew the current tenants lease for the Rocket house Café with an increased annual rent in accordance the Asset Management Plan.

## 2. Introduction & Background

- 2.1 The Rocket House Building, Cromer is a mixed-use property with museum (Currently vacant), café, public toilets, and lift, which is situated on the East promenade prominently on Cromer's east promenade
- 2.2 The previous lease commenced in June 2018 is now due for renewal.
- 2.3 The Council undertook improvement works to the cafe floor over the winter. It is in a good condition.
- 2.4 Further works to the ground floor of the property are continuing outside of the tenants demise.



**3.4 Option 3 - Sale of the property – not recommended.**

- 3.4.1 A sale of the property has been considered however it has been discounted due to decisions made by cabinet at earlier dates to retain the wider property, see Cabinet decision 15/04/2024.

**4. Corporate Priorities**

- 4.1 This proposal aligns with the Councils Corporate Plan priority to create a strong responsible and accountable Council by providing increased revenue income.

**5. Financial and Resource Implications**

- 5.1 Officer resource is required to process the lease renewal.
- 5.2 The Council has obtained a valuation for the property to demonstrate best value in accordance with the Asset Management Plan and s.123 of the Local Government Act 1972.
- 5.3 Further financial implications have been included in the exempt appendix.

**Comments from the S151 Officer:**

*The S151 Officer (or member of the Finance team on their behalf) will complete this section.*

*The recommended option, being option one will ensure that the new lease at the property will secure the Council's revenue income from the property at a market rent ensuring best value is achieved.*

**6. Legal Implications**

- 6.1 The new lease will oblige the Council and tenant to adhere to the conditions of the lease for the lease term.
- 6.2 Legal advice has been obtained on this Lease transaction, see the exempt appendix.

**Comments from the Monitoring Officer**

*This report relates to the renewal of a commercial lease and best value considerations. If option 1 is chosen (subject to agreeable terms), this would tie in the Council for a number of years and the Council should receive the income more closely aligned to market values, from a leaseholder, with a good history, and who has occupied the premises for a considerable time. There are no additional governance observations, but the legal department is available to assist with any drafting or legal work resulting from the Members' decision.*

## **7. Risks**

- 7.1 If a new lease is not agreed there is a potential for loss of revenue along with void costs.
- 7.2 As with all commercial lettings there is a risk of unpaid rent and the tenant not complying with their repair obligation, however the tenant is an established business and is considered to offer good covenant strength.
- 7.3 Impact on local jobs and detrimental impact on the tenant's business if a new lease is not agreed.

## **8. Net Zero Target**

- 8.1 The Council's Net Zero Strategy & Action Plan identified leased building emissions and a commitment to reduce carbon by improving energy efficiency.
- 8.2 The property is currently compliant with the Minimum Energy Efficiency Standards required for letting, with a rating of B.
- 8.3 The recommended decision does not increase or decrease council emissions; it is a continuation of current emissions. It is possible for greener measures to be introduced to the new lease contract to encourage behaviour change of tenants to reduce energy use and make cooperation to future retrofit works mandatory. In order to reduce emissions associated with this lease the council will need to decarbonise the building by electrifying all energy uses, generating renewable sources and reducing energy losses. This can be considered a separate issue to the lease in question of this decision.

## **9. Equality, Diversity & Inclusion**

- 9.1 There are no equality, diversity and inclusion implications identified with this proposal.

## **10. Community Safety issues**

- 10.1 There are no community safety issues regarding the continuation of the current tenant occupation of the property.

## **11. Conclusion and Recommendations**

- 11.1 The existing tenant, who has occupied the premises since 2006, runs a well-established business that contributes to local employment.
- 11.2 Offering a new lease with an increased rental rate will generate additional revenue for the Council at market value and ensure compliance with the Council's obligations under Section 26 of the Local Government Act.
- 11.3 A renewed lease will provide stability for the tenant's business and maintain the local job supply in the district.
- 11.4 It is recommended that Option 1 be approved, securing a new lease with the existing tenant at a higher rent, as detailed in the Exempt Appendix.