
Executive Decision

Ten Year Lease of
Sovereign House (UPRN 1384)
Princess Road West, Leicester, LE1 6TR

Decision to be taken by: City Mayor

Decision to be taken on: 23 July 2025

Lead Director: Matthew Wallace, Director of EBS

Useful information

- Ward(s) Affected: Castle
- Report author: Joseph Martin,
Service Manager, Asset Strategy
- Author contact details: joseph.martin@leicester.gov.uk
- Checked by: Kathryn Ellis FIRRV, Head of Strategic Property
- Report Status: FINAL

1 Purpose

- 1.1** The purpose of the report is to seek approval to proceed with a ten-year, market rent, full repairing and insuring lease of Sovereign House, Princess Road West, Leicester, LE1 6TR, comprising 0.26 acres (1,038m²), to The Secretary of State for Housing Communities and Local Government for use by His Majesty's Courts and Tribunal Service, a current licensee of the building as a special purchaser (as defined in the Council's Constitution).

2 Recommended Decision

- 2.1** The City Mayor is asked to formally approve:

A ten-year lease disposal at market rent on a full repairing and insuring (FRI) basis of Sovereign House, Princess Road West, Leicester, LE1 6TR, to The Secretary of State for Housing Communities and Local Government, as a special purchaser (as defined in the Council's Constitution).

Please see the confidential Appendix A which details the negotiated Heads of Terms.

This decision is reserved for the City Mayor because it meets the criteria of a sale as covered in paragraph 8 of the Scheme of Delegation. The lease is not a criterion to qualify as a key decision. The Director of Estates and Building Services has approved the rental valuation.

- 2.2** It is noted that the City Barrister and Head of Standards Division will prepare and execute all necessary documentation required. The Director of Estates and Building Services Division will agree the required detailed terms.

3 Scrutiny

- 3.1** The long lease of the site is not a criterion to qualify as a key decision.

4 Background with supporting evidence

4.1 Site History

- 4.1.1 Sovereign House is held within the Council's Corporate Estate Portfolio. The total site area comprises 0.26 acres (1,038m²), and the lettable net internal floor area (NIA) for the property is 21,280 ft² (1,977 m²). The lease will be conducted within the Landlord and Tenant Act 1954 and permitted use will be office E(c)(i)(ii) or E(g)(i).
- 4.1.2 The building comprises four floors and includes a small car park to the rear of the property.
- 4.1.3 In May 2025, His Majesty's Courts and Tribunal Service (HMCTS) agreed terms with Leicester City Council for the lease of the whole building as an office to support their Ministry of Justice (MOJ) administrative functions in Leicester.
- 4.1.4 HMCTS/MOJ have an established property requirement within Leicester, and Sovereign House as a high-quality office building will provide the necessary ancillary space for supporting the front-line processes that take place across their portfolio.
- 4.1.5 The Sovereign House City Centre location makes it accessible for core staff and visitors and keeps a proven HMCTS office model located in Leicester and supports ongoing recruitment and retention of existing staff. As a well apportioned established office base it will support hybrid working for HMCTS and other Government Departments as required.
- 4.1.6 The Lease to HMCTS supports the objectives of the One Public Estate Cabinet and Local Government Programme aimed at encouraging public sector organisations to collaborate on property and land use to improve services and achieve financial efficiencies.
- 4.1.7 Key terms and conditions include a Ten-Year FRI Lease at market rent. With permitted use as an office under Class E(c)(i)(ii) or E(g)(i) of the Town and Country Planning (Use Classes) (Amendment) Regulation 2020. The lease will be conducted within the Landlord and Tenant Act 1954.

4.2 Accessibility

- 4.2.1 Situated on Princess Road West, Crescent Street with a car park accessible from Rawson Street.

4.3 Valuation

4.3.1 A Financial Appraisal has been undertaken and is annexed at Appendix A and has been marked – **Confidential Not for Publication**.

4.4 Planning Authority and Surrounding Area

4.4.1 The property is located within the City Centre Commercial Zone with the Castle Ward. The site is not listed.

4.5 Recommendation

As HMCTS are currently a licensee of part of the building and a Government Department with exceptional covenant strength, and have agreed to the terms and conditions proposed in the Heads Of Terms, it is recommended that the City Mayor approves the decision to enter into a ten year lease of Sovereign House to The Secretary of State for Housing Communities and Local Government on a one-to-one basis.

5 Financial, Legal, Climate Emergency, Equalities, and Other Implications

5.1 Financial implications

Given the tenant of the property is a government department, this long-term lease will provide the Council with secure income for a 10-year period, subject to break clauses. The annual lease income is set out within Appendix A. The rental yield, which indicates return on investment, is higher than the current cost of borrowing; this means that the proposed lease is financially preferable to selling the freehold of the building and using the capital receipt to offset planned borrowing or to finance capital expenditure.

Works of up to £60k will be required to bring the property to a fully lettable standard, and this will be financed from Corporate Estate maintenance budget within the 2025/26 capital programme.

Signed: Stuart McAvoy – Head of Finance

Dated: 16 June 2025

5.2 Legal implications

The Council has a legal obligation to dispose of land at the best consideration reasonably obtainable in accordance with s.123 of the Local Government Act 1972 (as amended). Open marketing is acknowledged to achieve best consideration. A disposal includes either a freehold sale or lease for a term of more than 7 years.

A proposal to dispose of property on the basis of a one to one transaction without open marketing must be in accordance with the Disposal Policy Framework forming part of the Council's Constitution. The Executive will need to be satisfied that the disposal accords with the relevant provisions of the Framework relating to exemptions for 1-1 (special purchaser) disposals.

Without an open market exercise, officers cannot be absolutely certain that best consideration has been achieved. Without open marketing there is the potential risk that a higher value could have been achieved through exposure to the market. However, the fact that the proposed tenant already occupies part of the property, has a proven track record and is a Government body all gives weight to them having a strong tenant covenant which lends weight to the proposal to proceed with the disposal on a one to one basis.

Signed: Zoe Iliffe – Principal Lawyer (Property, Highways & Planning)

Dated: 17 June 2025

5.3 Climate Emergency implications

There are no climate emergency implications arising from this report.

Signed: Phil Ball – Sustainability Officer (Ext 37 2246)

Dated: 16 June 2025

5.4 Equalities implications

There are no direct equality implications arising from the report. The leasing process should be transparent and accessible.

Signed: Surinder Singh – Equalities Officer (Ext 37 4148)

Dated: 17 June 2025

5.5 Other implications

None

6 Background Information and Other Papers:

None

7 Summary of Appendices

7.1 Appendix A – Financial Appraisal for Sovereign House (Not for Publication)

7.2 Appendix B – Red Line Site Boundary Plan for Sovereign House

8 Is this a Private Report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

The general covering report is not confidential, but the specific details given about the property and its financial appraisal are considered exempt from publication. This is exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended. Appendix A is therefore marked “Not for Publication”.

Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

9 Is this a Key Decision? If so, why?

No

Appendix B – Red Line Site Boundary Plan for Sovereign House

