Executive Decision

Sale of Ground Rent interest

Holiday Inn

St Nicholas Circle

Leicester LE1 5LX

(UPRN 1427)

Decision to be taken by: City Mayor

Decision to be take on: 15 July 2026

Lead Director: Matthew Wallace, Director of EBS

Useful information

- Ward(s) Affected: Castle
- Report author: Spencer Turner MRICS,
  Senior Asset Management Surveyor
- Author contact details: Spencer.Turner@leicester.gov.uk
- Checked by: Matt Wallace, Director

1 Purpose

1.1 The purpose of the report is to seek approval to proceed with the disposal, of the ground rent and reversionary interest of the Holiday Inn, St Nicholas Circle, City Centre, Leicester, LE1 5LX, comprising site area of approx. 37,996 sq. ft, with structure thereon, by way of 1:1 discussions with the holder of the ground lease interest.

2 Recommended Decision

2.1 The City Mayor is recommended to approve disposal of the ground lease interest of Holiday Inn, St Nicholas Circle Leicester, LE1 5LX, (UPRN 1427) by way of 1:1 negotiation with the holder of the ground lease-to the hotel operator (MCAP Global Finance (UK) LLP) for £1.8m, plus and agreed contribution of £20,000 for City Council professional fees

2.2 The Director of Estates and Building Services has approved the valuation of the site supported by an external RICS Red Book valuation.

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 Scrutiny by stakeholder is captured in the implications section of the report.

4 Background with supporting evidence

Site History

4.1 In 1972 Leicester City Council granted a ground lease to original developer of the Hotel for 99 years. The site was later developed with the Hotel, which continues to operate under the Holiday Inn brand.

4.2 The ground lease was structured with pre-set and defined rent reviews, with the current passing ground rent being £11,750; this will increase to £14,417 on the next review in 2035 and remain at that level for the remainder of the lease, ie for a term of 35 years, until the ground lease expires in 2070.

Interest shown by hotel operator to buy freehold reversion

4.3 The operator of the hotel has approached the City Council and has expressed interest to purchase the City Council interest. Purchase of the ground lease by the hotel operator will give benefit to the hotel operator, as, when leases get shorter (particularly once the ground lease term is 60 years or less), it becomes more difficult to secure finance, dispose, and to a degree, secure insurance on structures.

4.4 There is also a financial advantage to the City Council of agreement of a sale of the ground lease, as this will result in a capital receipt.

4.5 Valuations of the Holiday Inn have been completed, both internally by City Council professionals, as well as by external consultants, with a view to disposal, considering the synergistic value that will apply to the transaction.

Accessibility

4.6 The Holiday Inn hotel is accessed from a direct access point off the ring road, this is a prominent location

Valuation

4.7 Details of the valuations that have been undertaken are annexed at Appendix A and have been marked – **Not for Publication**.

4.8 Terms have been agreed with the Hotel Operator for the disposal of the City Council interest at £1,800,000, plus £20,000 contribution towards City Council professional fees. The sum agreed exceeds the market value of the City Council interest and, from specialist advice, is considered to fairly represent any benefit that the Hotel Operator will obtain from gain of the freehold reversionery interest

4.9 It is to be noted that if disposal cannot be effected in the near future, the value of the City Council interest will decline over time. hence the sum that might be realised in the future will be measurably lower, as the ground lease is a wasting asset and the structure will also decline in value without ongoing appropriate maintenance and investment

4.10 There is therefore evident advantage in an agreement being reached with the hotel operator, with intention of effecting disposal that is optimum for all parties.

Planning Authority and Surrounding Area

4.11 The property is located within a commercial area in the Local Plan. The property is not nationally or locally listed, or within a Conservation Area.

Recommendation

4.12 Due to the considerable capital proceeds that could be achieved by disposal that could be achieved at this time, it is recommended that the City Mayor approves the decision to dispose of the ground lease and reversionary interest in the Holiday Inn, by way of 1:1 negotiations with the operator of the Holiday Inn.

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

5.1 Financial implications

The budgets for 2025/26 and 2026/27 set out the ambition to secure capital receipts of £60m from the sale of land and property, with the intention to utilise some of these to offset planned borrowing. This report proposes the sale of the ground lease of the Holiday Inn at St Nicholas Circle, held within the Council's General Fund, which would provide £1.8m towards this objective (plus £20k towards Council costs).

The Corporate Estate currently receives revenue income from the site of just under £12k per year, which will be lost through this sale; this is much lower than the savings which would arise if the capital receipt was used to reduce borrowing. The pressure on the corporate estate budget for the loss of income from 2026/27 onwards has been reflected in the budget.

Signed: Stuart McAvoy – Head of Finance

Dated: 3rd July 2026

5.2 Legal implications

1. 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 as, without open marketing, there is the potential risk that a higher value could have been achieved through exposure to the market. In this case, as this property is currently occupied by the proposed third party purchaser, any open marketing would have had to have been subject to that party’s leasehold interest.

2. The 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 Council 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.

3. The Council will also need to ensure that its general fiduciary duty is complied with in disposing of assets in accordance with the Disposals Framework.
Signed: Zoe Iliffe – Principal Lawyer (Property, Highways & Planning)
Dated: 3rd July 2026

5.3 Climate Emergency implications

There are no significant climate emergency implications arising from this report.
Signed: Phil Ball, Sustainability Officer, Ext 372246
Dated: 3rd July 2026

5.4 Equalities implications

When making decisions, the Council must comply with the Public Sector Equality Duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people who share a ‘protected characteristic’ and those who do not. The proposal relates to the disposal of the Council’s interest in a commercial property and does not change the current use of the site or services provided. As such, no direct impact on people with protected characteristics under the Equality Act 2010 has been identified.

The hotel will continue to operate as existing, and there are no anticipated changes to access, service provision, or employment arising from this decision.

It is important that the disposal process is conducted in a fair and accessible way.

Signed: Equalities Officer, Surinder Singh, Ext 37 4148
Dated: 3rd July 2026

5.5 Other implications

None

6 Background Information and Other Papers:

None

7 Summary of Appendices

7.1 Appendix A – Internal and external valuation reports (Not for Publication)

7.2 Appendix B – Location & Red Line Site Boundary Plan for extant ground lease.

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