

Report to:	Housing and Technical Resources Committee
Date of Meeting:	5 May 2021
Report by:	Executive Director (Housing and Technical Resources)

Subject:	Proposed Lease of 2-16 Milton Road, College Milton, East Kilbride, G74 5BU to Distell International Limited
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ seek approval to grant a 10 year lease of the industrial premises at 2-16 Milton Road, East Kilbride to Distell International Limited

2. Recommendation(s)

2.1. The Housing and Technical Resources Committee is asked to approve the following recommendation(s):-

- (1) that a 10 year lease of the premises at 2-16 Milton Road, East Kilbride be granted to Distell International Limited
- (2) that the Executive Director (Housing and Technical Resources), in conjunction with the Head of Administration and Legal Services, be authorised to conclude all matters in respect of the grant of a lease and to enter into the necessary legal agreements on terms which are in the best interests of the Council

3. Background

- 3.1. The property at 2-16 Milton Road, East Kilbride consists of 8 industrial units totalling 50,400 sq ft, which were fitted out by East Kilbride District Council in 1995 in order to facilitate Burns Stewart distillers making East Kilbride their head office base.
- 3.2. In return, Burns Stewart entered into a 25 year lease, which included a purchase option exercisable at any time during the duration of the lease.
- 3.3. Burns Stewart's business and lease interests were eventually acquired by Distell International Limited, who are part of a multi-national brewing and distilling company based in South Africa. The existing lease terminated on 31 March 2020 and, since that date, the lease has continued by agreement on the original terms.
- 3.4. Distell International Limited have confirmed to the Council that they do not wish to purchase the subjects from the Council at this time, however, they are willing to enter a new lease subject to the outline terms and conditions contained in paragraph 4.1 of this report.

- 3.5. Distell International Limited have also acquired and comprehensively redeveloped the adjacent land and buildings and have invested to date around £12 million in a modern industrial operation to facilitate relocation of the warehouse, storage, and offices from other areas to East Kilbride.

4. Proposal

- 4.1. It is proposed that the lease terms and conditions are as follows:-

1. The lease will be for 10 years from the agreed date of entry.
2. The rent is to be £138,000 per annum.
3. The subjects shall be used for manufacturing, storage related purposes in connection with the tenant's business.
4. Rent reviews (upwards only) on 5 yearly intervals to market rent.
5. A purchase option in year 10 of the lease subject to market value. Six months written notice required.
6. The lease to be fully repairing and insuring.
7. The tenants to be responsible for any charges arising from the lease, including any LBTT and registration charges. Each party will be responsible for their own legal fees.
8. The tenants will be responsible for all statutory compliance in connection with their occupation and use of the premises.
9. The premises will require an Energy Action Plan to be undertaken by the Council as landlords.

5. Employee Implications

- 5.1. There are no employee implications.

6. Financial Implications

- 6.1. The rental income is secured for a further 10 years. The rental income to the Council will increase by £38,000 pa.

7. Climate Change, Sustainability and Environmental Implications

- 7.1. The Council's strategies, plans and policies support communities to have more sustainability, reduce carbon emissions and adapt to a changing climate.
- 7.2. The public sector climate change duties and sustainability are included in the energy action plan requirements.

8. Other Implications

- 8.1. By granting this lease, the Council ensures Distell can continue to consolidate their operations and secure the long-term future of the facility and employment within the East Kilbride facility.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. Consultation has been carried out with Planning and Economic Development who are supportive of the proposal. The Council has been involved with Distell in recent years, with the Economic Development Service fully supportive of the capital investment by Distell in its ambitious business expansion, safeguarding and indeed enhancing job opportunities at the new Scottish HQ facility.

- 9.2. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

Daniel Lowe
Executive Director (Housing and Technical Resources)

16 April 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ None

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:

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College Milton, East Kilbride