

DECISION-MAKER:	CABINET MEMBER FOR RESOURCES		
SUBJECT:	LEASE RESTRUCTURE – 54 ABOVE BAR SOUTHAMPTON		
DATE OF DECISION:	18 JUNE 2013		
REPORT OF:	HEAD OF PROPERTY, PROCUREMENT & CONTRACT MANAGEMENT		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

The appendix attached to this report is considered confidential in regard to category 3 of paragraph 10.4 of the Access to Information Procedure Rules. This is required as the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is not considered in the public interest to release this information

BRIEF SUMMARY

The current lease of 54 Above Bar expires in 2049. The long leaseholders wish to surrender their interest in return for a longer lease expiring in 2125. This term would be consistent with other restructured leases in Above Bar.

Provisional terms have been agreed with the long leaseholder who wishes to pay a premium with a nominal annual rent in return for the restructured lease. The details of the financial agreement are set out in the attached appendix.

RECOMMENDATIONS:

- (i) To agree to the restructure of the lease of 54 Above Bar for a term expiring in 2125 in return for a capital receipt as detailed in the confidential appendix.

REASONS FOR REPORT RECOMMENDATIONS

1. The transaction would result in a substantial capital receipt to the General Fund with little loss of rental income.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Not to restructure the lease however the rental income to the Council would remain at a nominal level for the next 36 years.

DETAIL (Including consultation carried out)

3. The current lease of 54 Above Bar expires in 2049. The long leaseholders wish to surrender their interest in return for a longer lease expiring in 2125. This term would be consistent with other restructured leases in Above Bar

4. Whilst other lease restructures have been agreed on the basis that an increased rental would be payable to the Council, the long leaseholders of 54 Above Bar were unwilling to proceed on that basis. Therefore a substantial capital sum with a rent of £1 per annum has been provisionally agreed as consideration for an extended lease

RESOURCE IMPLICATIONS

Capital/Revenue

5. The lease restructure will result in a loss of income of £1,300 per annum to the Resources Portfolio Investment Property Account. This ongoing loss of income will be built into future estimates for the Investment Property Account
6. This will realise a 100% capital receipt to the General Fund (as set out in the confidential appendix to the report), which has already been built into the funding of the current capital programme.

Property/Other

7. Details of the agreement with the long leaseholder are set out in the confidential appendix. The agreement represents best consideration for the Council. The capital payment is a sum in excess of that which would have been achievable on the open market as it includes a share of the increased value of the tenant's interest (marriage value).
8. The remaining lease terms will reflect those in the current lease updated to reflect modern practice.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

9. Section 123 of the Local Government Act 1972.

POLICY FRAMEWORK IMPLICATIONS

10. The proposals are not contrary to the policy framework.

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	Bargate
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SUPPORTING DOCUMENTATION

Appendices

1.	Confidential Appendix
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Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	
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