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| <b>DECISION-MAKER:</b>   | CABINET   |  |                    |
| <b>SUBJECT:</b>          | LEASE OF TOWER HOUSE, TOWN QUAY                     |  |                    |
| <b>DATE OF DECISION:</b> | 15 MARCH 2010                                       |  |                    |
| <b>REPORT OF:</b>        | CABINET MEMBER FOR RESOURCES AND WORKFORCE PLANNING |  |                    |
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**STATEMENT OF CONFIDENTIALITY**

None

**SUMMARY**

A review of the use of Tower House has in the short term created surplus accommodation. In the meantime an agreement has been reached to allow the Arts Organisation ASPACE to use vacant space at Tower House at nil rent providing they cover all other outgoings. This report outlines further details of the proposals and seeks consent to grant a lease at less than best consideration.

**RECOMMENDATIONS:**

- (i) To approve the grant of a lease of Tower House to ASPACE at less than market rent on the terms set out in this report
- (ii) To delegate authority to the Head of Property and Procurement to finalise lease terms and to take all appropriate steps in consultation with the Solicitor to the Council to complete the lease.

**REASONS FOR REPORT RECOMMENDATIONS**

1. Most of the accommodation at Tower House is currently surplus to Council requirements although Arts and Heritage require use of a couple of rooms. This agreement will mean Arts and Heritage can save on the outgoings whilst the future of the building is being decided.

**CONSULTATION**

2. Consultation has been undertaken with the relevant officers within the Arts and Heritage Division concerning the agreed lease terms.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

3. Not to grant the lease. However this would leave Arts and Heritage with unnecessary additional outgoings, given that accommodation needs can mainly be met elsewhere in Arts and Heritage properties
4. To allow other Council services to use the building. No interest has been expressed by other services. In addition, the building only minimally complies with DDA requirements and would be expensive to adapt for other Council uses for this short period.

5. To grant a lease on the open market. However it would be difficult to find a suitable tenant who is willing to take the accommodation for only a short period and to share that accommodation with Arts and Heritage and any such tenant is unlikely to take a lease of the accommodation without a substantial rent free period given its current condition.

## **DETAIL**

6. Tower House is currently used by the Arts and Heritage Division for a number of purposes. Staff in the adjacent Gods House Tower Museum use the kitchen and toilet facilities in Tower House. The main part of the building is also used for Heritage staff who are being re-located to other council accommodation. They will need to retain a couple of rooms in Tower House for the foreseeable future, in order to continue delivering services in the Museum of Archaeology. This will leave the majority of the accommodation at Tower House vacant whilst its future is being considered by the Council.
7. ASPACE is a local group that supports emerging artistic talent and enables the development of sustainable careers within the arts. They are seeking accommodation to improve opportunities for start-up desk/screen based creative industries small and micro enterprises to get established. There will be no practical art related activity of a painting or sculptural nature
8. ASPACE are willing to take a 2 year lease of Tower House whilst its future is being reconsidered. They will be unable to pay a rent but will cover all other outgoings for the building.
9. ASPACE is the trading name for the company "RISING STATUS LIMITED – a company limited by guarantee. They have applied for charitable status which should be confirmed by April and will thus be able to apply for 80% rates rebate. They have previously received grants from Arts Council England South East, the national arts development and grant giving body, and are making an application to support the running costs of the project. The results of which will be known in February. Feedback so far has been very positive. The letting is contingent upon this.
10. Heritage will retain use of part of the building for storage, IT access and office space in relation to their use of Gods House Tower museum next door. Arts & Heritage may need to undertake some works to the premises to make it suitable for sharing with ASPACE. This is likely to cost in the region of £3000 and can be met from existing revenue budgets.
11. This report is to obtain Cabinet Authority to the lease as it will be at less than market rent. Detailed lease terms have yet to be agreed however it is hoped the group can take possession shortly after they have received their charitable status in April.
12. There is no policy on council lettings at less than market rent and each need to be considered on their own merits.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

13. There are no capital implications for this transaction

## **Revenue**

14. A letting to ASPACE will cover all the running costs of this building making a £12,000 saving each year. This was included in Arts and Heritage 2010-11 savings proposals. The alteration works necessary to enable sharing of the building with Aspace will cost in the region of £3000 and can be met from existing revenue budgets.

## **Property**

15. The letting will be at nil rent with ASPACE being made responsible for all other outgoings. The detailed terms of the letting are still to be agreed by Property Services and approved by the head of Property and Procurement. The building is currently a service property but if the letting proceeds it will become a social property letting.
16. In a reasonable condition the building would have a rental value of approximately £9,500 per annum however it is likely any ingoing tenant would require a substantial rent free period in order to make the premises suitable for its use.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

17. The Council have rights under the Local Government Act 1972 - General Disposal Consent (England) 2003 to let premises at less than best consideration.

### **Other Legal Implications:**

18. Before deciding to Dispose at an Undervalue the Council must comply with a number of statutory and other obligations. It must :
  - Keep firmly in mind its` accountability and fiduciary duty to local people – Assisting with this proposal will encourage the growth of starter businesses which will benefit local people.
  - Believe that it will help to secure promotion or improvement of the economic, social or environmental well-being of its area – This proposal complies with the City Priority Theme– “Getting the City Working” and with Strategic Objective 3 within the City of Southampton Strategy “A Dynamic Business Environment” through the promotion of economic prosperity in the City by assisting the provision of local businesses and enabling more residents to enjoy rewarding employment.
  - Ensure the Undervalue does not exceed £2M- the under value does not exceed this figure.
19. A State Aid issue on any price received under best consideration or by way of subsidy must be considered. However, in these circumstances, the issue is remote due to the market conditions and value.

## **POLICY FRAMEWORK IMPLICATIONS**

20. These proposals comply with the Medium Term Policy Framework Plan in the following areas:

- Enhance Southampton’s reputation as a city of imaginative arts and cultural opportunities. To be taking a strong leadership role within Southampton to ensure the city is delivering a varied and dynamic leisure and cultural offer which contributes towards the Community Strategy vision, enhancing the city image and increasing participation from all sections of the community.
- Improve the City image through the leisure and culture offer. Increased the city’s creative and cultural industries particularly around local strengths in the arts, film and media, and maritime sectors.
- Support educational attainment and lifelong learning through leisure and culture. To provide comprehensive leisure and culture services giving access to learning information, information technology and a wide range of high quality books, activities and events which stimulate the enjoyment of learning, that also improves educational and employment outcomes for citizens and support an economically successful City.
- Bring Southampton’s heritage to life. Completed options appraisal and implemented proposals to maximise the usage and value from our heritage buildings/sites to enable them to be brought back into use for public access or commercial operation.

**SUPPORTING DOCUMENTATION**

**Non-confidential appendices are in the Members’ Rooms and can be accessed on-line**

**Appendices**

|    |      |
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| 1. | None |
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**Documents In Members’ Rooms**

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| 1. | None |
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**Background Documents**

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|------------------------------|--|
| Title of Background Paper(s) | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
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| 1. | None |  |
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**Background documents available for inspection at:** N/A

**KEY DECISION?** No

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| <b>WARDS/COMMUNITIES AFFECTED:</b> | Bargate |
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