

Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet and Commissioners' Decision Making Meeting – 9 July 2018

Report Title

Strategic Property - Riverside House Lease

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Damien Wilson, Strategic Director of Regeneration and Environment

Report Author(s)

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Ward(s) Affected

Boston Castle

Summary

The purpose of this report is to seek approval to restructure the lease for Riverside House. Approval is sought to delegate the final details and future lease arrangements for Riverside House to the Strategic Director – Regeneration and Environment, in consultation with the Strategic Director – Finance and Customer Services and the Assistant Director - Legal Services. The principles of the proposed lease are contained in the report and within the exempt Appendix 1.

Recommendations

1. That final approval to enter into a lease restructure for Riverside House and the final terms of the agreement be delegated to the Strategic Director – Regeneration and Environment, in consultation with the Cabinet Member for Jobs and the Local Economy, the Strategic Director – Finance and Customer Services and the Assistant Director - Legal Services.
2. That the Assistant Director of Legal Services be authorised to negotiate and complete the necessary legal agreements.

List of Appendices Included

Appendix 1 Exempt Financial Addendum

Background Papers

None

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview and Scrutiny Management Board – 4 July 2018

Council Approval Required

No

Exempt from the Press and Public

No.

Strategic Property - Riverside House Lease

1. Recommendations

- 1.1 That final approval to enter into a lease restructure for Riverside House and the final terms of the agreement be delegated to the Strategic Director – Regeneration and Environment, in consultation with the Cabinet Member for Jobs and the Local Economy, the Strategic Director – Finance and Customer Services and the Assistant Director - Legal Services.
- 1.2 That the Assistant Director of Legal Services be authorised to negotiate and complete the necessary legal agreements.

2. Background

- 2.1 In September 2011 the Council entered into a 35 year lease for Riverside House from Evans Property Group (the Landlord). This is a commercial full repairing and insuring lease with fixed rate 5 year rent reviews and no break clause.
- 2.2 There are restrictions within the lease, the main restriction being the use to which the building can be utilised, with further restrictions on subletting parts of the building. There is also a requirement to obtain Landlord's permission to modify or make any additions or alterations to the building.
- 2.3 The lease has 28 years of the 35 year term remaining. An opportunity has arisen via the Landlord to restructure the lease. The basis of the restructure would be that the existing lease be extended by a further 7 years, though the rent payable and rent review clause, along with user clause, would be revised. The restructured lease would also contain the provision that at the end of the 35 year term the ownership of the building and site would revert to the Council for £1.
- 2.4 Under the current lease at the end of the 35 year term the Council would have to return the building to the Landlord in a state of repair and at an agreed specification, which could include the payment of any dilapidations claim. There would also be the need to either negotiate a further lease with the Landlord or seek alternative premises.
- 2.5 Under the terms of the existing lease and the terms of the proposed restructure the Council is responsible for all the property running costs including repairs, maintenance and insurance.
- 2.6 The lease restructure will allow the Council more freedoms and flexibilities in the use of the building, along with full flexibility on sub-lease arrangements which would offer future income generation opportunities. The proposal will also deliver annual revenue savings to the Council as detailed in the exempt Appendix 1.
- 2.7 Further background is contained within the exempt addendum to this report.

3. Key Issues

- 3.1 The Council approached the Landlord to discuss potential options for Riverside House. The discussions centred on issues such as permission to sub-let part of the building, potential to purchase the building and revised lease arrangements which would deliver annual revenue savings, along with an option to own the building at the end of the lease.
- 3.2 Council Officers have worked with the Landlord to present an option to restructure the existing lease agreement, which contains the following principles:-
 - 3.2.1 A restructured lease for 35 years is entered into (i.e. a further 7 years).
 - 3.2.2 At the end of the 35 years the Council will own property (under the current lease the property remains within the ownership of the Landlord).
 - 3.2.3 The restructured lease will allow the Council more freedoms and flexibilities such as allowing sub-lease arrangements which would offer future income generation opportunities.
 - 3.2.4 The proposal will deliver annual revenue savings to the Council as detailed in the exempt Appendix 1.
- 3.3 Further key issues are contained within the exempt addendum to this report.

4. Options considered and recommended proposal

The following options have been considered

- 4.1 **Option 1** That Cabinet resolves to enter into a restructured lease for Riverside House as detailed in this report.
- 4.2 **Option 2** That Cabinet resolves to not enter into a restructured lease and continues with the current lease arrangement.
- 4.3 It is recommended that Option 1 is agreed and the final terms of the agreement is delegated to the Strategic Director – Regeneration and Environment, in consultation with the Strategic Director – Finance and Customer Services and the Assistant Director - Legal Services.

5. Consultation

- 5.1 No consultation has been carried out.

6. Timetable and Accountability for Implementing this Decision

6.1 The Landlord has stated that the detailed financial arrangements for the proposed lease are subject to financial markets (what is termed as 'marked to market') and as such where there is a significant movement in gilt yields this will have an implication on the initial rent which the Council would have to pay under the proposed restructured lease. It is therefore recommended that the completion of the restructured lease is carried out as soon as possible to minimise the risk of movement in the financial markets.

6.2 If the recommendation is approved the implementation will be via the following process:-

6.2.1 Negotiation of the heads of terms are ongoing, though such negotiations are subject to contract and Council approval and do not commit the Council to any agreement to restructure the lease until formal approval is obtained. It is anticipated that the heads of terms will be agreed by the time this report is presented.

6.2.2 Following the agreement of the heads of terms the Landlord will seek its own Board approval. Once this Board approval has been obtained, then both the Landlord's and the Council's legal teams will be instructed to make the necessary amendments to the Lease, which should be completed within 6-8 weeks thereafter.

7. Financial and Procurement Implications

7.1 Financial and procurement implications are contained within the exempt addendum to this report.

8. Legal Implications

8.1 Legal implications are contained within the exempt addendum to this report.

9. Human Resources Implications

9.1 None Considered.

10. Implications for Children and Young People and Vulnerable Adults

10.1 None Considered.

11. Equalities and Human Rights Implications

11.1 None considered.

12. Implications for Partners and Other Directorates

12.1 All Directorates are affected as occupants of Riverside House along with partners such as South Yorkshire Police. However, entering into a restructured lease alone will not affect the occupation of the building, though there could be positive effects and opportunities for closer working with partnership organisations through a relaxation of the user clause as a result of the lease restructure.

13. Risks and Mitigation

13.1 Risks and Mitigations are contained within the exempt addendum to this report.

14. Accountable Officer(s)

Damien Wilson, Strategic Director Regeneration and Environment
Jonathan Marriott, Estates Manager, Asset Management

Approvals obtained on behalf of:-

	Named Officer	Date
Strategic Director of Finance & Customer Services	Graham Saxton	08.06.2018
Assistant Director of Legal Services	Lesley Doyle	24.05.2018
Head of Procurement (if appropriate)	N/A	
Head of Human Resources (if appropriate)	N/A	

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