

Bath & North East Somerset Council

DECISION MAKER:	Cllr David Bellotti, Cabinet Member for Community Resources	
DECISION DATE:	On or after 13 May 2014	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2644
TITLE:	Timber Drying Shed, Spring Gardens Road – Grant of lease at less than market value	
WARD:	Abbey	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix One – Heads of Terms Appendix Two – Detailed valuation and works to be carried out Appendix Three – The River Regeneration Trust Articles of Association		

1 THE ISSUE

- 1.1 To consider the grant of a lease to the The River Regeneration Trust (TRRT) for a term of 16 years at less than best consideration.

2 RECOMMENDATION

- 2.1 To grant a tenancy of the building to The River Regeneration Trust (TRRT) for 16 years at an abated rent of £500pa
- 2.2 The abatement will be reviewed every 4 years only to ensure that the Articles of Association remain unchanged from those existing at grant of the lease.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The proposal is to abate the rent during the period of the lease, 16 years, subject to periodic review. The open market rental value of the building is assessed at £14,770 pa, assuming the building is in good repair.
- 3.2 The letting to TRRT is proposed at £500 pa, including a condition on the tenant to carry out substantial repairs to the building. The value of those works is £70,000 and can be rentalised and is a justifiable deduction from the annual rent. This has been calculated at £7,170pa, reducing the market rent to £7,600pa.
- 3.3 The abatement of rent is therefore £7,100 pa totalling £113,600 over the period of the lease equivalent to a capital value of circa £62,000.

3.4 Within the Revenue Estate income forecasting, no rent has been forecast for 2014/15 however an abated rent is an opportunity cost lost when considering future ability to generate income for the estate.

3.5 The above detail is set out in Appendix Two.

3.6 The Council are providing a grant, of £100,000, to TRRT to assist them to fulfil their objectives. The grant fund is beyond the scope of this report.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 Under s123 of the Local Government Act 1972, any disposal by the Council of an asset in excess of 7 years (including leasehold interests) must obtain “best consideration”, unless the General Disposal Consent (England) 2003 can be applied or a specific consent is obtained.

4.2 The General Consent allows specified circumstances where the consent can be applied:

- a) the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects in respect of the whole or any part of its area, or of all or any persons resident or present in its area;
 - i) the promotion or improvement of economic well-being;
 - ii) the promotion or improvement of social well-being;
 - iii) the promotion or improvement of environmental well-being; and
- b) the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000 (two million pounds).

4.3 The disposal is not considered to constitute State Aid.

5 THE REPORT

5.1 The property was previously occupied by Mountford Construction until February 2011, at which time the company went into administration. Since that time, the property was temporarily occupied on a short term tenancy but is currently vacant.

5.2 Interested parties have expressed interest in the building, but no formal marketing exercise has been conducted.

5.3 In July 2013, TRRT expressed interest in occupying the building and since that time negotiations have been conducted to agree Heads of Terms, enclosed in Appendix One.

5.4 The building is in need of substantial repair and TRRT have provided to the Council a specification and associated costs of those works, detailed in Appendix Two.

5.5 TRRT were incorporated as a company incorporated as a private companies limited by guarantee, with their Articles of Association enclosed in Appendix Three.

6 RATIONALE

- 6.1 Councillor Bellotti confirmed that the purpose for pursuing this approach is that the River Regeneration Trust will be able to increase its capacity to enhance understanding and usage of the river for the benefit of local residents and visitors.
- 6.2 The Articles of Association of TRRT and the proposed use of the building fall within the General Consent detailing in 4.2 above.

7 OTHER OPTIONS CONSIDERED

- 7.1 Disposal of the property on the open market has been considered, but not conducted due to Cabinet Member request to grant a lease to TRRT. Sporadic interest has been received for the property since it become vacant and officers consider that a letting would be achieved.

8 CONSULTATION

- 8.1 Leader of the Council, Cabinet members; Section 151 Finance Officer; Monitoring Officer, Chief Property Officer and Chief Executive.
- 8.2 The report has been provided to the above parties and their responses if any have been incorporated in to the body of the report.
- 8.3 The Council's monitoring Officer (Council Solicitor) and Section 151 officer have had the opportunity to input this report.

9 RISK MANAGEMENT

- 9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

Contact person	<i>Mike Dawson, Team Manager (Landlord and Tenant)</i> <i>Ext. 6039</i>
Background papers	<i>None</i>
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