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**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	9 July 2020
<b>Subject:</b>	Honeypot Lane Clinic – NHS Lease Renewal
<b>Key Decision:</b>	No
<b>Responsible Officer:</b>	Paul Walker, Corporate Director, Community
<b>Portfolio Holder:</b>	Cllr Keith Ferry, Deputy Leader, Portfolio Holder Regeneration, Planning & Employment
<b>Exempt:</b>	Appendix 1 is exempt under paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended) - information relating to the financial or business affairs of any particular person (including the authority holding that information).
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – Exempt Information

## **Section 1 – Summary and Recommendations**

This report sets out proposed lease renewal terms to be documented between the Council, as landlord, and the tenant, NHS.

**Recommendations:**  
Cabinet is requested to:

1. Approve the proposed stepped rental terms set out in the exempt appendix and the disposal at less than best consideration.
2. Delegate to the Corporate Director Community in consultation with the Portfolio Holder of Regeneration, Planning and Employment authority to approve the terms of the lease and complete of the required legal documentation.

**Reason: (For recommendations)**

A stepped rent has been provisionally agreed following a request from the CCG (Clinical Commissioning Group), a partner organisation, to assist them with their budgeting.

## **Section 2 – Report**

### **Introductory paragraph**

1. The recommendation in this report will assist in addressing health and social care issues as it helps to protect the budgets of the CCG while also delivering an additional rental income to the Council.
2. Approval is sought to document the lease renewal of the Honeypot Lane Clinic, consistent with the Council's policy to ensure effective management of the commercial property portfolio.

### **Background**

3. This property is a 2/3/4 storey 'Art Deco' style building which was previously used as a Library but has been occupied by the CCG on preferential terms as a mental health clinic under a 25 year lease from 29 November 1993 on very beneficial terms. The rent was reviewable every 5<sup>th</sup> year based on the retail price index and the rent passing at the end of the lease was £8,902 pa.
4. The lease is held by NHS Property Services who paid the Council's rent but as the NHS operate an internal market the rent charged by NHS Property Services to the CCG was £73,000 pa which they deemed the market rent of the property.
5. The Council serviced the appropriate notice terminating the lease in November 2018 and has been negotiating a new lease with NHS Property Services. The market rent has been agreed as £140,000 pa which should be back dated to November 2018, the lease expiry date. The CCG would then be required to pay the difference between £140,000 pa and £73,000 pa to NHS Property Services which would then form part of the back rental payment to the Council.
6. Paying this back rent will put strain on the CCG's budgets as the amounts will have to be paid from 2020-21 budgets. The CCG has asked the Council to agree to a stepped rent.

7. The CCG is an important partner to the Council in its effort to deliver better health outcomes for residents.

## Options

8. **Option1** - To renew the lease at the market rent of £140,000 pa as at the date of renewal.
9. **Option 2** - To renew the lease on a stepped rent basis as set out in the exempt appendix.
10. Option 2 is recommended due to the partnership rewards it delivers for the Council with the CCG.

## Ward Councillors' comments

Ward Councillors have not been notified as this impacts all wards.

## Risk Management Implications

There are no risk management implications.

## Procurement Implications

There are no Procurement Implications from this report.
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## Legal Implications

<p>Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposition is made for the best consideration reasonably obtainable. Where a disposition is to be made for a consideration which is less than the best reasonably obtainable, the consent of the Secretary of State is required, unless such a disposal falls within the limit set prescribed by the Local Government Act 1972: General Disposal Consent 2003, which permits disposals at an undervalue not exceeding £2million.</p>
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<p>Pursuant to the Constitution of the Council, only Cabinet may approve disposals at less than the best consideration reasonably obtainable.</p>
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## Financial Implications

Rent income generated at Honeypot Lane clinic under the old lease was a modest sum of less than £10k per annum, which was significantly less than market value of £140k.

Following extensive negotiations with the tenant, the proposed rent renewal terms are for a step rent, increasing to the market rent from November 2021 onwards. This arrangement provides an additional rent income to the Council albeit not recovering the full market value over a 3 year period.

Under the proposal, there will be a one-off backdated rent of £113,000 (relating to the period from November 2018 to March 2020) to be paid to the Council in 2020/21.

In 2020/21, the rent income will be £120k and this will gradually increase to £140k per annum in 2022/23.

There is a commercial rent target set in the previous MTFS, which has not been fully achieved in 2019/20. The additional rent from this lease can be used to contribute towards the MTFS target.

## Equalities implications / Public Sector Equality Duty

There are no equalities implications from this report.

## Council Priorities

The decision sought in this report delivers additional rental income to the Council whilst protecting the budget position of the CCG thus assisting in health provision in Harrow.

## Section 3 - Statutory Officer Clearance

Name: Jessie Mann	<input checked="" type="checkbox"/>	on behalf of the * Chief Financial Officer
Date: 23 June 2020		
Name: Matthew Dineen	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 22 June 2020		

Name: Nimesh Mehta

on behalf of the \*  
Head of Procurement

Date: 22 June 2020

Name: Paul Walker

Corporate Director

Date: 1 July 2020

**Ward Councillors notified:**

**NO, as it impacts on  
all Wards**

**EqIA carried out:**

**NO\***

**EqIA cleared by:**

There are no equalities  
issues relating to the  
recommendations in this  
report.

## **Section 4 - Contact Details and Background Papers**

### **Contact**

Belinda Prichard, Head of Corporate Estate  
Ext: 5330  
DD: 0208 420 9330

**Background Papers:** None

**Call-In Waived by the  
Chair of Overview and  
Scrutiny Committee**

**NO**