

Report for: **Cabinet**

Date of Meeting:	17 th November 2022
Subject:	New leases or lease renewals with a value over £250,000
Key Decision:	Yes
Responsible Officer:	Dipti Patel - Corporate Director Place
Portfolio Holder:	Councillor Norman Stevenson – Portfolio Holder for Business, Employment & Property
Exempt:	No, except for the Appendix which is exempt (Part II) under Section 12a of the Local Government Act 1972 (as amended) as it contains information relating to the financial and business affairs of any particular person (including the authority holding that information).
Decision subject to Call-in:	Yes
Wards affected:	n/a
Enclosures:	Appendix 1 - EXEMPT

Section 1 – Summary and Recommendations

The Council is due to enter into a number of commercial leases each with a value of more than £250,000 over the term. The Harrow Constitution states that a Cabinet decision is required to provide the necessary authority for all disposals over £250,000.

Recommendations:

Cabinet is requested to authorise the Corporate Director of Place, following consultation with the Portfolio Holder for Business, Employment & Property, to finalise and agree terms to enter into the nine leases listed in the Part II Appendix which are or will be at market value and will have a total value (over the term) of more than £250,000.

Reason: The leases specified in the Part II Appendix contribute to the budgeted income stream which the commercial property portfolio generates by way of the collection of rent. The buildings are either currently occupied by the tenants (and have been for several years) and their leases are being renewed, or the spaces are under offer to tenants following a period of open marketing.

Section 2 – Report

Introductory paragraph

Under the Constitution, Section 4K 'Financial Regulations', sub-section F6, Land and Property Disposals, states the following:

Corporate Directors in conjunction with the portfolio holder have delegated authority for General Land and Property disposals £0.250m. Anything above £0.250m must be reported to the Cabinet for approval.

The leases listed in the Part II Appendix in this report are considered to be disposals as they are generally all for terms of more than seven years. They are all at market value having been negotiated by chartered surveyors in the Corporate Estates team. The value of each lease to the council (i.e. the sum of the revenues over the term) will exceed £250,000, so a Cabinet decision must be taken to give the necessary authority to the Corporate Director to enter into negotiations and, once satisfied that best value has been achieved and all other terms are acceptable, to complete the leases. In each case, the tenants are either already in the building under previous leases, or the space is under offer to a new tenant via an open marketing process.

The rent from the leases will contribute to the Council's annual income, and the letting of currently vacant units will allow savings to be made as the council will no longer be liable for the empty business rates and service charges.

Options considered

Option 1 - Do not enter the leases

Option 2 - Enter into the leases at the best rent reasonably obtainable.

Ward Councillors' comments

n/a as the income stream from the properties affects all wards

Risk Management Implications

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below.

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No**

The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
The disposals are not for the best consideration reasonably obtainable	These leases have been negotiated by chartered surveyors in the Corporate Estates team, as set out in the exempt Appendix . They have up to date knowledge of comparable transactions and wider market trends in the commercial property market and are satisfied that the terms proposed are at the best rent reasonably obtainable.	Green
If these renewals do not take place, there will be additional budgetary pressures.	Rental income will contribute to income targets for the council's commercial and investment properties and the expeditious completion of these leases will result in the newly negotiated uplifted rents being implemented. Therefore <i>not</i> entering into these leases will create	Green

	additional budgetary pressures.	
--	---------------------------------	--

Procurement Implications

Any purchase or sale of a property, interest in land, transaction in land and or lease transaction is excluded from the Contract Procedure Rules but must be authorised in accordance with the requirements set out in the Constitution and, specifically, *Land and Buildings* rules at paragraphs C83 to C85 and Section F *Land and Property Disposals*.

Legal Implications

The Council is authorised to make disposals at the best consideration reasonably obtainable pursuant to s.123 of the Local Government Act 1972. This power is given to Local Authorities to dispose of land in any manner they wish, including the sale of their freehold interests and the granting of leases. The only constraint is that a disposal must be for the best consideration reasonably obtainable (except in the case of short tenancies). A disposal at an undervalue requires the Secretary of State consents to the disposal (section 123, LGA 1972).

Financial Implications

Corporate Estates manages all leases across the corporate and investment property portfolio and has a total income target of £4.9m for rent generated from commercial lettings. The exempt Appendix sets out the nine lease renewals and new leases over £250k due in the next two financial years. The renewals will continue to generate income to contribute to the income targets. The new lettings will provide additional income which can be used to address the budget pressure currently reported within the investment property portfolio due to vacant space. There is no reason not to enter into these leases which have been negotiated by chartered surveyors in the Corporate Estates team, who are satisfied that market value has been achieved in each case.

Section 3 - Statutory Officer Clearance

Statutory Officer: Jessie Man

Signed on behalf of Chief Financial Officer

Date: 4.11.22

Statutory Officer: Amanpreet Lally

Signed on behalf of the Monitoring Officer

Date: 4.11.22

Chief Officer: Dipti Patel
Signed by the Corporate Director
Date: 8.11.22

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 4.11.2022

Head of Internal Audit: Susan Dixon
Signed by the Head of Internal Audit
Date: 4.11.2022

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: NO

There are considered to be no equalities implications resulting from this report's proposals.

Section 4 - Contact Details and Background Papers

Contact: Sophie Linton MA MRICS, Service Manager – Estates,
sophie.linton@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO