

Decision Report – Key Decision

Forward Plan Reference: FP/23/06/01

Decision Date – 12th July 2023

Key Decision – Yes



Lease of Commercial Investment Property

Executive Member(s): Cllr Ros Wyke –Lead Member for Economic Development, Planning and Assets & Cllr Liz Leyshon – Deputy Leader and Lead Member Resources and Performance

Local Member(s) and Division: N/A

Lead Officer: Robert Orrett, Commercial Property Land Development Manager

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Summary / Background

1. Somerset Council owns a portfolio of around 50 commercial investment properties with over 100 tenants. The benefit to the council is improved and the commercial risk reduced where the council is able to agree with tenants new lease arrangements which lead to the tenant remaining as occupier of the property. This report seeks a decision to approve the grant of a new lease to the existing occupier on one of the properties.

Recommendations

2. That the Lead Member for Economic Development, Planning and Assets:
& the Deputy Leader and Lead Member Resources and Performance:
 - 2.1 Authorises the Commercial Property Land and Development Manager to grant a co-terminus surrender and regrant of the property identified in Appendix 1.
 - 2.2 Agrees the case for Appendix 1 to be regarded as exempt information and to be treated in confidence, as the case for the public interest in maintaining the exemption outweighs the public interest in disclosing that information

Reasons for recommendations

- 3.1 This decision authorises the lease of an asset acquired for investment purposes. The lease of this asset is required in order for the income generation requirements of the investment to be met and to contribute to the Medium-Term Financial Plan. If this property is not leased, the existing lease will expire in a year and there will be a need to claim from the tenant for dilapidations. Meanwhile the prospective tenant (current sub-tenant) may decide to find alternative property and we will be left with a void.
- 3.2 Somerset Council holds an Investment Portfolio of properties which generates income towards the Council's Medium-Term Financial Plan. The current tenant is not in

occupation and have no interest in renewing the lease. The new proposed tenant occupies the adjacent building and are interested in taking this property for a new ten year term.

Other Options Considered

4. Whilst we could allow the existing tenancy to wind down and expire there would then be a need to claim from the tenant for dilapidations. Meanwhile the prospective tenant may decide to find alternative property and we will be left with a void.

The option of not reletting this property and instead disposing of it vacant in order to generate a capital receipt was not considered appropriate in this case, as the Investment Portfolio is intended to generate income towards the Medium-Term Financial Plan and disposal of the asset would be contrary to this goal.

The new lease secures occupancy and avoids to exposure to a void period with no income and various outgoings. The terms also crystallise the increase in rental levels since purchase.

Links to Council Plan and Medium-Term Financial Plan

5. The recommendations support the vision in the Somerset Council Plan, which states that: *“Somerset Council will build a flourishing and resilient Somerset”*. The investment portfolio produces a yield which supports the Medium-Term Financial Plan.

Financial and Risk Implications

- 6.1 The lease which has been negotiated is considered by Strategic Asset Management’s professionals to be commensurate with the value of the property.

- 6.2 If these properties are not leased, a risk arises in that the Council will be required to meet the running costs of these properties, including potential NNDR contributions and utility bills, as well as Health and Safety requirements. This would require revenue funding.

- 6.3 Subject to the grant of a new lease to the existing occupier on one of the neighbouring properties, the financial information is contained within the confidential appendix.

Legal Implications

7. The appropriate officers under delegation will undertake all necessary actions and enter any necessary transactions to give effect to the above and any supporting documentation that may be required to give effect to the same.

HR Implications

8. There are no HR implications

Other Implications

Equalities Implications

9.1 Due regard consideration has been paid and no disproportionate impacts have been identified for this decision.

Community Safety Implications

9.2 There are community safety implications.

Climate Change and Sustainability Implications

9.3 There are none

Health and Safety Implications

9.4 There are health and safety implications.

Health and Wellbeing Implications

9.5 There are none

Social Value

9.6 There are none

Scrutiny comments / recommendations:

10. This decision has not been considered by a scrutiny committee.

Background Papers

11. Confidential Appendix 1 - Lease Information

Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	16/06/2023
Communications	Chris Palmer	08/06/2023
Finance & Procurement	Nicola Hix	22/06/2023
Workforce	Chris Squire	08/06/2023
Asset Management	Oliver Woodhams	17/05/2023
Executive Director / Senior Manager	Jason Vaughan	22/06/2023
Strategy & Performance	Alyn Jones	29/05/2023

Executive Lead Member	Cllr Ros Wyke – Lead Member for Economic Development, Planning & Assets:	19/06/2023
Executive Lead Member	Cllr Liz Leyshon - Lead Member Resources and Performance	19/06/2023
Associate Lead Member	Cllr Sarah Wakefield - Associate Lead Member for Commercial Investment and Risk	16/06/2023
Consulted:	Councillor Name	
Local Division Member	N/A	
Opposition Spokesperson	Cllr Mark Healey - Prosperity, Assets and Development	20/06/2023
Opposition Spokesperson	Cllr Mandy Chilcott - Resources and Performance	22/06/2023
Scrutiny Chair	Cllr Bob Filmer – Scrutiny Committee – Corporate & Resources	18/06/2023