

**RUSHMOOR BOROUGH COUNCIL
RECORD OF EXECUTIVE DECISION**



Decision taken by individual Cabinet Member/Officer (delete as appropriate)

(All sections must be completed (mark "N/A" as applicable))

DECISION MAKER *(Name and designation)*

Andrew Lloyd Chief Executive

DECISION AND THE REASON(S) FOR IT

URGENCY DECISION PURSUANT TO paragraph 3(6) of Part 3 (Responsibility for Functions) of the Constitution

exempt decision (under the Local Government Act 1972 Schedule 12A Para 3

Decision

To dispose of the freehold of land and buildings on the north west side of Westmead, Farnborough and 8 and 9 Solartron Road (title number HP699483) for £500,000 subject to the payment of the councils reasonable legal costs

Reason

In May 2014 cabinet agreed (with the receiver of the Nationwide Building Society) to accept a surrender of the 2 long leases on this land and to acquire the freehold of Pyramid House making the council the freehold owner of the entire site. The council was then to grant a 150 year lease of the site to a holding company to enable the development of the whole site. The council was to receive a ground rent of £1000 for the first 10 years of the new lease and thereafter the higher of the sum of £35,000 or 2.5% of the rent received.

Subsequent to this, the debt was sold, and in December 2015 the same receiver was appointed to act for the new owner of the debt. The new owner of the debt has secured a development partner who intends to implement planning permission 14/00016/FUL for the erection of two retail warehouse buildings, to be subdivided into up to five units.

During the course of discussion on the terms of the lease a difficulty arose as to whether it was appropriate for the rent to be an index-linked figure over the 150 year term, with the receiver resisting this and the council being keen to ensure that the £35,000 did not depreciate in value. The receiver, in an effort to find a compromise then offered the council the below alternative options:-

1. Proceed with the terms already agreed i.e. the higher of 2.50% of net income or £35,000 per annum Base Rent
OR
2. An RPI/CPI index-linked (upwards and downwards) Base Rent of £35,000 per annum

OR

3. 2.50% of the net income plus an RPI/CPI index linked Base Rent of £1,000 per annum

OR

4. Purchase of the Councils freehold reversionary interests at £500,000 (based on £35,000 per annum at 6.5% yield less acquisition costs).

Given that

- for a period of 10 years from the date of occupation the rental receipt will only be £1,000 with the increased rental being 10 years or more away ;and
- that there is to be the new freedom for the council to spend capital receipts from asset sales to fund services, provided they are applied to the revenue costs of reform projects,

Option 4, being the sale of the council's reversionary interest, is the best decision for the council at this point in time. Option 4 is also the best value for the freehold sale of the land

Reason for urgency

The receiver has a need to conclude the deal with the development partner and failure to achieve this in a timely manner could jeopardise the deal with the development partner proceeding. This would extend the risk of the site remaining vacant and derelict to the detriment of the borough whilst a further development partner is sought.

DATE DECISION TAKEN

17th February 2016

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

(Those examined by officers and generated by consultation, etc)

Options 1- 3 above.

Option 1 does not protect the value of the rental income

Option 2 provides for an indexed linked rent on £35,000 but without any share in the rental income from the development

Option 3 represents a risk depending on the level of income achieved from the lettings with £1.5M rental needing to be generated for the council to receive 2.5% of the net rental income.

ANY CONFLICTS OF INTERESTS DECLARED

(conflict of interests of any executive member who is consulted by the officer which relates to the decision. A note of dispensation should be attached).

None

Signed _____

(Decision Maker)

Signed _____

(Cabinet Member Consultee where applicable)

Designation: Cabinet Member for Corporate Services

Please send completed form to Chris Todd, Democratic and Customer Services