

**10<sup>th</sup> July 2019**

**Policy Resources & Economic Development Committee**

**Town Hall Lease arrangements for Residential Units**

**Report of:** *Steven Butcher, Project and Programme Manager*

**Wards Affected:** *Brentwood South*

**This report is:** *public*

**1. Executive Summary**

- 1.1** The purpose of this committee report is to progress original proposals within the 2016 Town hall business case seeking approval to lease the 19 residential units on floors 2 and 3 of the town hall to the councils wholly owned company Seven Arches Investment Limited (SAIL). The council is looking to let the residential apartments via a separate company as it is unable to let property on Assured Shorthold Tenancies (AST's).

**2. Recommendation(s)**

- 2.1** **The principle of a lease to let the 19 residential units at the Town Hall to Seven Arches Investment Limited is granted with the precise terms to be agreed under delegated authority by the interim chief Executive in consultation with the Director of Corporate Resources (Section 151 Officer), the Chairman of Policy, Resources and Economic Development and the Leader of the Council.**

**3. Introduction and Background**

- 3.1** As agreed by members at the 19 October 2016 Ordinary Council meeting (minute 191), the Town Hall is undergoing a transformation programme to remodel the building, creating a modern Council back office, community hub, commercial space and 19 residential units.
- 3.2** The business case for the Town Hall transformation was such that the 19 residential units would be for private rental only. To ensure this can happen effectively the council needs to have in place assured shorthold tenancies and these cannot be granted directly from Brentwood Borough Council. By adopting this approach, the council will maintain an ongoing revenue stream to support the Council's self-sufficiency long into the future.

Extract from 2016 Town hall Business Case:

*Page 11 Item 15.2 Letting of space, whether commercial or residential, will be undertaken by those with the expertise to do so. Therefore, the Council would consider external assistance to deliver this or through an arm's length trading company.*

*15.3 The Council will retain ownership of the residential properties and/or commercial space and use them to generate revenue. The residential option will be rented privately to ensure revenue is maximised and to avoid any conflicts of interest. There will be no provision of social housing within this option as it is not required under Council planning guidelines. Likewise, commercial space will be leased at market rate, regardless of activity or status of the tenant.*

#### **4. Issue, Options and Analysis of Options**

- 4.1** As a local authority offering privately rented residential accommodation, the apartments within the Town Hall need to be marketed and managed in the most appropriate way. The marketing agent has been appointed via a competitive tender process (Beresfords) and the council now needs to ensure that it is legally able to grant assured shorthold tenancy agreements as soon as the apartments are advertised and subsequently occupied.
- 4.2** After the letting agent has taken their management fee, SAIL, having the agreement with the agency, would retain a percentage of the net rental income. The remainder percentage of the rental income is paid to the Council under the lease agreement.

#### **5. Reasons for Recommendation**

- 5.1** Brentwood Borough Council is unable to facilitate assured short hold tenancies; therefore this must be completed via a separate company to ensure successful delivery of benefits specified in the original business case and to ensure income generation from the town hall residential apartments can commence at the earliest opportunity

#### **6. Consultation**

- 6.1** None.

#### **7. References to Corporate Plan**

- 7.1** The Town Hall project and specifically residential element fit with a number of corporate objectives as set out in the vision 2016-19:

- Consider how Council assets can be utilised to promote sustainable development in the Borough
- Maximise Council assets to deliver corporate objectives and ensure community benefit

## **8. Implications**

### **Financial Implications**

**Name & Title: Jacqueline Van Mellaerts; Director of Corporate Resources**  
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- 8.1** The revised Town Hall Business model assumes gross rental income from the residential properties of £269,700. The Void allowance for these properties is assumed at 10% reducing the income to £242,730 per annum. Alongside this is the marketing agent fee of £34,000. Realising a net income of £208,730 in the current business model.
- 8.2** The final terms are still to be agreed, but Seven Arches Investment Ltd, will take a management fee in order to let the properties on Assured Shorthold Tenancies (AST). Based on other commercial leases this could be between 2%-5% which equates to £4,714 - £11,785.
- 8.3** Appropriate lease reviews and/or break clauses will also be factored into the final terms, so the Council and SAIL have the best flexibility.
- 8.4** By forgoing rental income to SAIL this enables the Council to continue to receive a revenue income that finances the capital costs of the project.

### **Legal Implications**

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- 8.5** The recommendation is lawful and within the Council's powers and duties. The Council has powers within an existing legal framework for the disposal of land under a short tenancy.
- 8.6** Decision makers should have due regard to the Council's ongoing statutory duty under the Equality Act 2010 to eliminate unlawful discrimination and advance equality of opportunity between different groups. Assured Shorthold Tenancies granted by SAIL will be outside the scope of the Housing Act 1985.
- 8.7** Any agreements relating to a lease of the residential units will be approved by Legal Services.

### **Other Implications Asset Management & Risk Management**

**8.8** As one of the Council's major assets, the future of the Town Hall is of both financial and civic importance. All appropriate steps should be taken to ensure that the building fulfils the benefits set out in the original business case and that such control does not financially impede the Council nor its subsidiaries.

## **9 Background Papers**

**9.8** 19 October 2016 Ordinary Council meeting (minute 191), town hall Transformation Programme

## **10 Appendices to this report**

None

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