

Report of: Cllr Diarmaid Ward, Executive Member for Finance, Planning and Performance

Meeting of: Executive

Date: 14 July 2022

Ward(s): All

THE APPENDIX TO THIS REPORT IS EXEMPT FROM PUBLICATION

Subject: Variance of the terms of leases at 41/47 Old Street and 69/85 Old Street. London EC1

1. Synopsis

- 1.1 The Council has a small commercial property portfolio that is primarily used to generate income to support service delivery to residents and local communities. Our tenants also work closely with the Council to create local employment opportunities and other social value.
- 1.2 Two leases held by The Space Old Street Ltd for Council assets on Old Street both have approximately 10 years unexpired terms at substantial rents. The tenant is a serviced office provider and has faced trading challenges during and following the Covid-19 pandemic. The Council has been working with the tenant to seek to secure our long-term relationship.
- 1.3 In order to secure a substantial, long term income stream for the Council and to support our tenant's business recovery, a variation of the current lease is proposed. The detail of the deed of variation is contained in Appendix 1, which is exempt from publication due to its commercially sensitive content.

2. Recommendations

- 2.1 To authorise the Corporate Director for Community Wealth Building, following consultation with the Corporate Director of Resources, to enter into the Deeds of Variation in respect of the leases at 41/47 Old Street and 69/85 Old Street on the terms set out in exempt Appendix 1.

3. Background

- 3.1 The Covid pandemic restrictions had substantial impact on business operations with the requirement to work from home where possible. Whilst grants were available to smaller businesses and certain sector reliefs were also available, many businesses and tenants did not benefit from such financial support.
- 3.2 The Council has a small commercial portfolio providing sizeable and much needed rental income to support the delivery of council services. Our tenants also work closely with the Council to create local employment opportunities and other social value. Two of the Council's more significant rental income streams are drawn from the two leases let to The Space Old Street Ltd for Council assets on Old Street, where the tenant provides serviced office accommodation.
- 3.3 The tenant's business has been severely impacted by covid and the current terms of the leases, if not varied, would put substantial strain on its recovery. Irrespective of the tenant's trading position, some elements of the current terms are not aligned with current practice and market expectations. At the same time, the current leases run for another 10 years and it is in the Council's interest to secure this long term income stream.
- 3.4 The variation to the existing leases proposed in the exempt Appendix 1 reflect market conditions, including pandemic implications, and represent the best consideration reasonably obtainable. In agreeing the terms of the proposed variation, the Council has acted in accordance with its fiduciary duty.
- 3.5 The Executive is therefore asked to authorise entering into the Deed of Variation on the terms set out in the exempt Appendix 1, to align the terms with market levels, to support the tenant's recovery, and to ensure long term rental income is secured.

4. Implications

4.1 Financial implications

The financial implications set out in the exempt Appendix 1 confirm that the proposed arrangements are in line with market conditions and reflect the Council's fiduciary duty.

4.2 Legal Implications

- 4.2.1 The Council has the power under s120 of the Local Government Act 1972 to enter into the proposed Deed of Variation of the leases for the purposes of any of its functions, or the benefit, improvement or development of its area. The proposed variation of the leases would satisfy these conditions. The exempt Appendix 1 confirms that the arrangements reflect the current market rent level and in agreeing the terms of the proposed variation the Council has acted in accordance with its fiduciary duty.

4.3 Equalities Impact Assessment

4.3.1 The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.3.2

An Equalities Impact Assessment is not required in relation to this report, because this matter relates to a commercial investment transaction in respect of property held for income generation. There are no Human Resources or equality implications in respect of this proposal.

4.4 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

4.4.1 There are no environmental or net zero implications associated with the Deed of Variation.

5. Reason for recommendations

5.1 The ability to generate substantial long-term income from non-operational property assets provides a much-needed revenue stream to the Council to support frontline services. Covid restrictions have impacted severely on the business community and this proposal helps support local business recovery with its attendant benefits in employment and community wealth building.

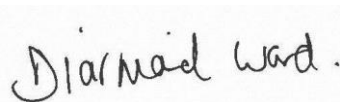
5.2 The variation to the existing leases proposed, as set out in the exempt appendix, reflects market conditions, including pandemic implications, and represents the best consideration reasonably obtainable. The income secured from the Deed of Variation of the lease supports the council securing valuable income to support the delivery of frontline services.

Appendices

- Exempt Appendix 1: Heads of Terms for Deed of Variation

Final report clearance:

Signed by:



Executive Member for Finance, Planning & Performance

Date: 21 June 2022



Report Author: Mark Grant
Tel: 07890 044924
Email: Mark.grant@islington.gov.uk

Financial Implications Author: Abdulrazak Kassim
Tel: 0207 527 5512
Email: Abdulrazak.Kassim@islington.gov.uk

Legal Implications Author: Helen Coyle
Tel: 020 7527 3082
Email: helen.coyle@islington.gov.uk