



NOTICE OF MEETING

CABINET MEMBER FOR PLANNING, REGENERATION & ECONOMIC DEVELOPMENT

TUESDAY, 15 NOVEMBER 2016 AT 9.30 AM

THE EXECUTIVE MEETING ROOM - THIRD FLOOR, THE GUILDHALL

Telephone enquiries to Vicki Plytas 02392 834058

Email: vicki.plytas@portsmouthcc.gov.uk

If any member of the public wishing to attend the meeting has access requirements, please notify the contact named above.

CABINET MEMBER FOR PLANNING, REGENERATION & ECONOMIC DEVELOPMENT

Decision maker -

Councillor Donna Jones (Conservative) Leader of the Council with responsibilities for PRED

Group Spokespersons

Councillor Yahiya Chowdhury, Labour

Councillor Ben Dowling, Liberal Democrat

Councillor Colin Galloway, UK Independence Party

(NB This Agenda should be retained for future reference with the minutes of this meeting.)

Please note that the agenda, minutes and non-exempt reports are available to view online on the Portsmouth City Council website: www.portsmouth.gov.uk

Deputations by members of the public may be made on any item where a decision is going to be taken. The request should be made in writing to the contact officer (above) by 12 noon of the working day before the meeting, and must include the purpose of the deputation (for example, for or against the recommendation/s). Email requests are accepted.

A G E N D A

- 1 Declarations of Members' Interests**

- 2 Apologies for Absence**

- 3 Forward Plan Omission and Special Urgency Provisions**

The decision relating to the report entitled " Sale and leaseback - White Hart Road " is a Key Decision for the purposes of the Forward Plan as defined in Article 13 of the Constitution but was not included in the Forward Plan for the period from 26 October 2016 until 31 January 2017 and is therefore an omission from the Forward Plan. Article 13 defines a Key decision as an Executive decision which is likely to:

result in the Council incurring expenditure or the making of savings which are significant having regard to the local authority's budget for the service or function to which the decision relates, or

be significant in terms of its effects on communities living or working in an area comprising 2 or more wards in the city's administrative area.

The Chair of the City Council's Scrutiny Management Panel has been notified of and agreed to the decision being made, in accordance with the City Council's Constitution (General Exceptions, Section 15) and (Special Urgency, Section 16).

As the decision must be taken by such a date that it is impracticable to defer the decision until it has been included in the next forward plan, this decision will not be subject to call-in. Neither has it been possible in view of the urgency to meet the usual notice period provisions.

The "Sale and Leaseback - White Hart Road" report (by the Property & Investment Manager) explains that an urgent decision is required to enable a clear and timely dialogue with the market.

4 Sale and leaseback - White Hart Road (Pages 1 - 4)

The purpose of the report is to update members as to the envisaged terms of the proposed 'sale and leaseback' transaction as detailed in the Cabinet report 22nd September 2016.

RECOMMENDATIONS

2.1 That the Leader of the Council with responsibilities for PRED authorises

- i. The Council to grant a new headlease and leaseback in land on White Hart Road, Portsmouth, the term of the headlease to be up to 150 years with a break in favour of the Council as freeholder, operable on expiry of the Wightlink occupational lease;**
- ii. Delegated authority to be given to the Director of Property and the Director of Finance & Section 151 Officer, taking advice from the City Solicitor, and in consultation with the Leader of the City Council, to approve the completion of disposal in i. above.**

Members of the public are now permitted to use both audio visual recording devices and social media during this meeting, on the understanding that it neither disrupts the meeting or records those stating explicitly that they do not wish to be recorded. Guidance on the use of devices at meetings open to the public is available on the Council's website and posters on the wall of the meeting's venue.

Agenda Item 4



Portsmouth
CITY COUNCIL

Title of meeting:	Leader of the Council with responsibilities for Planning, Regeneration and Economic Development (PRED)
Date of meeting:	15 th November 2016
Subject:	Sale and leaseback - White Hart Road
Report by:	Tom Southall - Property & Investment Manager
Wards affected:	All
Key decision:	Yes
Full Council decision:	No

1. Purpose of report

- 1.1 To update members as to the envisaged terms of the proposed 'sale and leaseback' transaction as detailed in the Cabinet report 22nd September 2016.

2. Recommendations

2.1 That the Leader of the Council with responsibilities for PRED authorises

- i. **The Council to grant a new headlease and leaseback in land on White Hart Road, Portsmouth, the term of the headlease to be up to 150 years with a break in favour of the Council as freeholder, operable on expiry of the Wightlink occupational lease;**
- ii. **Delegated authority to be given to the Director of Property and the Director of Finance & Section 151 Officer, taking advice from the City Solicitor, and in consultation with the Leader of the City Council, to approve the completion of disposal in i. above.**

3. Background

- 3.1 The background to the sale and leaseback transaction is set out in detail in the 22nd September 2016 report to Cabinet.
- 3.2 Following the recommendations passed by Cabinet, officers have marketed the sale and leaseback proposal (the sale of the *income strip*).
- 3.3 Feedback received during the Marketing of the income strip has highlighted an opportunity to further increase the capital receipt receivable by the Council.

- 3.4 The 22nd September report detailed the proposal to grant a new headlease to a purchaser for 41/42 years (broadly the same term as the occupational Wightlink Lease) with a new lease for a slightly lesser term back to PCC.
- 3.5 The opportunity presented by the market, and its clear preference is for Portsmouth City Council to grant a longer term lease (say 150 years) with a break option after 41 years. The market has offered a significant (circa 12%) pricing increase for the grant of a longer lease term.
- 3.6 The break option would be in favour of Portsmouth;
- Probably on six months' notice
 - Only operable after 31st December 2057 (end of the Wightlink lease) and then any time thereafter
 - No rent would be payable by Portsmouth after 2057
 - The break could not be exercised if PCC was in default paying the rent to its purchaser.
- 3.7 The granting of a longer leasehold interest is seen by prospective purchasers as giving total protection in the unlikely event that Portsmouth City Council stops paying the rent.
- 3.8 In the unlikely event that Portsmouth City Council stops paying the rent the purchaser could seek forfeiture of the Portsmouth Leasehold interest.
- 3.9 The granting of a longer leasehold interest as structured above has no adverse impact on Portsmouth City Council, save the administration of operating a break notice.

4. Reasons for recommendations

- 4.1 Granting a longer term leasehold interest will create substantially more capital for Portsmouth.
- 4.2 It is important that this decision is made quickly to enable a clear and timely dialogue with the market.

5. Equality impact assessment

- 5.1 The generic EIA for the disposal of assets is available on the City Council's website.

6. Legal implications

- 6.1 Various structures have been considered in order to release capital from this asset.

6.2 Under s123 of the Local Government Act 1972 the Council may dispose of any land in any manner they wish provided that it must be for the best consideration obtainable. If the recommendations of this report are accepted then a headlease in the property will be granted at the best price reasonably obtainable.

7. Director of Finance's comments

7.1 The main driver behind the recommendations is to better spread our investment property risk, whilst achieving equivalent or better covenant strength and therefore an improving financial return.

7.2 It should be noted that rather than putting the Council into an adverse financial position, the extension of the lease to a term of 150 years with a break in favour of the Council as freeholder upon the expiry of the Wightlink occupational lease, is anticipated to deliver an increased capital receipt, at no additional risk.

.....
Signed by:

Appendices: Nil

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
Signed by:

This page is intentionally left blank