

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	11 May 2010
CORPORATE DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Glencraft – Sub Lease update
REPORT NUMBER	EPI/10/136

1. PURPOSE OF REPORT

- 1.1 This report updates Members on the successful outcome of sub lease negotiations with Glencraft (Aberdeen) Limited for the former 'Glencraft' premises at Wellington Road, West Tullos.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee
- i) note the content of report.

3. FINANCIAL IMPLICATIONS

- 3.1 The loss of rent to revenue budget comparing the lease to the 'former Glencraft' and the lease to the 'new Glencraft' will be borne by Council contingencies.

4. SERVICE & COMMUNITY IMPACT

- 4.1 The subject matter of the report relates to the Council's roles both in supporting social enterprise and in supporting those with disabilities in the City.

5. OTHER IMPLICATIONS

- 5.1 The 125 year head lease imposes, as is normal, an absolute liability onto the Council for the maintenance of the building. Due to the short length of the sub lease and the nature of the sub tenant this liability has not been passed on to the sub tenant. It is considered very unlikely that there will be an effect of this situation during the term of the lease. Officials have gone

to great length to minimise the Council's potential exposure to risk arising from the relevant lease terms.

6. REPORT

6.1 The Finance & Resources Committee meeting on 28 January 2010 considered a report by the Chief on this subject. The Committee accepted recommendations:-

- i) That the Committee authorises the Head of Resources Development and Delivery, in liaison with the City Solicitor and City Solicitor to enter into immediate negotiations to lease the property at Wellington Road formerly occupied by Glencraft to the social enterprise being formed to re-establish the Glencraft business and to report back to the earliest possible Committee on the terms and conditions of the lease;
and
- ii) That the Committee agrees that on the basis that the negotiated lease will provide the property to the new social enterprise "rent-free" for a period of up to a year, that the resultant significant loss of £225,000 income from the Enterprise, Planning and Infrastructure draft revenue budget for 2010/2011 be made up from contingencies.

The Committee resolved that the report recommendations be approved.

6.2 Terms have now been agreed for a sub lease of the premises to Glencraft (Aberdeen) Limited. The lease will subsist for a period of one year at a rent of £1. Scots Law requires that all leases state a rent. Clearly there is no practical difference between this and the Committee's instruction to provide the premises rent free.

6.3 Consent has been obtained from the Scottish Government to lease the premises at below market rent.

6.4 The Scottish Government's State Aid Unit has assessed that the sub lease is state aid compliant.

6.5 Consent has been obtained from the Council's ground landlord for the sub lease.

6.6 The tenant has an option to break from the lease terms. This is to allow flexibility in the event of more suitable premises being secured during the period of the lease.

7.0 REPORT AUTHOR DETAILS

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8.0 BACKGROUND PAPERS

8.1 No background papers were used in preparing this report.