

Guildford Borough Council

Report to: Executive
Date: 23 January 2025
Ward(s) affected: St Nicolas
Report of Strategic Director of: Finance and Resources
Report Author: Mark Appleton Senior Asset & Property
Manager
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Lead Executive Member: Richard Lucas
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Status: Open
Key decision: Yes

Change of use and lease extension of The Bridge, Bridge Street, Guildford

1.0 Executive Summary

- 1.1 The Council owns the freehold of The Bridge, Bridge Street which is let out on a long lease at a peppercorn rent and has historically been used as hostel accommodation. The leaseholder, M. F. Strawson, is seeking an extension of the current lease from 88 years to 125 years in addition to a change of use from Hostel Accommodation to Student Accommodation. Although the use can be varied by way of a deed of variation, the term of the lease can only be extended by surrendering the existing and granting a new lease.
- 1.2 Both matters can be dealt with simultaneously under one transaction and, subject to Executive approval, will generate a capital receipt for the Council.
- 1.3 The purpose of the report is to seek Executive approval to proceed with the proposed transaction.

2.0 Recommendation to Executive

That the Executive resolves to:

- 2.1 Approve the surrender of the current lease over The Bridge, and the subleases over Napoleon's Passage and the airspace above,

between the Council and M. F. Strawson, and simultaneously grant one new lease over The Bridge, Napoleon's Passage, and the airspace above, for a term of 125 years with a new user provision being Student Accommodation.

- 2.2 Approve the surrender of both leases over Napoleon's Passage and the airspace above, between the Council and the National Trust, and simultaneously enter into two new leases for a term of 125 years.

3.0 Reasons for Recommendations

To provide the Council with a capital receipt of £214,000. All capital receipts generated from General Fund assets will contribute towards the Council's Financial Recovery Plan to reduce Council debt and achieve a sustainable financial position.

4.0 Status of Report

Open.

5.0 Strategic Priorities

- 5.1 **A more prosperous borough** – *where business can thrive, and everyone gains from it.* The proposed transaction enables the leaseholder to continue operating its business activities, providing much needed student accommodation within the borough.
- 5.2 **A resilient and well-managed council** – *we exist to serve our residents, businesses, and visitors.* The leaseholder has approached the Council with a request to regularise its lawful occupation of the premises. By responding to their request, the Council can demonstrate good estate management of its property portfolio and service to its tenants.

6.0 Background

- 6.1 The Council granted consent to the previous leaseholder of The Bridge in June 2022, allowing it to assign its long lease to M. F. Strawson, a student accommodation company. The user provision set out in the current lease does not allow student accommodation and therefore the new leaseholder approached the Council seeking a variation to their user clause to allow lawful occupation of the premises. Alongside this request, they also approached the Council seeking an extension of the current lease term from 88 years to 125 years.

- 6.2 Both variations to the current lease terms were subject to independent Red Book valuations obtained by the Council and paid for by M. F. Strawson. The valuations arrived at by one of the Council's independent valuation agents concluded that the proposed change of use would attract a premium of £90,000 and the lease extension of 33 years would attract a further premium of £124,000. Officers have agreed to a total premium payable of £214,000 for both variations, demonstrating best consideration in accordance with Section 123 of the Local Government Act 1972.
- 6.3 Legal officers advised that a term cannot be extended by way of variation so the current leases are to be brought to an end, and the new terms will be reflected in a new lease. The leaseholder is responsible for paying all the Council's reasonable costs associated with this transaction, including all legal and surveying fees and independent valuations.
- 6.4 Napoleon's Passage is land used as an accessway into The Bridge and is owned by the National Trust. The Council holds a lease over the land and a lease of the airspace above at a peppercorn rent, both with 88 years remaining. The Council has sublet the land and the airspace above to M. F. Strawson. The leaseholder requires use of Napoleon's Passage to continue its business activities and has requested an extension of the term to align with the new expiry date set out in the proposed lease over The Bridge. The National Trust has agreed to extend the term of both leases to 125 years, again by way of a surrender and regrant. Rather than the Council grant two subleases to M. F. Strawson, the Council intends to grant one lease at a peppercorn rent for 125 years that will encompass The Bridge, Napoleon's Passage, and the airspace above under one transaction.

7.0 Options

The options available would be:

- 7.1 To agree to the proposed transaction by granting a new lease to M. F. Strawson for a term of 125 years with the new use set out as Student Accommodation and receiving a capital payment. This option is recommended.
- 7.2 To not agree to the proposed transaction and consider enforcement action of any current breach.

8.0 Consultation

- 8.1 Cllr Richard Lucas has been consulted and supports the proposed transaction.
- 8.2 Ward Councillors have been informed and no comments were raised.

9.0 Key Risks

There is a risk that there are unresolved breaches that could be waived if no action is taken to regularise the change of use.

10.0 Legal and Governance Implications

- 10.1 The Council is bound by Section 123 of the Local Government Act 1972 which states that a council must not dispose of land for a consideration less than the best that can reasonably be obtained. As set out in the report Assets have considered that the premium payable achieves best consideration.
- 10.2 At present the tenant does not have consent to use the premises for the desired use. The proposals in this report will allow this whilst protecting the Council's interest.

11.0 Financial Implications

The transaction provides the Council with a capital receipt of £214,000.

12.0 Human Resources Implications

There are no human resource implications.

13.0 Equality and Diversity Implications

This was considered and addressed when planning permission for the change of use was granted by the Local Planning Authority.

14.0 Climate Change and Sustainability Implications

None

15.0 Next Steps

- 15.1 Officers to progress the proposed transaction by completing the relevant legal documentation and raising an invoice for the capital payment plus all reasonable expenses.

16.0 Background Papers

None.

17.0 Appendices

None.

Report clearance progress:

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|--------------------|------------------------------------|------------|
| Finance | Richard Bates | 28.10.2024 |
| Legal & Governance | Claire Beesly / Geena-mae Bucknall | 15.11.2024 |
| Human Resources | Ali Holman | 24.10.2024 |
| Equalities | Ali Holman | 24.10.2024 |
| Strategic Director | Richard Bates | 28.10.2024 |