

# Finance and Resources Committee

10:00am, Thursday, 15 August 2019

## Proposed New Lease to Boroughmuir Rugby Club at Meggetland, Edinburgh

Executive/routine	Routine
Wards	09 – Fountainbridge/Craiglockhart
Council Commitments	2

### 1. Recommendations

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1.1 That Committee:

- 1.1.1 Approves a new 25-year lease to Boroughmuir Rugby Club at Meggetland Sports Complex, Edinburgh, on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.

**Stephen S. Moir**

**Executive Director of Resources**

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Property and Facilities Management Division, Resources Directorate

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## Proposed New Lease to Boroughmuir Rugby Club

### 2. Executive Summary

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- 2.1 The report seeks approval to grant a new 25-year lease to Boroughmuir Rugby Club at a stepped rent on full repairing and insuring terms, thus mitigating the Council's liability over future maintenance costs.

### 3. Background

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- 3.1 Boroughmuir Rugby Club (BRC) occupy a clubhouse which forms part of the Meggetland Sports Complex managed by Edinburgh Leisure.
- 3.2 A lease was granted to BRC in 2006 after the erection of the newly built club house facilities that was part of the Meggetland development, as shown on the attached lease plan.
- 3.3 The lease was for a period of 30-years at an initial passing rent of £7,500 pa. The lease also had provision for RPI rental uplifts every five years and a profit share relating to a percentage of tenant's turnover once a ceiling had been reached. The Council retained responsibility for external repairs
- 3.4 By 2013, the tenant had accrued rent arrears of approximately £30,000. To assist the tenant, a decision was taken to suspend the rent demands and a repayment arrangement made for the outstanding debt.
- 3.5 The arrears accrued were a combination of the base rent and profit share. Following negotiations at that time, it was proposed the club would be offered a new 50-year lease at a peppercorn rent subject to the arrears being paid. In practice, the proposal was implemented, and the arrears were paid in full. There is however no evidence of a Committee authority for a new 50-year lease.
- 3.6 The Club has subsequently made several management changes and laterally won entry into the Super 6 Rugby League. According to BRC's audited accounts, the club is now making a fair and maintainable profit.

- 3.7 Consequently, a new lease is sought principally to clarify a number of ongoing responsibilities such as repairs and maintenance and also to allow the continued and future occupation to fulfil the requirements of Super 6 status. It is proposed, that the new lease will eventually bring the rent up to a level commensurate with the market.

## 4. Main report

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4.1 It is clear that the arrangements entered into by the club in 2013 were in good faith but recent fresh negotiations were entered into to regulate the position and provide clarity moving forward. Due to the implementation of the Asset Management Strategy, the Council's position was that a peppercorn rent would not be acceptable and therefore the negotiations sought to strike a balance between achieving market rent and allowing the club to secure future financial stability. The outcome of these discussions is that the following terms have been provisionally agreed:

- Subjects: The existing clubhouse, Meggetland Wynd, Edinburgh;
- Lease Term: 25 years from date of entry;
- Date of Entry: 1 September 2019;
- Rent: Stepped Rent Up to £18,000 per annum excluding VAT
  - Year 1: £10,000
  - Year 2: £12,000
  - Year 3: £14,000
  - Year 4: £16,000
  - Year 5: £18,000;
- Rent Reviews: Reviewed at year 10 and every 5<sup>th</sup> anniversary thereafter, upwards only to a Market Rent;
- Use: Clubhouse;
- Repairing and Insuring: Full repairing and insuring basis;
- Non-Domestic Rates: The rates liability is solely at the Tenants expense;
- Utilities / Shared Services: Tenant to pay;
- Other terms: Edinburgh Leisure will have the right to use the patio area on match days;
- The lease also agrees that the tenant will pay 6.5% costs towards maintenance of the car park, which will provide a contribution to the Council when resurfacing works are required.

## **5. Next Steps**

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- 5.1 Should Committee approve this report, the lease will be drafted on the above terms.

## **6. Financial impact**

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- 6.1 A rental income of £18,000 per annum by year five will be received in to the General Property Account.
- 6.2 The Council will pass the full liability of repairing obligations on to the tenant.

## **7. Stakeholder/Community Impact**

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- 7.1 Given that this is a replacement lease, there is no change to the carbon impacts. An Integrated Impact Assessment checklist has been undertaken and has concluded that a full IIA is not required.
- 7.2 Local Councillors have been informed of this proposal and Edinburgh Leisure have been consulted.

## **8. Background reading/external references**

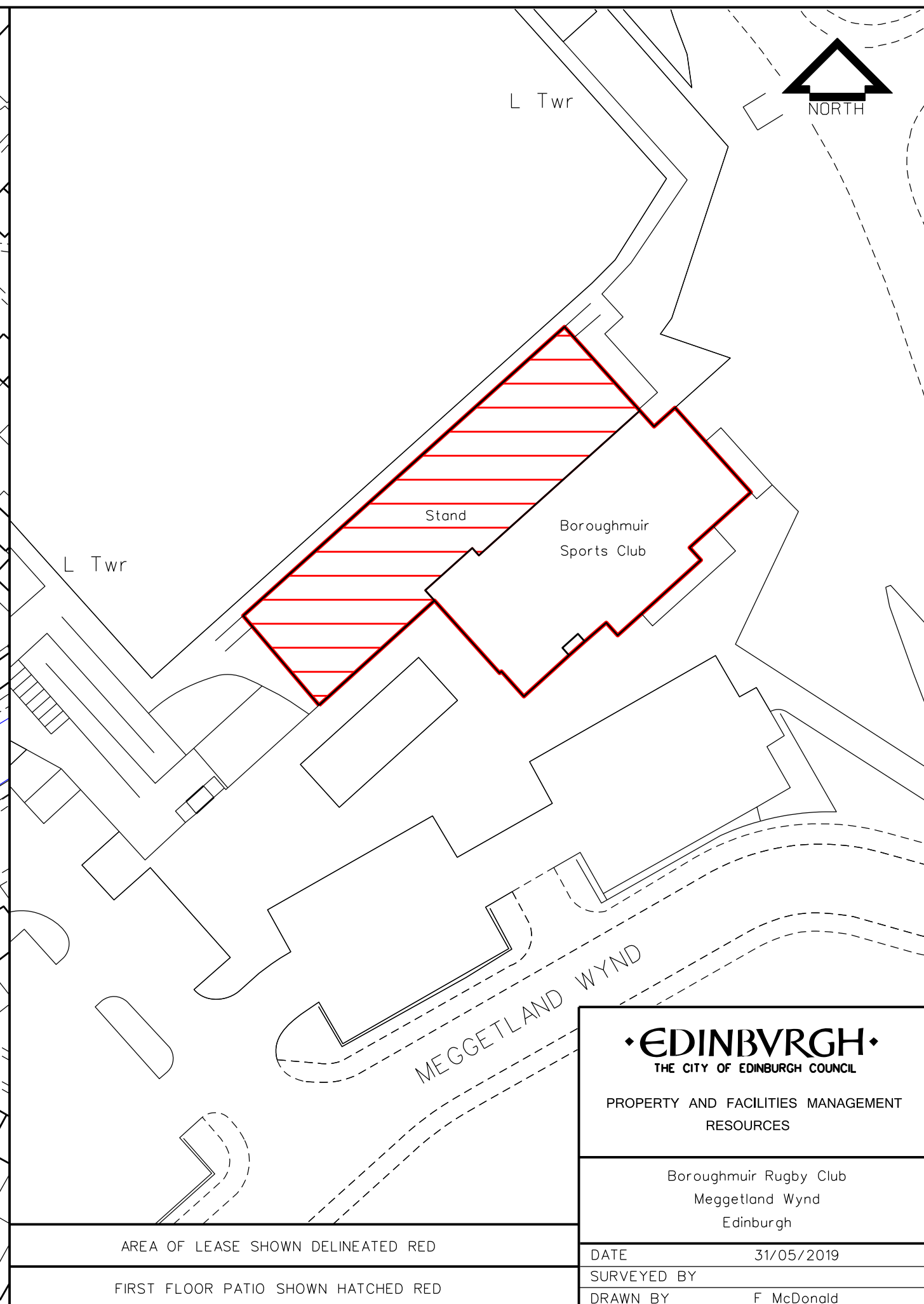
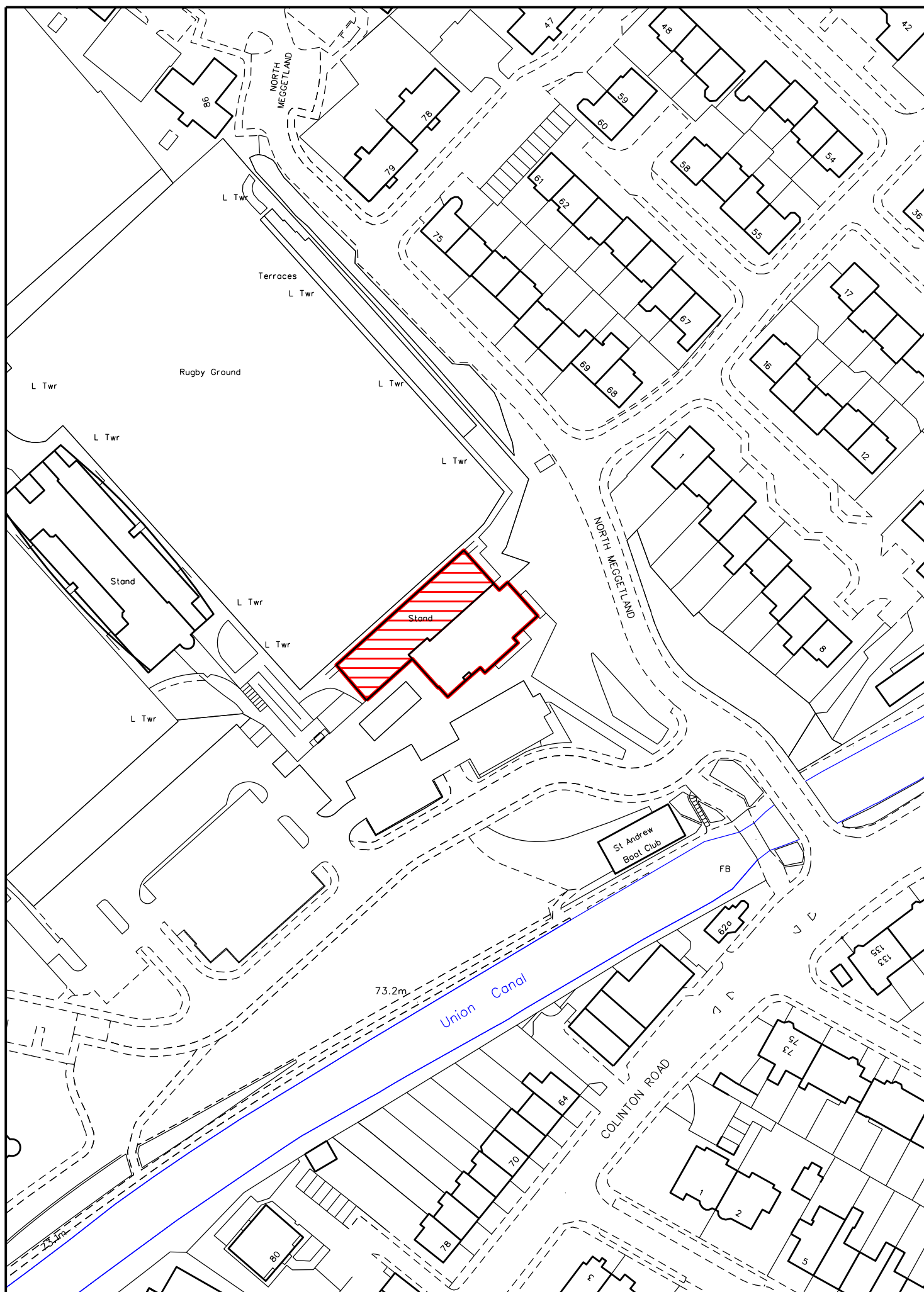
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- 8.1 None

## **9. Appendices**

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- 9.1 Appendix 1 – Lease Plan.



LOCATION PLAN

SCALE 1:1250

SITE PLAN

SCALE 1:500

<b>• EDINBURGH •</b> THE CITY OF EDINBURGH COUNCIL	
PROPERTY AND FACILITIES MANAGEMENT RESOURCES	
Boroughmuir Rugby Club Meggetland Wynd Edinburgh	
DATE	31/05/2019
SURVEYED BY	
DRAWN BY	F McDonald
FILE NO.	
NEG. NO.	NT2271/A3/2139

AREA OF LEASE SHOWN DELINEATED RED

FIRST FLOOR PATIO SHOWN HATCHED RED