

**Freehold Owner  
Regen Capital**

**LGR 85 AR Properties**

**London Borough of Croydon**

**Mears Living RP  
(Registered Provider)**

Headlease  
(125 Years)

Lease  
payment  
(for 50 years)

Option to buy  
freehold for £1

Underlease  
(Lease c10  
years)

Lease  
payment less  
SC

Nomination  
Rights

Rents

Property Transactions

Financial Transactions

## **Accounting Steps**

1. Council takes on 85 properties over a 125 year lease
2. The Council will pay no upfront monies to the lessor
3. The Council will pay pre-agreed lease payments over 50 years
4. The lessor will provide 2 years of lease free periods – however the lessor will refund the Council in year 1 for both year however the Council will need to make the lease payments
5. The Council will then underlease the properties for a period of 10 years to another entity
6. The underlessee will be required to pay the Council a pre-agreed amount of lease over the 10 years [IFRS16]
7. The Council will be responsible for the lifecycle/major works.

## **Proposal**

### **Council Balance Sheet**

1. DR – Non-Current Assets Dwelling
2. CR – Non-Current Liabilities
3. DR – Bank for the Cash for 2 years lease free
4. CR – Reserves [to be drawn down in each of the years]