

AGENDA MANAGEMENT SHEET

Name of Committee Portfolio Holder (Resources) and Portfolio Holder (Customers, Workforce and Partnerships) Decision Making Session
Date of Committee 28 May 2010

Report Title Renewal of Lease - Warwick House, Nuneaton

Summary To recommend acceptance of the terms for the lease renewal at Warwick House, Bond Gate, Wheat Street, Nuneaton.

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 No.

Would the recommended decision be contrary to the Budget and Policy Framework?

Background papers None

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr Brian Moss
Cllr Chris Davis
- Cabinet Member Cllr Martin Heatley
Cllr Heather Timms
- Chief Executive
- Legal Barry Jukes
- Finance David Clarke, Strategic Director, Resources – Reporting Officer – approved report
- Other Chief Officers

- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

**Portfolio Holder (Resources) and Portfolio Holder (Customers,
Workforce and Partnerships) Decision Making Session**

28th May 2010

Renewal of Lease - Warwick House, Nuneaton

Report of the Strategic Director of Resources

Recommendation

That the Portfolio Holders agree the terms for the new lease at Warwick House, Bond Gate, Wheat Street Street, Nuneaton as follows :-

5 Years from 4th April 2010 at a rent of £110,400 per annum on a full repairing and insuring basis and the Council will vacate entirely by exercising a tenant's break clause operable at the end of year three on payment of a fee of £110,400.

1.0 Background

- 1.1 The Council occupy the building known as Warwick House, Bond Gate, Wheat Street, Nuneaton by virtue of a 20 year lease which commenced on 29th September 1987 on a full repairing and insuring basis. The lease was subject to five yearly rent reviews.
- 1.2 The office block comprises 16,500 sq. ft. (1533 sq. m.) net comprising 5 floors of 3,300 sq. ft. each equating to a rental of £6.69 per sq. ft. (£1.98 per sq. m)..
- 1.3 Warwick House is currently occupied by:
 - 1.3.1 CYPF – one of the 2 Children in Need (CIN) Nuneaton Teams
 - 1.3.2 AHCS – Older People and Physical Disability Team (Nuneaton & Bedworth),
Benefits Advice and Income Control Unit
and Services to the Deaf
 - 1.3.3 The Fire Brigade Union have occupied several offices on the top floor of Warwick House on a licence basis in association with the Atherstone-on-Stour Inquiry.

- 1.4 The lease term expired on 28th September 2007 and from that time the Council has occupied on a 'holding over' basis. Prior to the lease expiry date the Council were considering whether to remain at Warwick House on a long term basis or seek alternative accommodation. The option to purchase Warwick House rather than enter into a further lease was also explored. The Council was unable to identify suitable alternative accommodation for all of the existing occupiers. The main constraints were:
- 1.5 CYPF - Identifying suitable premises in the centre or south of Nuneaton to provide more suitable accommodation for the CIN Team including assessment rooms and case conference rooms, in addition to offices, with any replacement building sympathetic to the family assessment function.
- 1.6 AHCS – Lack of suitable office accommodation in central Nuneaton with good public access and transport links providing sufficient car parking.
- 1.7 ICT (data transfer and voice communications links from Warwick House) Warwick House is a significant data and voice 'hub' for Council property in Nuneaton and costs of up to £1m, including early contract terminations, were identified for alternative solutions if Warwick House were to be vacated.
- 1.8 Landlord - The Landlord was not willing to sell the freehold interest of Warwick House to the Council as it did not suit his investment portfolio requirements.

2.0 Accommodation Review of Warwick House

- 2.1 In 2009, the Council determined the existing arrangements at Warwick House could not continue and a formal review was instigated being initiated for the following reasons:
 - 2.1.1 The existing accommodation at Warwick House is very poor in its existing condition, layout and setting. It has been heavily criticised by external inspectors for safeguarding children as inappropriate for the delivery of children in need services.
 - 2.1.2 The Area Property Review for Nuneaton recorded that occupiers of Warwick House were not satisfied with the accommodation. The review recommended that the premises are vacated in the short to medium term relocating to more suitable premises.
 - 2.1.3 The offices are under-occupied, with some available space on the 4th (top) floor.
 - 2.1.4 Significant repair and refurbishment works are required to provide suitable accommodation.
 - 2.1.5 The current lease of the Warwick House became due for renewal.

- 2.2 The Landlord's circumstances had changed and there was the prospect for the Council to acquire Warwick House, undertake a refurbishment programme and provide suitable accommodation for the existing occupiers. However, the Landlord was also seeking a sale price of approximately £400,000 in excess of market value determined by the Council and Valuation Office Agency. The outcome of the review showed that this was not a preferred option as:
- 2.2.1 Warwick House would have remained under-occupied.
- 2.2.2 Capital costs of approximately £2.1m were identified to refurbish the accommodation. A refurbished and remodelled Warwick House offered a compromise solution for the CIN Team needs as Warwick House is not considered a sympathetic building for families undergoing assessments.
- 2.3 During the Review process significant variations to user requirements were confirmed namely:
- 2.4 CYPF - An existing Council property was likely to become available which could be extended and remodelled suitable for the CIN Team. Subsequent to the initial review, CYPF have confirmed that co-location of the 2 CIN Nuneaton Teams is now viable and offers further efficiency savings of shared accommodation and avoiding journeys between offices. The Review identified that there is sufficient capacity at the Hilary Road Centre to accommodate both the CIN Teams by extending and refurbishing the existing accommodation.
- 2.5 AHCS - Identified there was no longer a need for front facing public accessible accommodation and suitable locations could include Nuneaton or Bedworth Town Centres. By using vacant space and under-occupied space at Kings House, sufficient capacity can be created to relocate the AHCS Team from Warwick House.
- 2.6 ICT - Renewal of data connection contracts in 2010 will avoid WCC paying significant costs to determine data connection contracts early thus reducing reconnection costs significantly as a result of vacating Warwick House.

3.0 Proposed Lease Terms

- 3.1 Terms have been agreed between the parties as follows for the Council to enter into a further lease of Warwick House to enable phased relocation:
- 3.2 Lease term 5 years commencing on 24th June 2010
Rent £110,400 per annum
Full repairing and insuring basis
Break Clause operable on 23rd June 2013 on payment of a fee of £110,400.
Lease to be completed before 24 June 2010.
- 3.3 The break option at year 3 reflects the minimum lease term acceptable to the Landlord and fits with the projected time scales for the Council to provide refurbishment and extended accommodation at the Hilary Road Centre and

then undertake works to avoid dilapidation claims when vacating Warwick House. These terms represent best value to the Council.

4.0 Additional Information

- 4.1 During the Review process the Landlord served a Notice on the Council to determine the lease on 4th April 2010 offering a further 15 year lease at a rental of £140,000 per annum. The Council countered these proposals with a request for a 3 year lease at an annual rent of £74,250 per annum. In this instance the Council has no right to apply to the Court to determine new lease terms, therefore terms must be agreed between the parties or alternatively the Council is required to vacate the property. The proposed lease terms in paragraph 3.2 above represent an acceptable compromise solution to the parties with the main issues being the shorter 5 year lease term together with the 3 year break option which affects the capital value of the Landlord's property – hence a higher rent for a shorter term to satisfy the Council's requirement to continue occupation for a short term to relocate staff and ICT links and carry out essential repair work.
- 4.2 The Landlord also requires early completion of the new lease.

5.0 Costs to Occupiers

- 5.1 Warwick House is classed as a Council 'Area Office' with occupiers paying occupation costs, including rent, on an area proportioned basis. The cost of any unoccupied space is borne by the Surplus Property Budget, managed by Resources Directorate.
- 5.2 An alternative to payment of a fee to exercise the break option was to pay an increased rent of approximately £150,000 per annum. This would not represent best value to the Council in the event that the break option was not exercised and the lease continued for the full 5 year term. It is proposed that the fee payment of £110,400 is annualised over 3 years as rent, recoverable from occupiers of Warwick House.
- 5.3 Current financial procedures require the cost of any space vacated by occupiers to be borne from the Surplus Property Budget until the space is either occupied or lease terminated.

6.0 Recommendation

- 6.1 That the Council enter into a lease renewal as described above in order to facilitate relocation of the existing occupiers and ICT data and voice connection and allow the carrying out of essential repair work.

DAVID CLARKE
Strategic Director of Resources

Shire Hall
Warwick
May 2010