

Report Title:	Lease renewal of office space at York House, Windsor
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Bermange, Cabinet Member for Planning, Legal and Asset Management
Meeting and Date:	Cabinet – 24 th April 2024
Responsible Officer(s):	Andrew Durrant, Executive Director of Place Services
Wards affected:	Eton and Castle

REPORT SUMMARY

The second floor of York House is currently leased to SAFO Ltd under a 5 year lease that commenced in July 2019 and expires in July 2024.

Terms have been agreed to renew the lease for a 5 year period on similar terms to the existing lease with an annual rental of £182,500 pa exclusive of VAT, service charge and non-domestic rates. This will continue to support the Council's budget.

The tenant has been granted a short rent free period of 3 months as an incentive

The existing lease includes the right to use 20 car parking spaces during business hours, the new lease will allow 10 spaces to be used at all times to meet their operational requirements. This will not impact on pay and display income from the car park as it is very lightly used

RECOMMENDATION: That Cabinet notes the report and:

Delegates authority to the Executive Director of Place Services in consultation with the Cabinet Member for Planning, Legal and Asset Management, to conclude the renewal of the lease over the 2nd floor and ancillary car parking at York House, Windsor.

1. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Options

Table 1: Options arising from this report

Option	Comments
Renew the existing lease to secure the rental income for the Council This is the recommended option	Renewing the lease secures the rent for a further 5 years which supports the Council's budgets and removes the risk of a vacant floor in the building and the resulting costs.
Do not renew the lease. This is not the recommended option	If the lease is not renewed then the Council will cease to receive the rental income until a new tenant is secured and will also be liable for the service charge and non-domestic rates and will incur marketing and leasing agents fees.
Do Nothing	If the lease is not renewed then the Council will cease to receive the rental income until a new tenant is secured and will also be liable for the service charge and non-domestic rates and will incur marketing and leasing agents fees.

- 1.1 The entire second floor of York House is currently leased to Safo Limited under a 5 year lease which also includes 20 car parking spaces in the building's car park.
- 1.2 The rent passing is £182,500 pa plus VAT and is exclusive of service charge, non-domestic rates and all outgoings. This equates to £30 psf.
- 1.3 The existing lease expires in July 2024.
- 1.4 Terms have been agreed to renew the lease for a further 5 years with the rent remaining at £182,500 pa subject to a 3 month rent free incentive. The only change in terms is to allocate 10 of the 20 spaces 24/7 to meet the business needs of the tenant. The car park is lightly used for P&D and there will still be 39 spaces available outside business hours.
- 1.5 The Windsor office market remains very subdued with very few new lettings in the last 1 months. Whilst newer grade A office building have achieved rents of headline£40+ psf in the past 2 years (One Victoria Street and One and Two Windsor) they have also seen extensive incentive packages awarded to tenants including 2 year+ rent free periods.
- 1.6 Renewing the lease de-risks the situation for the Council, securing the rental income and removing the risk of vacant property costs and re-letting costs and the terms agreed are ahead of the budget forecasted for the 2024-25 revenue budget.

2. KEY IMPLICATIONS

- 2.1 The rental income received by the Council is secured by entering into the new lease.

Table 2: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
New Lease Agreed	Rental income ceases and the Council incurs significant vacant building costs	New lease completed by 1 st July 2024	New lease completed by 1 st June 2024	New lease completed by 15 th May 2024	1 st July 2024

3. FINANCIAL DETAILS / VALUE FOR MONEY

- 3.1 The annual rent increases remains at £182,5000 pa subject to a 3 month rent free. The FY 2024/25 budget assumes the rent remaining the same level but with a 6 month rent free incentive being agreed with the tenant.

Table 3: Financial impact of report's recommendations

REVENUE COSTS	2024/25	2025/26	2026/27
Additional total	£0	£0	£0
Reduction	£45,000	£0	£0
Net Impact	£45,000	£0	£0

CAPITAL COSTS	2024/25	2025/26	2026/27
Additional total	£0	£0	£0
Reduction	£0	£0	£0
Net Impact	£0	£0	£0

4. LEGAL IMPLICATIONS

- 4.1 The terms of the agreements have been negotiated by the asset management surveyors in the property services team and the new lease agreement will be drafted by the property solicitor in the legal services team or external solicitors.
- 4.2 The Part 8 Section D – Property Procedures of the Councils' Constitution confirms Cabinet authority to approve lease agreements where the aggregate income exceeds £500,000.

5. RISK MANAGEMENT

- 5.1 The risk to the Council is low. Entering the lease reduces the risk of the rental income ceasing and secures an increase.
- 5.2 The transaction has been negotiated by the asset management surveyors in the property services team and the lease documentation will be drafted and finalised by the solicitors in the legal services team.

Table 4: Impact of risk and mitigation

Threat or risk	Impact with no mitigations in place or if all mitigations fail	Likelihood of risk occurring with no mitigations in place.	Mitigations currently in place	Mitigations proposed	Impact of risk once all mitigations in place and working	Likelihood of risk occurring with all mitigations in place.
There is a risk that the tenant decides not renew lease and the Council ceases to receive rental income	Minor 1	Medium	Negotiation have progressed in advance of the lease renewal and terms agreed.	Professionally qualified chartered surveyors and solicitors are managing negotiations and documentation process	Minor 1	Low

6. POTENTIAL IMPACTS

- 6.1 Equalities. An Equality Impact Assessment is available as Appendix A. The lease renewal has no impact on protected groups or characteristics
- 6.2 Climate change/sustainability. The lease renewal has no impact on climate change or bio-diversity
- 6.3 Data Protection/GDPR. No personal data is being stored or utilised in this matter

7. CONSULTATION

- 7.1 Internal officer and Cabinet Member consultation only

8. TIMETABLE FOR IMPLEMENTATION

- 8.1 Implementation date if not called in: The draft lease will be issued to the tenant's solicitor on 1st May. The full implementation stages are set out in table 5.

Table 5: Implementation timetable

Date	Details
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1 st May 2024	Draft lease issued to tenant
1 st July 2024	Lease Completed

9. APPENDICES

9.1 This report is supported by 3 appendices:

- Appendix A – Equality Impact Assessment

10. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officer (or deputy)</i>	
Elizabeth Griffiths	Executive Director of Resources & S151 Officer	5 th April 2024	
Elaine Browne	Deputy Director of Law & Governance & Monitoring Officer	5 th April 2024	8 th April 2024
<i>Deputies:</i>			
Julian McGowan	Senior Business Partner & Deputy S151 Officer	5 th April 2024	8 th April 2024
Jane Cryer	Principal Lawyer & Deputy Monitoring Officer	5 th April 2024	
Helena Stevenson	Principal Lawyer & Deputy Monitoring Officer	5 th April 2024	
<i>Mandatory:</i>		<i>Procurement Manager (or deputy) - if report requests approval to go to tender or award a contract</i>	
Lyn Hitchinson	Procurement Manager	N/A	
<i>Mandatory:</i>		<i>Data Protection Officer (or deputy) - if decision will result in processing of personal data; to advise on DPIA</i>	
Samantha Wootton	Data Protection Officer	5 th April 2024	
<i>Mandatory:</i>		<i>Equalities Officer – to advise on EQiA, or agree an EQiA is not required</i>	
Ellen McManus-Fry	Equalities & Engagement Officer	5 th April 2024	5 th April 2024
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Stephen Evans	Chief Executive	5 th April 2024	
Andrew Durrant	Executive Director of Place	5 th April 2024	6 th April 2024

Kevin McDaniel	Executive Director of Adult Social Care & Health	5th April 2024	
Lin Ferguson	Executive Director of Children's Services & Education	5th April 2024	8th April 2024
<i>Assistant Directors (where relevant)</i>			
N/A			
<i>External (where relevant)</i>			
N/A			

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Planning, Legal and Asset Management	Yes
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REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Key Decision – matter placed on forward plan 4 th March 2024	No	No

Report Author: Chris Pearse, Senior Asset Manager, Property Services

Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

1. Background Information

Title of policy/strategy/plan:	<u>Lease renewal of office space at York House, Windsor</u>
Service area:	<u>Property Services</u>
Directorate:	<u>Place</u>

Provide a brief explanation of the proposal:

- What are its intended outcomes? Completion of the lease renewal to an existing tenant
- Who will deliver it? Property Services and Legal Services
- Is it a new proposal or a change to an existing one? No

2. Relevance Check

Is this proposal likely to directly impact people, communities or RBWM employees?

- No – this is the renewal of an existing lease. No third parties are impacted by the transaction

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal?

For example, users of a particular service, residents of a geographical area, staff

Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) disproportionately represented?

For example, compared to the general population do a higher proportion have disabilities?

What engagement/consultation has been undertaken or planned?

- How has/will equality considerations be taken into account?
- Where known, what were the outcomes of this engagement?

What sources of data and evidence have been used in this assessment?

Please consult the Equalities Evidence Grid for relevant data. Examples of other possible sources of information are in the Guidance document.

4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'

More information on each protected characteristic is provided in the Guidance document.

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age			
Disability			
Sex			
Race, ethnicity and religion			
Sexual orientation and gender reassignment			
Pregnancy and maternity			
Marriage and civil partnership			
Armed forces community			
Socio-economic considerations e.g. low income, poverty			
Children in care/Care leavers			

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it?

For example, adjustments needed to accommodate the needs of a particular group

Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this?

- For planned future actions, provide the name of the responsible individual and the target date for implementation.

How will the equality impacts identified here be monitored and reviewed in the future?

See guidance document for examples of appropriate stages to review an EQIA.

6. Sign Off

Completed by: Chris Pearse	Date: 4th April 2024
Approved by: Ian Brazier-Dubber	Date: 4th April 2024

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	Date:
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