

<b>DECISION NO:</b>	<i>For Member Services use only</i>
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Concurrence No:	066431
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<b>Action under delegated authority of Chief Executive</b>	
<b>Action under delegated authority of Director of Finance and Cabinet Member for Finance</b>	<b>X</b>
<b>Action taken by Chief Executive in consultation with Cabinet Member(s)</b>	

Subject: To approve a twelve month's rent free period in exchange for the removal of the 2022 break option on Countryside's lease at Turnford Place

Signature and designation of officer(s) taking action:

04/12/2020	24/11/2020
_____ Chief Executive Date	_____ Director of Finance Date
	13/11/20 _____ Head of Finance Date

**Name of Cabinet Member(s) Consulted:**

I have been consulted and concur with the proposals set out below:

Councillor P Mason

05/12/2020

\_\_\_\_\_  
Cabinet Member for Finance and Business Services

Signature:

\_\_\_\_\_  
Date:

Councillor

\_\_\_\_\_  
Cabinet Member for

Signature:

\_\_\_\_\_  
Date:

Name of any member who has declared a conflict of interest in relation to this decision: \_\_\_\_\_

**THIS DOCUMENT WILL BE PUBLISHED ON THE COUNCIL'S WEBSITE**

The report overleaf sets out the decision to be taken, the reasons for the decision, and the details of alternative options, if any, considered and rejected.

Officer decisions are available for public inspection, both at the Borough Offices and on the Council's website. Officer decisions are kept for a period of six years at the Borough Offices and for six months on the website after the decision is made. Background papers are available for four years.

**RECOMMENDED that: A 12 month rent free period in exchange for the 2022 break option being removed from the lease to Countryside, be approved.**

## **Purpose**

To gain approval for a twelve months rent free period, spread over the remaining term of the lease, to be granted to Countryside in exchange for the removal of the break clause which could be exercised in September 2022.

## **The Project**

Countryside has a ten year lease from 29 September 2017 to 28 September 2027 and the annual rent is £260,392 for 11,836 sq ft of office space at Turnford Place. There is an option for the tenant to break the lease on the fifth anniversary, 29 September 2022, with no less than 9 months' notice.

The lease states that if Countryside do not operate the break option, it will receive six months' rent free for the period 30 September 2022 to 29 March 2023, this amounts to £130,196. No rent would therefore be collected for this period.

Countryside have made a proposal to the Council's managing agent Sanderson Weatherall that if the Council were to agree to 12 months' rent free period spread over the remaining term of the lease from the December 2020 quarter rent, then the break option can be removed from the lease.

The removal of the break option means Countryside will be unable break the lease and the lease will run until 28 September 2027. The income from this lease will therefore be secured beyond September 2022, albeit at a reduced annual rate.

By agreeing to the twelve month rent free over the remaining period the yearly rent from December 2020 will reduce to £221,815 per annum, rather than £260,392 per annum. However, the removal of the break option means the term certain is six years nine months rather than one year nine months from December 2020. The reduction in rent per annum is £38,577. Should the tenant operate the break option in September 2022 then the loss in rent would be £260,392 per annum.

The Council's Legal Department will need to be instructed to amend the lease to reflect the changes, should agreement be given.

Countryside's Board of Directors have approved the above proposal in principle.

## **Financial, Legal and Risk Management Implications**

If the Council agrees to the twelve months rent free over the remaining period the yearly rent from December 2020 will reduce to £221,815 per annum rather than £260,392 per annum. However, the removal of the break option means the term certain is six years nine months rather than one year nine months from December 2020, as there will be no way for the tenant to break the lease early.

The Council is bound by the lease to provide six month's rent free, £130,196 in the event Countryside do not operate the break.

If Countryside operate the break option, the Council will lose all rental income and incur void costs, marketing fees and agent's fees to try and let the office space.

The annual reduction in rent will be reflected in the 2021/22 budgets.

### **Alternative Options Considered and Rejected**

The Council could not agree to the 12 month's rent free and instead wait and see if Countryside operate the break option. This would result in two outcomes, the first would be that Countryside could choose to exercise the break option. In this event, the Council will need to advertise the office space for letting. The void period would result in a loss of rent and service charge and the Council would need to cover the costs of the business rates until a new tenant is found, marketing fees and agents fees will also be incurred for a new letting.

Alternatively Countryside could choose to not exercise the break clause. This option would entitle Countryside to a six month's rent free period under the terms of their lease for the period September 2022 to March 2023. Following this rent free period the rent would revert to £260,392 a year and the rent review due in September 2022 may increase this amount.

The cost for the rent free period of £130,196 would have a significant impact on the Council's budgets for 2022/23.

Whilst the future cannot be predicted, given the changes to office working, all companies are reassessing their office space needs due to the Covid-19 pandemic. Countryside are no exception and there is a risk that should the Council not agree to the proposal, Countryside may look to break the lease.

The option to wait and see is rejected as the risk of Countryside operating the break is considered too high.

### **Contribution to the Council's Objectives and Environmental Sustainability Priorities**

By securing an income stream beyond September 2022, this will help provide funding for the all the Council's objectives up to September 2027.

### **Conclusion**

It is recommended that the Council agrees to the removal of the break option in exchange for 12 month's rent free being spread over the remaining term of the lease from December 2020.

There is a risk that should agreement not be given, Countryside will operate the break option in September 2022 and a significant income stream will be lost.

Contact Officer: Luke Kubik

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Date: 06.11.20

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Action reported to the Cabinet on:

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