



REPORT TO THE MEETING OF CABINET – 17 JULY 2024

PORTFOLIO: SPECIAL PROJECTS & ASSETS – CLLR T GIBSON

REPORT FROM ASSISTANT DIRECTOR - ESTATES

SUBJECT: LEASE OF PART OF THE COUNCIL OFFICES AT KILN ROAD, THUNDERSLEY TO USP COLLEGE

1 PURPOSE OF REPORT

- 1.1 To seek Cabinet approval to lease a part of the Council Offices at Kiln Road, Thundersley to USP College.
- 1.2 This decision falls to the Cabinet under the Council's Financial Regulations because the total rent and charges is above the financial thresholds of £250,000 for the term of the lease.

2 LINKS TO COUNCIL'S PRIORITIES AND OBJECTIVES

- 2.1 The report supports the Council's priorities and objectives of Economy & Growth and People.

3 RECOMMENDATION

- 3.1 It is proposed that Cabinet **RESOLVES**
 - (1) To approve the Head of Terms (Appendix 1) and grant a lease of part of the Council Offices to the USP College.
 - (2) To delegate authority to the Assistant Director Estates, in consultation with the Section 151 Officer and the Portfolio Holder for Special Projects & Assets, to negotiate and agree the final detailed lease terms.

4 INTRODUCTION

- 4.1 The COVID-19 pandemic has changed the way most modern organisations work. As a result of the progress of digital technology the Council operates a hybrid working environment, enabling its staff to work remotely as well as at the Council office at Kiln Road.
- 4.2 One outcome of this change in new ways of working is that the Council now has underutilised space within the Kiln Road offices. This presents an opportunity for the Council to consider how to best use the building to deliver its corporate objectives in line with the Council's Acquisition and Disposal Policy (2024).
- 4.3 The Council's Acquisition and Disposal Policy (2024) sets out that property may be recommended as surplus if, following consideration of the Asset Review Board that retention of the property would not meet the Council's corporate aims and objectives, and the property is otherwise not necessary to meet the Council's operational or strategic requirements.
- 4.4 Following a review, Officers have concluded that the large area of the office on the first floor of the west wing is not currently used efficiently as a workspace. While it is used on an ad hoc basis for meetings, analysis has demonstrated that these meetings can be held in alternative meeting spaces within the Kiln Road office. The asset has been used in this way for approximately the last four years. Officers have therefore concluded that it does not meet the Council's operational or strategic requirements and is deemed surplus.
- 4.5 In accordance with the Acquisition and Disposal Policy, the proposal to lease the space to the USP college was presented to the Asset Review Board on 16 April and 4 June 2024. The proposal was supported by members of the Board and recommended to Cabinet for formal approval.
- 4.6 The term 'disposal' for the purposes of the work of the ARB means to sell either the Council's freehold interest in the Property or to grant a leasehold interest to a buyer with the Council retaining its freehold interest in the Property but excludes licences where no legal right is granted to the third party under the Landlord and Tenant Act 1985. In this instance a lease is proposed with the draft heads of terms attached (**Appendix 1**).
- 4.7 The USP College on Kiln Road, Thundersley continues to thrive with student intake increasing again from September 2024. The college requires additional office space in order that existing facilities be repurposed to provide teaching spaces to meet the increased student numbers on the college campus. The college has been in discussion with the Council exploring available space with the opportunity to locate some of their support staff into the Council office building as there is growing shortage of capacity for teaching areas with a growing student population.

4.8 This provides an opportunity for the Council to support the college as a valued partner on the shared neighbouring boundary.

4.9 There are obvious benefits to the college with the Council site being adjacent to the College, is within easy reach without the need for transport as a short walking distance across to their existing site.

5 USP COLLEGE INVESTMENT

5.1 The USP College will invest in the space by installing new ceiling tiles and installing new carpet tiling. The college will also redecorate the space and undertake electrical works to include lighting management and associated electrical wiring having carried out some internal adaptations to the office accommodation. The Council will lease the space in its current condition allowing the College to carry out their proposed improvements at their own cost.

6 MARKET RENT VALUATION

6.1 An independent valuation was prepared on 1 June 2024 in accordance with the Valuations Standards issued by the Royal Institution of Chartered Surveyors (The Red Book) for the parcel to be leased by a Chartered Surveyor and Valuer, (**Exempt Appendix 2**). The agreed terms represent best consideration and value for money for the asset.

7 PROPOSED USE OF THE ASSET BY USP COLLEGE

7.1 USP College will use the space as offices by relocating key business support teams to the Kiln Road offices and increase the number of classroom spaces at the main college campus. The use of the office space by the College falls within the current planning use classification and therefore does not constitute any change of use.

8 ALTERNATIVE OPTIONS CONSIDERED

8.1 The option to leave the office accommodation under-utilised as is the current situation does not maximise use of the asset. The operational costs of keeping the space unoccupied would also not represent value for money.

8.2 The recommended option of leasing the available office space would deliver a new revenue stream for the Council that would support the Medium-Term Financial Strategy.

8.3 It would also support the USP College in meeting its needs as it continues to grow.

9 RISK IMPLICATIONS

9.1 All leases carry a risk of tenant forfeiture and/or potential damage to the fabric of the asset breaching the terms of the lease. This will be mitigated by site inspections to ensure the tenant meets their requirements under the terms of

the lease. The Council estate team will have regular meetings to manage the landlord / tenant relationship.

- 9.2 The Council will retain the building insurance and maintenance responsibility of the external fabric and planned maintenance requirements.
- 9.3 The Council will continue to insure the building to mitigate the risk of the tenant not insuring and will recharge the tenant their proportion of the insurance liability.
- 9.4 Suitable contents insurance and public liability insurance will be the responsibility of the tenant.
- 9.5 The Council will need to ensure that the liabilities it retains under the lease are properly managed through periodic inspections of the leased asset.

10 CRIME AND DISORDER IMPLICATIONS

- 10.1 None directly related to this report.

11 ENVIRONMENTAL IMPLICATIONS

- 11.1 The proposed lease will result in increased usage of the building and therefore increased energy consumption although only marginally as the area has remained heated whilst vacant due to the occasional use and to ensure no issues with damp and mould occur. Use will usually fall between usual office hours Monday to Friday between 8.45 am – 5.15 pm.
- 11.2 Officers will continue to explore future capital works to promote reduced energy consumption as part of considerations for the whole building.

12 FINANCIAL IMPLICATIONS

- 12.1 The Council has agreed an annual rental figure just under £44,000 with USP College which is fixed until the fifth anniversary. This is unbudgeted for and therefore will contribute towards closing the 2024/25 budget gap.
- 12.2 After the fifth anniversary, the rent will be reviewed and rebased taking into account the higher of market rent or RPI.
- 12.3 In addition to the rental income, there will also be service charges payable by USP college which have been estimated at just under £32,000 in the first year. The service charge will vary each year based on actual costs, although a cap will be applied on repairs and maintenance as it is reasonable to limit USP College's liability in these respects. Whilst the Council will incur some additional costs as a result of the increased usage, the £32,000 will partially contribute towards closing the budget gap as the Council will no longer be liable for the business rates.

13 LEGAL IMPLICATIONS

- 13.1 The Council will enter into a formal 15-year lease with the College, with break options after the fifth year.

14 HUMAN RESOURCES IMPLICATIONS

- 14.1 None directly related to this report.

15 EQUALITY AND DIVERSITY IMPLICATIONS

An Equality Impact Assessment has been completed and found there to be no impacts (either positive or negative) on protected groups as defined under the Equality Act 2010.



Darren McLoughlin

Assistant Director - Estates

Background Papers: -

None.

For further information please contact Darren McLoughlin on:-

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HEADS OF TERMS FOR A LEASE

SUBJECT TO CONTRACT & COUNCIL'S CABINET APPROVAL

| | |
|--------------------|---|
| PREMISES | Part of a three-storey brick building (1960's) with later 1990's two-storey extension situated to the west wing of the first floor measuring 326.19sq m (3,511.10sq ft) and shown highlighted yellow on the accompanying Floor Plan. |
| LANDLORD | Castle Point Borough Council Kiln Road Thundersley Benfleet Essex SS7 1TF |
| TENANT | USP College Seevic Campus Runnymede Chase Benfleet Essex SS7 1TW <u>For the attn of:</u> Steven Hendy Chief Finance Officer, USP College Mobile 07583 025473, Direct Line 01268 882687 Email: steven.hendy@uspcollege.ac.uk |
| LEASE TERM | A new lease for a term of 15 years with a rolling break option after 5 years exercisable by the landlord/tenant (mutual), provided it serves at least 6 clear months prior written notice. |
| RENT | £43,888.75 per annum will be payable exclusive of VAT, rates, service charge, insurance, and all other outgoings. The rent will be payable in advance on the traditional English quarter days. |
| RENT REVIEW | The rent will be reviewed every fifth anniversary of the term, based on market rent or RPI whichever is higher. |

**SECURITY OF TENURE**

The lease to be outside the provisions of ss 24-28 of the Landlord and Tenant Act 1954, as amended.

ASSIGNMENT & SUBLETTING

Tenant may assign or sublet their interest in the whole only, subject to Landlord's consent (not to be unreasonably withheld).

SERVICE CHARGE

A service charge is levied to cover a proportion of the maintenance and management of the building, to include NNDR, insurance, cleaning, water services, Gas, electricity, PPM, and repairs & maintenance. For avoidance of doubt, a schedule of condition will be undertaken at the start of the lease and a cap not exceeding 10% each year will apply to PPM and R&M elements only of the estimated figure. The current estimated service charge is **£31,850 per annum**. Reconciliation at the end of the service charge year will confirm the actual figure to be paid. Payment of the service charge will start from commencement of the lease.

REPAIRING OBLIGATION

The lease will be on a full repairing and insuring basis.

PERMITTED USE

The property to be used for office purposes only under planning use class E.

ALTERATIONS / ADDITIONS

Alterations and additions are not permitted save for the works specified in the proposal submitted to the Landlord. Such works are not to commence prior to the Landlord having received and approved in writing the plans and specifications in respect of the proposed works and any future alterations will need Landlord's consent and must not be unreasonably withheld.

REINSTATEMENT

The Tenant shall remove the Works at the end of the Lease and reinstate the Premises to its condition prior to the granting of this Lease, making good any damage caused to the Premises in the reinstatement thereof, unless the Landlord notifies the Tenant in writing that reinstatement of the Premises is not required.

WORKS

Such additions and alterations as necessary to create office space as expressly cited in the proposal only.



OTHER PROVISIONS

As shall be deemed fit by the Landlord's solicitor.

LEGAL COSTS

The tenant to contribute towards the council's reasonable legal costs.

TENANT'S SOLICITOR

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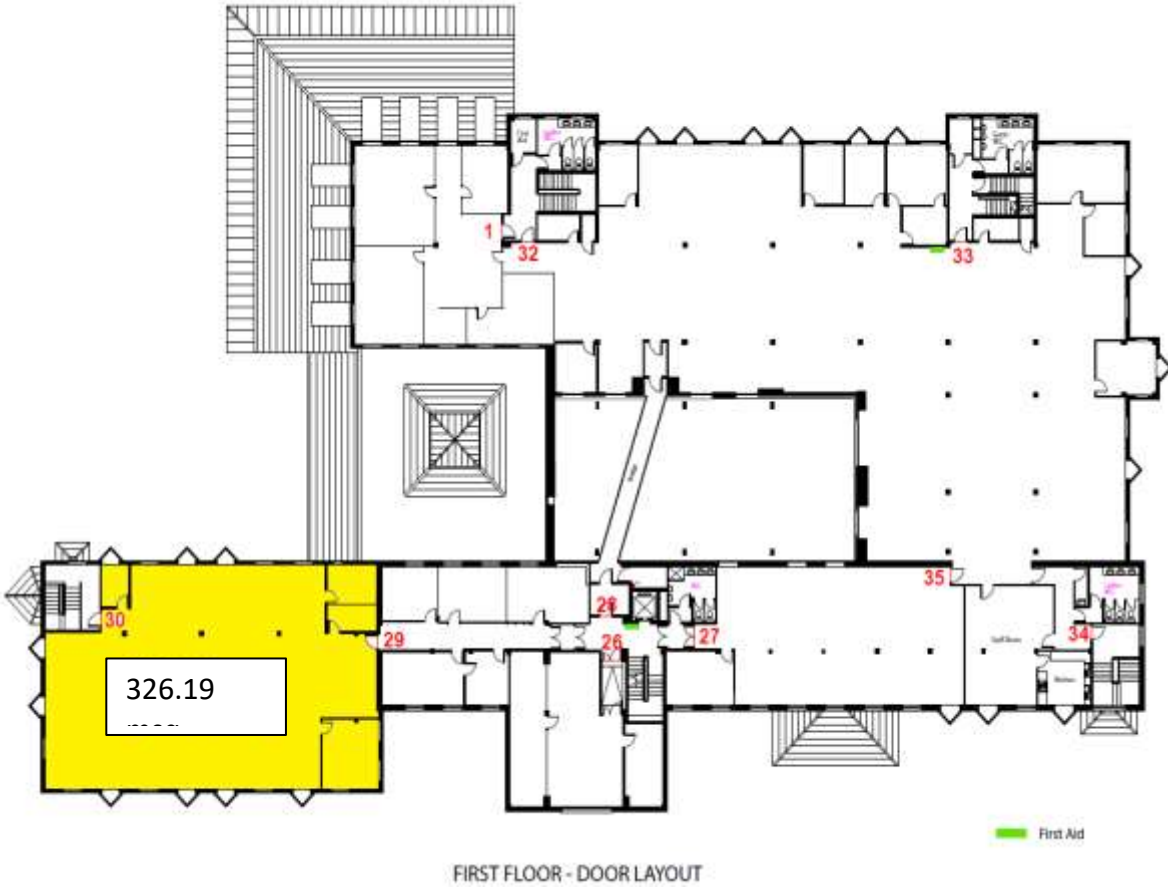
LANDLORD'S SOLICITOR

Castle Point Borough Council
Legal and Democratic Services
Kiln Road
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Benfleet
Essex SS7 1TF

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First Floor Plan – Leased Area highlighted in yellow (326.19 m²)



ORDNANCE SURVEY EXTRACT



Location Plan (Leased area denoted within red line)