

Report of Head of Legal Services

Lease of 2 Kings Court

Purpose of report

1. To seek approval of the proposed lease of 2 Kings Court to Worcestershire Health & Care NHS Trust, following the relocation of SHQ to Hindlip.
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Recommendations

It is RECOMMENDED that:

- (1) *the Authority enter into an agreement for the lease of 2 Kings Court with Worcestershire Health & Care NHS Trust on the terms described in this report and otherwise as agreed by the Head of Legal Services; and*
- (2) *Officers be authorised to market the property with a view to the potential sale of the freehold reversion in due course, as advised.*

Introduction and Background

2. At the meeting of this committee on 31st January, Members approved plans for the relocation of the Service's Headquarters functions to Hindlip and as part of that decision it was agreed that a further report on the future sale or lease of Kings Court be brought back in due course. This is that report.

Proposed Lease

3. There are three options available to the Authority in terms of disposing of 2 Kings Court once the SHQ functions have relocated to Hindlip:
 - (i) freehold sale – which would generate a capital receipt;
 - (ii) lease to a tenant – which would generate a rental income which, if required, could be used to finance the debt charges on a similar level of capital borrowing; or
 - (iii) lease to a tenant and then sell the freehold.
4. The Authority is being advised by Place Partnership as to the best terms for disposing of the building. In the long term it may be preferable for the Authority to sell its freehold interest in the property rather than become a long term landlord because of the risks associated with building maintenance/repair, costs of re-letting and potential void periods if a tenant leaves. Also, owning investment properties is not part of the core functions of the Fire Authority. However, in terms of finding a freehold purchaser, the

building is most likely to be of interest to an institutional investor and as such, it will be worth more with a good quality tenant already in it than as an empty building. The preferred option at this stage is therefore to let the property to a suitable tenant on a lease and for officers to investigate a sale of the freehold reversion at a later date.

5. The Authority was approached by Worcestershire Health & Care NHS Trust (WHCT) who need to vacate their current offices at Isaac Maddox House. The proximity to the Hospital make Kings Court a good location for their future needs (other NHS bodies already occupy 3 Kings Court). Following detailed negotiations on our behalf by Place Partnership, terms have now been agreed as set out in the attached appendix (confidential – for Members only). Place Partnership have advised that WHCT are a desirable tenant so far as any future purchaser is concerned; the proposed rent level is a full market rent and that when taken in the round, these are the best terms that could be achieved in the open market. The tenant's occupation will occur more or less back-to-back with the Authority vacating the space, thus avoiding any void period as well as the cost/risk/delay if we were to advertise the property on the market. They have therefore recommended acceptance of the offer from WHCT.

Sale of Freehold

6. Place Partnership have recommended the appointment of external agents to market the potential sale of the Authority's freehold reversion but have suggested that, in order to be most attractive to potential buyers, this should be deferred until the lease has been running for about six months.

Conclusion

7. The terms offered by Worcestershire Health & Care NHS Trust are the best that could reasonably be achieved in the open market and have been negotiated with a view to making the property as attractive as possible to any future purchaser, should the Authority subsequently choose to sell the freehold reversion.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	The proposed lease will generate a rental income for the Authority following the initial rent free period. If the freehold reversion is subsequently sold, this would generate a capital receipt
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	The proposal accords with the commitment in 'our strategy' to 'resourcing the future' and ensuring that our actions now secure the Authority's long term future.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	None
Consultation (identify any public or other consultation that has been carried out on this matter)	None
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	There are none

Supporting Information

Appendix 1 – Schedule of proposed lease terms – EXEMPT INFORMATION
Not for publication – Business affairs of any person including the Authority

Background papers -

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