

Cabinet

16 July 2013



Title	Lease of office premises at Council Offices, Knowle Green to Surrey County Council		
Purpose	Resolution required		
Report of	Assistant Chief Executive	Confidential	No
Cabinet Member	Councillor Nick Gething	Key Decision	No
Report Author	Dave Phillips, Head of Asset Management		
Summary and Key Issues	Surrey County Council currently uses office space at the Council Offices in Knowle Green for the purposes of exercising the functions of Adult Social Services within the County Council in the local area. Due to the changes in the amount of space the County requires and the subsequent relocation of the staff within the offices, the leasing arrangements need to be revised to reflect the current position. This report seeks authority to grant a new lease to the County to formalise the current arrangements.		
Financial Implications	If Cabinet are mindful to grant this new lease arrangement, the Council will receive a rental income of £22,519 per annum and a service charge payment of £27,207 per annum.		
Corporate Priority	Efficient use of assets		
Recommendations	The Cabinet is asked to approve the grant of the new Lease to Surrey County Council for office space at the Council Offices, Knowle Green for 5 years until 4 December 2016.		

1. Background

- 1.1 Surrey County Council (SCC) previously entered into a lease with Spelthorne Borough Council (SBC) dated 19 October 2010 in respect of office premises on the first floor, west wing of the Council Offices at Knowle Green. The lease was for a term of 1 year 7 months, with an expiration date of 11 July 2012. The lease permitted the use of the office premises solely for the purpose of SCC's Local Director of the Spelthorne Community Support Team carrying out their functions.
- 1.2 During the course of the term of that lease, the Council's former Head of Customer and Office Services agreed with SCC to surrender the existing lease and grant a new lease. The purpose of the new lease is to enable SCC's Adult Social Services departments to occupy office accommodation at Knowle Green, in recognition of SCC and SBC working together to improve delivery of public services and achieve greater efficiency of joint service provision (partnership objectives).
- 1.3 Therefore the primary purpose of a new lease is to achieve the co-location of services and staff and to facilitate joint working and an opportunity to share knowledge and expertise.
- 1.4 A new lease would permit the use of office premises on the first, second and third floors, west wing of the Council Offices at Knowle Green, solely for the purpose of operating the functions of SCC. SCC has also requested the ability to share occupation of the office premises with external organisations who they work closely with in pursuance of the partnership objectives.

2. Key issues

- 2.1 In order to protect the Council's interest and formalise the arrangements with SCC, a lease needs to be put in place as soon as possible.
- 2.2 The Council's constitution provides that Cabinet authority is required for the approval of disposals of land or interests in land exceeding an estimated value of £75,000 per transaction. The rental value of this lease transaction is estimated to be £112,595. This excludes the income to be received via the service charge.

3. Options analysis and proposal

- 3.1 In practice these arrangements have been in place for some time, however it is imperative that this arrangement is now formalised in order to protect the Council's interest and allow for proper management of the letting.
- 3.2 The terms of a new lease have been negotiated and the proposed new lease will be for a term of 5 years, from 5 December 2011 to 4 December 2016. The rent to be paid by SCC is £22,519 per annum and they will also be required to pay a service charge of £27,207 per annum.
- 3.3 If the lease is completed, it will be excluded from sections 24 to 28 of the Landlord and Tenant Act 1954. This prevents SCC from having an automatic right to renew the lease, as well as preventing SCC from having the right to remain in occupation.

4. Financial implications

- 4.1 Valuation advice has been taken in respect of setting the rent in the usual way. When the lease completes, SCC will be invoiced for the backdated rent as at 5 December 2011.

5. Other considerations

- 5.1 With regards to SCC sharing occupation of the office accommodation with external organisations, the Legal department advises that the safest way of preventing those external organisations from obtaining a secured tenancy, is for the external organisation to enter into a licence with the Council and SCC. This measure will also assist the Council in monitoring who is in occupation of the Council Offices. SCC has confirmed currently there are no external organisations in occupation of the office accommodation.

6. Risks and how they will be mitigated

- 6.1 The risk of SCC obtaining a secured tenancy will be mitigated by entering into a formal lease arrangement that excludes sections 24 to 28 of the Landlord and Tenant Act 1954.
- 6.2 The risk of SCC sharing occupation of the office accommodation with external accommodation will be dealt with in the lease. The alienation clause in the lease provides that SCC must grant a licence agreement (the Council will also be a party) of the premises to any external organisation. The duration of the licence agreement will not go beyond 4 December 2016 (the date SCC's lease expires).

7. Timetable for implementation

- 7.1 The terms of the proposed new lease have been negotiated and the Councils' respective legal departments can move to complete the new arrangements swiftly if Cabinet are mindful to authorise the grant of the new lease.

Background papers: None.

Appendices: None.