

To: City Executive Board

Date: 23rd April 2012

Report of: Head of Corporate Assets

Title of Report: LEASE RENEWAL OF GOVERNMENT BUILDINGS,
FLOYDS ROW, OXFORD

Summary and Recommendations

Purpose of report: To seek approval of the lease renewal of offices at Floyds Row, Oxford

Key decision? No

Executive lead member: Cllr Ed Turner, Deputy Leader of the Council, Finance, Corporate Assets and Strategic Planning Board Member

Report approved by: David Edwards, Executive Director

Finance: tbc

Legal: Steve Smith

Recommendation(s): The City Executive Board is recommended to approve the lease renewal at the rent detailed in the confidential not for publication Appendix 3, and otherwise on terms and conditions to be approved by the Head of Corporate Assets.

Appendices

Appendix 1 – Plan of site
Appendix 2 - Risk Register
Appendix 3 – Confidential Not for Publication Appendix

Background

1. This report seeks approval for the renewal of a lease of premises owned by Oxford City Council as shown on the plan attached at Appendix 1.
2. The property was let on a lease for a term of 75 years commencing 17th September 1936 to the Commissioners of Her Majesty's Works and Public Buildings. The current tenant is the Secretary of State for Communities and Local Government. Under the lease the tenant pays a ground rent of £150 per annum. The lease has now expired and the Council is now able to levy a market rent in respect of the continued occupation by the tenant.
3. The Council served a notice under Section 25 of the Landlord and Tenant Act 1954 to end the tenancy on 16th September 2011. This confirmed that the Council was not opposed to granting a new tenancy and detailed the Council's proposals for a new tenancy.
4. The terms proposed by the Council in the notice were based on a new 15 year lease, with 5 yearly rent reviews at a certain initial rent per annum.
5. On 18th September 2011 the tenant issued proceedings in Oxford County Court for the grant of a new tenancy pursuant to Part 2 of the Landlord and Tenant Act 1954. The two parties then agreed to seek a stay in the proceedings from the Court and a stay of the proceedings was set by the Court until 24th February 2012. A further stay in proceedings was agreed until 24th April 2012.
6. The Council has been carrying out negotiations with the tenant regarding the terms for a new lease, and these have now been agreed on the basis of the Heads of Terms set out in the confidential not for publication Appendix 3.
7. The tenant has requested a new lease for a term of 6½ years, commencing 17th September 2011 with tenant only break clauses in 25th March 2014 and 25th March 2016 on 8 months' notice. The Council has agreed to these flexible terms on the basis that the rent is agreed at the sum per annum referred to in the not for publication Appendix 3 to the report. The alternative would be to attempt to agree less flexible lease terms whereby the tenant would not be able to break but this would result in a lower rent.

Risk Implications

8. A risk assessment has been undertaken and the risk register is attached at Appendix 2.

Sustainability and climate change implications

9. None arising out of this report.

Equalities implications

10. None arising out of this report.

Financial implications

11. The lease renewal will provide substantial income to the Council with the rent being backdated to 17th September 2011. The agreed terms represent best consideration to the Council and if the tenant does activate the break clause, there will be a substantial notice period during which the property can be marketed to find a new tenant. Each party is to bear their own costs.

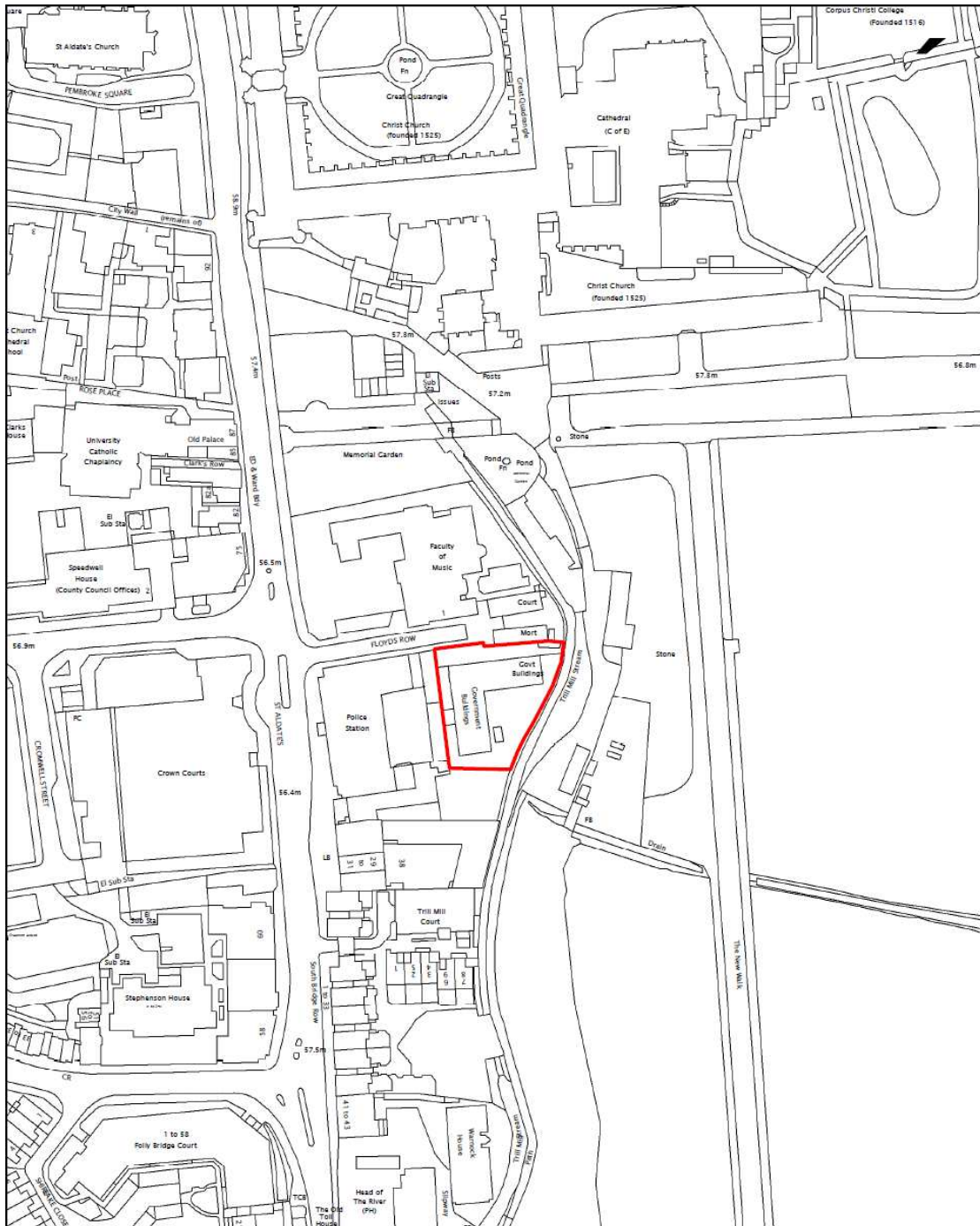
Legal Implications

12. The power to renew a lease of the premises is contained within Section 123 of the Local Government Act 1972 for best consideration. The terms of the lease renewal have been fully negotiated with the tenant's advisors. If the lease renewal cannot be agreed by negotiation between the parties the Landlord and Tenant Act 1954 provides for terms to be determined by the Court. Section 123(2) of the Local Government Act 1972 requires the Council to obtain the best rent that can reasonably be obtained.

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Version number: 1

Appendix 1 – Plan of site



<p>Title: Former Labour Exchange, Floyds Row, Oxford</p>
<p>Scale: 1:1,827</p>
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Corporate Assets



Appendix 2 CEB Report Risk Register

Approval to renew a lease on Government Building, Floyds Row, Oxford

Risk Score **Impact Score:** 1 = Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic
Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain

No.	Risk Description Link to Corporate Objectives	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness				Current Risk		
		I	P			I	P		Q	Q	Q	Q	I	P	
1. 45	Negotiations fail with the tenant	3	3	Tenant/OCC fails to agree terms	Mitigating Control: Close contact during lease renewal process.	2	2	Action: Ongoing contact throughout process to ensure the terms of a new lease are completed without delay.	Outcome Required: Successful completion of the lease. Milestone Date: 23 rd April 2012.	1	2	3	4		

