

<b>Fakenham Industrial Unit Lease Renewal</b>	
<b>Executive Summary</b>	<p>The lease for this industrial unit, owned by the District Council, is due for renewal. The tenant is an established business providing skilled jobs in the district.</p> <p>Options, which look to demonstrate the Council's best value duties, have been considered including renewing the lease on improved terms, marketing the property for reletting, and selling the property.</p> <p>Granting a new lease at the property on improved terms will secure the Council's revenue income from the property at a market rent ensuring best value is achieved.</p> <p>Granting a new lease at the property will provide security to the tenant's business and secure local jobs in the district.</p> <p>It is recommended that Option 1 to agree new lease with the existing tenant at a higher rent is taken forwards.</p>
<b>Options considered.</b>	<p>The following options have been considered to ensure the Council achieves best value from the letting of the property:</p> <ul style="list-style-type: none"> <li>• Option 1 - Agree new lease and rent increase with the existing tenant. – Recommended.</li> <li>• Option 2 - End the tenant's occupation and relet the premises – Not recommended.</li> <li>• Option 3 - Sale of the property - Not recommended.</li> </ul>
<b>Consultation(s)</b>	<p>Tenant            Andrew Woodley - Surveyor            Stuart Quick - Economic Growth Manager            Kate Rawlings - Climate &amp; Environmental Policy Manager</p>
<b>Recommendations</b>	<p>Resolution for Cabinet to approve:</p> <ul style="list-style-type: none"> <li>• A new lease with the existing tenant as per Option 1 detailed in the exempt appendix.</li> <li>• Delegate approval to the Asset Strategy Manager to agree the exact terms of the above legal agreement.</li> </ul>
<b>Reasons for recommendations</b>	<ul style="list-style-type: none"> <li>• Granting a new lease at the property will secure the Council's revenue income from the property at a market rent ensuring best value is achieved in line with the Council obligation under the Section 26 of the Local Government Act.</li> <li>• Granting a new lease at the property will provide security to the tenant's business and secure skilled jobs in the district.</li> </ul>

<b>Background papers</b>	N/A
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<b>Wards affected</b>	Lancaster North Lancaster South
<b>Cabinet member(s)</b>	Cllr Lucy Shires
<b>Contact Officer</b>	Milo Creasey – Trainee Estates Surveyor - <a href="mailto:milo.creasey@north-norfolk.gov.uk">milo.creasey@north-norfolk.gov.uk</a>  Renata Garfoot - Asset Strategy Manager - <a href="mailto:Renata.Garfoot@north-norfolk.gov.uk">Renata.Garfoot@north-norfolk.gov.uk</a>

<b>Links to key documents:</b>	
Corporate Plan:	A strong responsible and accountable Council
Medium Term Financial Strategy (MTFS)	The proposal secures an increased income from this asset for the duration of the lease term.
Council Policies & Strategies	Asset Management Plan 2018 - 2022

<b>Corporate Governance:</b>	
Is this a key decision	Yes
Has the public interest test been applied	Yes. Commercially sensitive information has been included in the exempt appendix.
Details of any previous decision(s) on this matter	NA

## **1. Purpose of the report**

- 1.1 The purpose of the report is to seek Cabinet approval to renew the current tenants lease for the Fakenham industrial unit with an increased annual rent in accordance the Asset Management Plan.

## **2. Introduction & Background**

- 2.1 The property, an industrial unit, is located centrally within Fakenham.
- 2.2 The current lease for the property commenced in September 2013 and is now due for renewal.

- 2.3 This report outlines the proposal to renew the tenants lease for a further 10 years at an increased rent in line with market rents.

### **3. Proposals and Options**

- 3.1 Officers have had negotiations with the tenant to renew their lease with an increased rent which has been agreed in principle and proposed as per the Exempt Appendix.
- 3.2 **Option 1 - Agree new lease and rent increase with the existing tenant – this is the officer recommendation.**
  - 3.2.1 To renew the lease with the existing tenant at an increased rental level in line with market rent, as outlined in the exempt appendix.
- 3.3 **Option 2 - End the tenant's occupation and relet the premises – not recommended.**
  - 3.3.1 There are risks to the Councils revenue income associated with advertising the premises for re-let including not finding a new tenant and potential void costs.
  - 3.3.2 This option is discounted as the current tenant is considered to be a good covenant and provides skilled jobs in the district.
- 3.4 **Option 3 - Sale of the property – not recommended.**
  - 3.4.1 A sale of the property has been considered however has been discounted due to the loss of revenue income to the Council.

### **4. Corporate Priorities**

- 4.1 This proposal aligns with the Councils Corporate Plan priority to create a strong responsible and accountable Council by providing increased revenue income.

### **5. Financial and Resource Implications**

- 5.1 Officer resource is required to process the lease renewal.
- 5.2 The Council has obtained two valuations for the property to demonstrate best value has been achieved in accordance with the Asset Management Plan.
- 5.3 Further financial implications have been included in the exempt appendix.

### **Comments from the S151 Officer:**

The recommended option, being option one, provides us with a source of income for the next 10 years from a known tenant and therefore the level of risk associated with renewing the lease is low.

## **6. Legal Implications**

- 6.1 The new lease will oblige the Council and tenant to adhere to the conditions of the lease for the lease term.
- 6.2 Eastlaw will advise on the lease transaction.

### **Comments from the Monitoring Officer**

This lease for renewal is subject to best value considerations. Such appear to have been considered. If option 1 is chosen (subject to agreeable terms), this would tie in the Council for a number of years and the Council should receive the income as detailed in the appendix from a leaseholder, with a good history, and who has occupied the premises for a considerable time. There are no additional governance observations, but the legal department is available to assist with any drafting or legal work resulting from the Members' decision.

## **7. Risks**

- 7.1 If a new lease is not agreed there is a potential for loss of revenue.
- 7.2 As with all commercial lettings there is a risk of unpaid rent and the tenant not complying with their repair obligation, however the tenant is an established business and is considered to offer good covenant strength.
- 7.3 Impact on local jobs and detrimental impact on the tenant's business if a new lease is not agreed.

## **8. Net Zero Target**

- 8.1 The Council's Net Zero Strategy & Action Plan identified leased building emissions and a commitment to reduce carbon by improving energy efficiency. If the Council were to sell this property there would be a reduction in the Council's own emissions, but little impact to the district as the operational carbon consumption would likely continue at the same rate if the building was privately owned.
- 8.2 The proposed new lease would include green clauses to support the Council and tenant to work cooperatively to minimize carbon emissions generated from the property.

**9. Equality, Diversity & Inclusion**

- 9.1 There are no equality, diversity and inclusion implications identified with this proposal.

**10. Community Safety issues**

- 10.1 There are no community safety issues regarding the continuation of the current tenant occupation of the property.

**11. Conclusion and Recommendations**

- 11.1 The existing tenant has been in occupation over 20 years and their business is well established and provides local jobs.
- 11.2 Granting a new lease with a rental increase with the existing tenant will secure revenue income for the Council from the property at a market value, therefore ensuring best value is achieved in line with the Council obligation under the Section 26 of the Local Government Act.
- 11.3 Granting a new lease at the property will provide security to the tenant's business and continued support for local skilled jobs in the district.
- 11.4 It is recommended that Option 1, as outlined in the Exempt Appendix, is approved for a new lease with the existing tenant at a higher rent.