

Bolsover District Council

Meeting of the Executive on 29th January 2024

Lease to 2WL Limited at Pleasley Vale Business Park

Report of the Portfolio Holder for Growth / Economic Development

Classification	Open Appendix 1 of this report is not for publication under Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972
Report By	Councillor John Ritchie Portfolio Holder for Economic Growth
Contact Officer	Sally Lovell Business Estates Manager Dragonfly Management (Bolsover) Ltd

PURPOSE/SUMMARY OF REPORT

- To update Members on the outcome of lease negotiations with 2WL Limited following the approval by Executive on 6th September 2021 to agree terms.
- To seek Members' approval to enter into a new lease agreement with 2WL Limited at Pleasley Vale Business Park on the negotiated terms as set out in the report.

REPORT DETAILS

1. Background

- 1.1 2WL have an established business operation at Pleasley Vale having been based on site for almost 30 years. The operation includes warehousing, fulfilment and distribution of greeting cards and giftware on behalf of publishers and giftware providers. They pick, pack, and distribute orders to multiple retailers nationally as well as export to distributors worldwide. Retailers include Asda, Tesco, B&M, Waterstones, John Lewis, TK Maxx, and Amazon.
- 1.2 Since taking occupation 2WL have invested heavily in their premises to improve the health and safety as well as improvements to meet their logistical operation and run their distribution warehouse successfully and efficiently. They currently occupy 91140 sq. ft of warehouse space and employ 31 staff who are all recruited within 5 miles of the Mills.

- 1.3 On 6th September 2021 delegated authority was granted by Executive for the Executive Director for Strategy and Development to agree terms with 2WL Limited for a new lease.
- 1.4 Officers have negotiated and agreed heads of terms, as set out in at Appendix 1. The total value of the lease over the full proposed term is above the key decision threshold and is subject to member approval to enter into the lease agreement, based on the Heads of Terms agreed between both parties.

1. Details of Proposal or Information

Main points to note from the agreed Heads of Terms

- 2.1 The rent will continue at £93,303 for the first 5 years of the new term which will enable the tenant to make a capital investment in years 1 to 3. The rent has been agreed by the Council's Senior Valuer.
- 2.2 The capital investment includes repairs to areas of the floor and the roof in the occupiable space in Mill 2 and the Dyehouse and replacement of windows to the front elevation of Mill 2, the elevation facing towards Mill One, and which is visible from entering the site from Mill One.
- 2.3 The Landlord will have the right to break the lease in the event of redevelopment of the site by the Landlord. However, members should note this will only apply when a redevelopment contract has been signed and would be subject to 24 months' notice being served under the 1954 Landlord and Tenant Act.
- 2.4 The Tenant has the option to end the lease agreement at the end of the fifth year of the term by serving no less than 6 months prior written notice.
- 2.5 An upwards only rent review will be completed every 5 years from commencement of the lease and in the last year of the term. This will be based on market value.

3. Reasons for Recommendation

- 3.1 Securing a tenancy for 2WL Limited at Pleasley Vale Business Park will provide some certainty on their continued occupation of the site and enable them to make capital investment in the building. This will significantly improve the premises, which are currently in a poor state of repair, and ensure that the Landlord can invest its limited revenue funds into urgent repairs which have already been identified in other areas on site.
- 3.2 There are currently no confirmed proposals for the regeneration of Pleasley Vale Business Park and therefore agreeing the tenancy will secure the rental income of at least £93,303 per annum for the 15-year term. In addition, the business rate liability, currently £49,664 per annum, will remain with the tenant.
- 3.3 By including the Landlord break, it ensures that accepting these proposals will not compromise redevelopment of Pleasley Mills.

4 Alternative Options and Reasons for Rejection

- 4.1 To allow the current lease to run its course and continue through to expiry on 30th September 2026. The tenant currently has security of tenure so could be left to hold over at the end of their already agreed contractual term. In addition, the Landlord doesn't currently have the option to break which could negatively impact on future development plans, therefore this option has been discounted.
- 4.2 Not to proceed with the new tenancy may result in the tenant choosing to relocate their business to alternative premises and this could potentially fall outside the district. Not only would this result in a loss of revenue income which would be significant loss to the authority, but it could also have an impact on the district in terms of unemployment or a loss of employment as all staff are recruited from the locality and may not be able to travel.
- 4.3 Should the business relocate; the authority would need to make a significant investment in the premises to bring it to the required standard for re letting.

RECOMMENDATION(S)

1. Executive approve the negotiated and agreed heads of terms.
2. Executive agree to enter in to a lease agreement with 2WL Limited.

Approved by Councillor John Ritchie, Portfolio Holder for Growth

IMPLICATIONS.

Finance and Risk: Yes No

Details: As detailed in section 2 of the report.

On behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details: Under Section 123 Local Government Act the Council is required to obtain best consideration upon the lease of a property, other than a short lease. The Council's Senior Valuer has confirmed that the rent as contained in this report meets these obligations. Legal Services will be instructed to prepare a lease agreement.

On behalf of the Solicitor to the Council

Environment:

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

The capital investment made by the Tenant to install new windows will make the premises more energy efficient.

Staffing: Yes No

Details:

There are no staffing implications as a result of this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

<p>Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards, or which results in income or expenditure to the Council above the following thresholds:</p> <p>Revenue - £75,000 <input checked="" type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies.</i></p>	Yes
<p>Is the decision subject to Call-In? <i>(Only Key Decisions are subject to Call-In)</i></p>	Yes

District Wards Significantly Affected	Pleasley wards
<p>Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input checked="" type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/></p>	<p>Yes</p> <p>Details:</p>

Links to Council Ambition: Customers, Economy, and Environment.
<p>This letting contributes to the Economic priorities of: Making the best use of our assets; and ensuring financial sustainability and increasing revenue streams.</p>

DOCUMENT INFORMATION	
Appendix No	Title
1	Heads of Terms (not for publication under Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972)

<p>Background Papers <i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive, you must provide copies of the background papers).</i></p>