

**Bolsover District Council**

**Meeting of the Executive on 27th January 2025**

**Lease of 3 / 4 Vernon Street, Shirebrook**

**Report of the Portfolio Holder for Growth**

<b>Classification</b>	Open
<b>Report By</b>	Lorri Darby Developments and Contracts Officer, Dragonfly Management (Bolsover) Limited

**PURPOSE/SUMMARY OF REPORT**

- To seek Member's approval to enter into a lease agreement on 3 / 4 Vernon Street, Shirebrook on the terms detailed in the report.
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**REPORT DETAILS**

**1. Background**

- 1.1 The tenancy agreement for 3 / 4 Vernon Street, Shirebrook ended by mutual surrender on 5 September 2022. The unit was reclaimed back in its existing condition with plans to utilise it as a green skills hub. The green skills hub did not come to fruition, leaving the premises vacant.
- 1.2 The property has not been advertised on the local market during the period of vacancy.
- 1.3 The building is seemingly in a good structural condition, with the roof being replaced in 2017. The internal of the premises requires improvement. There are, however, no dilapidation funds available for works, subject to the nature of the mutual surrender.
- 1.4 A recent valuation by the Senior Valuer suggests an achievable rental per annum of £15,500.
- 1.5 As a result of the period of vacancy, the compound is looking unkempt and attracting anti-social behaviour to the site.

**2. Details of Proposal or Information**

- 2.1 The interested party purchased the neighbouring property 10 years ago and has grown sufficiently to need a new premises so that they can expand their business operation. This unit presents an opportunity to grow their operation without the need to relocate, disrupt staffing, and incur significant relocation costs.

- 2.2 The Developments and Contracts Officer has received a proposal for a 10-year lease term, at a rental value of £15,000 per annum, fully repairing and insuring. The proposal suggests a minimum one-year rent-free period to offset a proportion of the improvements which the interested party is proposing for the building and wider site.
- 2.3 An upwards only rent review will be completed in the 5<sup>th</sup> year of the term. This will be based on market value.

### 3. **Reasons for Recommendation**

- 3.1 Securing the tenancy will both provide a suitable premises for a SME business to grow within the district and ensure occupation of the premises avoiding it falling into disrepair.
- 3.2 Agreeing the tenancy will secure rental income of at least £15,000 per annum for the 10-year term. In addition, the business rate liability, currently £7,500 per annum will be passed onto the tenant.
- 3.3 With the Council's permission, the tenant proposes to complete extensive improvements to the internal of the building and the site compound. Necessitating the Council to complete only mandatory compliance works. An itemised list of works is attached in **Appendix 1**, this list is not exhaustive. It is proposed that necessary compliance works are funded via the Council's Transformation Reserve, as the Capital Budget allocated to the Facilities Management Team has been fully utilised on other projects for this financial year. A delegated decision will be completed to authorise and access the reserve funding, when the itemised list is fully costed. This ensures the premises can be let and generate an immediate revenue stream. A proportion of the costs incurred for improvements will be offset within the rent-free period.
- 3.4 The timescales for completing the improvement works will be agreed between the interested party and the Council and will be written as a clause within the lease agreement. This will give the Council assurance that works will be completed within a specified time frame.
- 3.5 All the works will be documented in a schedule of works on completion. This ensures, at the end of the tenancy, that the Council recovers premises in a better condition than originally let, subject to general wear and tear.

### 4. **Alternative Options and Reasons for Rejection**

- 4.1 Not to proceed with the new tenancy may result in the interested party choosing to relocate their business to alternative premises and this could potentially fall outside the district. This would result in a loss of revenue income.
- 4.2 Should the authority not proceed with the letting of the premises, they will need to complete dilapidation works to the premises to bring it up to the desirable standard for letting, this would be at a cost to the Council, as well as delaying any new tenancy.
- 4.3 The Council opt to dispose of the premises, foregoing any repairs. This would however lead to the loss of a revenue generating asset from within the Council's portfolio.

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## **RECOMMENDATION(S)**

That Executive delegate authority to the Monitoring Officer to finalise the heads of terms, including the schedule of works, and enter into a lease agreement based on the Heads of Terms negotiated which include a 12 month rent free period.

Approved by Councillor John Ritchie, Portfolio Holder for Growth

### **IMPLICATIONS.**

**Finance and Risk:**            Yes             No

**Details:**

Although the annual rental proposed is lower than the recent valuation, it is felt the extensive improvements to the premises by the tenant and saving from business rate liability for the Council, mean the lower rental income for the first 5 years is justified.

On behalf of the Section 151 Officer

**Legal (including Data Protection):**            Yes             No

**Details:**

Legal Services will prepare a lease agreement for the tenant to sign. The Council's surveyor is satisfied that lease meets the requirements of Section 123 of the Local Government Act 1972 in terms of best consideration that can be reasonably obtained.

On behalf of the Solicitor to the Council

**Environment:**

**Details:**

**Staffing:**            Yes             No

**Details:**

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

On behalf of the Head of Paid Service

## **DECISION INFORMATION**

<b>Is the decision a Key Decision?</b> 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:  <b>Revenue - £75,000 <input checked="" type="checkbox"/> Capital - £150,000 <input type="checkbox"/></b> <b><input checked="" type="checkbox"/> Please indicate which threshold applies.</b>	Yes
<b>Is the decision subject to Call-In?</b> <i>(Only Key Decisions are subject to Call-In)</i>	Yes

<b>District Wards Significantly Affected</b>	Pleasley wards
<b>Consultation:</b> <b>Leader / Deputy Leader</b> <input type="checkbox"/> <b>Executive</b> <input type="checkbox"/> <b>SLT</b> <input type="checkbox"/> <b>Relevant Service Manager</b> <input type="checkbox"/> <b>Members</b> <input type="checkbox"/> <b>Public</b> <input type="checkbox"/> <b>Other</b> <input type="checkbox"/>	No  Details:

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

<b>DOCUMENT INFORMATION</b>	
<b>Appendix No</b>	<b>Title</b>
1	Itemised List of Works

<b>Background Papers</b>
<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>

Tenant Itemised List of Works

1. Remove all of the existing poor condition plumbing. Replace with new where required = **£1,000.**
2. Remove both existing kitchens and both toilet facilities and replace with one new kitchen and one new accessible toilet at one end = **£4,000.**
3. Remove all existing stud walls and suspended ceiling (predominantly in unit 3). **Unknown cost.**
4. Remove and brick up all external windows for security purposes (apart from the 2 on the front elevation that have roller shutters). = **£5,000.**
5. Remove existing extraction unit(s). = **£300.**
6. Replace external steps with compliant/accessible ramp type. **£1,200.**
7. Remove all existing floor coverings to take back to concrete and then have a professional industrial clean. Replace floor coverings where required. = **£2,000.**
8. Remove all existing flora and fauna where required. = **£1,200.**
9. Repair/replace palisade fencing where required. = **£1,800.**

**Estimated total: 16,500**

Council Itemised List of Works

1. Remove redundant wiring. **Cost pending.**
2. Remove and replace 2 x external fire doors. = **£8,000.**
3. Remove non-compliant roller shutter door and replace with electrically operated roller shutter door. Installation inclusive of electrical relocation = **£5,000.**
4. Repair / replace broken entrance step. **Cost pending.**

**Not taking into consideration compliance work such as fire strategy, asbestos testing, EICR etc.**

**Estimated total: £13,000**