



Dear Councillor

10 December 2018

You are summoned to attend an **EXTRAORDINARY** meeting of the **TOWN COUNCIL** to be held on **FRIDAY 14 DECEMBER 2018 to follow the meeting of Personnel Committee to be held on that day** in the **COMMITTEE ROOM**, Town Hall, West Borough, Wimborne Minster.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Lawrence West'.

Town Clerk

AGENDA

- 1 **SUSPENSION OF STANDING ORDERS**
To suspend Standing Orders Number 1 (relating to venue), 30 (standing to speak) and those parts of Number 29 relating to speaking more than once.
- 2 **APOLOGIES FOR ABSENCE**
- 3 **EXCLUSION OF PRESS & PUBLIC**
- 4 **OFFICE ACCOMMODATION AND LEASE TO INSHORE IFA**
To consider the report of the Town Clerk (copy herewith).

TO ALL MEMBERS OF THE TOWN COUNCIL

LOCALISM ACT 2011 and CODE of CONDUCT

Members are reminded to comply with those elements of the Localism Act and the Town Council's Code of Conduct in respect of disclosable pecuniary interests.

GENERAL CONDUCT

Members are reminded that the Council has a general duty to consider the following matters in the exercise of any of its functions: Equal Opportunities (race, gender, sexual orientation, marital status and any disability), Crime & Disorder, Health & Safety and Human Rights. and Data Protection (General Data Protection Regulation).



Wimborne Minster Town Council
EXTRAORDINARY TOWN COUNCIL
CONFIDENTIAL



Title: Office Accommodation and Lease to Inshore
Date: 14 December 2018
Item: 4
Author: Town Clerk

Members are aware of the acute problems with office accommodation and are aware of the possible options for improving them:

Convert the Committee Room to offices estimated cost £20,000 +;

Lease or buy alternative office accommodation in town;

Take back the office currently leased to Inshore.

By way of background, I shall remind, or in the case of relatively new Members inform, of the recent history of the Town Hall.

The building was purchased in 1992. The accommodation consisted of the Council Chamber and two offices, one where Inshore IFA now are (which was then occupied by the Town Hall staff and a reception area) and the other by Dorset Registration Service (which the Town Hall staff now occupy). There was also a small meeting room annexe, constructed of short-lived materials, as well as a large shed.

In 2001, works were undertaken to refurbish the Town Hall which resulted in the current configuration. The Town Hall staff moved to their present location and their previous office was occupied, on lease, by the Dorset Adult Education Service. The rent at that time was £3,000 per annum.

In April 2010, Dorset County Council gave notice that it wished to terminate its occupation of the room used by the Adult Education Service with effect from June 2010.

At that time, Members considered a number of options for its future use but because there was a possibility that the District Council might wish to use it, it was left vacant. There was also a rumour that the Police might be moving out of the Police Station and that the room might be needed as a CCTV Control Room.

None of this came to pass so in November 2010, the Town Council agreed to make the room available for hire by the public.

This did not prove successful. In July 2011, Patrick Willis Commercial was appointed by the Town Council as agent to market the room. Consequently, in November 2011, Heads of Terms were agreed to lease the room to Inshore Independent Financial Advisors with effect from 9 January 2012 for a period of three years. The rent brought in a net figure of £9,980 over the three years.

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On 18 November 2014, the Town Council agreed to extend the lease for six years from 9 January 2015. The lease contained a mutual option to break the lease in January 2018 but notice needed to be given before 9 July 2017. To date the rent since January 2015 has resulted in a net income for the Town Council of approximately £16,800.

At that time, there were three members of staff in the office. The Town Clerk's Assistant and Mayor's Secretary resigned in Mid-August 2017. In September of that year a staff review was carried out which resulted in an increase in the office establishment to four staff.

The Committee Room is hired by a variety of users but particularly U3A. The net annual income from the Committee Room is approximately £4,500.

The difficulty with accommodation has been raised with Members, including at the Projects Steering Group, and the general consensus has been that the ideal solution would be to have the currently leased office back for use by the Town Council. Members were reluctant to lose the Committee Room as a community resource and there is a lack of desire to lease or buy other accommodation. On that basis, I tentatively raised the matter with the tenant including the likelihood that the lease would not be renewed in 2021. I did this to enable the tenants to reconsider their short term business plans.

Recently, the tenants have advised me that having given the matter some thought, they have looked to secure alternative accommodation and would be happy to surrender their lease for a 'surrender premium' of £15,000.

I sought advice from Baker Property Consultants as suggested by Members and a letter dated 7 December 2018 is attached. The letter confirms that there is no formula by which to calculate a mutually acceptable figure. The premium is essentially a figure that the tenant is prepared to accept in order to end the current lease.

The Town Council is asked to decide whether it is prepared to make this payment in order to improve the office accommodation without impact on other rooms that currently have community use.

There is currently £115,000 in the General Fund.

10 DEC 2018



7 December 2018
181207HEW

Mr L Hewitt
Wimborne Minster Town Council
Town Hall
37 West Borough
Wimborne
Dorset
BH21 1LT

Riverside Parade
230 Tuckton Road
Bournemouth
Dorset
BH6 3AA

Telephone: 01202 423779
info@baker-pc.co.uk
www.baker-pc.co.uk

Dear Laurence

37 WEST BOROUGH, WIMBORNE BH21 1LT

I refer to our telephone conversation yesterday from which I noted that the Town Council is considering the possibility of negotiating a surrender of the lease at 37 West Borough due to a need for more office space for Town Council staff. You asked me to comment on factors that influence the surrender premium in such circumstances.

I have reviewed my file for 37 West Borough, where I acted on behalf of the Town Council in negotiating the lease renewal from January 2015. I have noted that a six year lease was agreed, subject to a rent review and a mutual option to break the lease in January 2018. Therefore, there are approximately two years left on the lease.

If the tenant wished to assign the lease in the open market to another occupier I think that the lease would have very little, if any, value. While the small office is attractive and has a display window, any replacement tenant is likely to be concerned that there are only two years remaining on the lease and that the landlord is under no obligation to renew the lease because it is contracted outside of the security of tenure provisions of the Landlord & Tenant Act 1954.

However, the current tenant is not actively seeking to move, so the value of the lease on the open market is immaterial. The tenant has occupied the office for almost seven years and to my knowledge is satisfied to remain in occupation at least until the lease ends. With the opportunity to exercise the mutual break option missed (notice would have needed to be given before 9 July 2017), the Town Council must either wait until the lease expires to obtain possession, or make the tenant an offer that is enough to tempt him to surrender his lease early.

The Town Council is, effectively, a "special purchaser" with a definite need to acquire office space sufficiently close to the Town Hall to accommodate new staff.

There is no set formula to calculate what the surrender premium should be because there is no compulsion for the current tenant to surrender the lease early. The tenant could, to some extent, hold the Town Council to ransom if he wished.

The surrender premium that the Town Council offers should at the very least be sufficient to cover the tenants costs and inconvenience of having to find alternative accommodation earlier than the lease provides. The costs could include the physical costs of moving premises, the costs of potentially breaking contracts such as telephone and broadband, the costs of reprinting stationery etc and professional costs associated with the surrender of the current lease and acquisition of alternative premises.

An alternative way of considering the surrender premium may be to look at the opportunity cost for the Town Council based by reviewing alternative options. For example, if a separate office suite is acquired elsewhere in the town centre, what would be the costs of acquisition, costs of occupation and estimated extra costs associated with having fragmented office accommodation spread over two different sites?

Alternatively, if another option might be to convert the existing Committee Room to an office, what would be the costs of conversion, the loss of income and amenity of losing the Committee Room as a community resource?

In summary, because there is nothing to compel the tenant to agree to a surrender of the lease, there is no set method to calculate a surrender premium. There are quantitative and qualitative factors to take into account from both the perspective of the tenant and the landlord. Quantitative factors can be calculated by adding together known or estimated costs, but the qualitative factors are more difficult to price because, for example, how do you calculate the relative convenience of having staff located within the Town Hall building compared with occupying space from another landlord further along West Borough?

If the surrender premium can be agreed with the tenant, the legal process to surrender the lease is straightforward. A Deed of Surrender is a relatively brief legal document that would be simple and quick to prepare between solicitors.

I hope that my comments are helpful.

With kind regards

Yours sincerely,



John Baker FRICS
Director

Email john@baker-pc.co.uk
Mobile 07528 99 99 92