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## 4 The Sector – new lease

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<b>Committee considering report:</b>	Executive
<b>Date of Committee:</b>	15 October 2020
<b>Portfolio Member:</b>	Councillor Dominic Boeck
<b>Date Portfolio Member agreed report:</b>	6 October 2020
<b>Report Author:</b>	Richard Turner
<b>Forward Plan Ref:</b>	Urgent Item

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### 1 Purpose of the Report

- 1.1 West Berkshire Council has freehold ownership of an office building in Newbury, 4 The Sector, which forms part of the council's commercial property portfolio. The building comprises 28,700 sq. ft. of high grade office space and is currently vacant.
- 1.2 The purpose of this report is to recommend the creation of a new lease, for 8,000 sq. ft. (circa 28%).

### 2 Recommendation

- 2.1 That the Executive resolves:

To delegate to the Service Director for Strategy and Governance to enter into the lease for 8,000 sq. ft. of office space in 4 The Sector on the terms described.

### 3 Implications and Impact Assessment

Implication	Commentary
<b>Financial:</b>	<p>Across the lease term the council will benefit from rental income and also benefit from the tenant contributing their proportion of the business rates, service charge, repairs and insurance.</p> <p>West Berkshire Council will be liable for a landlord fit out to carry out the necessary physical separation to create the 8,000 sq. ft. of space on the first floor of the building.</p>
<b>Human Resource:</b>	No identified impact.

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<b>Legal:</b>	The council's internal Legal Services team has been appointed to provide the services to create the new lease, and it is expected with the agreement of the Executive that the Service Director for Strategy and Governance sign the lease on behalf of the council.			
<b>Risk Management:</b>	<p>With 4 The Sector currently empty, WBC is liable for the building, its condition and costs.</p> <p>The formation of the new lease will reduce that liability, but is also expected to help with the marketing of the remainder of the site by having an active tenant.</p>			
<b>Property:</b>	Once in place the lease will form part of the council's commercial portfolio and ongoing management of its tenants.			
<b>Policy:</b>	The lease will be held within the commercial property portfolio, in accordance with the council's Property Investment Strategy.			
	<b>Positive</b>	<b>Neutral</b>	<b>Negative</b>	<b>Commentary</b>
<b>Equalities Impact:</b>		✓		
<b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		✓		
<b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		✓		
<b>Environmental Impact:</b>		✓		

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<b>Health Impact:</b>		✓		
<b>ICT Impact:</b>		✓		
<b>Digital Services Impact:</b>		✓		
<b>Council Strategy Priorities:</b>	✓			By bringing the tenant into Newbury, this will positively support the priority to support businesses to start, develop and thrive in West Berkshire
<b>Core Business:</b>		✓		
<b>Data Impact:</b>		✓		
<b>Consultation and Engagement:</b>				

## 4 Executive Summary

- 4.1 The property was purchased by WBC with completion on 27th April 2018.
- 4.2 The property although vacant, benefitted from a twenty four month 'escrow' agreement for the payment of rent, rates, and service charges by the vendor until April 2020.
- 4.3 On the expiry of the escrow payments, the building remained vacant with cost liabilities falling to the council. For 2020/21 the cost pressure has been minimised by the final escrow payment and use of the risk fund which has accumulated within the portfolio during 2018/19 and 2019/20.
- 4.4 The council's property agents have been approached with interest in leasing 8,000 sq. ft. (28%) of the building.
- 4.5 This will be a fully Insuring and Repairing lease (rates, repairs, insurance at tenants cost for their proportion of the building).
- 4.6 WBC will carry out works necessary to separate the space to create 8,000 sq. ft. and associated adjustment to services.
- 4.7 The tenant will also have further specific fit-out works funded themselves.

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- 4.8 This lease is not only expected to offer income but also transfer a proportion of the operational cost liabilities for the building to the tenant, to reduce the cost pressure.
- 4.9 Feedback from the WBC property agents is that having a tenant in the building, even if only a partial occupation demonstrates interest in the building and can attract other prospective tenants.
- 4.10 The tenant is keen to progress urgently to a position where the parties can formally exchange on the Agreement for Lease which will bind both parties to the lease, to enable each party to commit.

## 5 Supporting Information

### Introduction

Note, the information contained in the Executive Summary offers sufficient information for the purposes of this report

### Background

See Executive Summary

### Proposals

For WBC to enter into a new lease for 8,000 sq. ft. representing 28% of the total space at 4 The Sector, Newbury.

## 6 Other options considered

- 6.1 To decline the proposed lease and continue to market the vacant property on the basis of letting 100% of the space to a single tenant.
- 6.2 To dispose of the freehold, removing the property from the portfolio.
- 6.3 To convert the office space under permitted development to residential.

## 7 Conclusion

- 7.1 It is recommended that WBC proceed with the lease for 8,000 sq. ft. at 4 The Sector.

## 8 Appendices

None

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### Background Papers:

None

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**Subject to Call-In:**

Yes: ☐ No: ☒

The item is due to be referred to Council for final approval ☐

Delays in implementation could have serious financial implications for the Council ☒

Delays in implementation could compromise the Council's position ☐

Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months ☐

Item is Urgent Key Decision ☐

Report is to note only ☐

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