



# City of Westminster Cabinet Member Report

<b>Decision Makers:</b>	<b>Cabinet Member for Finance and Council Reform</b>
<b>Date:</b>	11 April 2024
<b>Classification:</b>	Part Exempt – the Part B report is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act 1972:  Paragraph Three: Information relating to the financial or business affairs of a particular person (including the authority holding that information)
<b>Title:</b>	Letting of 1st Floor, 20 Orange Street, London WC2 7EF
<b>Wards Affected:</b>	St James
<b>Key Decision:</b>	No
<b>Policy Context:</b>	Fairer Council
<b>Financial Summary:</b>	The income received and void costs avoided support the General Fund.
<b>Report of:</b>	Rupert Grass – Consultant, Corporate Property

## 1. Executive Summary

- 1.1 Terms have been agreed for the letting of the first floor of the Council owned office building at 20 Orange Street, London WC2 7EF. The Council owned office building sits in the General Fund.
- 1.2 A five-year lease has been agreed with Gerald UK Limited. The company is involved in the trading of metals.
- 1.3 The Council has been marketing since August 2023 and given that the offer is in line with the business case projections for the 2023 refurbishment the Council is receiving best consideration reasonably obtainable for this propose letting.
- 1.4 The detailed terms of the lease are set out in the exempt Appendix to this report.

## 2. Recommendations

- 2.1 To approve the entering into an agreement for lease and the grant of a lease of the first floor of 20 Orange Street, London WC2 7EF to Gerald UK Limited for a term of five years on the terms set out in the exempt Appendix.
- 2.2 To delegate authority to the Executive Director of Finance and Resources to make minor amendments to the heads of terms (non-financial) as required.

### **3. Reasons for Decision**

- 3.1 The office building at 20 Orange Street is a Council owned investment asset. It has recently been the subject of a comprehensive refurbishment. The first floor was refurbished to a fully fitted Category A Plus standard. The subject letting has been secured off the back of this refurbishment and will deliver a net annual revenue benefit of circa £0.233m (allowing for mitigation of void costs) for the duration of the lease.

### **4. Background**

- 4.1 20 Orange Street (including the basement and ground floor of 33/35 Whitcombe Street) was acquired by the Council in January 2018 for both investment and strategic purposes, given its proximity to the Council owned Huguenot House. It comprises a 5-storey office building with accommodation arranged over basement, ground and five upper floors.
- 4.2 Whilst fully let at the time of acquisition, a key tenant of the basement, ground and first floors vacated in 2019 and the tenant of the fifth floor vacated in 2021. During 2022/23 a scheme of refurbishment was designed to reposition the asset within the marketplace and assist the reletting of the vacant space. Approval for this £2.5m refurbishment project was approved in late 2023. The refurbishment commenced in January 2023 and completed in August 2023.
- 4.3 The first floor accommodation was refurbished to a Category A plus standard. This is fully fitted and furnished. The accommodation has been marketed on this basis since mid-2023 and terms have now been agreed with Gerald UK Limited for the letting of the space on the basis set out in the confidential Appendix.

### **5. Financial Implications**

- 5.1 The First Floor, 20 Orange Street, is currently empty so the Council is currently incurring service charges, national non domestic rates and other void costs estimated at £0.092m per annum. By letting the unit, the Council will both save these void costs and benefit from annual income of £0.141m. In total the revenue benefit for the General Fund is £0.233m per annum for a period of 5 years. There are some risks. To achieve this letting, the Council will need to incur fit out costs estimated at £0.025m and grant the first 5.5 months rent free. The new tenant is also not providing a deposit.

### **6. Legal Implications**

- 6.1 Local authorities are given powers under section 123 of The Government Act 1972 to dispose of land in any manner they wish, including sale of their freehold interest, granting a lease or assigning any unexpired term on a lease, and the granting of easements. The only constraint is that a disposal must be for the best consideration

reasonably obtainable (except in the case of short tenancies). Anything less than best value will require Secretary of State consent unless the difference between the unrestricted value of the interest to be disposed of and the consideration accepted ("the undervalue") is £2,000,000 (two million pounds) or less.

- 6.2 Before disposing of any interest in land for a price which may be less than the best consideration reasonably obtainable, local authorities are strongly advised in all cases to ensure that they obtain a realistic valuation of that interest. It is confirmed at paragraph 1.3 of this report that the Council is receiving best consideration reasonably obtainable for this propose letting.
- 6.3 Furthermore, a short tenancy is a tenancy, which is granted for seven years or less, or the assignment of a term, which has not more than seven years to run. Given that land sits within the general fund and the proposed lease term is for 5 years i.e. a short-term lease, Secretary of State Consent is not required for the disposal and the Council can dispose of it on the terms proposed within the report.
- 6.4 Where a new Lease is excluded from the provisions of Sections 24-28 (security of tenure provisions) of the Landlord and Tenant Act 1954, which this new lease proposes to do, this means that the tenant will not have a statutory right to request a new lease or remain in the premises after the original term of their lease has expired. The effect of this means, that the Council is under no obligation to renew the Lease to Tenant at the end of the term. This will allow the Council to have more control in deciding how best to the space and negotiate the terms of any future lease in line with changing market conditions. Where an agreement for lease is involved, as is the case in this matter, care must be taken that the landlord's warning notice is served and the tenant's declaration or statutory declaration is made before any agreement for lease is entered into as it is no longer possible to exclude security of tenure as soon as the tenant is contractually committed to take the lease.
- 6.5 The Cabinet Member Terms of Reference delegate the powers of this decision to the Cabinet Member. Paragraph 33.12 of the Council's Constitution requires that all Cabinet Member decisions must be published on the Council's website for five clear days before the decision is taken. Any representations received during this period must be considered by the decision-maker before the decision is taken.

## **7. Equality Implications**

- 7.1 There are no equality impacts from this decision.

## **8. Ward Member Consultation**

- 8.1 The ward Councillors have been consulted on this report on 21 March 2024.

**If you have any queries about this report or wish to inspect any of the background papers, please contact Rupert Grass [rgrass@westminster.gov.uk](mailto:rgrass@westminster.gov.uk)**

For completion by the **Cabinet Member for Finance and Council Reform**

**Declaration of Interest**

I have no interest to declare in respect of this report

Signed: \_\_\_\_\_ Date: 11 April 2024

NAME: **Councillor David Boothroyd**

State nature of interest if any .....

.....  
*(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)*

For the reasons set out above, I agree the recommendations in the report entitled Letting of 1st Floor, 20 Orange Street, London WC2 7EF and reject any alternative options which are referred to but not recommended.

Signed .....

**Cabinet Member for Finance and Council Reform**

Date ...11 April 2024.....

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment: .....

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, the City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.