

Guildford Borough Council

Report to: Executive
Date: 27 February 2025
Ward(s) affected: Bellfields & Slyfield
Report of Strategic Director of: Finance and Resources
Report Author: Emma Guy Asset & Property Manager
(Investment)
Email: Emma.Guy@guildford.gov.uk
Lead Executive Member: Richard Lucas
Email: Richard.Lucas@guildford.gov.uk
Status: Open
Key decision: Yes

New Letting of B4 Moorfield Point, 41 Moorfield Road, Slyfield Industrial Estate

1.0 Executive Summary

- 1.1 The Council owns a large investment property portfolio comprising industrial, office and retail properties. The properties are held for income generation and capital appreciation to support Council services.
- 1.2 The portfolio requires ongoing active property management to keep the estate in good order. The subject premises has been vacant since the previous tenant's departure on the 31 January 2024. A refurbishment and formal marketing exercise was subsequently undertaken to secure a new letting over the premises. In the case of open market lettings, officers instruct external consultants to provide a rental valuation and represent the Council in marketing the unit and negotiating the terms of the lease including the rent payable.
- 1.3 All lease agreements with an income in excess of £200,000 over the life of the contract are now required to be approved by the Executive.

2.0 Recommendation to Executive

That Executive resolves to:

Enter into a ten year lease to Style di Vita Ltd at a rent of £48,246 per annum, subject to a break option and an open market upwards-only rent review at year five.

3.0 Reasons for Recommendations

- 3.1 The proposed letting represents best consideration. It is the best offer received after thorough marketing and the rent represents an increase on previous lettings in this location.
- 3.2 The proposed annual rent secures an increase in the annual rental income stream for the Council.

4.0 Status of Report

The report is open.

5.0 Strategic Priorities

- 5.1 **A more prosperous borough** – The proposed letting demonstrates the strength of the local economy which is directly supporting the Council's finances and the running of its services for the benefit of residents.
- 5.2 **A resilient and well-managed council** – The proposed letting demonstrates sound estate management of the Council's property portfolio.

6.0 Background

- 6.1 The previous tenant failed to pay their rent and the Council took peaceful possession of the premises on 31 January 2024. The unit was left in a poor state of repair and required refurbishment prior to reletting.
- 6.2 Following completion of the refurbishment project, an external valuer was appointed to provide a marketing report along with a rental valuation of the unit to reflect the standard terms offered by the Council.
- 6.3 Demand for small industrial units continues to be good in this location. After several viewings, the strongest offer came from Style di Vita, an interior design and furniture company. The pertinent details of their offer are as follows:

A new 10 year lease to be granted outside the security of tenure provisions of the Landlord and Tenant Act 1954 at a rent of £48,246 per annum exclusive of VAT, business rates, service charge, utilities and all other outgoings. This will set the highest rental tone for the

estate. As per current market expectations, an initial 3 month rent-free period followed by a further 4 months at half rent has been agreed between the parties. There is to be an open market upwards-only rent review effective on the 5th anniversary of the term commencement date. The tenant may serve a notice to break the lease after 5 years. The tenant is keen to complete the lease as soon as Executive Approval is received.

7.0 Options

- 7.1 To conclude the matter as recommended.
- 7.2 If the proposed letting is not approved, officers would need to recommence formal marketing of the unit until another offer is received. Such a course of action exposes the Council to further void costs and a risk that a lower rent is achieved. Officers are expected to process the letting to a conclusion as quickly as possible and any delays will result in loss of rent and increases the risk that the tenant will withdraw.

8.0 Consultation

- 8.1 The Lead Councillor for Assets and Property, Councillor Ricard Lucas was consulted and supports the officer recommendation laid out in this report.
- 8.2 Ward Councillors were informed of this decision and no comments were raised.

9.0 Key Risks

- 9.1 By failing to conclude the matter on the terms set out above, there is a risk that the tenant may withdraw their offer and the unit remains vacant. This exposes the Council to additional costs, delays and the possibility of a weaker outcome.
- 9.2 There is a risk the Council may face reputational damage by failing to respond to the market – which presently represents best consideration – and failing to meet its strategic priorities.

10.0 Legal and Governance Implications

- 10.1 Under s123 of the Local Government Act 1972 the Council can dispose of land in any way manner it wishes subject to certain conditions. If the disposal is by way of a lease over seven years, then the Council cannot dispose of it for a consideration less than

the best that can reasonably be obtained without approval from the Secretary of State.

- 10.2 There is no set process for achieving best consideration but the Council must be able to demonstrate that it has taken appropriate advice. As set out in the report Assets consider that the rent following marketing achieves best consideration.

11.0 Financial Implications

- 11.1 The proposed letting to Style di Vita Ltd represents a highly favourable financial outcome for the Council, with a guaranteed annual rental income of £48,246 over a 10-year lease period. This arrangement ensures a stable and predictable revenue stream that aligns with the Council's financial sustainability goals.
- 11.2 Over the life of the lease, assuming no changes at the five-year rent review, the Council stands to earn £482,460 in rental income. However, if the upward-only rent review results in an increase, as anticipated based on current market trends, this amount could significantly rise, further enhancing the Council's financial position.
- 11.3 The agreement of an initial rent-free period (3 months) and a partial rent reduction for the following 4 months represents a standard industry practice, which incentivizes tenants to commit to long-term leases. While this results in a short-term deferral of income, the long-term benefits outweigh these initial concessions.
- 11.4 The avoidance of additional void-related costs is a key financial advantage of this letting. Continued vacancy would have exposed the Council to ongoing costs, including business rates, utility charges, service charges, and potential deterioration of the property due to lack of use. Furthermore, extended vacancies could necessitate additional marketing expenses and potentially lead to a lower rental income in the future, should market conditions shift unfavourably.
- 11.5 Beyond the immediate income benefits, this letting enhances the overall rental tone of the Slyfield Industrial Estate by securing a market-leading rent for this unit. This could positively influence the valuation of other Council-owned properties in the vicinity, providing a broader financial uplift across the property portfolio.
- 11.6 In the context of the Council's long-term strategic objectives, the income generated by this lease contributes directly to the funding

of essential public services and supports financial resilience during a period of economic uncertainty.

11.7 If the lease is not approved, there is a financial risk of losing the tenant, resulting in significant income delays and further exposure to market volatility. Approving the lease mitigates these risks and demonstrates prudent financial stewardship of the Council's property assets.

12.0 Human Resources Implications

12.1 None.

13.0 Equality and Diversity Implications

13.1 None.

14.0 Climate Change and Sustainability Implications

14.1 None.

15.0 Next Steps

15.1 Asset and Property officers to instruct Legal services to prepare a draft lease on the above terms to be signed by the parties.

15.2 Finance officers to budget for and arrange collection of the rental income.

16.0 Background Papers

16.1 None.

17.0 Appendices

17.1 None

Report clearance progress:

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|--------------------|--|-----------|
| Finance | Solomon Akuffo | 28/1/2025 |
| Legal & Governance | Claire Beesly | 17/2/2025 |
| Human Resources | Ali Holman on behalf of Francesca Chapman. | 30/1/2025 |
| Equalities | Ali Holman | 27/1/2025 |
| Strategic Director | Richard Bates | 30/1/2025 |