

CABINET

8 AUGUST 2023

RENEWING THE LEASE OF NURSERY PREMISES, KINGFISHER PRIMARY SCHOOL

Portfolio Holder: Councillor Naushabah Khan, Portfolio Holder for Housing and Property

Report from: Richard Hicks, Chief Executive

Author: David England, Valuation and Asset Management Manager
Natalie Beldin, Senior Valuation Surveyor

Summary

This report requests Cabinet to delegate authority to renew the lease for the nursery premises at Kingfisher Primary School when the current lease expires on 29th January 2024.

1. Recommendation

- 1.1. It is recommended that Cabinet delegates authority to the Director of Place, in consultation with the Portfolio Holder for Housing and Property, to grant a lease at Kingfisher Nursery on the best terms reasonably obtainable at an annual rent as set out in the Exempt Appendix.

2. Suggested reasons for decision

- 2.1. To secure the market rent for the property and make a positive contribution to the revenue income of the authority whilst retaining the nursery facility for the benefit of the local community.

3. Budget and policy framework

- 3.1. The market rental value of the premises is in excess of £20,000 per annum and therefore is beyond officer and Director delegated limits contained in the Delegation Scheme. Cabinet is therefore asked to authorise the proposed lease transaction.

4. Background

- 4.1. The existing tenant has occupied the premises, located within the primary school grounds, under a commercial lease, for almost twenty years. It operates a commercial nursery for pre-school children and provides after

school care. The premises comprise a 360 square metre modular building, playground and car parking spaces. The nursery offers facilities for up to 80 children, including day care for babies, toddlers and pre-school children plus before school/after school and holiday club sessions.

- 4.2. The tenant wishes to renew the lease upon expiry of the current term in January 2024.
- 4.3. Terms have been sent out to the tenant for a new ten year lease and subject to the Cabinet authorising the transaction, the draft lease can be prepared. The full terms of the proposed transaction are contained in the attached Exempt Appendix.
- 4.4. The Head of School Services has been consulted and has no objections to a new lease being granted to the tenant.
- 4.5. The rent proposed is considered to represent the full market rental value of the premises.
- 4.6. Kingfisher Primary School converted to an academy in 2013 and is leased to The Griffin Academy Trust. The nursery premises are excluded from the school lease and managed by the Council's Valuation and Asset Management department.

5. Options

- 5.1. Option 1 – Authorise officers to apply the market rent of the premises in excess of £20,000 pa and renew the lease agreement on expiry to the existing lease. This option would have a positive budgetary impact. **This is the recommended option.**
- 5.2. Option 2 – Refuse to renew the lease on expiry and seek possession of the premises which would result in loss of revenue, loss of nursery provision in the locality and increased void costs to the Council. This option would have a negative budgetary impact.

6. Advice and analysis

- 6.1. Renewal of the lease at Kingfisher Nursery will secure the future of the facility.
- 6.2. If the Council were to refuse to renew the lease this would impact on the school and local residents that require childcare services.
- 6.3. The Council has the power to dispose of property (including the granting of leases) under s123 of the Local Government Act 1972. However, the Council has a duty to obtain best consideration which the proposed transaction will do.

7. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
New lease does not complete	Parties fail to complete the new lease which would impact revenue income	Cabinet authorises the transaction and rent so that a draft lease may be prepared at the earliest opportunity	DIII

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

8. Consultation

- 8.1. The relevant service department and the Portfolio Holder for Housing and Property have been consulted and have no objections to the grant of a new lease at the market rent.

9. Climate change implications

- 9.1. The existing tenant installed solar panels on the roof of the nursery building in 2023 to reduce the operational carbon footprint.

10. Financial implications

- 10.1. The market rent has been calculated and discussed, in principle, with the tenant. The exact rent has not been detailed in this report as it is considered commercially sensitive information but is contained in the Exempt Appendix. The level is however above the delegated limit of £20,000 per annum and therefore requires the Cabinet to agree to delegate the rental level to be applied on lease renewal to officers.
- 10.2. Renewal of the lease will result in the Council continuing to generate a market rental income from the property. The market rent has been calculated to be in excess of the budgeted income for 23/24, therefore any decision to renew the lease does not cause financial pressure for the Council.
- 10.3. If the Council does not agree to renew the lease of the property a community facility will be lost. As a result, the Council would lose valuable rental income and would have to set aside additional revenue to manage and maintain the property whilst it is empty which would cause a budgetary pressure.

11. Legal implications

- 11.1. The Council has a duty under Section 123 of the Local Government Act 1972, to obtain best consideration when it disposes of or grants leases for over seven years or more of land and property, which is applicable to the proposed transaction.
- 11.2. As the rental level proposed exceeds the limit established in the employee scheme of delegation, Cabinet approval is required before the Lease can be entered into.

Lead officer contact

Natalie Beldin, Senior Valuation Surveyor

Tel: 01634 332403

Email: natalie.beldin@medway.gov.uk

Appendices

Appendix A: Plan of Kingfisher Nursery site Kingfisher Drive, Chatham edged black.
Exempt Appendix: Exempt information on proposed lease terms.

Background papers

None.