

SALISBURY CITY COUNCIL

Report

Subject : Unit 1A Tollgate Road
Committee : Environment & Climate Committee
Date : 01 July 2024
Author : Marc Read, Head of Environmental Services

1. Report Summary:

- 1.1. Salisbury City Council is funded via a combination of council tax precept and income it generates through its assets.
- 1.2. This report sets out how details relating to one of its assets, Unit 1A Tollgate Road and the agreement put in place to lease it to D&N Maintenance.

2. Background

- 2.1. In November 2021 a paper was presented to Full Council in exempt business asking Council to consider the potential purchase of a new depot for the Council at Tollgate Road to replace the use of leased premises in Harnham.
- 2.2. The premises at Tollgate Road comprising Unit 1, 2 & 3, with the proposal being that the Council occupied Unit 2 & 3 with Unit 1 being leased to provide an income.
- 2.3. In Annex B of the paper presented to Full Council identifies that works on Unit 1 will be required to let the unit on the open market and estimated a cost of approximately £24,000.
- 2.4. Although included in the preliminary cost estimates presented to Full Council, the works relating to Unit 1 were eventually excluded from the initial project works due to cost pressures relating to works required on Unit 2 & 3.
- 2.5. In its existing condition, Unit 1 was deemed unviable for let and it was proposed to mothball and revisit when budget allowed.

3. Proposal

- 3.1. The works to conduct the capital programme of works at Tollgate Road was tendered out to the market via an independent surveyor, Simpson Hilder Associates Ltd.
- 3.2. Three tenders were received with the most competitive price coming from D&N Construction who were subsequently awarded the contract.
- 3.3. During the works on Unit 2 & 3, D&N Construction enquired about leasing part of Unit 1 (the upstairs office area) and put forward a proposal that they would be willing to undertake the refurbishment works of the offices and other specified works in the rest of Unit 1 at their cost, in return for a lease of the office space within Unit 1, for a period of time at nil rent.
- 3.4. Advice was sought from Myddleton & Major regarding the proposal and the advice received included:
 - The office accommodation, which extends to around 1535 sq ft would have a rental value as part of the whole building in the region of £10,000 per annum.

- It was possible that it could be segregated into a separate first floor office with its own entrance.
- Terms were agreed with D&N Construction for them to take a 6 year lease of this accommodation at a peppercorn ground rent. In return, D&N Construction would undertake works to the building that would involve separation and refurbishment of the office accommodation, and additional works to the retained Unit 1, warehouse space. This required significant stripping out of former tenants fixtures and fittings and fit out arrangements to make it into a clear, lettable floor space.
- The scope and extent of these works were determined following conversations with Myddleton & Major, so as to provide a suitable lettable space.
- The value of works that D&N Construction were contracted to undertake were in excess of £50,000 and costs were verified by Simpson Hilder Associates.
- The increase in costs from the estimated £24,000 came from the advice received from Myddleton & Major into making the warehouse space lettable and inflationary increase.
- Myddleton & Major's view of the proposal was that, leasing the offices to D&N Construction for 6 years at a peppercorn rent provided the Council with the building repaired for letting, with no need for direct capital expenditure and at the end of the lease, D&N Construction will have to hand the office space back in its improved condition and in full repair or pay the full market rate.
- The lease with D&N Construction runs from 1st January 2024 to 31st December 2029.
- Given the Council had limited resources at the time to undertake the necessary works to get the building prepared for market, Myddleton & Major advised that this was a good commercial arrangement.

4. Recommendations

4.1. It is recommended that the Committee:

- Note the report

1. **Wards Affected:** All

2. **Background Papers:** DOC84077 (Exempt) & Outline Specification

3. **Implications:**

3.1. **Financial:** As outlined above.

3.2. **Personnel:** Nil in relation to this report.

3.3. **Environmental Impact:** Nil in relation to this report.

3.4. **Equalities Impact Statement:** Nil in relation to this report.