

**NPA REPORT ON BEHALF OF THE PROPERTY & PROJECTS GROUP**

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**Subject: The North Block, Llanion Park**

**Purpose of Report**

This paper seeks the approval of the National Park Authority to grant a new occupational lease to the Hywel Dda University Health Board (NHS) to extend their current occupation of the North Block Building at Llanion Park.

**Background**

The North Block ('The Building') was acquired by the Authority from Pembrokeshire County Council in 2003 as part of our freehold vacant possession purchase of the Llanion Park site. We subsequently undertook various works of improvement to the building before leasing it to Countryside Council for Wales (now Natural Resources Wales) for a term of 125 years in 2004 (the head lease) for their use as a regional office base.



**The North Block**

That head lease remains in place as at today's date and currently produces a ground rent of £5,500pa. It also includes a rolling tenants break option with the next effective date being Sept 2024.

The building became surplus to NRW 's operational requirements in circa 2014 and remained vacant for the next 5 years whilst they unsuccessfully marketed the building in pursuit of an assignment of their unexpired leasehold interest. In 2019 NRW accepted an offer from the NHS which saw the latter take possession under the terms of a new 15 year sub lease which includes a tenants break

option with an effective date of 30th March 2024. The passing rent that the NHS pay to NRW is £5,500pa.

By March of this year (2023), the NHS concluded that the building had become surplus to their ongoing operational needs due to a decision to relocate their service delivery to Withybush Hospital and therefore severed notice on NRW to action their break option effective from 30<sup>th</sup> March 2024. The resulting 'domino effect' is that NRW actioned the break option in their headlease, meaning that the building will revert back to us to us with full vacant possession effective from the 29th September 2024.

The recent discovery of Reinforced Autoclaved Aerated Concrete ( RAAC) at Withybush means that the NHS need to delay the transfer of service delivery from the building to Withybush hospital until an extensive programme of remedial structural work has been completed at Withybush. Their current best-case scenario is that the Withybush remedial works might be completed by mid-2025.

In our capacity as the owner of the building we recognise:

- the acute service delivery problems that RAAC is now causing at Withybush
- the need for the NHS to maintain its front-line service delivery.
- the principle and application of public sector partnership working.

We have therefore entered into a 3 way discussion with NRW and the NHS to structure an equitable solution to meet the reasonable needs of all interested parties and provisionally agreed the following deal subject to NPA approval :

- That NRW bring forward the surrender of their headlease back to the NPA by 6 months to the end of March 2024.
- The NPA grant the NHS a new 5 year Full repairing and insuring lease of the building at a fixed rent of £15,500pa commencing end of March 2024. That lease will include a rolling tenant only break option to allow the NHS to relocate to Withybush once the RAAC issue has been addressed any time following the 31<sup>st</sup> March 2025 and upon the service of not less than 9 months prior written notice. The provisionally agreed rent of £15,500pa reflects the buildings new rateable value within the recently introduced 2023 Valuation List. The NHS have also agreed to meet our legal costs in documenting this new lease.

The headline benefits for the three respective public bodies are as follows:

- NRW would be able to surrender their head lease back us 6 months early.
- The NHS can stay in occupation of the building and continue to deliver their public facing services under the terms of the new lease whilst they resolve the recently identified RAAC issues at Withybush

- The rent that the NPA receive will increase 3 fold from £5,500pa (i.e passing rent under existing NRW lease) to £15,500pa under the new lease from the NHS.
- The NPA will defer the date at which the building reverts back to us with full vacant possession beyond Sept 2024 (could still be as early as mid-2025 if RAAC work at Withybush proceeds as per best case scenario)

## **Financial, Risk & Compliance Considerations**

Whilst this does not represent a long-term solution re the future use of the North Block, it does demonstrate public sector partnership working and a significantly increased rental income for us beyond March 2024 whilst the NHS remain in occupation.

The existing NRW headlease requires them to make good any dilapidations to ensure the building is returned to us in good repair. The necessary process to identify, agree and make good any such dilapidations will need to be completed prior to the end of March 2024

It will be essential that the early surrender of the NRW lease and the commencement of the new NHS lease are documented on a simultaneous basis.

## **Human Rights/Equality Issues**

No issues

## **Biodiversity Implications/Sustainability Appraisal**

No issues

## **Welsh Language Statement**

No issues

## **Recommendation**

**That Members approve and early surrender of the existing NRW lease and simultaneous grant of a new lease to the NHS on the terms outlined above.**