

**Report to: Policy and Resources Committee, 19<sup>th</sup> December 2023**

**Report of: Corporate Director - Finance and Resources**

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**Subject: TUDOR HOUSE: SURRENDER AND REGRANT OF LEASE**

## **1. Recommendation**

**1.1 That the Committee notes the use of delegated powers to grant a lease of Tudor House on revised terms to trustees of Worcester Municipal Charities CIO.**

## **2. Background**

- 2.1 At a meeting of 4 June 2008 the Council's Cabinet approved a 125-year lease of Tudor House to Worcester Municipal Exhibitions Foundation, a sub-group of Worcester Municipal Charities to enable Worcester Heritage and Amenity Trust (WHAT) to operate the property as a museum and heritage centre. The lease was subsequently assigned to Worcester Municipal Charities CIO (WMC)
- 2.2 Tudor House is a Grade II listed building of considerable local historical importance. At the date of the agreement to lease the property, the Council considered the option of leasing the property to Worcester Municipal Charities alongside alternative proposals to lease the property to Visit Worcester or to release it on the market. The latter option was considered on the grounds that a number of period properties in Friar Street had been successfully converted into shops, restaurants and offices.
- 2.3 Cabinet resolved that the property should be retained as a facility for public use and a 125-year lease was agreed to secure this. The property was at that date already in use by WHAT and the lease was arranged to secure the future use of the building. To facilitate the transfer a premium of £100,000 was secured, which was estimated as 40% of the market value of the asset. The heads of terms of the lease agreed are as follows:

Tenant: Worcester Municipal Exhibitions Foundation

Length of Lease: 125 years

Premium: £100,000

Rent £1 p.a. (if demanded)

Outgoings: Tenant's responsibility; Full repairing and insuring lease

Permitted user: Local heritage centre/museum to include educational uses associated with this use

Alienation: No assignment or subletting of the premises without the Council's consent not to be unreasonably withheld, apart from subletting to WHAT of similar trust for the purpose of the permitted use

Clawback: In the event of the permitted user being discontinued and an alternative use being approved (at the absolute discretion of the Council), the Council to be entitled to a 50% uplift in the capital or rental value of the property resulting from the change of use, to be calculated from a baseline of 40% of market value

Alterations: An absolute restriction against any external alterations to the property. Internal alterations allowed with landlord's prior consent, subject to any planning & listed buildings consent required.

- 2.4 Since the above arrangement was implemented, the tenants have established a successful business model which has enabled them to continue to operate the facility as a local heritage centre/museum and to carry out a number of repairs and improvements. The property is in good repair and the museum well-established.

### **3. Proposal**

- 3.1 Earlier this year Council officers were approached by the tenants with a request to terminate the lease and transfer the property freehold to the Trust. The Managing Director, Corporate Director - Finance and Resources and the Joint Leaders of the Council met with representatives of the Charity and WHAT on 21 September to review options.
- 3.2 The proposal to transfer the freehold to the Charity was not supported on the grounds that it would cancel the Council's ability to specify the future use of the premises. The Council's position, as expressed in the existing lease, is that the property should continue to be used for its existing purpose. An extension of the existing lease to a period of 999 years was proposed as an alternative which captured both the Trust's desire to secure long-term title to the asset and the Council's aims of retaining it for the current use.
- 3.3 The granting of a lease longer than 125 years is a highly-unusual approach and is designed only to meet the specific circumstances of this arrangement: it cannot be taken as a precedent for negotiations relating to other Council leases. Ordinarily the surrender and grant of a much longer lease has a value to the leaseholder that would usually be represented in a negotiated payment. However, in this case the Council recognises the value of retaining the existing leaseholder who is operating the facility for the intended purpose and has invested an estimated £93,500 in the development of the property since 2008. Further investment is proposed by the Trust to repair the heating system and convert external buildings into education space.
- 3.4 The Trust further proposed that the Council's grant of planning permission and/or listed buildings consent is deemed to be the landlord's consent, and no licence is required in respect of internal and external repairs, alterations and new build. These proposals cannot be accepted as the Council, as landlord, must retain the right to approve any alterations which may materially affect the condition or future use of the property. However, it is agreed that legal costs incurred in the preparation of the new lease and any future licences to alter would be borne by each party, rather than by the tenant, as at present.
- 3.5 The tenant has also requested a right of pre-emption on the freehold should the freeholder of the day choose to dispose. This is to be granted but subject to the right not applying on any transfer of title under local government reorganisation or as a consequence of the statutory transfer of powers.
- 3.6 Other than the changes set out above, all other terms of the lease as set out at section 2.3 above are proposed to be retained. These proposals have been formally offered to the Trust and negotiations continue to secure agreement. These arrangements are being conducted by the Corporate Director – Finance and Resources in consultation with the Corporate Director – Planning and Governance under delegated powers as follows:

B15. To manage and maintain any land or buildings belonging to the Council.

B16. Together with the Corporate Director Planning and Governance, to authorise the acquisition, re-use, appropriation and disposal of the Council's land and buildings, together with the granting or taking assignment or surrender of leases, tenancies, licences, easements, wayleaves or other property rights and variations of rent of the Council's land and buildings

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**Background Papers:** None