

Case Study

Re-negotiating leases, saving the NHS over £500,000

RIVIERA PARK TORQUAY

Background

Site:
4,000sqft leasehold office

Context:
The former Primary Care Trust held a lease running until 2024 at a rent of £58,000 per annum from Torbay Council

Customer:

- Torbay and South Devon NHS Foundation Trust

NHSPS representative:

- Dan Cox (Senior Property Manager)

The Challenge

In reviewing their estate, the Trust decided to condense their operations which would involve vacating the space, leaving in summer 2018. The local Clinical Commissioning Group reviewed its requirements and subsequently declared the property surplus, and were able to enter the scheme in to NHS Property Services' Vacant Space Handback Scheme ([learn more about the scheme here](#)).

NHSPS had various options with this site, namely; subletting part of or the whole site, re-assigning the property, or surrendering it. Anything other than surrendering the property would have left NHSPS with responsibility of management and potential for future liabilities, whether it be rent, running costs or dilapidations, which we were keen to avoid knowing the site was no longer required by the CCG.

The Solution

Surrendering the lease would relieve NHSPS of all future liabilities of the site, and so this option was chosen.

It wasn't going to be easy to satisfy the landlord on this (as a government backed organisation like NHSPS is a strong covenant for a landlord), and so we sought to secure a new tenant to assist with the deal. We identified a local firm of accountants and agreed heads of terms to submit a detailed proposal to the landlord, which was approved.

The Result

The basis of the agreement means NHSPS will release this property from the NHS estate, and walk away with no future or potential future liabilities, for a cost equivalent to 12 months' rent (£58,000). This includes the potential dilapidations claim which would have come into play at the end of our term in 2024 and was estimated at circa. £100,000 by both NHSPS and the accountants' building surveyors.

To have achieved a favourable outcome such as the above in a timescale of just 3 months from handback has been a fantastic result and will see a saving to the wider NHS of just shy of £550,000.

Customer Feedback

"The whole process has been relatively pain free and you were very reasonable in your requirements for handing back the sub-lease. Torbay & South Devon Trust will now benefit from the significant savings from their outgoings for this building."

**Geoff Allen, Capital Projects & Property Manager,
Torbay and South Devon NHS Foundation Trust**