

## THE EXECUTIVE

13 DECEMBER 2005

### REPORT FROM THE DIRECTOR OF REGENERATION AND ENVIRONMENT

This report is submitted under Agenda Item 5. The Chair will be asked to decide if it can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency.

<b>COMMUNITY HALLS – LEASING TO COMMUNITY ASSOCIATIONS: RENT PLAN</b>	<b>FOR DECISION</b>
<p><b>Summary</b></p> <p>This report gives details of potential rental income for each of the community halls when they are leased to Community Associations. The report highlights that the original decision to lease halls to Community Associations indicated that there would be a nil rent effect on Community Associations. The report details what the consequence of charging rent to the Community Associations is likely to be and seeks approval to grant an initial seven year rent free period from the commencement of any lease.</p> <p>The report also asks the Executive to grant Delegated Authority to the Head of Leisure and Community Services to negotiate and enter into lease arrangements with the Community Associations.</p> <p><b>Wards Affected</b></p> <p>Although there are not community halls in all Wards community halls do serve the whole Borough and therefore affects all Wards.</p> <p><b>Implications</b></p> <p><b>Financial</b></p> <p>There are no direct financial implications arising from this report. Currently no rental income is received apart from Saturday night lettings. The loss of Saturday night lettings income will be offset by a reduction in caretaking costs and maintenance costs. A notional rent charged to the Community Associations will be matched by grant, If rent of £124,550 p.a. were to be charged with no matching grant this may preclude associations from signing a lease agreement. The transfer of the management of the Community Halls to Community Associations at nil rent will further increase the ability of the service to meet the savings included in the 2005/06 budget. Included in the report is an estimate of the likely order of redundancy costs for staff who may be affected should all the halls take on lease.</p> <p><b>Legal</b></p> <p>It will not be possible to offer a lease to any of the Community Associations until the question of rent has been settled. The General Disposal Consent (England) 2003 enables the Council to lease the premises for a consideration less than the best that can be reasonably obtained if the purpose is likely to contribute to the promotion of economic, social or environmental well-being of the whole or part of the Council's area , or of all or</p>	

any persons resident or present in its area. ‘

### **Risk Management**

If the Community Associations are charged rent and there is no uplift in the grants budget for the Community Associations to cover the rent then there is a risk that the reputation of the Council will be damaged as throughout the process Community Associations have been informed that the signing over of the lease will be at a nil rent charge to them.

### **Social Inclusion and Diversity**

Community Halls are used by a diverse range of users and contribute to both social inclusion and community cohesion.

### **Crime and Disorder**

There are no specific implications insofar as this report is concerned.

### **Recommendation**

The Executive is asked to  
note the rental assessments for the community halls and agree an initial seven year rent free period for the Community Associations on commencement of each individual lease, the notional rent being matched by grant.

To grant Delegated Authority to the Head of Leisure and Community Services to negotiate and sign lease agreements with the individual Community Associations.

### **Reason**

To progress with the delegation of management of community halls to Community Associations and to work towards the Community Priority of Developing rights and responsibilities with the local community

### **Contact**

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## **1. Background**

At its meeting of 23 November 2004 the Executive agreed to extend the time by which the Community Associations have to sign a lease on the individual halls to the end of September 2006, Minute 208. Community Associations have taken on responsibility for some of the costs from 1 April 2005 in order to contribute towards savings £173,480 required.

Regular dialogue is still being undertaken with each of the Community Associations and Age Concern who will be leasing halls. Additional work is being undertaken with two of the Borough's Sure Start projects to ensure that improvements to the halls in those areas can be carried out to the benefit of both the Sure Start project and the community associations.

## **2. Rental Issues**

- 2.1 When the Executive agreed the Delegated Management transfer of halls to Community Associations, the savings package submitted made no reference to a rent being charged to the Associations for the halls, Executive Minute 57 22 July 2003 refers. The advice at the time from Property Management within the report was that only leases of five years or less could be granted at peppercorn rent. Longer leases such as 21 years should be charged at the commercial rate, and to prevent this being too onerous for the Community Associations an equivalent amount would have to be added to the grants budget to cover the total sum of commercial rents from the halls. This is inline with the ODPM/RICS research into the use of property by Councils which was published in 2001 under the title 'Whose Property is it anyway?' which proposed letting to community and social groups be via formal leases and market rents be charged and the rent be refunded via grant in order that Council were aware of the full cost of supporting these groups and could make informed decisions.
- 2.2 On 1 September 2003 the General Disposal Consent (England) 2003 became effective and permitted local authorities to dispose of property, including via lease, at a discount of up to £2,000,000 per transaction to promote or improve the economic, social or environmental well being of the area. The introduction of the revised General Disposal Consent will permit the Council to let the community halls at peppercorn rents.
- 2.3 At the time of the report in July 2003 no rental assessments had been carried out on the halls. Therefore, there was no indication of what the potential rent could be and the uplift needed in the grants budget.
- 2.4 Since this time there have been two rental assessments carried out for the halls by the Council's agents Glenny's. The first of these was prior to any condition surveys being carried out on the buildings and was based purely on space and the commercial rent that could be attracted less a discount for restricted use.
- 2.5 The second assessment was carried out after the condition surveys had been completed and take into consideration the work that has to be carried out on each of the buildings and the rent has been reduced by an annual equivalent. These assessments together with an indication of the amount of work to be carried out on each hall are attached as **Appendix A**.

- 2.6 The condition surveys identified that the community halls were not in good condition. Some possible major expenditure items highlighted in the report included the replacement of boilers, roofs etc. Which under the full repairing lease being offered to Community Associations would be the responsibility of the individual Association(s) to fund. Glenny's, the Council's agent, have offered to prepare for the individual Association(s) a Planned Preventative Maintenance programme to ensure that the Council's asset is maintained to an acceptable standard. The cost of preparing this plan will be funded from the existing budget.
- 2.7 From the start of the transfer of Community Halls project the Community Associations have been told by both Councillors and Officers that it was the Council's intention that the individual associations would not be required to pay rent and that if due to lease restrictions rent had to be charged that the sums would be covered by a grant equivalent, resulting in a nil net rent to themselves. If this is not to be the case, then it is likely that none of the Community Associations will take on a lease arrangement; given the amount of potential work to be carried out on the buildings, the running costs and the possible rent to be charged.
- 2.8 On a practical point if a market rent is to be charged and a grant equivalent to the rent given to each community association then each lease will need to contain a break clause which can be operated by the lessees, the community associations, should the grant not be approved.
- 2.9 The Council has never received any rental income from the halls; apart from lettings on a Saturday night (where the Council provided caretaking staff). If the leases are signed then the Community Associations will be duty bound to maintain the asset which will remain in Council ownership. The Associations will also take responsibility for all costs that have been previously been the responsibility of the Council as the leases that are being offered are full repairing leases. The Associations would then take all of the income from the halls.
- 2.10 At the end of the rent free period the situation will be reviewed and it may be possible at this time for rents to be paid by the Community Associations.
- 2.11 The issue of the rent to be charged will need to be clarified before any lease can be drafted and be finalised as it has a major bearing on the Community Associations taking on a lease and running the hall successfully. If Community Associations do not take on the lease that the Executive report of July 2003 stated that the Council would seek to run the halls at a break even basis or dispose of the halls. Should the latter be the case this would mean that there would be no secular local community facilities for a wide and diverse sector of the community and until their disposal the Council would still have a building that it would need to secure/ repair
- 2.12 Should any of the Community Associations be willing to take on the lease Delegated Authority is sought for the Head of Leisure and Community Services to negotiate and enter into the lease with the Community Association.
- 2.13 There could be possible opportunities ahead with the pending restructure of the Council which places greater importance on engaging the voluntary sector as a whole and bringing together a co-ordinated resource under a Head of Community

Services and Libraries. This positive step will ensure that the Community Associations have the much needed support to succeed.

### **3. Financial Implications**

- 3.1 There are no direct financial implications arising from the recommendations in this report. There is no rental income currently received by the council. If a rent is charged and matched by grant there would be no overall cost to the Council. Likewise if a seven year rent free period were to be agreed the financial implication would be the same, as no rent is received at the moment apart from Saturday night rental income.
- 3.2 The loss of the Saturday rental income will be matched by the reduction in costs for the Council due to the leases requiring the associations to be responsible for their major repair costs and caretaking duties.
- 3.3 As the Council involvement is scaled down there may be some one-off costs to be incurred in terms of redundancy of a hall supervisor and a janitor. Costs for these cannot be fully quantified at present because until leases are signed it is not clear when these individuals' services will no longer be required. However an estimate of costs based on the staff leaving in September 2006 is in the order of £63,000. There will be adjustments to this estimate with some of the sum being paid from the pension fund but until specific dates have been agreed it is impossible to be totally accurate.
- 3.4 Also the staff are on the redeployment register and hopefully could be offered other positions before needing to make them redundant.

### **4. Consultation –**

#### **4.1 Councillors**

The following Councillors have been advised of the proposals:

#### **Lead Councillor:**

Adult Social Services and Lifelong Learning Portfolio (Community Assets/ Halls and Finance), Councillor Graham Bramley

The Leader of the Council Councillor Charles Fairbrass

The Deputy Leader of the Council Councillor Terence Wade

Community Development and safety portfolio Councillor Geddes.

#### **4.2 Officers**

#### **Finance**

Alex Anderson, Head Of Finance, Department for Regeneration and Environment.  
Alan Russell, Head of Audit.

## **DRE**

Colin Beever Head of Property Services  
Maureen Perkins Head of Human Resources

## **Corporate Strategy**

Muhammad Saleem, Solicitor to the Council  
Robin Hanton, Corporate Legal Manager  
Naomi Goldberg, Head of Policy and Performance

## **Housing and Health**

Jeff Elsom, Crime and Anti Social Behaviour Unit Manager

## **Background Papers**

**Executive report 22 July 2003 .**  
**Executive report 24 November 2004.**

## Appendix A

### Community Halls Rental Assessments

Hall	Original Rental Assessment	Condition Survey Assessment Of Costs	Revised Rental Assessment
Abbey	£17,150	£65,613	£10,100
Gascoigne	£8,800	£32,168	£5,400
Ripple	£27,250	£68,926	£19,900
Thames View	£10,000	£66,400	£2,900
Woodward	£17,200	£73,200	£9,400
Hatfield	£6,600	£25,076	£4,000
Ted Ball	£11,650	£66,510	£4,500
Village	£11,200	£22,659	£8,800
Teresa Green	£13,423	£76,500	£1,800
Wantz	£16,630	£106,250	£ 5,250
Heath Park	£13,417	£40,220	£9,100
George Crouch	£8,000 restricted to Community use only	No survey conducted as part of flat complex	£9,100 based on the fact that Age concern now seek to use part of accommodation for offices.
Seabrook	£27,800	£57,412	£21,700
Fanshawe	£22,640	£176,821	£3,700
Marks Gate	£7,800	£43,840	£3,100
Galleon.	£11,740	£55,958	£5,800
<b>Total</b>	<b>£231,300</b>	<b>£977,553</b>	<b>£124,550</b>