

## CABINET

11 July 2017

<b>Title:</b> Teresa Greene Community Centre: New Lease Arrangement	
<b>Report of the Cabinet Member for Finance, Growth and Investment</b>	
<b>Open Report with Exempt Appendix 1</b> (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 as amended)	<b>For Decision</b>
<b>Wards Affected:</b> Village	<b>Key Decision:</b> Yes
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<b>Accountable Director:</b> Andrew Sivess, Head of Assets and Investments	
<b>Accountable Strategic Director:</b> John East, Strategic Director Growth and Homes	
<b>Summary</b>	
<p>In December 2010, Cabinet agreed to lease several Community Centres on 30-year lease terms at peppercorn rents as part of its future management arrangement of community centres. Teresa Green was one of eight community centres subject to this arrangement and a 30-year lease term was agreed in 2011</p> <p>In 2016, the Council were approached by the Community Association with a proposal to undertake significant maintenance of the building (new windows, boilers and flooring) estimated to be in the region of £100k - £150k, in return for a longer lease of 50 years.</p> <p>The details of the site, its use, the works proposed by the Community Association and the financial impact on the Council are outlined in this report.</p> <p>A new arrangement would be progressed based on a market rental valuation being obtained and the longer-term development potential of the site, whilst having regard to its current viability and the community benefits it provides. The Community Association have been made aware of the market rent (as outlined in Appendix 1) and formal negotiations have commenced.</p> <p>Under the Council's Constitution, the granting of a new 50-year lease requires Cabinet approval.</p>	
<b>Recommendation(s)</b>	
The Cabinet is recommended to:	
(i) Agree to the surrender of the existing lease and the granting of a new 50-year lease based on the terms outlined in the report, in accordance with the Council's Land Acquisition and Disposal Rules; and	

- (ii) Delegate authority to the Strategic Director of Growth and Homes, in consultation with the Cabinet Member for Finance, Growth and Investment, the Chief Operating Officer and the Director of Law and Governance, to negotiate and finalise terms and execute all the legal agreements and other documents on behalf of the Council.

## 1. Introduction and Background

- 1.1 In December 2010, Cabinet agreed to lease a number of Community Centres on 30-year lease terms at peppercorn rents as part of its future management arrangement of community centres.
- 1.2 The transfer to various community associations allowed the Council to realise financial savings and allow the Community Associations greater autonomy over the running of the Centres. One of the 8 centres included within the report was the Teresa Greene Community Centre in Leys Avenue Dagenham (Village Ward). A 30-year lease term was agreed in 2011.
- 1.3 The site is on the Leys Estate surrounded by a mix of 2 storey houses and 3 storey flats. It comprises the main building with a large hall, small hall and ancillary rooms (kitchen, wc's etc) – building and site plans are attached at **Appendix A and B**. There is an external garage (suitable for the storage of a minibus type vehicle) and outdoor space to the front, side and rear of the building, some of which is used for outdoor play space by the pre-school who use the site and is equipped with various children's play equipment.
- 1.4 The building is 470 sq.m and the overall site is 0.8 acres.
- 1.5 Whilst some building works were carried out prior to the original leases in 2010/11, the building was largely let in its existing condition. The building is showing signs of significant wear and tear and the Community Association has pledged to secure funding to carry out the works listed above over a period of time and some quotes have already been obtained to arrive at the estimated figures.
- 1.6 The Council's Land Acquisition and Disposal Rules (paragraph 2.2, Chapter 4, Part 4 of the Council Constitution) require the granting of any new lease over 20 years to be approved by the Cabinet.

## 2. Proposal and Issues

- 2.1 In 2016, the Council was approached by the Community Association managing the Teresa Greene Centre with proposals to invest in the building and undertake a number of significant repairs, including new windows, replacement boilers, radiators and new flooring and matting, estimated to be in the region of between £100k - £150k.
- 2.2 In committing to this investment, the Community Group (a registered charity) requested that consideration be given to the granting of a new 50-year lease in order to or a lease structure that protects the Council's position and with rent review periods to be agreed. The lease would also have provision to ensure that the

proposed works are carried out within a reasonable time, to ensure that the investment is delivered.

- 2.3 This new arrangement would therefore see grant a surrender of the existing lease and the granting of a new lease for the 50-year term and give the Community Association the security they have requested and allow them to secure long-term funding to invest building. The Community Association have suggested that having a well-maintained building would encourage further lettings (and further income) and help develop further community activities.
- 2.4 Discussions with the Community Association indicates that the Centre has a number of regular users, including a Karate club, several dance schools, nursery and playgroup provision for children as well as religious worship.
- 2.5 In addition, the Centre is used for commercial lettings such as parties, wedding receptions etc, various community meetings and other activities such as outdoor sports, summer barbecues and Christmas events. The Council has been provided with financial data from the Association on income and outgoings.
- 2.6 The Leys Estate is currently being regenerated which will increase the number of residents in the Leys area and provide a different mix of residential accommodation.
- 2.7 There are no immediate plans to redevelop this site but any new lease would effectively preclude any redevelopment until c2067 and a 50-year lease would assist in retaining the facility for community use in the meantime.
- 2.8 The original leases in 2010/11 were granted at a peppercorn as part of the overall Council strategy of managing community centres and the Community Association has benefitted from this since the granting of the original lease.
- 2.9 Subsequent leases within the commercial portfolio have, however, been granted based on market terms and to agree anything different for this letting would move away from this arrangement and set a precedent for future requests.
- 2.10 A market valuation has been obtained, based on the following terms:

<b>Term</b>	50 years
<b>Rent Reviews</b>	5 yearly, to be agreed as either Market Value or an RPI increase from the last review
<b>Repairs</b>	Tenant responsibility for internal and external repairs
<b>Alienation</b>	No sub-letting, other than by way of hiring
<b>Alterations</b>	With Landlord's consent
<b>Permitted uses</b>	<ul style="list-style-type: none"> <li>▪ The promotion of community participation in positive activities particularly but not exclusively, for the benefit of Barking and Dagenham residents by the provision for community, cultural, social and educational activities.</li> <li>▪ To advance the education of young people and adults, through the provision of cultural facilities and programmes, in order to encourage their independence.</li> <li>▪ To promote such other charitable and community activities as may be determined that benefit the local community.</li> </ul>
<b>Security of</b>	Outside the security of tenure provisions of the landlord and Tenant

<b>tenure</b>	Act 1954 (ie – no automatic rights to renew at the end of the lease term).
<b>Break clause</b>	To be agreed
<b>Rent free period</b>	To be agreed and subject to the level of works finally agreed.
<b>Market rental valuation</b>	See <b>Appendix C</b> (this document is in the exempt section of the agenda as it contains commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.)

- 2.11 Officer are also currently developing a rent subsidy scheme previously endorsed by the Cabinet (Minute 51, 22 October 2013 refers) which gives community and voluntary groups occupying Council commercial premises an opportunity to apply for a rent subsidy based on the activities of the group and the extent to which they meet the Council's priorities. Should any application made by the Association be successful, the Group would see any rent payments reduced accordingly.

### **3. Options Appraisal**

- 3.1 The current lease to the Community Association has approximately 24 years remaining and if the Council was to decline the proposal for a new 50-year lease it is anticipated that community provision at the Centre would continue, at least in the short / medium term.
- 3.2 However, the building is in need of investment and the proposal from the Community Association would enable the necessary improvement works to be carried out, as well as maintaining the Council's stated objective of community centres being run by the local community.
- 3.3 The Centre provides a range of community activities serving a locality which does not have any similar centre nearby. Therefore, any loss of this facility would leave residents of the area with no local community provision of this nature.

### **4. Consultation**

- 4.1 A report outlining the above proposed arrangement was discussed at the Property Advisory Group (part Members, part officer composition) in December 2016 and approval sought to progress the deal, subject to agreed lease terms and a market valuation. The proposal was also endorsed by the Capital and Assets Board on 17 May 2017.
- 4.2 Consultation with officers within the Culture and Sport Service have indicated no objections to agreeing a longer lease for the site.

### **5. Financial Implications**

Implications completed by: Lance Porteous, Principal Accountant, Finance

- 5.1 This report is seeking to grant a 50-year lease to a community association (Teresa Green) in return for a market rent as set out in Appendix A. As this property previously only received a peppercorn rent, this decision would increase the income

of the Council's commercial portfolio and will incur little additional cost, as repairs will be the tenant's responsibility.

## **6. Legal Implications**

Implications completed by: Erol Islek- Senior Property Solicitor- Law & Governance

- 6.1 According to the Council's Constitution (paragraph 2.2, Chapter 4, Part 4 – Land Acquisition and Disposal Rules) leases over 20 years could only be granted with Cabinet approval.
- 6.2 The Council is required to obtain best consideration in the disposal of its assets. A disposal also includes the grant of leases. The Council has the power to enter into the proposed long lease but must do so in compliance with law and the Council's acquisition and land disposal rules. The Council's disposal powers are contained in section 123 of the Local Government Act 1972, and Section 1 of the Localism Act 2011 also provides local authorities with a general power of competence. Under section 123 of the Local Government Act 1972 the Council has the power to dispose of land in any manner that they wish which includes the grant of a lease. One constraint is that the disposal must be for the best consideration reasonably obtainable unless there is ministerial consent or the transfer is to further local wellbeing. An independent valuation has been carried out to ensure the annual rent is what could be achieved considering the current market conditions.
- 6.3 The Council is at liberty to proceed with this matter. The Legal Practice should also be consulted for the preparation and completion of the necessary legal documentation.

## **7. Other Implications**

- 7.1 **Contractual Issues** – Other than the property related lease arrangements outlined within the body of this report, there are no further contractual issues.
- 7.2 **Corporate Policy and Customer Impact** – The Community Association provides a range of services to the local community to further their social wellbeing.
- 7.3 **Crime and Disorder Issues** – This new arrangement will secure the future of the site and present any crime or security issues associated with having an empty building, should the Community Association decide to vacate the premises rather than invest.

**Public Background Papers Used in the Preparation of the Report:** None

**List of appendices:**

- **Appendix A:** Building Plan
- **Appendix B:** Site Plan
- **Appendix C:** Market Rental Valuation (Exempt document)