

## CABINET

21 May 2013

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| <b>Title:</b> Manor Road Sports Ground, Manor Road, Dagenham - Grant of New Lease  |  |
| <b>Report of the Cabinet Member for Finance</b>  |  |
| <b>Open Report</b>   | <b>For Decision</b>  |
| <b>Wards Affected:</b> Village   | <b>Key Decision:</b> Yes   |
| <b>Report Author:</b> David Lee, Estates Surveyor  | <b>Contact Details:</b><br>Tel: 020 8724 8125<br>E-mail: david.lee@lbbd.gov.uk |
| <b>Accountable Divisional Director:</b> Jonathan Bunt, Divisional Director - Finance   |  |
| <b>Accountable Director:</b> Graham Farrant, Chief Executive   |  |
| <b>Summary:</b> <p>The site is currently leased to Dagenham United Football Club (DUFC) for a term of 15 years from 19 December 2003. The passing rent is £6,011 per annum set at review with effect from 19 December 2008.</p> <p>Authority is sought to take a surrender of the current lease and grant an Agreement for Lease to Academy of Dreams plc (AOD) to enable them to develop the site as a sports facility in accordance with the planning permission granted in December 2010.</p> <p>The proposal would provide substantial investment to the site that would significantly enhance the facilities at the sports ground. The new facilities would include a new floodlit full size all weather artificial pitch, a new floodlit 7 a side artificial pitch and a new clubhouse and pavilion. The total construction costs are estimated at £915,000, to be borne exclusively by AOD at no cost to the Council or DUFC.</p> <p>Thereafter AOD would be granted a new lease for a term of 35 years at an initial base rent of £12,500 per annum or 5% of gross turnover if greater. The base rent would be subject to upwards only rent reviews at five-year intervals in accordance with movements in the Retail Prices Index. The site would be sub let to the current lessees, DUFC, for the full term.</p> <p>The Council would receive a minimum rental income in excess of twice the current income. Furthermore, based upon AOD's financial forecasts the total rental income that the Council would receive, including the turnover rent, would be four times the current rent received.</p> <p>There are substantial community benefits to be gained from these proposals. AOD are an established sports development company that are committed to providing sports opportunities for the local community. AOD and DUFC would form a partnership to provide sports opportunities for the local community.</p> |  |

## **Recommendation(s)**

The Cabinet is recommended to agree:

- (i) To take a surrender of the current lease and grant an Agreement for Lease to Academy of Dreams plc to enable them to develop the site as a sports facility in accordance with the planning permission granted in December 2010 followed by the grant of a new lease, on the terms set out in the report;
- (ii) That the site be sub let to the current lessees, DUFC, for the full period on the terms set out in the report;
- (iii) That the lease require the lessees to have appropriately trained first aiders on site at all times of activity, and that all activities are adequately insured; and
- (iv) To authorise the Chief Executive, in consultation with the Head of Legal and Democratic Services and Divisional Director of Finance, to negotiate, agree and complete the legal documentation to facilitate this transaction.

## **Reason(s)**

The proposal will assist the Council in making better use of its resources and assets and links to the overall priority and vision for better health and wellbeing.

## **1. Introduction and Background**

- 1.1 The site is leased to Dagenham United Football Club (DUFC) for a term of 15 years from 19 December 2003. The passing rent is £6,011 per annum set at review with effect from 19 December 2008. They are a community club established in 1961.
- 1.2 The site is located to the south of Manor Road in Dagenham in a predominantly residential area, set back from any major arterial roads. It extends to approximately 3.33 hectares (8.25 acres) and comprises three fairly low quality football pitches of different sizes, an unsurfaced car park and various portacabins used as an office, changing rooms and for storage. Planning permission on the site is restricted to sports use. It is located in the Green belt (Dagenham Corridor). A location plan of the site is attached as Appendix 1 and photographs of the existing facilities are attached as Appendix 2.
- 1.3 In December 2010 DUFC were granted planning permission to erect a new clubhouse and pavilion with changing rooms, a new floodlit 11v11 FIFA and RFU accredited all weather artificial turf pitch that can be sub divided into smaller pitches, a new floodlit 7v7 pitch with the same surface, with associated fencing and CCTV. One full size turf pitch will be retained but upgraded. Terms were also provisionally agreed to grant a new lease to DUFC for a period of 25 years at an initial rent of £8,250 per annum with rent reviews at five-year intervals.
- 1.4 DUFC were subsequently approached by Academy of Dreams plc (AOD), who are very interested in this project and are keen to invest in it. They are an established sports development company with key aims and objectives to create and develop training and game facilities for grass root sports across the UK. They are currently

involved in projects in Walthamstow, Harrow, Nottingham and mid Wales. Their main interest is football but they are also involved in other field sports as well, including both codes of rugby, hockey and Lacrosse. Their chairman is Terry Venables and he is keen to give something back to the community where it all started for him, leading to their particular interest in this project. A photograph of AOD's Walthamstow site, after redevelopment, is attached as Appendix 5. DUFC are equally keen to enter into this partnership as it will provide them with the investment required for the site.

- 1.5 The original paper relating to this transaction was presented to the Council's Property Asset Group (PAG) in December 2012. However, PAG recommendation was deferred due to queries, among other things, about AOD, the proposed floodlighting and the possible impact of the proposals on local residents. These concerns were assuaged by a site visit with Councillors R Gill and P Waker on 23 January and a subsequent meeting with DUFC and AOD on 11 February.
- 1.6 There are substantial community benefits to be gained from these proposals and a document setting out AOD's vision for the site is attached as Appendix 3. AOD and DUFC will form a partnership to deliver coaching workshops, school sessions, weekend clubs and holiday courses. AOD are also willing to undertake some additional projects on a Borough wide basis.

## **2. Proposal and Issues**

- 2.1 Terms have provisionally been agreed to grant a lease of the site to Academy of Dreams for a term of 35 years at an initial base rent of £12,500 per or 5% of gross turnover if greater. The base rent will be subject to upwards only rent reviews at five-year intervals in accordance with movements in the Retail Prices Index.
- 2.2 AOD has provided details of their financial projections for the site. Based upon these projections, by Year 5 their gross turnover would be circa £500,000 and therefore the annual rent payable to the Council would be circa £25,000.
- 2.3 AOD will develop the site as per the planning permission granted, building the new all weather pitches and pavilion. Three directors of the company will stand as guarantor for the period of the construction works. The total construction costs are £915,000 and these will be borne by AOD at no cost to the Council or DUFC. A plan showing the proposals for the sports ground is attached as Appendix 4. A sub lease will be granted to DUFC for the full term.

## **3. Options Appraisal**

- 3.1 Option A - Decline the proposal to grant a new lease to AOD on the proposed basis. This option is not recommended as it does not provide any inward investment to the site, any improvement to the community facilities or any significant increase in rental income to the Council.
- 3.2 Option B - Accept the proposal to grant a new lease to AOD on the proposed basis. This is the recommended option for the following reasons:-
  - It will provide substantial investment to the site (circa £915,000) that will significantly enhance the facilities at the sports ground.

- The Council will receive a minimum rental income in excess of twice the current income. Furthermore, based upon AOD's financial forecasts the total rental income that the Council will receive including the turnover rent will be four times the current rent received.
- There are substantial community benefits to be gained from these proposals. AOD are an established sports development company that are committed to providing sports opportunities for the local community. They will form a partnership with DUFC in order to achieve these goals. The substantial investment, management and support of local grassroots football will provide significant community benefits and enhance the local football development plan.

#### **4. Consultation**

- 4.1 Consultation has taken place internally with the Council's finance and legal teams. Local Ward Council's have been consulted.

#### **5. Financial Implications**

Implications completed by: Martin Henwood, Deputy Chief Financial Officer

- 5.1 The direct financial implications for the Council in this proposal are limited. The proposal will increase income from the site from c£6,000 per annum to more than £12,000 per annum. This is a required amount which may rise to £25,000 p.a. if the forecasts in the AOD Business Plan are fully realised. Any financial risks around running the facility will rest with AOD, who are experienced providers with other sites around the country, and not the Council.
- 5.2 The most significant risks to the Council surround the period when the facilities are being developed. The approach of AOD of using a sophisticated prefabricated pavilion means that the risk of a partially developed building is avoided. The income and cost stream for AOD will depend on the quality of the artificial surfaces and other facilities so there is a strong mitigation for any risk related to these.
- 5.3 Key to the success of the new facilities will be the partnership between DUFC and AOD, and ensuring this is sufficiently robust to allow for any significant changes that might occur. The major risk here is a change of ownership or financial structure relating to AOD. It will be crucial that DUFC obtain their own independent financial and legal advice prior to the lease being granted and formal partnership established.
- 5.4 The recommendation relating to first aid and insurance is included mainly for the benefit of any users. This is not an onerous requirement for AOD as a company underpinned by experienced operators, and it will provide assurance to Members that site is more likely to be run properly.

#### **6. Legal Implications**

Implications completed by: Alison Stuart, Principal Solicitor

- 6.1 Local Authorities have disposal powers pursuant to Section 123 Local Government Act 1972 and are required to achieve the best consideration reasonably obtainable when disposing of land. The report details indicate market rent will be payable.

6.2 The proposed transaction based on the terms of this report would appear to satisfy statutory requirements and Council's constitutional rules to secure best consideration in land transactions.

## 7. Other Implications

- 7.1 **Risk Management** – The main risk to the Council will be during the period when the facilities are being developed. However the pavilion will be developed off site and then delivered to the site in flat pack form, so the risk of a partially developed building is avoided. The risk is also minimised by three directors of the company standing as guarantor during the period of the construction works. The success of the project will be largely dependent on there being a strong partnership between AOD and DUFC. Both parties will seek their own independent legal advice prior to the lease being granted and the partnership being established, to ensure that a robust partnership and understanding is established.
- 7.2 **Contractual Issues** – The Legal Implications section sets out the Council's powers in relation to this transaction. Legal Services will be fully consulted and will prepare all the necessary legal documentation.
- 7.3 **Staffing Issues** – There are no staffing implications arising from this report.
- 7.4 **Customer Impact** – There are substantial community benefits to be gained from these proposals, which will provide sports opportunities for the local community.
- 7.5 **Safeguarding Children** – The proposals will provide sporting opportunities for schools and children in the Borough.
- 7.6 **Health Issues** – All programmes and interventions delivered through new facilities are consistent with our Health and Wellbeing Strategy to improve the health and well-being of individuals and build community cohesion through increased participation of children, young people and adults. In particular there is a need to ensure increasing opportunities through better access to more and better quality facilities in particular for under-represented groups such as young people, people with a disability, women and girls, ethnic minority communities.

Additional benefits are:

- Contributing to improved mental health, weight management; and
- Developing capacity through coach and volunteer education programmes

- 7.7 **Crime and Disorder Issues** – Section 17 of the Crime and Disorder Act 1998 places a responsibility on local authorities to consider the crime and disorder implications of any proposals. These will have been considered when planning permission was granted for the new facilities. The new sports facilities will provide new opportunities for young people, directing them away from crime.

Community facilities such as these can impact positively on crime and disorder and the report and proposals as detailed gives evidence of how this project will enhance community provision and seek to contribute to a reduction in crime and disorder.

Whilst the proposal will deliver positive outcomes it should be noted that substantial building work will be required to undertake both the demolition and rebuild and that therefore any planning conditions should include robust site security measures, both through demolition of current buildings and the duration of the building project and furthermore that they are including in the long-term plans for the site once it is operational. It should be noted that floodlighting often causes considerable concern for local residents and the use and positioning of these should ensure that they do not impact adversely on local residents. The plans should also be referred to the Police for consideration in terms of secure by design outcomes.

It is good to note that the proposal makes reference to work with both NACRO and the Youth Offending Service, as such good quality provision will enhance the enforcement and support work which can be given to offenders on orders and those who are deemed to be at risk of offending. It is further noted that the provision would also be attractive to girls, where many such sporting activities tend to be more male orientated.

The proposal also details pathways to support participants into training and employment and again research shows that such programmes can have a positive impact on offending behaviour.

In general the proposal is likely to have a positive impact on crime and disorder though it will be important to ensure that pathways for referral for both Probation and YOS, as well as other programmes such as Troubled Families are in place and are robust prior to commencement.

- 7.8 **Property / Asset Issues** – The transaction will provide substantial investment to the site (£915,000) that will significantly enhance the facilities at the sports ground. The Council will receive a minimum rental income of £12,500 per annum, which is more than twice the current income. Furthermore, based upon AOD's financial forecasts the total rental income that the Council will receive including the turnover rent will be approximately £25,000 per annum.

### **Background Papers Used in the Preparation of the Report:**

None

### **List of appendices:**

- Appendix 1 – Location Plan
- Appendix 2 – Photographs of the site
- Appendix 3 – Academy of Dreams 'Manor Road Vision'
- Appendix 4 – Plan of Proposals for Manor Road Sports Ground
- Appendix 5 – Photo of Wadham Lodge Sports Ground, Walthamstow, after redevelopment