

Cabinet

22 February 2017



Title	Grant of a new lease		
Purpose of the report	To make a decision		
Report Author	Heather Morgan, Group Head Regeneration and Growth		
Cabinet Member	Councillor Colin Barnard	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	Cabinet is asked to: Approve in principle a new lease for the facility at the Pavilion, Ashford Recreation Ground, Clockhouse Lane Ashford on the terms set out in option 1 of the main report Delegate authority to the Group Head Regeneration and Growth in consultation with the Cabinet Member for Planning, Economic Development and Fixed Assets to finalise details of the lease terms and to enter into the lease and associated licences for works		
Reason for Recommendation	Renewal of this lease will enable a well-used community group to continue using the facility (and to extend it at their own cost). It will also bring in an on-going income stream for the Council next 15 years		

1. Key issues

- 1.1 Historically this building has had a number of community uses, starting out as a Cricket Pavilion and then being used for football (as changing facilities). However demand for football has reduced dramatically. Nor is the building large enough to function as a proper community hall. Prior to being leased to Dramatize in 2013, this facility suffered from significant vandalism and encouraged anti-social behaviour. The Group Head for Neighbourhood Services has advised that since Dramatize have been in situ this has reduced dramatically.
- 1.2 Dramatize are a community organisation who run theatrical workshops for those with learning difficulties. They have a Community Interest Company who operate only during the day, and a Theatre Company Charity which operates regularly on 4 evenings per week with occasional activities at the weekend. They have 10 full time staff.

- 1.3 Their original lease ran for three years from 2 August 2013 to 1 August 2016 with a rent of £9,000 pa. They undertook improvement works to the facility prior to moving in at their own cost, and well as subsequently (including upgrading the toilets). They are clearly very committed to providing their workshops in the longer term, and it is a well-used facility.
- 1.4 There is currently a Tenancy at Will in place until such time as the new lease is agreed.
- 1.5 Dramatize approached the Council in December 2014 advising that they not only wanted to continue with a longer lease but they also wished to extend the building at ground and first floor to provide additional space. This would provide a disabled changing room and additional office space, plus extra facilities to cater for wheelchair users aiding local carers and families in the community. By doing so, all the original hall space could then be used as drama space. It will increase their overall space by 42%.
- 1.6 The Council as land owner has agreed in principle to these works, and planning permission was granted by the Local Planning Authority on 31/08/16 (see **Appendix 1** for plans). Dramatize have confirmed that they will pay for the works to be undertaken (which will be in the region of £300,000 and is to be secured via grants and fund raising).
- 1.7 Due to the level of investment that Dramatize are looking to put into the building, they are asking that instead of a 3 year lease they are given a 15 year lease (they want security as they are putting in a considerable financial investment). This is considered reasonable, and would also ensure that the Council receives an income stream for a sustained period of time.
- 1.8 The Council has received independent valuation advice (**Appendix 2**). The community based rent is at £4.87 per square foot and is in line with that agreed under the previous lease. There is additional benefit to the Council in so far as Dramatize have taken on repairing obligations from the Local Authority (which reduces our overheads) and, as stated above, have already made a number of improvements. If the facility comes back to the Council at some in the future, there will be a material benefit to us from the uplift in value from these works. The advice concludes that on the basis of the investment Dramatize will be putting into the building via the extension works, it is not reasonable to increase the rent (particularly bearing in mind there has been little movement in these rental levels).

2. Options analysis and proposal

Option 1 – recommended

- 2.1 To enter into a 15 year lease (of the existing demise and the land on which the extension is to be built) with Dramatize for them to provide theatrical workshops for individual and uses ancillary to that, and that the rental be £13,000 pa (with rent reviews every five years (RPI and upwards only).
- 2.2 To grant a licence for alterations to Dramatize to authorise the carrying out of the works required to extend and renovate the building as referred to in paragraphs 1.4 and 1.5 of this report.
- 2.3 The Council would achieve a good level of income from this community use, and would at the same time be limiting its capital outlay (structural and external repairs only to remain with the Council). We would also be securing the continued use of a community building in line with a strategy for either

leasing out community halls or getting them self-managed (which dates back to 2005).

Option 2

- 2.4 Enter into a lease but for a shorter period of time. This would be unacceptable to Dramatize. If the Council were in a similar situation on leasing a property into which we were putting a significant capital outlay we would expect a longer term lease in return. It is a standard commercial approach you would expect any lessee to take.

Option 3

- 2.5 Enter into a lease but require a higher rent. Again, this is very unlikely to be acceptable to dramatize. Independent valuation advice has been sought (**Appendix 2**) which states that community rents have not increased significantly since the first lease was entered into. The Council has relied on this advice in reaching a decision on the level of rent to charge.

Option 4

- 2.6 Not to enter into a new lease and require Dramatize to find and relocate to new premises. Firstly, the Council would be losing a good income stream and would need to take back all repairing liabilities for the building. The previous issues of vandalism and anti-social behaviour may well reoccur with all the community and resource repercussions. Secondly, we would then have to go out to the market to see if other users wished to take the building. There is no guarantee that we would get another user in who would pay a higher level of rent. Finally there would be a potential reputational damage issue to be managed

- 2.7 **Option 1 is recommended.**

3. Financial implications

- 3.1 Over the lifetime of the proposed lease (15 years) the Council would achieve a minimum income of £195,000 (with a rent of £13,000 pa). No rent free period is proposed, and there will be a rent review in August 2021 and every five years thereafter (RPI and upwards only). Dramatize will also be responsible for paying VAT, rates, insurance premiums and all other outgoings.
- 3.2 If we were not to agree the lease, all the outgoings would come back to the Council. In addition, there would be additional costs for going out to market the facility for an alternative user, which may or may not bring in additional interest (or a higher income).

4. Other considerations

- 4.1 Dramatize provide a valuable facility for those adult members of the community who have learning disabilities, enabling them to gain confidence, work with peers and even work towards gaining an Arts Award (equivalent to GCSE or A level). They also provide opportunities for schools and colleges to access their facilities, meeting aims about equality and diversity. If the lease was not entered into Dramatize would need to find alternative facilities which may or may not be in the borough.
- 4.2 There are no particular sustainability issues that need to be taken into consideration.

5. Timetable for implementation

- 5.1 If agreed by Cabinet, Head of Terms (already drafted) would need to be agreed and then a new lease drawn up. It is anticipated that the new lease would be signed in the next three months (as which point the Tenancy at Will would fall away).

Appendices:

Appendix 1 Plans and elevations of approved extension

Appendix 2 Valuation advice