

Report to: Lead Member for Resources and Climate Change

Date of meeting: 16 November 2021

By: Chief Operating Officer

Title: Grant of 30-year leases to Rye Partnership for Tilling Green Community Centre, 13 Mason Road, Rye, East Sussex TN31 7BE

Purpose: To agree a surrender and grant of two longer leases of buildings and land at Tilling Green Community Centre, 13 Mason Road, Rye, East Sussex TN31 7BE

RECOMMENDATIONS

The Lead Member for Resources and Climate Change is recommended to:

- 1) Agree to the grant of two leases and terms in respect to the letting of Tilling Green Community Centre contained in the Exempt report at a later agenda item; and
 - 2) Delegate authority to the Chief Operating Officer to approve the terms of and enter into the lease and take any other actions considered appropriate to give effect to the above recommendation.
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1 Background

- 1.1 East Sussex County Council (ESCC) are the landlord of the Tilling Green Community Centre and there is an existing lease with Rye Partnership (RP) as the tenant occupier. RP is a not-for-profit organisation, its purpose being to support the regeneration of Rye and the local surrounding area. RP owns, leases, and manages some residential and commercial properties around Rye which are let to local people, community groups and businesses. ESCC does not receive rent, reflecting RP's community/not-for-profit status and its obligations to pay for all outgoing property running costs. The lease terms are set out in the associated Exempt report which follows.
- 1.2 The community centre provides a variety of spaces both indoors and outside for casual and longer-term hire on an affordable and flexible basis. The centre is used by local small businesses, charities, social and community groups. It is used for the delivery of key local services including the Department of Work and Pensions for local outreach and the centre is also currently being used as a key venue for the local delivery of the Covid-19 vaccination programme. The centre is accessed by users from Rye and the surrounding area for a circa 15-mile radius, although there are also occasionally users from further afield. The community centre also functions as Rye Partnership's base of operations.
- 1.3 RP is looking to supplement its day-to-day income streams via external capital and revenue grant funding to repair and expand the range of services at the community centre. Tilling Green Community Centre requires more substantial capital investment to improve and extend the community service offer and to modernise the building systems to ensure they are more energy efficient. Without this investment the centre will become uneconomic to operate due to a narrowing gap between hire revenue and running costs. Rye Partnership will need to secure match funding to be able to complete the necessary works which are part of an ongoing project to ensure sustainability and viability of the centre to preserve this for the community.
- 1.4 To maximise the opportunity for future grant funding, it has been identified that most external funding providers are seeking leases for 25-40 years to protect their investment. There are a wide range of organisations that provide access to funding programmes and the ability to demonstrate a long lease is in place is vital for capital investment. The existing lease has less than 4 years remaining and therefore a 30-year term is being recommended to allow RP to be able to qualify for funding over the short and medium term and provide security for investment in the building. The existing lease also has a

landlord's break clause for the playing field and the current lease structure is hindering the ability to access a wider set of grant funding due to the restrictive lease terms.

- 1.5 RP recently applied under the Community Ownership Fund for capital funding and one of the conditions is that a long lease is available. RP wish to apply for other external funding but have not progressed this due to the short nature of the existing lease.
- 1.6 The seven directors on the Rye Partnership board have extensive expertise and experience in the following areas: Local Government; town, and parish councils; as a lead on building and development projects (including health and safety); entrepreneurial and financial (including project finance and financial directorship) and the social, welfare and the community sector. The directors have also been involved with Rye Partnership for some years and have a detailed understanding of the business. They will also appoint external experts in legal services and project management to support the development of the community centre.

2 Supporting information

- 2.1 The Council has four overarching priority outcomes: *driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources in the short- and long-term.* Rye Partnership's business case positively contributes to these priority outcomes by making best use of the Tilling Green Community Centre asset and providing community services within the building to help people help themselves and keep vulnerable people safe.
- 2.2 A detailed business case has been submitted by RP and seeks to ensure a wider set of community uses to support social wellbeing outcomes for local people delivered from Tilling Green Community Centre. The detailed business case provides comprehensive information on the specific social, economic and environmental factors that align with the Council's priority outcomes and the Council Plan 2021/2022. Council officers have reviewed the RP business plan and are satisfied the outcomes proposed will provide social, environmental, and economic benefits as outlined in the statutory considerations in Section 123 of Local Government Act 1972 General Consent Order 2003. Rye Partnership are a well-respected local charitable organisation providing essential community facilities in an area where very few alternative facilities exist in this area. The key business plan focus areas are: -
 - Provide opportunities to local people and business across several of our enterprises.
 - Improve the ability, opportunity, and dignity of those disadvantaged within the local community.
 - Be committed to promoting diverse representation, accessibility, and equality throughout the local community.
 - Actively seek ethical and ecological solutions and implement these where possible.
- 2.3 The Council have no alternative operational use for the asset, and it had been empty for a few years following the school closure. The asset is in area which is subject to several flood zone regulations and therefore redevelopment of the asset was not possible. The Council granted a short lease to RP in 2016.
- 2.4 To ensure the business plan can be delivered, capital investment needs to be spent on the asset and RP will need to lever external funding. One of the key components of the works to be carried out is a modernisation of the building heating and energy system. The centre is currently using a gas oil boiler which is very old and difficult to obtain parts for, as well as being inefficient and does not contribute to ESCC's carbon zero targets. RP plan to install solar panels on the centre roof and an air pump system to provide energy to the centre, along with replacing all light fixtures with LED lighting. Further planned works include updating the facilities to include a music studio and better catering facilities.
- 2.5 The Council has a Net Zero commitment, as re-affirmed by Full Council in October 2021. The Council's asset portfolio needs to contribute to reducing carbon emissions. The

Council, like all landlords is required to improve energy efficiency of the asset under Meeting Energy Efficient Standards (MEES). A fresh Energy Performance Certificate (EPC) assessment will be required on the building in March 2023, and it is anticipated that the assessment will result in a series of works required to improve the energy efficiency of the building, the cost of which would need to be secured through capital investment by ESCC which would add pressure on ESCC's Capital Programme.

- 2.6 Under RP's business plan, a programme of works has been proposed that will increase the energy efficiency of the asset and therefore this mitigates the risk of the Council having to find capital funds to undertake works to this asset. They have taken on board the current EPC recommendations for the building and gone further with wider progressive energy efficient investment. RP have made a commitment in the agreed heads of terms to undertake these works in a timely manner.
- 2.7 Full details of the transaction are outlined in an Exempt report later in the agenda. If the longer lease term is not secured, there is a risk that significant capital funding will not be accessed. This may affect the ability of RP to provide the necessary upgrades and improvements. At the end of the current lease in March 2023, RP could end their occupation and lease of the property, which would mean that the property would become a vacant asset and from previous experience, the asset would be difficult to let for community use on commercial terms due to significant property running costs and the need for capital investment. In this instance, the Council may have to resort to the asset being modernised to let out, which would require capital works and EPC related capital works. The Council would then need to seek a business case as part of its budget setting process to be part of the future capital programme.

Statutory considerations

- 2.8 S123 Local Government Act 1972 enables the Council to dispose of land and its assets in any manner it sees fit. However, this power is limited such that the Council must obtain best consideration except with the consent of the Secretary of State. It has generally been held that open market value of the land in question is relevant when determining whether best consideration has been achieved.
- 2.9 However, the Local Government Act 1972 General Disposal Consent Order 2003 removes the requirement for the Council to seek the consent of the Secretary of State where it wishes to dispose of land below best consideration in specified circumstances. These are where the Council considers the disposal is likely to contribute to the achievement of the promotion or improvement of economic, social, or environmental well-being provided that the undervalue is £2m or less. The definition of a disposal of land/building includes a freehold transfer or the grant of a lease over 7 years.
- 2.10 In this context the undervalue is the difference between the unrestricted value of the asset land being disposed of and the restricted value (the restricted value to include the monetary value of any voluntary conditions).
- 2.11 The General Disposal Consent gives local authorities autonomy to carry out their statutory duties and functions, and to fulfil such other objectives as they consider to be necessary or desirable. However, when disposing of land at an undervalue, authorities must remain aware of the need to fulfil their fiduciary duty in a way which is accountable to local people.
- 2.12 The Council has powers under the Act and General Consent Order to sell land (lease or freehold) below market value where it can likely to contribute to (i) wider promotion or improvement for economic well-being; (ii) social well-being or (iii) environmental well-being. However, any reduction in value cannot exceed £2 million, otherwise formal Secretary of State consent is required.
- 2.13 The proposal being considered and outlined in RP business plan provides suitable evidence that economic, social well-being and environmental well-being outcomes will be achieved as outlined in the General Disposal Consent Order 2003 and outlined in paragraph 2.12.

- 2.14 As part of a detailed review by the Property team, an internal valuation by a RICS chartered valuation surveyor was undertaken as outlined in paragraph 2.12. The report was approved by Assistant Director, Property and has confirmed that the value uplift is significantly less than the £2 million threshold. Therefore, it is not necessary to consult with the Secretary of State. More details of the valuation are outlined in an Exempt report later in the agenda.
- 2.15 The proposed lease structure will involve the surrender of the existing lease for all Tilling Green Community Centre including the playing field. It is proposed there are two leases. The lease for the building does not have a landlord break clause and the new lease requires capital investment and energy efficiency works to be undertaken by RP within 3 years. The structure of the lease will reinforce RP obligations to maintain and repair the asset at their cost. The lease for the playing field has a landlord only break clause so at a future date the Council could consider options available for this land.

3 Conclusion and reasons for recommendations

- 3.1 The proposed grant of a 30-year lease for the building is recommended following a detailed review undertaken by Property. The three key elements for consideration are:
- i. The business plan sets out the wider environmental, social, and economic benefits that will be extended at Tilling Green Community Centre.
 - ii. The proposed wider range of uses and services at the property matches several of the Council's overarching priorities, as set out in paragraph 2.1, as well as meeting key priority outcomes in the Council Plan 2021/22.
 - iii. The business plan outlines environmental, social, and economic wellbeing outcomes with clear benefits which supports the Council's ability under Local Government Act 1972: General Consent Order 2003 to grant a lease at below market value.
- 3.2 It is recommended that the Lead Member Resources and Climate Change agrees the new lease terms for Tilling Green Community Centre as outlined in the Exempt report later in the agenda. There will be separate leases for the building and the playing field.
- 3.3 In addition to those terms outlined in the report and referred to above, other terms will need to be agreed and so it is recommended that the Lead Member for Resources and Climate Change agrees to delegate authority to the Chief Operating Officer to approve the terms of and enter into the lease.

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LOCAL MEMBER

Councillor Keith Glazier

Appendix 1 – Lease Plan showing current demise and location