

Meeting: Full Council

Date: 21st July 2016

Wards Affected: All

Report Title: Amendments to the Corporate Asset Management Plan

Is the decision a key decision – Yes

When does the decision need to be implemented?

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1. Proposal and Introduction

- 1.1 On 25th February 2016 the Council approved the Corporate Asset Management Plan for 2015 ~ 2019. In section 6.11 the Plan states that the Council holds a variety of Tenanted Non-Residential Properties (TNRP) on which it has granted either leases or licences to third parties. These assets range from golf clubs, offices, restaurants, industrial & leisure sites, to leases to sports clubs and other voluntary sector groups. One of the issues that the Corporate Asset Management Plan goes on to identify, is the need for the Council *'To review the accounting procedures to ensure that market rent is charged on all assets – even if then an equivalent grant is given to the organisation leasing the asset'*.
- 1.2 The issue around accounting procedures has now been largely resolved but one of the **'Asset Management Principles'** identified within the Corporate Asset Management Plan is **'To release value and minimise cost'**. The Plan is clear that due to the financial challenges facing the Authority, one of the measures to achieve this is to *'Ensure any grant from the Council to assist with a tenant's rent will be reviewed annually'*, unless there is specific approval at Full Council to the contrary.
- 1.3 It is important that the Council has clear processes and procedures in place to determine applications for grants to offset market rents. Officers have therefore taken the opportunity to review, amend and consolidate the processes and procedures in place to determine applications for grants in lieu of or to offset market

rents. The revised processes and procedures for determining applications for grants to offset market rent should be adopted as an Appendix to the Council's Corporate Asset Management Plan 2015 ~ 2019. It is expected that this will provide a more consistent and transparent approach, for all concerned, which will help meet the requirements of the Corporate Asset Management Plan and manage the expectations of those applying for grants.

- 1.4 In July 2011, a paper was submitted to Full Council that recommended the Mayor authorise the then Executive Head of Commercial Services, in consultation with the Chief Executive of the Torbay Development Agency (TDA), to grant leases for up to 40 years to sports clubs on acceptable terms with each case being considered on its merits. It was envisaged that the granting of 40 year leases to the Bay's sports clubs would give them a better chance of applying for and receiving grants to improve facilities.
- 1.5 Since this time a number of sports clubs within Torbay have agreed a 40 year sport lease with Torbay Council – see Appendix 4 for details.
- 1.6 Despite a significant amount of effort and resource from Council and TDA officers, there are an additional number of sports clubs where agreements have not been reached. There have been a variety of reasons why the Council has failed to reach agreement on the outstanding sports leases. As an example, changing priorities within the sports clubs, failure to reach agreement on proposed lease terms, lack of understanding on proposed lease terms and the failure of sports clubs to be legally represented are to name a few.
- 1.7 The drawn out process of trying to reach agreement over several years has been a significant drain on Council and TDA resources. During the year 2015/16, the TDA Estates Team spent over 400 recorded hours working on sports leases.
- 1.9 It is clearly stated in the latest Corporate Asset Management Plan that “*Due to the financial challenges facing the Authority and the possible future reductions in Revenue Support Grants, unless there is specific approval at Full Council to the contrary, the Council will always seek to maximise the full market receipt for their assets whether by way of freehold disposal or leasehold interest*”. It is therefore apparent that Officer time might be better spent maximising returns to the Council.
- 1.10 Officers have therefore taken the opportunity to review and amend the whole process surrounding the granting of sports leases and it is proposed that an ‘overarching strategy’ for the granting of sports leases should be adopted as an Appendix to the Council's Corporate Asset Management Plan 2015 ~ 2019. It is expected that this strategy will provide a speedier, more consistent and transparent approach, for all concerned, which will help reduce delays and manage expectations.
- 1.11 The estimated market rent assesses the lease value against other similar leases (i.e. sports leases) across the South Devon area. An estimated market rent will take

into account whether the landlord or tenant has the liability for the cost of maintenance and what income generating facilities are at the disposal of the tenant. i.e. a club house & bar, private car parking, etc. The estimated market rent would also reflect the restrictive nature (sports use only user clause) of the lease and the level of the security of tenure.

2. Reason for Proposal

- 2.1 The adoption of two new Appendices to add to the existing Corporate Asset Management Plan 2015 ~ 2019 will amend a key policy framework document and allow for clear and published processes to exist in relation to the award of grants in lieu of rent as well as the Council's approach to long leases for sports clubs. It is expected that the amendments will introduce more consistency and transparency for all concerned.
- 2.2 By offering long leases to local sports clubs the Council can provide the clubs with the confidence that comes with security of tenure. This new found confidence should serve as a catalyst for improvement whereby our sports clubs will positively engage with their communities and in particular with our young people. Some local clubs are already fully engaged with their communities but this new overarching strategic approach to sports leases will ensure that the tenant clubs are working with the respective national Governing Body for their sport. Not all clubs are optimising the opportunities that are available and there is an opportunity cost.

3. Recommendation(s) / Proposed Decision

- 3.1 That, a new Appendix AM-G ~ 'Procedure for determining applications for grants to offset market rent (grants in lieu of rent)', be added to the existing Corporate Asset Management Plan 2015 ~ 2019.
- 3.2 That, Appendix AM-H ~ 'Granting of sports leases – An overarching strategy', be added to the existing Corporate Asset Management Plan 2015 ~ 2019.

Appendices

Appendix 1: Supporting Information and Impact Assessment

Appendix 2 Appendix AM-G ~ Procedure for determining applications for grants to offset market rent (grants in lieu of rent)

Appendix 3 Appendix AM-H ~ Granting of sports leases – An overarching strategy

Appendix 4: List of Sports Leases Granted

Background Documents

Corporate Asset Management Plan – February 2016

<http://www.torbay.gov.uk/DemocraticServices/documents/s27873/Appendix%20%20-%20Corporate%20Asset%20Management%20Plan%20Final%20Version.pdf>

Review of the provision of grants in lieu of rent – Report of the Overview & Scrutiny Board
(March 2004)