

Meeting: Full Council

Date: 21st July 2016

Wards Affected: All Wards

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 It is not always practicable to review grants on an annual basis and this also causes uncertainty for the sports clubs and other organisations. Therefore, it is proposed that the existing Corporate Asset Management Plan 2015 ~ 2019 should be amended to ensure that any grant from the Council to assist with a tenant's rent will be time bound and will not extend beyond the next scheduled rent review.
- 1.5 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 leases of up to 40 years, to the Bay's sports clubs, would give them a better chance of applying for and receiving grants to improve facilities.
- 1.6 Since this time a number of sports clubs within Torbay have agreed a 40 year sport lease with Torbay Council. Appendix 4 provides details of sports clubs that already have leases or are in discussions with the Council. Some of these already pay a market rent.
- 1.7 Despite a significant amount of effort and resource from Council and TDA officers, there are an additional number of sports clubs/organisations 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. A change of Council officers and policy direction has also contributed to the prolonged negotiations.
- 1.8 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. It is an amount payable between two unconnected parties to rent a property or land, who are under no compulsion to do so, on appropriate terms, The 'market rent' will take into account a number of factors including :-
- The duration of the lease
 - Whether the tenant has security of tenure
 - The frequency of rent reviews
 - Whether the landlord or the tenant has the liability for the cost of maintenance
 - What income generating facilities are at the disposal of the tenant ? i.e. is there a club house & bar, private car parking, etc.
 - Is it a ground rent only or are buildings included
 - Are there any restrictive covenants or a strict user clause i.e. sports use only

A combination of the above factors can either increase or lower the valuation and so it must not be assumed that a 'market rent' is necessarily a high rent. In the case of sports clubs the 'market rent' should not be compared with the commercial rent a business might pay in the high street.

- 1.12 Quite often a sports club will only require a ground lease and this is likely to attract a relatively low market rent. Over the period of a long lease the sports club may well add some buildings, such as a new club house, however, at the time of a scheduled rent review, any tenant improvements must be disregarded when assessing a revised 'market rent'.

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 certainty, 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.
- 3.3 That, the existing Corporate Asset Management Plan 2015 ~ 2019 be amended to ensure that any grant from the Council to assist with a tenant's rent will be time bound and will not extend beyond the next scheduled rent review unless there is specific approval at Full Council to the contrary.

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 to the Overview & Scrutiny Board (March 2004)

Expression of Interest for a Community Asset Transfer - prepared by Sport Torbay Limited, August 2015

Torbay Sports Facilities Strategy – April 2014

Torbay Playing Pitch Strategy – April 2014