

This Report will be made public on 13 February 2015

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/14/83**

To: Cabinet
Date: 25 February 2015
Status: Non-Key Decision
Head of Service: Bob Porter; Housing, Land and Property
Portfolio Holder: Councillor John Collier; Properties Management

SUBJECT: Folkestone Indoor Bowls Club

SUMMARY: This report considers proposals to grant a new lease to the Folkestone Bowls Association Ltd. The proposed commercial terms of the lease are set out in the report and include a significant reduction in the rent payable by the Bowls Association.

In addition, the report considers a request from the Bowls Association for a further reduction in rent to a level below the assessed commercial rent. In response to this, the report proposes that the Council provide grant funding to the Bowls Association to support their running costs.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because:

- a) The proposal to offer a lease on commercial terms will maximise the contribution to the Council's revenue budgets from this property asset.
- b) The Bowls Club provides leisure and sports facilities for local people, and the grant will help to ensure that this provision is sustainable throughout the proposed lease period.

RECOMMENDATIONS:

1. To receive and note report number C/14/83.
2. To approve the proposed approach to the offer of a new lease to the Folkestone Bowls Association Ltd, as set out in paragraph 1.4 of this report.
3. To authorise the Head of Housing, Land and Property, in consultation with the Solicitor to the Council to finalise the details of the proposed lease with the Folkestone Bowls Association Ltd.
4. To agree to the payment of a grant of £10,000 per year to the Folkestone Bowls Association Ltd for each of the 5 years of the proposed lease, with the first annual payment made in the financial year 2014/15. A condition of the grant will be the completion of essential maintenance at the Folkestone Indoor Bowls Club.

1. Background

- 1.1 Folkestone Bowls Association Limited (FBAL) currently lease the premises know as Folkestone Indoor Bowls Club, Cheriton Road, Folkestone from the Council. The lease was originally granted on 25 March 1991 for a 21 year period and therefore expired on 24 March 2012. The FBAL are currently holding over on the same terms as the original lease.
- 1.2 The terms of the lease include the following:
- A secure lease with full repairing and insuring liabilities resting with the tenant.
 - Subject to upward only rent reviews every third year.
 - The Council is able to terminate the lease in the event of the site being redeveloped.
 - The commencing rent was £16,000 per annum and in subsequent reviews it eventually rose to £24,500 in 2004 and has remained at that level since.
- 1.3 The Council obtained a valuation for the premises from an independent chartered surveyor on 13 February 2014. The valuation report recommended an annual rent of £15,000, taking into account all of the current circumstances. The valuation report is attached at appendix 1.
- 1.4 As the current lease does not allow for a reduction of the rent within the current terms, the recommended rent of £15,000 per annum would require the current lease to be brought to an end and a new lease granted on new terms. The council wrote to the FBAL on 10 November 2014 offering a new lease, on the following terms:
- Term: 5 years from completion
 - Rent: £15,000 exclusive per annum
 - Break clause: Any time by either party giving six months notice
 - Security of tenure: Sections 24-28 of Landlord and Tenant Act 1954 to be excluded (i.e. non-secure)
- 1.5 The FBAL wrote to the Council on 24 November 2014 rejecting this offer. A copy of this letter is attached at appendix 2 to this report. The FBAL have requested a further reduction in rent to £5,000 per annum, with a rent free period for the first 12 months. They have highlighted the costs of works required to the premises; although it should be noted that the FBAL were responsible for the maintenance of the premises under the lease granted in 1991. The FBAL have also stated that the currently proposed rent of £15,000 per annum would leave them with a budget deficit of £35,000 over the 5 year period.

2. Policy Position

- 2.1 The Council's agreed Asset Management Plan sets a number of objects for non-operational assets, i.e. those assets not required for the Council's business. The Asset management Plan was agreed at Cabinet on 12 March 2008 (Decision 07/097 refers). The Asset Management Plan states that all non-operational assets should be:

- Able to make the maximum contribution to service revenue budgets in terms of rental income; and/or
- Able to make a positive contribution to the social well-being of the community through its use by others such as voluntary groups, charity organisations or small businesses;
- Retained for reasons of strategic importance, such as to influence the physical and economic regeneration of the district.

Any decision therefore made to offer a new lease to the FBAL or to renew the existing lease should be made within this context.

2.2 In addition the Council is able to agree to make a grant payment to the FBAL to support its activities. The authority to make such a grant is contained within the general power of competence as set out in part 1 Localism Act 2011.

3. Proposed Way Forward

3.1 Taking into account both the aims of the Council to achieve a maximum income from its property assets and the value that the Folkestone Bowls Association Ltd brings to local residents, it is proposed that:

- The Council confirms the offer of a new lease, as set out in paragraph 1.4 above.
- That the Council provide an annual grant of £10,000 to the FBAL to support their activities.

3.2 The offer of a grant will be dependent upon a funding agreement, to include the following requirements:

- That the FBAL works to become financially sustainable/independent of the council during the 5 year period
- That their activities promote health and wellbeing and physical activity and tackle social isolation.
- That the FBAL develops a business plan that will enable them to invest in the maintenance of the Indoor bowls centre and complete essential maintenance as agreed with the Council.

4.0 Financial Implications

4.1 The recommended proposal would result in a cost pressure to the council of £19,500 per annum (i.e. £9,500 reduction in budgeted rental income and £10,000 additional grant payments). This will need to be found from existing budget resources.

5.0 Risk Management Issues

4.1 Perceived risks as follows:

Perceived risk	Seriousness	Likelihood	Preventative action
That the Council fails to maximise the	medium	low	The Council continue to offer a lease for the premises on a

return achieved from this property asset.			commercial basis.
That the Bowls Association can no longer fund its activities and therefore closes.	Medium	High	The Council provide financial assistance in the short term to the FBAL and support them to become more financially sustainable during the period of the proposed 5 year lease.

5.0 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (AK)

The legal issues are addressed in the body of the report.

5.2 Finance Officer's Comments (JM)

Finance comments are shown in paragraph 4.1 above.

5.3 Diversities and Equalities Implications (BP)

There are no diversity and equalities implications that arise immediately from this report. However the grant funding agreement with the FBAL will include a requirement to consider the diversity and equality implications of their work to to promote health and wellbeing and physical activity and tackle social isolation.

6.0 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Bob Porter (Head of Housing, Land and Property)

Telephone: 01303 853333

Email: bob.porter@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

Appendices:

1. Valuation report
2. Letter from Folkestone Bowls Association Ltd