

# Report to Executive

Agenda  
Item:  
  
**A.5**

Meeting Date: 21<sup>st</sup> November 2016  
Portfolio: Communities, Health & Wellbeing  
Key Decision: KD26/16 refers  
Within Policy and Budget Framework YES  
Public / Private Public – Part A report  
Title: **Shaddongate Resource Centre - Grant of Lease**  
Report of: **Corporate Director of Governance & Regulatory**  
Report Number: **GD.63/16**

## Purpose / Summary:

The Shaddongate Resource Centre has been vacant since December 2015 having been affected by the floods and following the former occupier giving notice to terminate their occupation agreement. Following detailed consideration of the future of the asset, the preferred option is to let the premises to a Third Sector group to support the continued use as a community facility following reinstatement of the asset.

This report seeks approval to the grant of a lease of the asset at less than best consideration to the Cumbria Council for Voluntary Services (CVS) to ensure a sustainable community offer can be provided from the asset.

## Recommendation:

That Executive approves the grant of a lease at less than best consideration to Cumbria CVS on the provisionally agreed terms shown in Appendix 2, with the agreement of final detailed terms to be delegated to the Building & Estates Services Manager in consultation with the Contracts & Community Services Manager.

## Tracking

Executive:	<b>21<sup>st</sup> November 2016</b>
Overview and Scrutiny:	<b>6<sup>th</sup> December 2016</b>
Executive:	<b>19<sup>th</sup> December 2016</b>
Council:	<b>10<sup>th</sup> January 2017</b>

## **1.0 BACKGROUND**

### **1.1 Building History**

- 1.1.1 The City Council own the freehold of the Resources Gateway Centre at Shaddongate which was developed in early 2012, at a cost of £3.4m, with the Homes and Communities Agency contributing £1.89m through the Place of Change (POC) programme awarded by the Department of Communities and Local Government (DCLG). The asset is shown edged in black on the plan attached as Appendix 1.
- 1.1.2 In March 2012, following a formal procurement exercise, the City Council and Fylde Coast YMCA agreed a ten year lease and management contract at nil consideration, for the delivery of services from the Resource Centre. The lease allowed the operator to sub-let parts of the property to Third Sector groups at a market rent.
- 1.1.3 Unfortunately the YMCA gave notice to terminate their occupation with effect from 31<sup>st</sup> December 2015. However, the sub-tenants have expressed a wish to remain in the property with the agreement with the City Council.
- 1.1.4 Following receipt of notice from the YMCA, various options for the future of the asset were considered. Following detailed discussions with Chief Officers, in consultation with Members, it was decided that the preferred option was to retain the premises, seeking a Third Sector body to occupy the building under a lease agreement, allowing them to sub-let to other Third Sector groups, to facilitate the provision of a community facility.

### **1.2 December 2015 Floods**

- 1.2.1 The building was badly affected by the December 2015 floods which rendered the whole of the ground floor of the building unusable. Although the sub-tenants have been displaced, all have continued to express an interest in returning and continuing to occupy the premises once it has been reinstated.
- 1.2.2 As part of the flood recovery programme, the contract for reinstatement work has now been awarded and works are due to commence in mid November with an anticipated handover date of early March 2017.

## **2.0 PROPOSALS**

### **2.1 Third Sector Interest**

- 2.1.1 Since the building became vacant, eight Third Sector groups have expressed interest in occupying the asset under a lease agreement. Detailed discussions have taken place with each of the interested parties, which culminated in each

being asked to submit a detailed business case, outlining their offer, to support their interest.

2.1.1 Two business cases were received and following detailed consideration by Chief Officers and in consultation with Members, it was decided that the Cumbria Council for Voluntary Services (CVS) was the preferred tenant.

2.1.2 The CVS are a registered charity that offers help, advice, training and support to Third Sector groups throughout Cumbria. CVS's vision is that Cumbria communities will benefit from an innovative and confident Third Sector that is led and supported by them.

## **2.2 Proposed Use of the Asset**

2.2.1 As part of the business case CVS has confirmed that they propose to relocate their head-quarters to the premises, providing a high quality, high profile third sector hub offering;

- face to face access to CVS services, including financial services offered through their trading arm
- volunteer brokerage and support
- social enterprise support and incubation
- training and other development support
- access to meeting space
- serviced office space for hire
- community space
- encouragement of collaboration and partnership working
- space to rent for appropriate Third Sector groups and other organisations giving particular consideration to close working relationships that can contribute to community benefit working in partnership, encouraging where possible innovative responses to need that are based on the principles of asset based community development and localism.

## **2.3 Grant of lease at an undervalue**

2.3.1 After detailed consideration of both business cases, and from knowledge of the issues encountered by the previous occupier, it is apparent that if the community offer is to be sustainable, a lease at nil consideration will need to be granted.

2.3.2 Detailed discussions with the preferred head-tenant has resulted in draft terms being agreed in principle for a lease for an initial period of 10 years at a Peppercorn rent, with an option to renew for a further 10 years. A full outline of the provisionally agreed terms is attached as Appendix 2. However, in summary, the main terms are that the lease places full repairing liability on the tenant,

allowing them to sub-let the premises to other Third Sector groups at a market rent, with all income ring fenced to support the aims and objectives of the Charity and to support the provision of a high profile, cost effective community service from the asset. The Council will insure the building under its block policy and recharge the cost to the tenant. The tenant has the ability to terminate the lease after the first 12 months giving not less than 12 months written notice to the Council.

2.3.2 The Council currently supports the CVS with the provision of grant funding in the sum of £10,600 per annum. It is proposed to reduce this funding on a sliding scale basis over the first three years of the lease, leading to full withdrawal of the grant in 2019/20.

2.3.2 The preferred tenant has obtained CVS Board of Trustees approval to enter into a lease of the premises and has contacted each of the sub-tenants of the property to commence discussions relating to the grant of a sub-lease following reinstatement of the asset.

### **3.0 STATUTORY REQUIREMENTS & COUNCIL POLICY**

3.1 By virtue of Section 123 of the Local Government Act 1972 the Council has power to dispose of land, whether by selling the freehold or by granting a lease, for the best consideration reasonably obtainable.

3.2 The Council's Asset Management Plan also states that assets should normally be sold or leased for best consideration. There is scope within the plan, subject to the statutory considerations outlined here, to take a flexible approach where it desires to deliver social, economic or environmental benefits.

3.3 Where the Council wishes to dispose of an asset at less than best consideration, such as the granting of a lease at a Peppercorn rent, subject to the undervalue being less than £2m, agreement to the disposal at undervalue can be made by full Council.

3.4 A formal valuation has been commissioned to ascertain the level of undervalue attributable to the grant of the lease. It has been confirmed that the undervalue falls under the £2m threshold thereby giving the Council the ability to agree to the grant of the lease.

#### **4.0 CONSULTATION**

- 3.1 Consultation has taken place with Chief Officers together with the Portfolio Holders for Communities, Health & Wellbeing and Economy, Enterprise & Housing who support the proposals.

#### **5.0 CONCLUSION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Extensive discussions relating to the future of the vacant premises on Shaddongate both within the Council and with Third Sector interested parties have resulted in the selection of a preferred tenant. To ensure the community offer from the premises is sustainable, a lease at less than best consideration is proposed, to be granted on the provisional terms as outlined in Appendix 2.

#### **6.0 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

- 6.1 The proper management of the Council's property resource makes an essential contribution the achievement of the Council's action plans and priorities.
- 5.2 The transaction supports business growth and skills development to improve opportunities and economic prospects for the people of Carlisle.
- 5.3 Working to support third sector organisations to provide community benefit to the people of Carlisle.

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**Appendices Appendix 1 – plan of the site**  
**attached to report: Appendix 2 – lease heads of terms**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

#### **CORPORATE IMPLICATIONS/RISKS:**

**Chief Executive's – none**

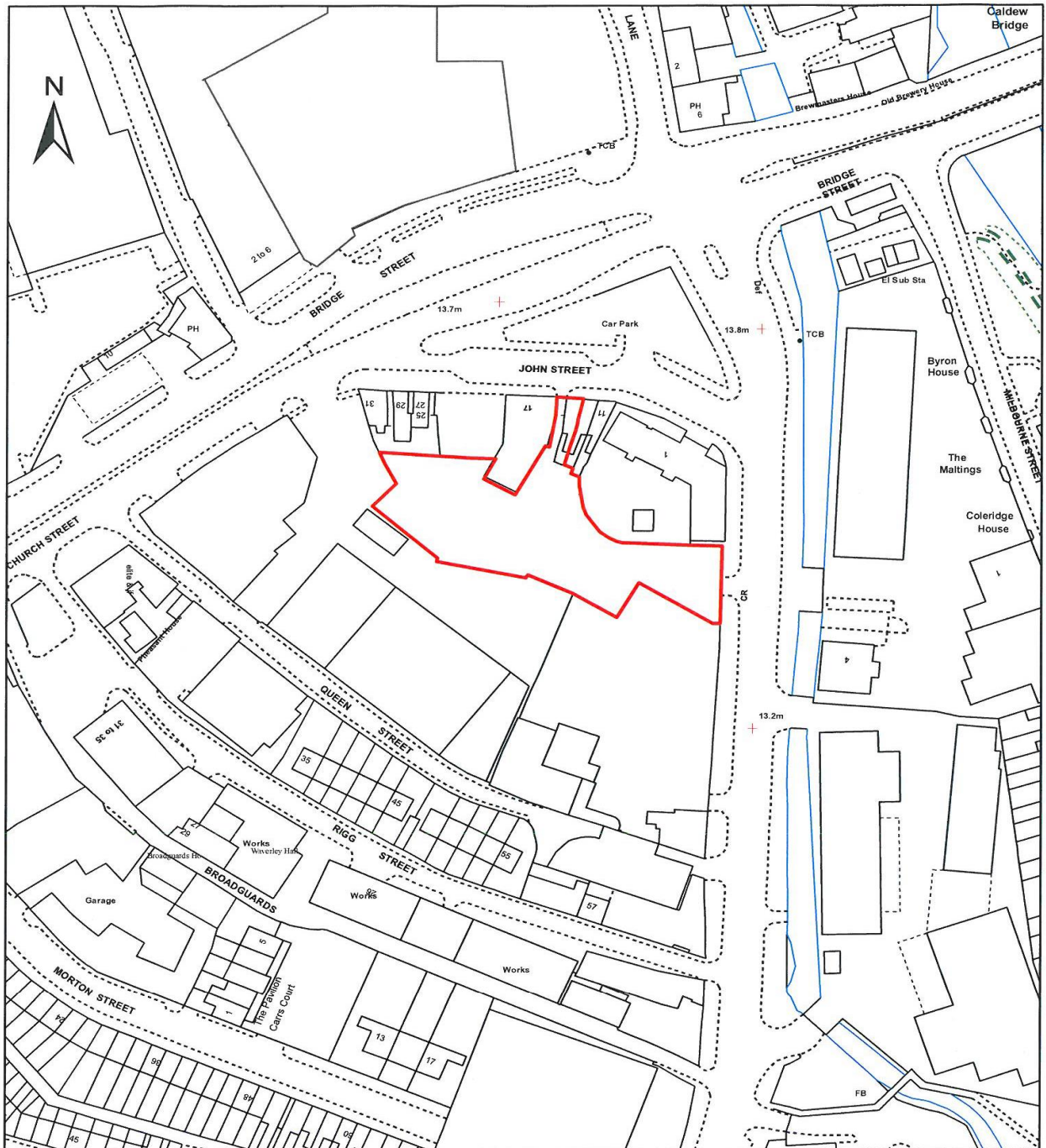
**Economic Development – none**

**Governance & Regulatory –. See Section 3 of the report.**

**Local Environment – none**

**Resources** – The Council currently does not budget for any rental income from the Shaddongate Resource Centre, so granting a lease at nil consideration will not have any budgetary impact. The costs of repairs to the building will be met by the tenant under the terms of the lease and insurance costs will be recharged to the tenant by the Council. A savings should accrue by 2019/20 with the withdrawal of the grant support by the Council of £10,600.

## APPENDIX 1



### Shaddongate Resource Centre Carlisle

Date: 26/10/2016

Scale: 1:1,250

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**Civic Centre  
Rickergate  
Carlisle  
CA3 8QG**

## **APPENDIX 2**

### **HEADS OF TERMS**

#### **SHADDONGATE RESOURCE CENTRE**

Tenant:	Cumbria Council for Voluntary Services
Premises:	Shaddongate Resource Centre as shown edged red on the attached plan
Term:	An initial term of 10 years with an option to renew for a further period to be agreed
Use:	To be linked to and support the Objects of the Tenant as a Charity and the priorities of the Landlord as a Local Authority
Base Rent:	One Peppercorn
Repairs:	The Tenant has full repairing and maintaining liability
Break Clause:	The Tenant may break this agreement by giving not less than 12 months written notice to the Landlord at any time following the end of the first year.
Assignment:	The Tenant shall not assign this lease
Sub-letting:	<p>The Tenant may sub-let the premises subject to the terms and conditions below;</p> <ul style="list-style-type: none"><li>a) Any sub-lease granted by the Tenant must be contracted out of the Security of Tenure provisions of the Landlord &amp; Tenant Act 1954 Part II</li><li>b) The form of any sub-lease is to be agreed in advance with the Landlord</li><li>c) A copy of the agreed sub-lease between the Tenant and any Sub-Tenant is to be provided to the Landlord upon completion of the same</li></ul>
Decoration:	The Tenant is to keep the premises in good and decorative order at all times and to redecorate the exterior of the premises every seven years and the interior every five years and in the last year of the term, howsoever determined
Insurance:	<p>The Landlord is to insure the building and recharge the Tenant for the cost of doing so</p> <p>The Tenant is to insure its contents</p>
Services and other outgoings:	<p>The Tenant is to pay directly for all services and other outgoings in relation to their use and occupation of the Premises. The Tenant will levy a service charge to any sub-Tenant to recover the costs of the same. The recharge mechanisms are to clearly specified within any sub-lease and are to be agreed with the Landlord's Surveyor</p>



Indemnities:	The Tenant shall indemnify the Landlord against all actions, proceedings, demands, claims, injury, loss and costs howsoever arising from any breach of covenant on the part of the Tenant or any neglect or default by the Tenant or by any sub-tenant
Alterations:	<p>The Tenant shall not carry out any external or structural alterations other than signage to the premises, the specification of the same to be agreed in writing by the Landlord prior to any works commencing</p> <p>The Tenant shall not carry out any non-structural alterations except with the prior written consent of the landlord, the same not to be unreasonably withheld, except for the erection of stud partition walls.</p> <p>If works are undertaken to the premises without the prior written consent of the Landlord, this will be considered a breach of contract</p>
Rates and charges:	The Tenant is to pay all rates, taxes and other charges relating to the Premises
Utilities:	the Tenant is to bear costs of water (including drainage), gas, electricity, and any other services or amenity of a like nature used by the Premises
Key Holders	The Tenant is to ensure that at all times the Landlord has written notice of the details of all key holders for the Premises
Security and Health & Safety:	The Tenant is to be responsible for the security of the property and is to ensure that all lifts, security, fire safety equipment are functioning at all times and are maintained and serviced on a regular basis and is to conform to all current legislation in this regard
Service Media:	The Tenant is to maintain all service media and sanitary and water apparatus, including all water systems, serving the premises in good and Tenantable condition
Signs and Advertisements:	Not to place or display on the exterior of the premises or windows inside the premises any signs or advertisements without first getting the written consent to the specification and positioning of the same from the Landlord
Reletting Boards:	To permit the Landlord to enter the premises and affix reletting boards or a notice for sale during the last six months of the term (or upon earlier determination of the agreement)
Forfeiture:	The Landlord may forfeit the agreement upon non-performance of covenants
VAT:	All sums referred to are exclusive of VAT.
Costs:	Each party to bear their own costs in negotiating and documenting the lease

