

Cheltenham Borough Council

Cabinet – 29 May 2012

Proposed Lease of the Stanton Rooms and Church Piece Public Conveniences to the Charlton Kings Parish Council.

Consideration of revised lease terms.

Accountable member	Cabinet Member for Finance - Councillor John Rawson
Accountable officer	Head of Property and Asset Management - David Roberts
Ward(s) affected	Charlton Kings
Key Decision	No
Executive summary	<p>Cabinet was asked at its meeting on 26th July 2011, to consider leasing the Stanton Rooms and Church Piece public toilets to the Charlton Kings Parish Council (CKPC), this to allow the CKPC not only to take over the provision of the toilet facilities but also to operate the Stanton Rooms as a community facility and to build a new extension.</p> <p>The decision reached at the meeting was for :</p> <ul style="list-style-type: none">• The buildings shown edged red on the plan attached be let to Charlton Kings Parish Council.• Authority be delegated to the Head of Property and Asset Management in consultation with the Head of Legal Services, to agree the terms of the Lease, to undertake the proposed works, providing the Head of Property considers the costs to be reasonable and subsequently to conclude the letting. <p>Since that time the CKPC have sought to revise the terms to those previously discussed, where, in return for the grant of a long term lease of 35 years, they would undertake the majority of the required works with funding from grant aiding bodies.</p> <p>It has also now been established that the proposed office extension and a further minor extension to the rear of the building would fall outside the prospective demised area as was previously reported.</p>
Recommendations	<p>To let the land and buildings as shown edged red on the plan detailed in Appendix 1 of this report to the Charlton Kings Parish Council.</p> <p>Authority be delegated to the Head of Property and Asset Management in consultation with the Head of Legal Services to agree the terms of the new lease, the principal heads of terms for which are detailed in the body of this report, and the Head of Property and Asset Management to conclude the letting.</p>

<p>Financial implications</p>	<p>The costs of repairs to the Stanton Rooms roof are yet to be determined by CBC. These costs will be financed from the Property Repairs and Maintenance budget.</p> <p>The costs of creating a new office along with and reconfiguration and extension to the toilet block room are also yet to be fully determined but will be financed by Charlton Kings Parish Council, who will seek external funding.</p> <p>Savings from the closure of Stanton Rooms could deliver £4,800 in a full financial year represented by expenditure savings of £10,400 and lost income of £5,600.</p> <p>The savings from the closure of the Church Piece public toilet facility have already been taken in the 2011/12 budget process as part of the global savings on closure of public toilets generally through the Bridging the Gap process.</p> <p>Contact officer: Andrew Powers</p> <p>e-mail andrew.powers@cheltenham.gov.uk</p> <p>Tel no: 01242 775221</p>
<p>Legal implications</p>	<p>Under s123 of the Local Government Act 1972 the Council has an obligation to obtain the best consideration reasonably obtainable when granting leases for more than 7 years.</p> <p>Generally, business tenants have a statutory right to compensation at the end of the lease for improvements they have effected to the property. However, the obligation imposed on the tenant by the proposed lease to carry out the proposed works will operate to avoid the payment of such compensation as far as the law allows.</p> <p>Part of the proposed office extension will fall on land which is public highway, and the Tenant will have to bear the responsibility of obtaining a stopping up order. There are also third party rights over the land concerned, and these will have to be released.</p> <p>Contact officer: Rose Gemmell</p> <p>e-mail rose.gemmell@tewkesbury.gov.uk Tel 01684 272014</p>
<p>HR implications (including learning and organisational development)</p>	<p>None</p>
<p>Key risks</p>	<p>Grant funding not achieved by CKPC for proposed extensions. However, this will not leave Cheltenham Borough Council worse off financially as the rent would become due.</p> <p>If the rent becomes due the CKPC could apply for 'Third Sector' relief.</p>

Corporate and community plan Implications	The capital receipt can be used to fund future capital expenditure, which will help to deliver corporate and community plan objectives.
Environmental and climate change implications	The proposed improvements to the building should make it more energy efficient. Also, as it will be a local “hub”, access by car users should be reduced. Both of these aspects will reduce carbon emissions.

1 Background

1.1 The Stanton Rooms were declared surplus to CBC in April 2009 and ran at a loss of approximately £4,200 pa in that year.

1.2 An Options Appraisal and subsequent Cabinet Report in 2011, identified that CKPC were the most suitable party to take over the running of the Stanton Rooms and to take occupation of the building, for the following reasons:

- There is ongoing political support for this initiative, both locally in Charlton Kings and from CBC, Gloucestershire County Council, Youth Groups, the local Police Service and the Highways Agency.
- The intention is to continue to run the facility as a Community Hub, but providing an additional extensive ‘one stop shop’ facility.
- Through their business plan CKPC’s objectives and intentions with regard to the Stanton Rooms align with CBC’s objectives (CBC’s five year Corporate Strategy Framework 2010 – 2015).
- Through their business plan, titled ‘Securing a Sustainable Hub’ they are able to demonstrate these objectives and how they will be actioned, the main focus being on ‘Strengthening our Communities’ and ‘Enhancing and Protecting Our Environment’.
- In addition following the CBC’s decision to close the Charlton Kings public conveniences, CKPC have taken these on to ensure this public facility remains.
- CKPC is presently acting as interim managers of the entire facility
- Under a ‘Tenancy at Will’ - a short term interim agreement whilst the main lease terms are being finalised. This has kept the facility open for the community and protected the income generated by the users, which would otherwise have been lost to other facilities, making the Stanton Rooms more difficult to re-open.
- CBC continues to contribute towards the costs of running and maintaining the public conveniences until a longer lease is secured. Securing the longer lease with the CKPC will further reduce CBC’s outgoings and liabilities in relation to the building.
- A Cabinet Report dated 26th July 2011, and resulting decision, gave the Head of Property and Asset Management delegated authority to negotiate and finalise terms for the CKPC to occupy the Stanton Rooms. However, due to the changes to the demised area and discussion about more beneficial lease terms for both parties, this matter now needs to be referred back to Cabinet.

2. Reasons for recommendations

2.1 The proposed new lease terms and altered demised area would:-

- Help support the CKPC in achieving their goals and objectives in relation to the building and their aims for the Community they serve.
- Help the CKPC to secure funding for their project by aligning the lease terms to those

sought by funding bodies.

- Allow the building to be extended, providing an increased floor area for additional services to be provided and also provide a modernised public toilet facility of long term benefit for both parties. Further improvements to the rest of the building are also being proposed.
- Protect the property asset in terms of value (Capital Value and Opportunity Value) by ensuring, through the terms of the lease that CBC is not handed back an obsolete building at the end of the term granted.
- Continues to encourage the CKPC to invest in the property throughout the lease term, to keep it structurally sound.

3. Alternative options considered

- 3.1 This proposal is the alternative option proposed by and acceptable to the CKPC and is to supersede the previous report approved by Cabinet in July 2011.

4. Consultation and Feedback

- 4.1 Ward Councillors were consulted in July 2011 in respect of the Stanton Rooms and supported the principle of CKPC having a future involvement in the Rooms. There was also consultation between Councillor John Rawson and his Cabinet colleagues due to CKPC taking on the interim manager's role. There was considerable political will for the Rooms to be let to CKPC to allow their continued community use.
- 4.2 Consultation with the present Ward Councillors ((Helena McCloskey and Rob Reid) in relation to the revised heads of terms for the proposed lease have taken place in recent weeks
- 4.3 Councillor Roger Whyborn and former Councillor John Webster have been involved in the discussions around the re-provision of public toilets and are aware of the proposed agreement with CKPC.
- 4.4 The CKPC have discussed their proposals with the County Council and Youth Service providers, Highways and the Police Service, who will all be able to benefit from being allowed to have drop in facilities stationed at the Stanton Rooms, meeting room usage or hall hire depending on their needs. This project is well supported.

5. Property Lease information – Proposed Heads of Terms

Rent	£6,000 pa based on comparable evidence (excludes the area for the proposed extensions).
Fitting out period and rent free period	Due to the proposed extensions and various other improvements this is likely to involve considerable costs, the likely result of which is the above rent would not become payable during the duration of the term, subject to the works being undertaken.
Rent Reviews	Every five years
Landlords works	Landlord undertakes to repair/ replace the roof (making it water tight) and to guarantee those works for a term of 10 years.
Lease length	35 years (lease to commence ASAP)

1954 protection	Yes.
Assignment	No (absolute restriction)
Sub-letting	No (absolute restriction)
Repairing obligations	Full repairing and insuring (internal and external parts with the exception of the roof for the first 10 years of the term). CBC to remove from its insurance schedule.
Permitted use	Parish Council Offices and related functions to include (but not limited to) a meeting facility, offices, public toilet facilities, a drop in centre, computer/information suite, and the provision of youth services. Also an establishment to encourage social cohesion and provide a Community Hub.
Alterations	Alterations with landlords consent, not to be unreasonably withheld
Rates and utilities	Tenant liable to pay all rates and utility bills
Programme of works	<p>It is intended that the Parish Council undertake a 'Schedule of Works'. The works are to be undertaken to offset the rental liability (works in lieu of rent). Should the program of works fail to be undertaken by the given timescales the rent will become due. Agreed elements of the development (in –line with an agreed 'Schedule of Works') should be completed prior to each of the rent review periods.</p> <p>Prior to the lease commencement, the CKPC will be required to:-</p> <ul style="list-style-type: none"> • Supply a detailed proposal (Schedule of Works) outlining all intended works to include internal improvements and the proposed extension. This initial 'Schedule' to be attached to the lease. • Advise on timescales to be set for the works as outlined in the 'Schedule' to be approved by the landlord. Where requested detailed plans to be provided. • Approved contractors only to undertake the works. Details to be provided to CBC for their records. Details should also be included on how and who will manage and monitor the works. <p>Years 0 – 5</p> <ul style="list-style-type: none"> • Submit a planning permission for the proposed extension • Achieve landlords written consent for the works to be undertaken • Seek a stopping up order for a section of public highway within the extended site. • Undertake any necessary consultation in regards to the proposed extension • Secure funding to start works

	<p style="text-align: center;">Years 6 – 10</p> <ul style="list-style-type: none"> • Update 'Schedule of Works', to be approved by the landlord. If landlord does not approve changes in writing the landlord reserves the right to charge the market rent. • Start to build the extension • Complete any other works in line with the approved/ agreed 'Schedule of Works'. <p style="text-align: center;">Years 11 – 15</p> <ul style="list-style-type: none"> • Update 'schedule of works', to be approved by the landlord. If landlord does not approve changes in writing rent will become payable. • Complete any other works in line with the approved/ agreed 'Schedule of Works'. <p style="text-align: center;">Years 16 – to the end of the term</p> <ul style="list-style-type: none"> • Repeat previous 5 year obligation. • Update expenditure by the Parish Council to be offset against rent due. <p>The 'Schedule of Work' to be completed by the Parish Council 3 months prior to the rent review. CBC to approve the Schedule of Work not later than one month prior to the rent review date.</p> <p>In line with the current proposal it is thought that no rent will become due for the entire 35 year term due to the value of the proposed improvements. However, this needs to be continually monitored (at the rent reviews) to ensure that Cheltenham Borough Council obtains value for money.</p>
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6 Former Heads of Terms of Lease as previously approved by Cabinet on 12 July 2011

6.1 The lease term then proposed was to have been for 99 years, at nil rent

6.2 There would have been a relatively restricted user clause to only allow the use of the buildings as public toilets, community rooms, and as a Parish office.

7 Performance Management – monitoring and review

7.1 This will be facilitated by the terms within the new Lease and the proposed Schedule of Works

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Appendices	<u>Appendix 1</u> Risk Assessment <u>Appendix 2</u> Site Plan showing additional areas to be included within the area to be demised shaded yellow, and the enlarged area to be demised edged in red.
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