

To: City Executive Board
Date: 20 June 2017
Report of: Head of Community Services
Title of Report: Community leases

| Summary and recommendations | |
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| Purpose of report: | To establish clear criteria and processes for the award of a community lease and to approve terms for new leases for Bullingdon, Headington, Risinghurst and Florence Park Community Centres |
| Key decision: | Yes |
| Executive Board Member: | Cllr Dee Sinclair, Board Member for Culture and Communities |
| Corporate Priority: | Strong, Active Communities |
| Policy Framework: | Community Centres Strategy 2016 to 2020. |
| Recommendation: That the City Executive Board resolves to: | |
| <ol style="list-style-type: none"> 1 Agree the process and criteria for awarding a community lease 2 Approve terms for new leases for Bullingdon, Headington, Risinghurst and Florence Park Community Centres and delegate authority to the Executive Director of Sustainable City in consultation with the Monitoring Officer to complete the leases. | |

| Appendices | |
|-------------------|--------------------------------|
| Appendix 1 | Proposed lease terms |
| Appendix 2 | List of community leases |
| Appendix 3 | Criteria for a community lease |
| Appendix 4 | Risk Register |

Introduction

1. The Council has a significant property portfolio, which is used to meet a range of financial, regeneration and community objectives.
2. The Council's commercial properties are leased at market rates, based on the rent levels established in the Oxford commercial market. Setting an appropriate rent for properties that are held by the Council for the delivery of wider social or community policy objectives requires a different approach.
3. This report builds on the Council's current method of dealing with such leases, and recommends ways in which the Council can balance a level of control of its assets while also providing freedom for community organisations to sustainably serve their communities and deliver on the social objectives that stem from the Council's Corporate Plan. The report recommends a method by which the Council can maintain transparency in relation to the financial support that is given to these community organisations.
4. In October 2015 the City's Executive Board agreed a policy for the future grant and management of the Community Association leases. Four of the Community Associations (Bullington, Headington, Risinghurst and Florence Park) are currently "holding over" on an expired lease which has protected status within the Landlord and Tenant Act 1954. It was agreed that terms for these four leases would be agreed with each Association in consultation with the Council Leader, the Executive Member and the local Ward Councillors. This report proposes terms for these four leases which are shown in appendix one. Confirmation is sought from the City Executive Board that the proposed terms are appropriate and acceptable. As the detailed terms are still being finalised with the Associations it is recommended that the City Executive Board delegates authority to the Executive Director of Sustainable City in consultation with the Monitoring Officer to make such amendments as the Director determines are required and to complete the leases.

Community leases

5. Community leases are granted to tenants whose work is aligned to supporting the delivery of the Council's Corporate Plan; these tenants do not generally pay the market rent. Instead, a reduction from the market rent is calculated to reflect the value of the services provided by the organisations concerned to the community.
6. The Council's preferred approach to community leases is for tenants to pay the market rent and for the Council to award a grant which reduces the net cost of the rent; the lease agreement underpinning that arrangement will normally contain a break clause requiring one year's notice. This approach ensures transparency as the grant is recorded as such in the Council's budget. This approach also allows the Council to change its approach to subsidy in accordance with its changing priorities and the Council's financial position. The annual break clause is, however, a potential disadvantage to the community groups involved as it reduces their level of security of tenure and the reliability of their longer term financial position.
7. Secure leases, where the tenant has security of tenure under the Landlord and Tenant Act 1954, usually gives the right to a renewal of the current lease on the expiry of the term, but they clearly reduce the Council's ability to ensure that the

community asset is being used in a way that meets the Council’s policy objectives, and if regeneration opportunities arise can prevent them from proceeding. Therefore, in most circumstances, the Council seeks to avoid granting new secure leases.

8. The table below summarises the main current community leases; appendix two shows a more detailed table including the terms of the leases.

| Facility type | Lease |
|-------------------|---|
| Leisure centres | Fusion Lifestyle’s lease runs to 2024. The lease is part of the leisure contract. |
| Sports pavilions | There are no leases in place for any of our pavilions. We are exploring the possibility of leasing Grandpont Pavilion to Hinksey Park FC and Cutteslowe Lower Pavilion to Summertown Stars FC. |
| Community centres | Council policy is that Community Associations should not pay rent for their premises in recognition of the social value they deliver. Five Community Associations have secure leases giving them a right to renew on substantially the same terms, but in these cases the Council could decide to renew at a market rent if the way in which the premises were being used at that time were not aligned to the Council’s social objectives. |

Awarding a community lease

9. The majority of current community leases have been agreed on an ad hoc basis when the lease comes up for renewal. This has led to some inconsistencies as no clear criteria have been used when agreeing a new lease. Appendix three proposes a set of clear criteria for the award of future community leases.

10. Once these or alternative criteria have been agreed, Council will have to determine the level of standardisation that it wishes to secure in future lease agreements. The issues that have caused most concern for community organisations in agreeing new leases are:

a) The method of offering a rent subsidy:

The alternative approaches are:

- Market rent, with the subsidy fully paid by grant
- Market rent ,with the subsidy meeting part of the cost
- A reduced rent fully paid by the tenant
- A nil or peppercorn rent, nominally payable by the tenant

b) Break clauses

11. For the City Council, break clauses in leases of any type are important in ensuring that assets are not locked in to very long term commitments to the leasing organisations. For community organisations as tenants, however, the downside is that it may make it more difficult to access external grant funding. Most major funders will not fund an organisation or a project if there is a break clause which could mean that the asset is removed from its intended use within a certain number of years. Community groups also have understandable concerns that changes in Council policy could result in them losing their premises.

12. In considering how best to deal with the issues arising from break clauses, the following options have been identified:
- a) Automatic inclusion of a break clause with a year's notice.
 - b) Inclusion of a break clause accompanied by a set of specific circumstances which would lead to the clause being triggered.
 - c) Inclusion of break clauses at 10 and 20 years in line with the secure community centre leases.
 - d) Inclusion of a break clause that can be changed in cases where an external funding source requires a longer period of guaranteed tenure e.g. *"if the community group obtain over £100,000 of external funding for an initiative that is formally endorsed by the Council's Executive Director and Board Member for Communities the break clause will be removed for the period covered by the funding."* Sport England have confirmed they are comfortable with this clause. For other funders we may need to agree a specific waiver on a case by case basis, but this clause shows our intent and provides the ability to do so.
 - e) Exclude the break clause for buildings that remain within their predicted lifespan for the duration of the lease.
13. It is proposed that options (a) and (d) should be developed as the standard lease policy for community organisations.
14. Most funders require the applicant to have a lease over 20 years for larger awards, so it is proposed that our standard community lease is 25 years.
15. It is also proposed that officers and members should meet with groups that have a community lease each autumn to discuss the progress and challenges they have had over the past year and the plans for the year ahead, including opportunities for external funding. An update report will then be presented to CEB so elected members are fully updated on how these subsidies are being used.
16. A lease will ordinarily have provisions for a rent review at set periods during the lease term and this is often a cause for concern for community groups. It is proposed that these increases should always be part of the budget setting process to make sure a *One Council* view is taken. When the Council increases rental costs and the community group's rent is covered wholly or partially by a grant, the increased rental costs should be reflected in a commensurate increase in the grants budget; unless the Council takes a conscious decision in the budget setting process not to do so and to increase the costs of renting community focussed facilities.
17. As part of its grants programme to support cultural organisations in the city, the Council currently provides annual rent subsidies to three organisations – Modern Art Oxford (£70,000), Arts at the Old Fire Station (£5,000) and Fusion Arts (£5,000). These organisations will be covered by the same arrangements that are set out above.

Environmental

18. We are consistently seeking to maximise the energy efficiency and environmental awareness of all tenants in community buildings.

Financial implications

19. Where the Council awards a subsidised community lease, it is making a decision to forego a potential higher rental income in exchange for increased social value. It is important that the level of subsidy should be transparent and that the social benefits are demonstrable so the Council can assess how well this investment meets its corporate objectives.
20. The report is not requesting any adjustments to the current budget.

Legal

21. The changes within the report will become clauses within community leases when they are put in place/ renewed.

Level of risk

22. Appendix four includes the risk register

Equalities impact

23. The terms of all leases reflect the Council's policy commitment to ensuring that all its community facilities are open to all and operate on a fully inclusive basis.

Summary

24. This report sets out a consistent and transparent approach to the granting of leases to community bodies that occupy Council-owned buildings and which are delivering services which are consistent with the Council's policy objectives.

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| Background Papers: | |
| 1) | Community Centres Strategy, 2016-2020 |
| 2) | Community Centre lease report, CEB Oct 2015 |

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