

**REDDITCH BOROUGH COUNCIL**

**EXECUTIVE COMMITTEE**

**10<sup>th</sup> JULY 2018**

**REDI CENTRE – LEASE ARRANGEMENT**

Relevant Portfolio Holder	Councillor Matthew Dormer, Portfolio Holder for Planning, Governance and Partnerships
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Resources
Wards Affected	Central
Ward Councillor Consulted	N/A
Non-Key Decision	

**1. SUMMARY OF PROPOSALS**

To enable Members to consider the proposal to grant a 12 year lease to Redditch Youth and Community Enterprise (RYCE) for the use of the REDI Centre

**2. RECOMMENDATIONS**

**The Executive Committee is requested to RESOLVE that**

- 2.1 a 12 year lease is granted to RYCE for the use of the REDI Centre subject to commence when the Lottery Funding for works on the building is approved.**
- 2.2 approval of a rent of £7k per annum is agreed for the period of the lease**
- 2.3 that should the Lottery grant be unsuccessful that a further report be presented to members on the future opportunities for the centre**

**Or**

- 2.4 Officers bring a further report to members to present a business case on an alternative option as detailed in the report.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 The Redi Centre has been used by Redditch Youth and Community Enterprise (RYCE) since January 2014 under a meanwhile lease arrangement which means no rental is paid by the organisation however they are liable for business rates and utility costs. The commercial rental for the building would be around £15k- £20k. The**

value of the building is currently around £250k and the General Fund owns the property with no clawback from any other agency.

- 3.2 Over the last 2 years RYCE have been exploring ways of securing funding to enable the building to be improved to enable the services provided to be sustainable and for more commercial activities to be undertaken to support the community facility in the future.
- 3.3 Over this period 2 grants have been awarded by the Big Lottery ( Reaching Communities) for feasibility and design reports amounting to £76k. These funds have enabled RYCE to develop a clear business plan and detailed drawings of how the building could be redesigned to provide more appropriate and accessible services in the future. The designs have been focused on disability access and include a changing places toilet facility.
- 3.4 A final Stage 3 bid for grant funding has been presented to the Lottery to provide overall financial support of £465k to include capital enhancements to the building together with initial revenue funding to enable the new services to be marketed.
- 3.5 For a grant of this size to be considered by the Big Lottery, the lease arrangement in place with the landlord has to be 10 years or over. Officers have been liaising with the Big Lottery to ensure all grant conditions are clear in relation to the implications for both RYCE and the Council. A 12 year lease is proposed to ensure that the Big Lottery condition of ensuring the lease has 10 years left following the completion of any works is met.
- 3.6 The commercial rent for the building would be approx. £15k-£20k in the present state. Whilst appreciating that this rental value would increase once the works are undertaken a condition of the Big Lottery is that the rent is fixed for the lease period. It is proposed that a rental of £7k is set for the lease period to recognise the fact that significant works are being undertaken on the building. It is further proposed that this arrangement sits outside of the rent relief policy to ensure that any future reviews of do not impact on the fixed charge to RYCE.
- 3.7 Facility management officers have carried out an assessment of the building. The Energy Performance Certificate has returned as an E which is acceptable, the electrical 5 year test and inspection was carried out November 2014 and not due until November 2019. The asbestos survey was undertaken in 2013 and the asbestos shown in that report has since been removed. Officers have requested the asbestos surveyor attend the building for a review. The officers have proposed that no further works need to be undertaken prior to a lease being granted as any work would be superseded by the Lottery funding building works. Therefore there are no costs associated to the lease

agreement for the Council. Officers have further advised that there are no significant issues with the landlord responsibilities of the building.

**Other opportunities**

- 3.8 It is important for members to review other opportunities that may be available for the building to enable a decision to be made on the future with regard to best value for the Council. In considering best value the Council can assess the community benefit, not just the financial benefit, to enable a decision to be made that best meets the Council strategic purposes moving forward. The other options available are shown below. It is appreciated that the information and figures included below are based on officer judgement and a detailed financial appraisal would have to be undertaken should an alternative solution be recommended by members.

**3.9.1 Market Rent through Local Authority Housing Company**

**BENEFITS**

- ✓ Sell land to Company at an estimated £250k to General Fund
- ✓ Provides the potential for 11 market rents and 5 social
- ✓ Potential to sell to HRA to contribute to housing growth strategy and receive capital receipt
- ✓ Council retains ownership

**RISKS**

- Need to establish housing company
- Lack of experience and capacity in house building
- Market rents may fall
- Detailed market assessment to be undertaken externally

**FINANCIALS ( estimated)**

- £ Est Project cost £1.9m less £460k sales to HRA = £1.4m debt
- £ Borrow from GF at 4% - interest £58k pa, GF borrow at 3% £44k pa
- £ Local housing company would cost £20k to set up and breakeven until rents increased
- £ General Fund would receive £250k capital receipt, £14k pa margin on interest, £3k per annum Council Tax and £20k pa new homes bonus over 4 years – Estimated total income over 12 years £534k - £284k general fund & £250k capital receipt

**3.9.2 Sell / Transfer to the HRA**

**BENEFITS**

- ✓ Scope to increase social housing stock

- ✓ Appropriation would provide market value from HRA to GF of £250k (est)
- ✓ Council retains ownership

**RISKS**

- Lack of experience and capacity
- Impact of Right to buy of HRA properties

**FINANCIALS**

- £ £250k land plus estimated £1.9m project
- £ Potential 16 apartments on site – £119k per unit
- £ Potential to receive grant funding for development
- £ General Fund would receive £250k capital receipt, £3k per annum Council Tax and £20k pa new homes bonus over 4 years – Estimated total income over 12 years £366k - £116k general fund & £250k capital receipt. HRA would receive social rental dependent on size of property

**3.9.3 Sell on the Open Market**

**BENEFITS**

- ✓ Provides capital receipt to General Fund
- ✓ Development favourable in Local Plan
- ✓ Market Value estimated at £250k ( net £203k cleared site) – available to invest in other projects eg locality/district centres.

**RISKS**

- Market may change
- Loss of current service to the community

**FINANCIALS**

- £ General Fund would receive £250k capital receipt, £3k per annum Council Tax and £20k pa new homes bonus over 4 years – Estimated total income over 12 years £366k - £116k general fund & £250k capital receipt.

**3.9.4 Redditch Youth and Community Enterprise (RYCE)**

**BENEFITS**

- ✓ Social Value
  - IT Training
  - 1,200 attendances on average per month
  - Music room with training and studio facilities
  - Over 50s mentored by young people – 6 young volunteers regular sessions throughout week
  - Counselling Group use
  - Courses for Asian Community & Chakra Dance sessions

- Craft club/good times disabled club/Yoga/creative writing group
- Community Quiz Nights – 30/40 per session
- Support for people with learning difficulties
- Senior Youth Club; supported by young volunteers
- Junior Youth Club; 50 members per week
- Good Times Group (for young people who have a learning and/or physical disability, with a separate peer-support group for parents running in parallel);
- After School Club; (The youth groups listed above are run in partnership with the Redditch Positive Activities Consortium)
- Code Club (an introduction to computer coding run by RYCE volunteers);
- Computer training for the over 40s;
- Driving theory practice sessions for Urdu speakers;
- Functional English class for Urdu speakers.

**Education and Learning Activities (external hires)**

- Worcestershire County Council libraries and learning service (a range of activities including art classes, MoodMaster and understanding ADHD);
- Standguide Training (support for jobseekers wishing to enter self-employment);
- Sign and Rhyme (pre-school education group);
- Support Group for home educated children and their parents.

**Arts and Cultural Activities (external hires)**

- Chitra School of Indian Classical Dance;
- Emma Charlotte Dance Academy (children and adult dance classes);
- Creative writing group for adults;
- Singing/voice coaching.

**Leisure and Social Activities (external hires)**

- Motorcycling Yogi (yoga group);
- Pilates;
- Tai Chi;
- Pole Effect (exercise and fitness pole dancing group).
- Support Activities (external hires)
- Counselling services (two providers).
- Other Regular (non-weekly) activities:
- WCC Early Help NEETS prevention scheme;
- Providers delivering the Jobcentre Plus Work Programme;
- Jest a Minute Theatre Company (community theatre group, rehearsal and TiE activities);
- Kerala Dancers (cultural dance group);

- Muslim girls group;
  - Meetings of local NHS groups, including occupational therapists and GPs;
  - Meetings of local community groups, including Bromsgrove and Redditch Welcomes Refugees and Redditch Mental Health Action Group;
  - RYCE Quiz Night (monthly).
  - BENS Group (for children experiencing difficulties fitting in at school);
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- ✓ Potential Big Lottery grant of £400k (reaching communities building grant) to improve the building and to enhance the Council facility for the future and increase the asset value.
  - ✓ Already received £51k feasibility study grant and £26k development grant
  - ✓ Changing Places toilet
  - ✓ Asset retained by Council

**RISKS**

- Income projections ambitious –room hire increasing from £10k to £40k in 3 years
- RYCE historically very grant dependent
- Potential impact on other voluntary organisations securing hire income
- Restrictions placed on the Council from the Big Lottery in relation to any changes to service provision over the 12 year period due to grant conditions

**FINANCIALS**

- £ Market rent proposed at £7k
- £ RYCE responsible for internal repairs
- £ RBC receive £7k but responsible for external repairs and boiler.
- £ Total income over 12 years £84k but landlord repairs may utilise this income

3.9.5 As can be seen above the group has established a number of community services over the last 4 years. It is detailed in the Business Plan that since March 2017, activities at the REDI Centre have been attended by an average of 1,200 people per month (not including the one-off community days, each of which was attended by several hundred members of the local community). There are a number of services that add value and support the Councils strategic purposes in particular providing good things to see do and visit, with all the various activities and clubs that are available. In addition advice, support and IT training can help the community be more financially independent.

**Legal Implications**

- 3.10.1 In order to obtain Big Lottery funding the new lease to RYCE will be for a term of at least 10 years from completion of the works (and so a 12 year term has been suggested to allow sufficient time for the works to be completed), with no rights for either party to terminate early. The lease will also include the ability for the tenant to assign to another sector organisation with similar aims and objectives. This does limit the marketability of the lease for us. In addition, the rent cannot be reviewed for the whole term of the lease. The initial proposed rent will therefore be the rent which we receive throughout the term therefore it is proposed that this agreement sits outside of the general rent relief policy. Although this does not reflect general market practice for a 12 year lease, it does reflect the nature of the tenant and the works that will be undertaken by the grant funding.
- 3.10.2 The permitted use under the lease must be in line with objectives of the tenant as identified in its grant application. Again, this does limit the marketability of the lease, but is a requirement for the tenant to gain the funding. As the funding application is for less than £350,000 ( for capital works) , a legal charge is not required over the Property. However the tenant must enter into a Deed of Dedication with the Big Lottery Fund and register a restriction on the leasehold title. On completion of the lease, a separate licence will be entered into for the works that are being funded by the Big Lottery grant to ensure that the works are carried out properly and with all relevant consents.
- 3.10.3 If RYCE receive the grant, the Council will need to enter into the Deed of Dedication which prevents RBC from disposing of the Property in any way for a period of 10 years from the completion of the works without consent from the Big Lottery.
- 3.10.4 The Big Lottery will ensure that the building works are undertaken in accordance with their grant conditions and only fund RYCE as the various parts are completed.
- 3.10.5 The grant agreement/contract from Big Lottery is with RYCE rather than Redditch Borough Council and therefore RBC would not be responsible for repaying any of the grant. Big Lottery would work with RYCE or RBC to find a similar organisation to carry on the project work should they cease operating, however if this was not possible, Big Lottery would follow their procedures to close down the grant/project.
- 3.10.6 It is proposed that should the grant be rejected that a further report be presented to members with alternative opportunities for the building.

**Service/Operational Implications**

- 3.11 As Members are aware the services provided by the REDI Centre were reviewed and a decision in July 2010 was made to re-locate the Learn Direct service to another Council facility. Since the building was listed as an asset of community value in 2013 RYCE have been tenants under the meanwhile lease arrangement whilst working through options that were available for grant funding to enable the sustainability of the building and services provided.
- 3.12 Should the grant be approved and the building enhanced it is proposed that officers further work with RYCE to ensure all activities support the Councils strategic purposes and identify tangible and realistic measures to enable the monitoring of the outcomes anticipated.

**Customer / Equalities and Diversity Implications**

- 3.13 The enhanced facilities will provide additional gender neutral wheelchair accessible toilets, one upstairs and one down stairs, two new wheel chair lifts and the installation of a complete 'Changing Place' with a hoist, shower, changing table, new height adjustable washstand and more, which will be installed by an approved Changing Place contractor. This will be the only the second facility of this type in Redditch. The other being at the Abbey Stadium.

**4. RISK MANAGEMENT**

Should the grant funding not be approved by the Big Lottery the lease will not commence and officers will bring a further report to members. The building works will be undertaken by RYCE with monitoring from both Council and Lottery officers.

There are a number of risks of granting the lease to RYCE including potential challenge from other community groups, this would be mitigated by the individual nature of the potential Big Lottery funding that RYCE are hoping to secure. There is also a risk in granting the 12 year lease as the Big Lottery grant conditions limit the Councils ability to change service delivery within the building as detailed in the legal implications. Officers will hold regular meetings with RYCE to ensure that the business model is generating the revenue anticipated.

**5. BACKGROUND PAPERS**

REDI Business Plan  
Plans for development of building



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**10<sup>th</sup> JULY 2018**

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**AUTHOR OF REPORT**

Name: Jayne Pickering  
E Mail: [j.pickering@bromsgroveandredditch.gov.uk](mailto:j.pickering@bromsgroveandredditch.gov.uk)  
Tel: (01527) 881400