



REPORT TO: POLICY AND RESOURCES COMMITTEE ON 10 MARCH 2020

SUBJECT: ELGIN TOWN HALL TRANSITIONAL LEASE ARRANGEMENTS

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 This report invites the committee to consider a request for a 5-year extension to the transitional lease arrangements currently in place for Elgin Town Hall.
- 1.2 This report is submitted to the committee in terms of Section III(B)(49) of the council's Scheme of Administration relating to the monitoring and review of concessionary rents.

2. RECOMMENDATION

- 2.1 **The committee is invited to approve the request from Elgin Town Hall for the Community to extend the transitional rent-free lease arrangements for Elgin Town Hall on the terms and conditions set out in paragraph 3.5 of this report.**

3. BACKGROUND

- 3.1 On 11 April 2018, the Moray Council approved transitional arrangements aimed at enabling successful asset transfers of a range of town halls and community centres (paragraph 6 of the Minute refers). The transitional arrangements included the granting of rent-free leases for a period of 2 years.
- 3.2 In accordance with these transitional arrangements, a lease over Elgin Town Hall at a concessionary rent was granted to Elgin Town Hall for the Community. This lease commenced on 1 August 2018 and is due to expire on 31 July 2020.
- 3.3 Elgin Town Hall is a key element of the Moray Growth Deal's Cultural Quarter Project. While it is anticipated that Heads of Terms for the Growth Deal will be signed soon, prioritisation of project spend is still being developed to manage finances over the 10 year duration of the deal. The outline business case for the project is almost complete. However, further work on the detailed business case for the town hall will be needed before a view can be taken on the future business model. For these reasons, the tenant has requested a 5-year extension to the transitional lease arrangements.

- 3.4 The transitional arrangements included provision to review progress annually to determine whether to terminate the lease or allow it to continue to enable the transfer to be completed. Officers have reviewed the Elgin Town Hall operation and are satisfied that the organisation remains financially viable and is working towards a full transfer. Due to the exceptional circumstances arising from the Growth Deal, the request for a 5-year extension is supported to allow for the continued operation of the town hall while the wider full business case is developed.
- 3.5 The terms and conditions for the proposed lease extension are:
- a) The lease will be on tenant full repairing and insuring terms and conditions.
 - b) The period of the lease shall be 5 years from 1 August 2020.
 - c) The rent payable will be £1 per annum, if asked, with no review.
 - d) The council will have an option to break the lease at any time on giving 6 months' notice in order to facilitate implementation of the future business model for the property.
 - e) Each party will meet its own expenses in the processing of the transaction, including legal expenses and surveyors fees.
 - f) Any other detailed terms and conditions agreed with the council's Legal Services Manager and Estates Manager.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Transferring assets to the community supports the 10 Year Plan (LOIP) aim of creating more resilient and sustainable communities and is consistent with the Corporate Plan value of promoting community empowerment as a means of supporting communities to take on more responsibility.

(b) Policy and Legal

On 21 March 2017, this committee approved the following policy statement (paragraph 5 of the Minute refers).

“Moray Council recognises the important role that the transfer of property assets can play in empowering communities and strengthening their resilience. Where appropriate, the council will use the transfer of assets to give more control to communities and local people, inspire them to find local solutions to community needs, and as a means of helping communities become more sustainable in the long term. In determining all asset transfer requests, the council will have regard to the guidance provided by the Scottish Government in relation to asset transfer requests made under Part 5 of the Community Empowerment (Scotland) Act 2015, whether or not such requests are made under the provisions contained in the Act.”

Assets leased to the community at less than market value must comply with the Disposal of Land by Local Authorities (Scotland) Regulations 2010, which requires the council to be satisfied that the proposed lease

is reasonable and that it is likely to contribute to the promotion or improvement within Moray of any of the following purposes:

- a) Economic Development,
- b) Regeneration,
- c) Public Health,
- d) Social Wellbeing, or
- e) Environmental Wellbeing.

Reasonableness in this context is taken to imply that the requested discount is the minimum necessary to allow the project to proceed and that it is commensurate with the likely benefits of the project.

The requested discount is significantly less than the net running costs of the Town Hall prior to Elgin Town Hall for the Community operating the facility (£87,000 in 2017/18) and, consequently, the requested discount is considered to be reasonable.

(c) Financial Implications

The Estates Manager has advised that there is no commercial market for a similar style use as a town hall in Elgin and letting for alternative commercial uses would be unlikely to be secured on the strength of a 5-year lease – much greater security of tenure would be required for a tenant to obtain a suitable return on investment.

Based on a medium/long lease and various other assumptions it is estimated that the market rent would be in the region of £53,000 per annum, after a rent free period of 12-24 months. However, this estimate carries a much higher degree of uncertainty than usual.

Elgin Town Hall for the Community is fully responsible for all costs associated with the operation of the lease and the ongoing operation of the facility, thus ensuring that services are maintained at no cost to the public purse other than the amount of rent forgone.

(d) Risk Implications

A continuation of the transitional arrangements will significantly reduce the risk of the project failing in the short term while the future business model is developed and the full business case prepared.

(e) Staffing Implications

There are no staffing implications arising from this report.

(f) Property

The property implications are as detailed in this report.

(g) Equalities/Socio Economic Impact

An Equalities Impact Assessment is not required as agreeing to the extension would have no adverse impact on service delivery.

(h) Consultations

The Depute Chief Executive (Economy, Environment and Finance), Chief Financial Officer, Head of Economic Growth and Development, Head of Education Resources and Communities, Legal Services Manager, Estates Manager, P. Connor Principal Accountant , Community Support Manager, L. Rowan Committee Services Officer , and Equal Opportunities Officer have been consulted and comments incorporated in the report.

Elgin City North and South Ward Members have been consulted and may make their views known at the meeting.

5. CONCLUSION

5.1 Elgin Town Hall is a key element of the Moray Growth Deal's Cultural Quarter Project. Although the outline business case for the project is almost complete, further work on the detailed business case for the town hall will be needed before a view can be taken on the future business model.

5.2 Although Elgin Town Hall for the Community has established its financial viability in the short term, a 5-year extension of the transitional arrangements is necessary for the successful continued operation of the town hall while the future business model is developed.

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Background Papers: Held by author
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