

## READING BOROUGH COUNCIL

### REPORT BY EXECUTIVE DIRECTOR OF ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

<b>TO:</b>	POLICY COMMITTEE		
<b>DATE:</b>	13 JUNE 2022		
<b>TITLE:</b>	APPROVAL TO ENTER INTO BRIGHTER FUTURES FOR CHILDREN LEASES		
<b>LEAD COUNCILLOR:</b>	COUNCILLOR LENG	<b>PORTFOLIO:</b>	PLANNING & ASSETS
<b>SERVICE:</b>	PROPERTY & ASSET MANAGEMENT	<b>WARDS:</b>	BOROUGHWIDE
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#### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To provide background and an update on the Brighter Futures for Children (BFfC) company property portfolio at time of transfer and requirements for the future portfolio.
- 1.2 This paper seeks authority to enter into appropriate agreements on the properties identified in this report.

#### 2. RECOMMENDED ACTION

It is recommended that Policy Committee:

- 2.1 Delegate authority to the Executive Director for Economic Growth & Neighbourhood Services, in consultation with the Leader of the Council, the relevant Lead Councillor and the Director of Finance and Assistant Director Procurement & Contracts to approve BFfC property (non-education) changes, new leases, including under-valued properties for the assets specified in 4.1.2 below.

#### 3. POLICY CONTEXT

- 3.1 The Council has 100% ownership of BFfC, which is run by a senior management team reporting to the Company board of directors. In turn, the Board reports to the Council (Policy Committee) as its sole member. At Full Council on the 16<sup>th</sup> October 2018, it was agreed to transfer the delivery of the Council's children's services to a newly established, wholly owned subsidiary Company of the Council, Brighter Futures for Children Limited ('BFfC' /the 'Company'). As part of the transition to service delivery by the Company, leases were put in place for the Council properties occupied by BFfC. There have been some changes to the properties required, both from BFfC service changes and associated requirements as well as from known (or expected) property moves.

- 3.2 The Executive Director for Economic Growth & Neighbourhood Services has delegated authority, in consultation with the Leader of the Council, the Lead Councillor responsible for the property in question and the Head of Financial Services to approve any BfFC property (non-education) changes, new leases. This includes to -
- Commence preliminary negotiations with respect to any land/property to be acquired/sold/leased, so as to be able to ascertain questions of willingness to sell/acquire/lease and general terms (p107 of the agreement);
  - Agree disposal of land/property as freeholder, leaseholder or licensor (S123 Local Government Act 1972) up to £500k or £50,000 p.a. However, all land/property disposed of at below market value to be reported through the Decision Book or Policy Committee (p108 of the agreement).
  - In the above delegation cases, the Head of Legal and Democratic Services is authorised to enter into the necessary legal agreements.
- 3.3 As all BfFC leases are market rent less 30% and where peppercorn rent is applied, Policy and/or Decision Book authorisation is needed for any BfFC lease, regardless of value. Therefore, the above delegated authority cannot be applied.
- 3.4 Any property portfolio changes mean an amendment to the property schedule in the services contract, which in turn means a contract change in line with the RBC/BfFC Services Contract change process in schedule 8 -
- This states the contract change being authorised by the Company Representative and the Council Representative, subject to relevant internal approvals
  - Clearly, this links to the above ref Policy/member authorisation for property
  - The Assistant Director for Procurement & Contracts is the Company Representative in the contract, so the variation needs their signature and consultation with relevant Council officers.
- 3.5 A local authority (LA) has a legal duty to provide services to work with youth offenders. The Council meets this requirement through its contract with Brighter Futures for Children.
- 3.6 We have an obligation under our leases that where we serve notice to BfFC, we will work with them to find a suitable alternative.
- 3.7 As per para (3.5), it is in our interest to support BfFC with property requirements to enable them to deliver their services.

#### 4. THE PROPOSAL

##### 4.1 Current Position - Property Portfolio

4.1.1 The original property portfolio for BfFC on transfer from RBC was as follows:

Ref	Building	Space Leased	Net Rental Charge (£GBP)	FM Charge (£GBP)	TOTAL CHARGES (£GBP)
1	The Civic	Dedicated areas 1 <sup>st</sup> floor North and South	621,789	611,187	1,232,977

		Ground Floor			
2	The Avenue	Dedicated Area 1 <sup>st</sup> floor	231,356	190,615	421,971
3	Southcote Community Hub	Various dedicated rooms	5,463	9,591	15,054
4	Katesgrove Community Centre	Dedicated area and shared rooms with community	77,011	39,698	116,709
5	Southcote Children's Centre	Whole building	39,550	32,584	72,134
6	South Reading Hub	Dedicated areas	25,213	54,060	79,273
7	Whitley Health Building	Dedicated area on 1 <sup>st</sup> floor	0	32,933	32,933
8	Ranikhet Children's Centre	Whole of Annexe building	0	728	728
9	Pinecroft	Whole building	16,800	52,481	69,281
10	Cressingham	Whole building	21,840	70,709	92,549
11	16 North Street	Whole building	28,000	20,811	48,811
12	Caversham Children's Centre	Whole building	76,279	4,195	80,474
<b>Grand Total</b>			<b>1,143,301</b>	<b>1,119,592</b>	<b>2,262,892</b>

4.1.2 The future & present property portfolio for BFfC is as follows:

Ref	Building	Space Used	Net Rental Charge (£GBP)	FM Charge (£GBP)	TOTAL CHARGES (£GBP)	NOTES
1	The Civic	Dedicated areas 1 <sup>st</sup> floor North and South	591,816	519,693	£1,111,509	Space reduced – Contact Centre move to Dunsfold
2	Southcote Community Hub	Various dedicated rooms	5,463	11,930	17,393	
3	Southcote Children's Centre	Whole building	39,550	42,984	82,534	
4	South Reading Hub	Dedicated areas	25,213	44,505	69,718	
5	Sun Street Youth & Community Centre	Various dedicated rooms	4,725	19,623	24,348	Midwifery Service agreement being compiled.
6	Whitley Health Building	Dedicated area on 1 <sup>st</sup> floor	0	36,109	36,109	

7	Pinecroft	Whole building	16,800	52,481	69,281	
8	Cressingham	Whole building	21,840	70,709	92,549	
9	Caversham Children's Centre	Whole building	76,279	4,195	80,474	
10	1 Dunsfold Road	Dedicated area	15,750	23,569	39,319	Intended use - new Contact Centre. This lease is subject to spend and scheme approval for capital works proceeding to fit out space at Dunsfold for BfC.
11	Dee Park Community Centre – Contained Area for Children's Nursery	Whole of Annexe building	0	289	289	Intended use - replacement for Ranikhet. Lease subject to building being completed in the Dee Park development.
12	330 Northumberland Avenue	Dedicated area in building	11,550	15,045	26,595	No car parking provision. However, should provision be made a variation of the lease and revised charges will be issued.
13	Katesgrove Community Centre	Dedicated area and shared rooms with community	7,000	39,698	46,698	Accommodate Youth Offending Service and Community groups. This lease is subject to spend and scheme approval for capital works proceeding to fit out space at Katesgrove for BfC. <b>It should also be noted that there will be additional revenue costs for BfC for ad hoc bookings of community rooms in this building.</b>
<b>Grand Total</b>			<b>815,986</b>	<b>880,830</b>	<b>1,696,816</b>	

4.1.3 From the 16<sup>th</sup> Oct 2018 Council, there is authority for the Assistant Director Legal & Democratic Services to agree leases linked to the BfC Company set up, which can be extended to Sun Street and Katesgrove as these were listed in the original report.

4.1.4 As additional properties such as Dee Park Children's Centre, 330 Northumberland Avenue and 1 Dunsfold Road are not listed in the original transfer, a new authority to enter into the necessary leases is required.

4.1.5 This report seeks delegated authority to enter into new leases for these additional properties.

4.1.6 **Sun Street**

The BFfC intent was to vacate Katesgrove Community Centre and move into Sun Street Community Hub once the refurbishment was complete. This move has been completed and the relevant lease needs to be granted.

The Lease will also permit ad hoc use of rooms within the BFfC demise by the midwifery service

#### **4.1.7 Ranikhet Childrens Centre move to Dee Park Community Centre**

BFfC are currently in occupation of part of Ranikhet Primary School. The Council are freeholder lease back the property from Reach2 Academy Trust via an underlease dated 30<sup>th</sup> October 2015.

There is also a development agreement in place for a new school site (Dee Park regeneration project - DPP) between the parties which mirrors the relevant obligation of the Dee Park development agreement between the Council and DPP (Catalyst Housing Association and Willmot Dixon).

The Councils sublease has not been assigned to BFfC, so BFfC are effectively an unauthorised user/occupant of the property. The Council will be required to serve 6 months' notice to terminate the lease prior to the move to Dee Park.

Ranikhet Rainbows Pre-School Ltd (Rainbows) have a sub-underlease lease of part of the property from the Council at a peppercorn rent. The lease includes termination provisions linked to the development agreement and is not a protected tenancy, therefore the Council is not obliged to relocate Rainbows.

Prior to the transfer, BFfC had a provisional agreement to move from Ranikhet to the new Dee Park Community Centre. The building is under construction and completion is targeted for September 2022.

A new sub underlease to BFfC is required.

BFfC wish to continue supporting Rainbows and would look to grant a sub underlease of part of their demise to Rainbows on peppercorn rent, in order to remain the immediate Landlord. BFfC (not the Council) will need to grant this sub underlease.

The contractual structure needs to sit within the requirement of the Dee Park development agreement.

#### **4.1.8 330 Northumberland Avenue**

Due to the agreement to develop the Avenue for SEN provision, notice was advised to BFfC for The Avenue Centre. BFfC are reducing their office requirements in line with a more flexible way of working, so a full like for like replacement for The Avenue Centre is not required. BFfC have requested some alternative office accommodation and 330 Northumberland Avenue has been proposed as the alternative.

We have delegation "for the letting of land and premises not exceeding 180 days and to agree its availability for such letting" (Policy 06.06.00 min17).

#### **4.1.9 16 North Street to Katesgrove Community Centre**

The Youth Offending Service (YOS) under BFfC currently delivers services from a leased in building at 16 North Street. There is a continued risk that the Landlord can serve notice to seek possession and the recommendation is to relocate the service to provide secure council owned premises.

Katesgrove Community centre is currently underutilised following the refurbishment of Sun Street community hub. Katesgrove Community Centre has been identified by Facilities Management, the Estates team and BFfC colleagues as the best fit in terms of size, location and functionality while also being the most favourable economic solution. Katesgrove Community Centre will be retained and enhanced for community use alongside the work to relocate the Youth Offending Service.

Capital works are being planned for the property with a potential move date of December 2022 and the relevant Lease of part of the property to BFfC needs to be granted.

#### **4.1.10 1 Dunsfold Road**

The BFfC Family Contact Centre is currently sited in the Civic Offices. BFfC would like to relocate the centre to a more residential setting. 1 Dunsfold is currently part vacant and part occupied by a nursery provider, Stepping Stones and has been identified as a suitable site. Capital works are required to the demise with occupation in August 2022 and a new Lease will be required.

#### **4.1.11 Berkshire Sensory Consortium (BSC)**

Due to the vacation of BFfC from The Avenue Centre, a storage issue has been encountered with storage space limited over the Council's portfolio and officers are working with BFfC and BSC to identify suitable accommodation.

### **4.2 Option Proposed:**

**4.2.1** That officers proceed and enter into agreements with BFfC for use of the properties added to the portfolio as specified above in 4.1.2.

### **4.4 Other Options Considered**

**4.4.1** 'Do Nothing' approach -

If BFfC do not occupy the additional properties then this will affect their ability to deliver children's services. Leases need to be granted to protect both parties interests.

The proposed Leases to BFfC are of parts of existing buildings so it is not possible to release the assets for disposal without closing or relocating other existing services and community uses

By not formalising the property portfolio occupancy arrangements, BFfC will continue to occupy RBC assets without the necessary formal agreements in place and at 'tenancy of will', which makes both RBC and BFfC at risk and non-compliant with the partnership agreement.

## **5. CONTRIBUTION TO STRATEGIC AIMS**

**5.1** In Spring 2021 the Council refreshed its Corporate Plan, incorporating a number of major change projects under 3 themes:

- Healthy Environment
- Thriving Communities
- Inclusive Growth

**5.2** The recommendation contained in this report support BFfC in the delivery of statutory duties, enabling delivery of all of Thriving Communities by supporting children & young people within Reading.

Formalising arrangements for all the property portfolio occupied by BfFC to deliver services, will help build relationships and strengthen the capacity enabling the company to deliver essential services to our vulnerable children in our communities without having to worry about property related matters. This encourages RBC and BfFC to work Together positively and in partnership, putting our communities at the heart of what we do. Having fit for purpose buildings will support BfFC to manage the demand for services, maximise the impact and outcomes for children and families and use collective resources wisely.

## **6 ENVIRONMENT AND CLIMATE CHANGE IMPLICATIONS**

6.1 There would be no significant environmental or climate implications arising from the recommendations in this report.

## **7. COMMUNITY ENGAGEMENT AND INFORMATION**

7.1 No community engagement has been carried out in the creation of or as a result of this report.

## **8. EQUALITY IMPACT ASSESSMENT**

8.1 An Equality Impact Assessment (EIA) is not relevant to the report or its recommendations.

## **9. LEGAL IMPLICATIONS**

9.1 The partnership agreement between RBC and BfFC set our arrangement for formalising property portfolio use by BfFC, it is important that there is compliance with this agreement as outlined in section 3 above.

9.2 Council has a statutory duty to provide youth offending service. The hire agreements entered into by community groups has the appropriate break clause to identify and assess the special education needs (SEN) of children and young people who they are responsible for and to secure the 'best possible outcomes' for them.

9.3 Heads of terms for the grant of BfFC leases and a service level agreement will be agreed and signed by all parties as soon as possible.

9.4 RBC Valuations and Legal Teams have been consulted in the production of this report and will work collaboratively with RBC and BfFC to deliver the leases.

9.5 The Assistant Director of Legal Services should be authorised to enter into the necessary legal agreements.

## **10. FINANCIAL IMPLICATIONS**

10.1 The Contract Sum agreed between RBC and BfFC includes funding to BfFC for all property lease and associated FM costs, which are then paid back to RBC on a monthly basis.

10.2 The costs for Council property portfolio for the assets that formed part of the original agreement is £2,262,892. Since the partnership was set up, there has been a reduction in the portfolio and the future value is estimated at £1,696,816, a reduction of £566,076.

10.3 Currently, when new leases are agreed with BfC, stamp duty applies. This is a charge that would be paid by BfC. It had initially been agreed on the set-up of BfC that RBC would cover stamp duty costs, as part of the cost of set-up of the Company. There have been no discussions or agreement on coverage of future stamp duty liability. This is not a cost that is provided for within BfC budgets or the RBC MTFP. One option to not incur this liability would be for new leases to be offered with a peppercorn rent or where the value of the asset is less than £16k stamp duty would not apply.

## 11. BACKGROUND PAPERS

11.1 None