

Exeter City Council

REPORT TO: EXECUTIVE
Date of Meeting: 12 March 2019
REPORT TO: COUNCIL
Date of Meeting: 16 APRIL 2019

Report of: Director
Title: Communities Programme

Is this a Key Decision?

No

Is this an Executive or Council Function?

Executive and Council

1. What is the report about?

- 1.1 This report sets out a proposal to restructure the existing leases for the Exeter Eagles BMX Club and Exeter ACES Cycle Speedway Club.
- 1.2 This report sets out a proposal that the Council offers a non-commercial loan to Alphington Community Association to enable the refurbishment of 'The Shed' Theatre Building.

2. Recommendations:

- 2.1 That Executive RECOMMENDS to Council:

That a non-commercial annuity loan of £50,000 is offered to the Alphington Community Association for the specific purpose of contributing to the cost of the re build of The Shed at Alphington Village Hall.

That the Director is given delegated powers to negotiate the terms of the loan with the Alphington Community Association.

- 2.2 Executive RESOLVES to:

Authorise the City Surveyor, in consultation with the Leader, to agree to the restructuring of the terms of the existing leases of the Exeter Eagles BMX Club and the Exeter ACES Cycle Speedway Club on the terms set out in this report:

and

Approve a disposal of land by way of lease for less than best consideration on the grounds set out in this report.

3. Reasons for the recommendations:

- 3.1 The request for a reduced rent for both Exeter Eagles BMX and Exeter Aces Cycle Speedway Club has arisen as a consequence of the Community and Art Grant review. The recent Executive decision on interim arrangements for 2019/20 (12 February 2019) means that both organisations will only receive 6 months' rent grant in 2019/20. The formal consultation will take place between March and June with the potential for rent grants to be removed altogether from 2020/21. This report will go to Council in July 2019.

- 3.2 Both Exeter BMX Racing Club and Exeter Aces Cycle Speedway Club are faced with relatively substantial rent due to their location on the Matford Business Park. The rent for the land is based on industrial open storage values. This rate combined with 50% reduction in rent grant support will make it difficult for either group to be continue operating in Exeter beyond 2019/20.
- 3.3 There is an immediate need to resolve the current financial crisis both clubs are now facing. Both clubs represent a unique special value in terms of their offer to the city and region. The clubs are volunteer run and offer activities that are not available elsewhere in the region and have additional value in terms of their environmental, social and wellbeing offer to families and young people in the city.
- 3.4 British Cycling have identified both clubs as of strategic importance regionally and nationally and are already working with the Council to investigate the potential of a joint venture in the city which may well be able to incorporate a future home for these clubs. Getting families on low incomes cycling and being active together is a key priority for the Exeter and Cranbrook Sport England Local Delivery Pilot and the grass roots nature of these clubs, their inclusive and family oriented approach set them in the priority group for support with capacity building and growth as part of the pilot programme.
- 3.5 Alphington Community Association is an active grass roots group supporting residents to come together to face the challenges and opportunities of the significant housing growth in this part of the city.
- 3.6 The Association already successfully runs the Village Hall which it has full ownership of, and the Alphington Community Centre which it leases from the Council with support from a rent grant which has been protected for 2019/20. The Village Hall has recently undergone a successful refurbishment. The Association owns and runs "The Shed" which is adjoining the Village Hall. The Shed is primarily used a as community theatre. The Association has plans to demolish and rebuild "The Shed" and this loan will complete their fundraising and allow them to draw down the match funding promised by other benefactors and undertake the much needed rebuild. There is a risk that the match funding available will be withdrawn if the total amount needed is not raised in the near future.

4. What are the resource implications including non-financial resources:

- 4.1 The proposed reduction in rent agreements will reduce general revenue funds in the region of £14,000 for 19/20. This shortfall against the planned income will need to be mitigated: some contingency funding has been made available to do this and the Director will manage this in year to avoid any overspending.
- 4.2 A non-commercial annuity loan of £50,000 to Alphington Community Association will mean that this funding will not be available for other things. However this is not regarded as a significant issue. The Council will set the interest rate for the loan at a rate to ensure that it covers the cost of borrowing from the PWLB.

5. Section 151 Officer comments:

- 5.1 The proposals are noted. The impact of the reduction in rents will be managed during 2019/20 and will be added to the Medium Term Financial Plan as a pressure for future years.
- 5.2 The cost of the loan from the Council will be covered by the Association. The risk is that repayments cannot be made and that the Council will have to write off the loan. This will impact on the revenue account and require a one-off reduction to finance. Current rates of interest range from 1.60% to 2.62% depending on the length of the loan.

6. What are the legal aspects?

- 6.1 The Council has statutory power to provide loans at less than commercial rates where the Executive exercises its discretion to charge less than market value rents where it considers there is an overriding social, economic, environmental or wellbeing benefit to the community.

7. Monitoring Officer Comments

- 7.1. State aid rules are unlikely to apply because the loan will not distort or have the potential to distort competition and will not affect trade between member states. Additionally the loan is below the de minimis limit.

The Monitoring Officer recommends that the loan is secured against the land by way of legal charge to safe guard the council from risk of failure to re pay the loan granted.

8. Report Details:

- 8.1 Exeter Aces Cycle Speedway Club is the only cycle speedway in this region and it has had a home in Exeter for many years. The Club have previously received an annual rent grant of £13,019, however this has been reduced to £6,509 for 19/20 with no guarantee of rent grants being available in future years. The Club has a core membership base of about 100 members with 50 regular and active participants at any one time. Each family pays £5 annual membership and £1 for each session they attend. The Club is volunteer-led and family oriented: it is accessible to people of all ages, though most regular users are between the ages of 8-18. They have no paid staff. The membership fees and session income is spent on overheads and improving facilities, training for coaches, equipment, trophies, hiring transport for competitions etc. New flood lights were installed this time last year. They have also raised funds to build and run their own club house and disabled ramps. All maintenance and operations are managed by the committee through member volunteering. The Club currently have a Crowdfunding campaign to raise funding to improve the track.
- 8.2 Exeter Eagles BMX Club is next door to the ACES and both Clubs share resources and help each other out. The Club have previously received an annual rent grant of £19,740, however this has been reduced to £9,870 for 19/20 no guarantee of rent grants being available in future years. The Club also has a core membership of around 100 and are also self-financing with all maintenance and operations managed by the committee through member volunteering. The Club has also raised and invested £25,000 in improvements to the track.
- 8.3 Both Clubs are extremely concerned about the reduction of the rent grant upon which they have become dependent. Raising even the 50% of the rent required for 19/20 is impossible for the Clubs without external assistance or without raising membership and session fees which is of great concern to the committee members. It is clear that increases in fees will impact on membership and session use and may deter the very families who are the life-blood of the Clubs which they support through volunteering.
- 8.4 A long term solution is for the Clubs to work with the council to find an alternative site on land with lower value designation (e.g. park/open space/play). There is potential for the Council to consider a permanent home for the Clubs in the proposed Community Sports Village at Arena which is subject to consultation as one of the proposals in the Exeter Live Better Move More Draft Built Facilities, Playing Fields, Pitches, Play Areas Parks and Open Spaces Report (Jan 2019). Discussion with the Clubs have already begun.
- 8.5 However there is an immediate need to resolve the current financial crisis both Clubs are now facing. Both Clubs represent a unique special value in terms of their offer to the city and region. They are volunteer run and offer activities that are not available elsewhere in the

region and have additional value in terms of their environmental, social and wellbeing offer to families and young people in the city.

- 8.6 British Cycling have identified both clubs as of strategic importance regionally and nationally and are in early conversation with the Council to investigate the potential of a joint capital venture in the city which may well be able to incorporate a future home for these clubs. Getting families on low incomes cycling together is a key priority for the Exeter and Cranbrook Sport England Local Delivery Pilot and the grass roots nature of these clubs, their inclusive and family oriented approach set them in the priority group for support with capacity building and growth as part of the pilot programme.
- 8.7 The land leased to the clubs is of commercial value but is currently constrained by Western Power overhead cables and is situated within a flood zone. There are no plans for development of the site and these are unlikely to come forward in the foreseeable future. Should the sites return to the Council we would be able to either re-let for industrial storage or facilitate development.
- 8.8 Both organisations have raised and invested significant funds into developing and maintaining the sites to ensure their facilities are protected from flooding, designed to meet the needs of a variety of user groups and comply with all health and safety requirements.
- 8.9 Officers have held exploratory meeting with both Clubs and a provisional agreement has been reached whereby both Clubs would pay a revised rent of £1,000 per annum subject to RPI-linked increases. All other terms of their existing leases would continue as presently.
- 8.10 Alphington Community Association is an active grass roots group supporting residents to come together to face the challenges and opportunities of the significant housing growth in this part of the city. The Association already successfully runs the Village Hall which it has full ownership of, and the Alphington Community Centre which it leases from the Council with support from a rent grant which has been protected for 2019/20. The Association owns and runs "The Shed" which is adjoining the Village Hall. The Shed is primarily used as a community theatre. The Association has plans to demolish and rebuild "The Shed" and this loan will complete their fundraising and allow them to draw down the match funding promised by other benefactors and undertake the much needed rebuild. There is a risk that the match funding available will be withdrawn if the total amount needed is not raised in the near future.
- 8.11 The cost of the rebuild of "The Shed" is estimated to be £208,150. The Association has already raised £97,000 towards the cost of the rebuild including £50,000 from the City Council Grass Roots grant programme. There are 3 pending applications which if successful would provide an additional £57,000.
- 8.12 This leaves a potential shortfall of £54,150. Alphington Community Association, with support from their Ward Councillors have requested further financial support from the City Council. In recognition that Alphington is an area of significant housing development in the city, with plans for 300-500 new homes and as such it will be an area that generates community infrastructure funding for the city, Ward Councillors have requested that the Council further supports the Community Association in their efforts to develop community facilities for the benefit of existing and new residents. The recommendation is to offer an annuity loan of £50,000 at a rate that has no profit to the council.
- 8.13 Officers will carry out due diligence with the Association to ensure that they can afford the loan repayments and money will only be released when stage payments are due to ensure cash flow is properly monitored: a formal loan agreement will be entered into.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 Exeter BMX Racing Club and Exeter Cycle Speedway Club contribute to the Council's corporate priority of 'Promoting Active & Healthy Lifestyles' and support the Exeter Vision with regards to being the 'Most Active City in the UK'. The clubs activities significantly contribute to the Exeter and Cranbrook Sport England Local Delivery Pilot objectives to support families on low incomes to be active together and particularly to build confidence for families to cycle.

10 What risks are there and how can they be reduced?

10.1 There are risks to the Council in relation to the Alphington Community Association being unable to re-pay the loan. However this will be mitigated by due diligence activities prior to the loan taking place and the annuity basis of the proposed loan.

11.0 What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1 The proposals to reduce the rent charged will positively support recreational and leisure activities that are targeted at children and young people and that encourage families to be active together. The financial support in kind to the Clubs also enables them to keep membership fees low to encourage participation from families' on low incomes. The Clubs offer opportunities for children and young people of all abilities to participate in their activities.

11.2 The land leased from the Council is in the flood zone area and the Clubs manage the environment to reduce impact from flooding but also to ensure appropriate environment to meet health and safety requirements are met.

12 Are there any other options?

12.1 There are limited alternative short term options available to the Council to support the Clubs given the reduction in grant funding from the General Fund. There are two long term options which will be explored and these are to find an alternative home or an Asset Transfer of the existing sites to the Clubs. There are complexities with both of these options and they will take time to fully explore and are not viable short term solutions. There are options for the Clubs to increase membership and session fees but these are likely to have a serious negative impact on the activity and membership base and could lead to a rapid decline in the Clubs.

12.2 The Council could refuse the loan to Alphington Community Association. However, as this loan will complete their fundraising and allow them to draw down the match funding promised by other benefactors and undertake the much needed refurbishment, there is a risk that the match funding available will be withdrawn.

Jo Yelland
Director

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275