

Executive Shareholder and Trustee Committee Report

Ward(s) affected: Holy Trinity

Report of Director of Strategic Services

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Allen House Pavilion – Lease Renewal to the Matrix Trust

Executive Summary

Allen House Pavilion (“the Pavilion”) is located in Allen House Grounds (“the Grounds”) and is currently subject to a tenancy at will to the Matrix Trust (“Matrix”) following the expiry of their lease on 22 December 2019. Matrix is a locally based registered Christian charity, providing services through schools and community-based projects, such as youth hubs, sports activities and social action opportunities for the last 18 years. Matrix currently uses the Pavilion for basic youth work and as an office.

The Grounds were gifted to the Council on 1 September 1914. The Council holds the Grounds as a charitable trust (“the Trust”) subject to a covenant restricting the use of the Grounds to “public walks and pleasure grounds”.

On 14 April 2014, the Deed of Gift was varied to allow the Pavilion to be leased to “any local charity for any charitable projects and activities which benefit the inhabitants of the Borough of Guildford”. This allows the Trust to grant a lease of the Pavilion without having to obtain an order from the Charity Commission, provided the lease complies with the provisions of the Deed of Variation.

Matrix would like to renew the lease for a 20-year term and undertake a major refurbishment of the Pavilion using their own funding to create a social enterprise community and youth café and hub for providing enhanced youth services. This would involve improvements to the building and allow Matrix to generate an income, making Matrix more financially sustainable. The proposals will also allow Matrix to expand its youth work. Matrix has obtained planning consent for the proposed works and part change of use.

The roof of the pavilion also needs to be replaced. The Trust is responsible for this work and a budget of £50,000 was approved by the Committee at its meeting on 26 November 2019 to allow the works to be carried out in Spring 2020.

A valuation has been obtained from an external surveyor recommending that the annual rent is increased from £7,197 to £8,550. The next stage is to finalise the lease with Matrix. The Executive Shareholder and Trustee Committee has authority to approve the lease with Matrix (including consent to undertake the proposed alterations to the building).

Recommendation to Executive Shareholder and Trustee Committee

That the Director of Strategic Services be authorised to complete the lease to the Matrix Trust for a new 20-year term, in accordance with the Heads of Terms set out in this report, including rights for Matrix to undertake proposed works to the Pavilion and open a community café.

Reasons for Recommendation:

The lease to Matrix expired on 22 December 2019, the tenant is currently occupying the Allen House Pavilion on a tenancy at will. The new lease will generate more rental income for the Trust, allow Matrix to improve the building and open a community café. This will make Matrix more financially sustainable and allow it to expand its youth work.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

- 1.1 To request the agreement of the Executive Shareholder and Trustee Committee (“the ESTC”) to complete the lease of Allen House Pavilion to the Matrix Trust.

2. Strategic Priorities

- 2.1 The grant of a new lease will allow the Matrix Trust to obtain funding to improve Allen House Pavilion and create a community and youth café. This will generate income and allow the Matrix Trust to become more financially sustainable. This will also facilitate an increase in the impact of its youth services, which supports the Council’s priority to support “older, more vulnerable and less advantaged people in our community” (Corporate Plan 2018-2023).

3. Background

- 3.1 Allen House Pavilion “the Pavilion” is a former bowls clubhouse located within Allen House Grounds (“the Grounds”) and is currently let to the Matrix Trust (“Matrix”). The Pavilion is shown edged in red and the Grounds edged in blue on the plan attached at Appendix 1.
- 3.2 The Grounds were gifted to the Council on 1 September 1914 by Jane Allen Broad and are held by the Council as sole charitable trustee under the provisions of a charitable trust (“the Trust”). The Deed of Gift contains covenants restricting the use of the Grounds to “public walks and pleasure grounds”.
- 3.3 On 14 April 2014 the Deed of Gift was varied to allow the Pavilion to be leased to “any local charity for any charitable projects and activities which benefit the

- inhabitants of the Borough of Guildford”. This allows the Trust to grant a lease of the Pavilion without having to obtain an order from the Charity Commission, provided the lease complies with the provisions of the Deed of Variation.
- 3.4 Matrix is a registered charity and currently uses the Pavilion for basic youth work and as an office. The lease to Matrix expired on 22 December 2019 and Matrix wishes to enter into a new 20-year lease. This will allow Matrix to obtain funding to undertake a major refurbishment of the Pavilion.
 - 3.5 The refurbishment will involve the conversion of part of the Pavilion to a café and other improvements, including the provision of a terrace for customer seating and improved wheelchair access. Drawings of the current and proposed building layout are attached at Appendix 2. The cafe will operate as a social enterprise community and youth cafe and a hub for providing enhanced youth services. Planning consent has been obtained by Matrix for the works and part change of use of the Pavilion.
 - 3.6 The community cafe will operate Monday to Saturday between 08:00 and 15:30 (with the option to extend the Saturday opening hours to 18:00) and will create an income stream for Matrix, helping it to become more financially sustainable and expand its work with young people. The community cafe will also provide an opportunity to teach business skills to young people through accredited schemes.
 - 3.7 From 15:30 to 18:00 the Pavilion will close to the general public and be used as a youth cafe, which Matrix believes will double the impact of its youth services. On Sundays, the Pavilion will be made available for hire to local groups and for events such as children’s parties. Matrix states that income generated from the proposed uses will make it more financially sustainable
 - 3.8 In addition to the works proposed by Matrix, the roof of the Pavilion also needs to be replaced. This is the responsibility of the Trust under the terms of the current lease. The Trust has authorised the procurement of a contractor to replace the roof of the Pavilion at a cost of up to £50,000.
 - 3.9 A valuation has been obtained from an external surveyor and an increase in the annual rent payable by Matrix from £7,197 to £8,550 has been recommended and the inclusion of a 6 month rent free period. This is deemed to be the market rent for the Pavilion with the benefit of the cafe use proposed by Matrix but subject to the restrictions contained in the Deed of Variation regarding charitable use. The surveyor also recommended that there would be no advantage to the Trust in formally advertising the proposed 20-year lease term on the open market under the provisions of the Charities Act 2011.
 - 3.10 The public consultation ended on 3 January 2020, and no amendments were required as a consequence. Legal Services have advised that authority to proceed in the documentation of the lease must be obtained from the ESTC. The ESTC, as representative of the charitable trust responsible for the maintenance of charitable assets, must authorise the finalisation of Heads of Terms with Matrix and for the proposed works to the Pavilion. The Heads of Terms are therefore summarised below:

Summary of Lease Terms:
Rent = £8,550 (Exempt from VAT)
Rent Free = 6 months (as approved by the Charity Valuer)
Term = 20 years
Break = Tenant only at 5 & 10 years, mutual at 15 years
Rent Review = 5 yearly rent reviews linked to RPI
Tenant Responsibility = All internal aspects of the building and the terrace area, which Matrix will be constructing, in accordance with the planning permission. Any further alterations will be subject to Landlord consent.
Landlord Responsibility = The landlord will be responsible for the roof and the structure of the property.

4. Consultations

- 4.1 The Parks and Landscape Manager has been consulted regarding the proposals set out in this report and is supportive of the Trust granting a new lease to Matrix.

5. Equality and Diversity Implications

- 5.1 Current access into the Pavilion is very limited for wheelchair users. Access will be greatly improved by the proposed works with the inclusion of a ramp as part of the terrace area to be constructed by Matrix. This will enable wheelchair access to the front of the Pavilion. Matrix will also widen the main double doors on the front of the Pavilion to accommodate wheelchair use and increase circulation space both inside and outside the Pavilion to ensure that wheelchair users are able to make full use of the Pavilion. The raised terrace area will enable all users of the Pavilion to better interact with the grounds to the front of the Pavilion. Internal circulation within the Pavilion will be improved by the open plan layout with provision for a wheelchair accessible toilet.

6. Financial Implications

- 6.1 The grant of the new lease to Matrix will result in an increase in rental income from £7,197 per annum to £8,550 per annum. The additional income can be used by the Trust towards the cost of managing and maintaining the Grounds.

7. Legal Implications

- 7.1 The Heads of Terms have been finalised with Matrix and the public consultation has been completed, authority to proceed with granting the lease to Matrix must be obtained from the ESTC.

8. Human Resource Implications

- 8.1 There will be staff resource implications arising from completing the new lease to Matrix. This will be managed within existing staff resources.

9. Summary of Options

Option 1

- 9.1 The Trust could renew the lease to Matrix for a further five years. It would still be necessary to undertake a public consultation and seek the ESTC's approval before undertaking the consultation and finalising terms with Matrix. This would not provide Matrix with a long enough term to obtain funding for the proposed works to the building. Consequently, the building would not be improved, and the change of use would not be implemented, meaning that Matrix would not be able to create an income stream to invest into the charity.

Option 2

- 9.2 The Trust could advertise the opportunity to lease the building on the open market and seek best offers. Given that the 2014 Deed of Variation restricts leases granted in respect of the Pavilion to charitable uses and projects, the demand for the building is likely to be extremely limited. A report has also been obtained from an external surveyor on the market rent and the surveyor commented that there would be no advantage to the Trust in formally advertising the proposed 20-year lease term on the open market.

Option 3

- 9.3 The Trust could renew the lease to Matrix for a 20-year term. This would generate more rental income for the Trust and enable Matrix to obtain grant funding and make improvements to the Pavilion. Income generated from the café use will make Matrix more financially sustainable and allow the expansion of their youth work. This is the preferred option.

10. Conclusion

- 10.1 The grant of a new 20-year lease to Matrix will generate more rental income for the Trust, which will be used to help fund the management and maintenance of the Grounds. The improvements to the building proposed by Matrix will make it more accessible to wheelchair users and allow Matrix to open a community café. This will support improved and expanded youth services and generate an income for Matrix, making it more financially sustainable.
- 10.2 In order to finalise the lease with Matrix it is necessary to obtain authority from the ESTC.

11. Background Papers

None

12. Appendices

Appendix 1: location plan

Appendix 2: current and proposed layout drawings

Please ensure the following service areas have signed off your report. Please complete this box and do not delete

Service	Sign off date
<i>Finance / 151 Officer</i>	<i>27/02/2020</i>
<i>Legal / Governance</i>	
<i>HR</i>	
<i>Equalities</i>	<i>N/A</i>
<i>Lead Councillor</i>	<i>27/02/2020</i>
<i>CMT</i>	<i>27/02/2020</i>
<i>Committee Services</i>	<i>27/02/2020</i>

Does the report contain confidential or exempt information?

	<i>tick ✓ as appropriate below</i>	
NO	✓	
YES (whole report to be included in part 2)		
YES (part of report to be included in part 2)		