

## REPORT TO THE CABINET

9 January

**Cabinet Member:** Councillor Dafydd Meurig

**Subject:** Lease of Canolfan Henblas, Bala, LL23 7AG to Cwmni Pum Plwy Penllyn

**Contact Officer:** Dafydd Gibbard - Senior Property Manager

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### Decision sought

To use powers under General Disposal Consent (Wales) 2003 to lease the Henblas building, Bala, directly to Cwmni Pum Plwy Penllyn Cyf., for less than market value to ensure the provision of social, economic and environmental benefits.

### Local member's views

Cllr. Dilwyn Morgan

The development of the Henblas building as a community facility is very important for the Penllyn Community and this arrangement for a 25 year lease will secure further development by Partneriaeth Penllyn facilitating the development of more community activity here.

The building which was in awful condition has been developed into an excellent Resource for the area and is in excellent condition.

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## 1. BACKGROUND

- 1.1 Pum Plwy Penllyn Cyf. was established in 2013 specifically to run public services within the boundaries of the Llandderfel, Llangywer, Llanuwchllyn, Bala and Llanycil community councils.
- 1.2 By means of a Cabinet Member Decision Notice dated 06/09/2013 it was resolved to authorise the leasing of the Henblas building (a former Council treasury office) to Pum Plwy Penllyn for the purpose of facilitating the provision of these services, on terms and conditions to be determined by the Senior Property Manager.
- 1.3 At the time, the property was not in use and needed substantial investment to restore it to a condition that would be suitable for use; Pum Plwy Penllyn managed to secure considerable grant funding to upgrade substantial parts of the building.
- 1.4 In accordance with the contents of the decision notice (06/09/2013) commercial terms were determined to reflect market value; namely a five year lease with the value of the improvements undertaken by Pum Plwy Penllyn to be considered in

lieu of rent for the building for the duration of the lease. Therefore, for the last five years the company has not had to pay rent to the Council.

- 1.5 After completing substantial construction work, Canolfan Henblas opened in 2014 as a community services centre for the Penllyn area. The centre offers suitable space which facilitates the presence of voluntary and statutory health, well-being and advocacy services in a rural area where there is a general decline in the provision of such services.
- 1.6 The Centre makes a visible contribution to the area's social wellbeing by promoting and facilitating residents' access to services provided by third sector and public/statutory services including;
  - i. youth advice services for 16-25 year olds on drugs, alcohol, sex, sexuality, housing, benefits, eating disorders, and self-worth.
  - ii. relationship services (violence, relationship advice)
  - iii. services providing advice to the elderly and their carers
  - iv. regular users include; Citizen's Advice, Age Cymru, Gisda, Tan y Maen, Gwynedd Child Protection Team and the Mental Health Advocacy Scheme.
- 1.7 In a climate where such bodies as mentioned above are facing a financial squeeze, the availability of a suitable and accessible space on favourable terms without having to bear the usual burdens of occupancy enables service continuation.
- 1.8 It would not be possible to maintain the provision in this way should the Council insist on market rent for the property and the resource would therefore be lost.
- 1.9 Pum Plwy Penllyn's current lease will end in approximately two years and at that time the Council, as landlord, may insist that Pum Plwy Penllyn should give up possession and return the vacant property to the Council, or may offer a new lease with market rent payable.

## **2. APPLICATION FOR A NEW LEASE**

- 2.1 Cwmni Pum Plwy Penllyn Cyf has requested a 25 year lease for nominal rent in order to submit a bid for lottery funding to fund the work of upgrading the remainder of the building and in order to continue with the nominal rent for the property while they continue to provide local services.
- 2.2 As Pum Plwy Penllyn's purpose is to provide services to the community, which is therefore also the Henblas building's purpose, they are not able to generate an income that would be sufficient to pay commercial rent, of around £11,000.

### **3. REASONS FOR RECOMMENDING THE DECISION**

- 3.1 In order to ensure best value for its assets in accordance with the provisions of Section 123 of The Local Government Act 1972, the traditional method of disposing of Council property is by advertising on the open market and inviting tenders so that any interested parties may have an opportunity to purchase or lease. This method secures the best price and ensure transparency.
- 3.2 In the case of this building, the Council has already decided that the property be let specifically to facilitate the partnership between Gwynedd Council and Cwmni Pum Plwy Penllyn to provide public services in the area of the five community council areas. It was deemed that Cwmni Pum Plwy Penllyn was the only tenant that could offer the opportunity to partner with Gwynedd Council for that purpose in Bala.
- 3.3 In addition to letting directly to one tenant, the request submitted asks the Council to let for a nominal amount, which is of course less than market value. The Council has a legal right in accordance with the powers of the General Disposal Consent (Wales) 2003 to let the building for less than market value in cases where the Council is of the opinion that that the proposal is likely to contribute towards promoting the social, economic or environmental well-being of a Council area, or part of it.
- 3.4 The benefits provided in this case have been summarised from paragraph 1.6 above onwards and therefore the Cabinet members are asked to weigh up these benefits against the loss of an annual notional rent of £11,000.
- 3.5 If the Council is to offer these favourable terms, there will be a specific clause in the lease that will restrict the use of the building to providing community services only. Should there be a request for a different use, there will be a need to reconsider the appropriate rent level at that time.

### **OPINION OF THE STATUTORY OFFICERS**

**Chief Executive:**

**Monitoring Officer:**

As noted in the report it is a legal requirement (Section 123 Local Government Act 1972) that the Council disposes of property for a price that is not lower than that which could reasonably be expected. This requirement may be waived with the Government's consent and general consent is provided by General Disposal Consent (Wales) 2003 if the Council is satisfied that the tests within the order have been met. Therefore, in accordance with that which is reported, the Cabinet should satisfy themselves that the proposal in question satisfies the tests within the order and justifies waving a commercial rent.

**The Head of Finance Department:**

I can confirm that the General Disposal Consent (Wales) 2003 allows the Council to lease property for less than best consideration under certain circumstances. As outlined in paragraph 3.4, if the Cabinet wishes to lease Henblas for less than best consideration (i.e. for a price that is less than the best that can be obtained), the Cabinet will need to satisfy itself that a robust and objective methodology has been used to conclude that the economic, environmental and/or social advantages of this option outweigh the income forsaken.

Although the theoretic market price has been established for the rental income of this building, if the Cabinet wants to ensure continued use of Henblas for public services, it is likely that there would not be another organisation that could make use of the building. As there is no specific budget for rental income for Henblas, leasing for less than the market price will not lead to a need to cut budgets. Despite this, a clause in the lease which limits the use of the building to providing community services will be key to protecting the interests of Gwynedd Council, and to comply with the requirements of the Disposal Consent."