

Community Wealth Building  
Islington Town Hall, London N1 2UD

Report of: Executive Member for Finance and Performance

Meeting of: Executive

Date: 5 September 2024

Ward: St Peter's & Canalside

Appendices 1 and 3 of this report are exempt and not for publication

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## Subject: Letting of land and premises at 16-34 Graham St, Islington, London, N1 8JX to Islington Boat Club

### 1. Synopsis

- 1.1 Islington Boat Club has operated from the site for over 40 years providing a unique set of activities for Islington's residents. In early 2023 the Club's lease was terminated as it became apparent that the building was not safe due to want of repair, other defects, and uses outside of the lease. Concerns were also raised about the general stewardship of the Club.
- 1.2 Given its unique offer and the importance to local residents, the Council has been working closely with the Club to support it as far as possible to reestablish itself, noting that Council budgets are severely constrained and the Council does not own the land on which the Club operates (leased from the Canal & Riverside Trust). A new set of Trustees have subsequently been appointed, introducing several high experienced individuals.
- 1.3 A range of future options were considered, leading to an agreement that ward councillors would use Local CIL funds to support modest investments in the building and facilities, allowing the Club to reopen on an interim basis with a tenancy at will provided by the Council. Importantly, this allowed residents and young people to make use of the facilities during summer 2023.
- 1.4 To help secure a more permanent future, the Club has requested a longer lease, providing greater certainty and to support fund-raising. Before considering granting a longer lease, the Council requested a new business plan. The Club has developed a new business plan that, based on current assumptions, shows a loss-making position. It will be reliant on securing new income streams and/or philanthropic support to break-even.

- 1.5 Ward Councillors have allocated Local CIL funding in 24/25 to support the first year of operation on the business plan.

Given the unique community value offered by Islington Boat Club, the step change in leadership, and the production of a new business plan, it is recommended that the Council enters into a longer term lease on the terms set out in Appendix 1. Whilst the Council wishes to support the Club via the proposed longer term lease, it needs to mitigate any financial risk should the Club not deliver its business plan and fall into financial hardship. The lease will therefore include break options linked to business plan performance and the Council is not liable for any financial losses incurred by the Club.

## **2. Recommendation**

- 2.1 To authorise the Corporate Director for Community Wealth Building, following consultation with the Executive Member for Finance & Performance and the Corporate Director of Resources, to enter into the arrangements for the letting of the space on the terms set out in exempt Appendix 1.

## **3. Background**

- 3.1 Islington Boat Club have operated from the site for over 40 years on a long lease at a peppercorn undertaking water-based activities for residents. The club operate as a charity (number 287680) with a mission to inspire learning, improve health, promote socialisation, and strengthen the Islington community. They provide a wide range of safe and affordable water-based activities for everyone, with a special focus on young people, the over-50s, and individuals with additional needs.
- 3.2 The previous lease was terminated due to wants of repair rendering the building unsafe for use as well as activities outside the lease.
- 3.3 Islington Boat Club is a key stakeholder in the community therefore the Council have offered to provide both financial and management assistance. Working with the trustees the required improvements to the building to make it safe for short term use have been delivered to enable continued operations whilst a longer-term solution is explored.
- 3.4 A range of future operating options have been considered including not reopening the Club and seeking an alternative provider such as GLL. Market sounding generated no solid commitment given the modest size of the club and the current, relatively fragile trading position. The Council has also been clear in the past about its planning policy position on the commercialisation of the City Road Basin (given the potential detriment to local community use as well as other potential harms), also limiting interest from alternative providers.
- 3.5 The Club has developed a new business plan that, based on current assumptions, shows a loss-making position. It will be reliant on securing new income streams and/or philanthropic support to break-even. Further detail is set out in the Financial Implications

section of this report. Ward Councillors have allocated Local CIL funding in 24/25 to support the first year of operation of the business plan.

- 3.6 To secure council's financial position, the lease will contain appropriate provisions that the club will need to adhere to. Their delivery will be managed and closely monitored, as well as wider business plan performance. A Council finance officer will meet with the Club on a quarterly basis, seeking to ensure it does not fall into a financially unsustainable position or create any unforeseen liabilities for the Council. The lease will include break options linked to business plan performance and the Council is not liable for any financial losses incurred by the Club.
- 3.7 The Executive is therefore asked to authorise entering into the necessary letting and other documents on the terms set out in Appendix 1 to conclude this matter.

## 4. Implications

### 4.1 Financial implications

- 4.1.1 The proposal is to grant a full repairing and insuring lease for the land and premises at 16-34 Graham St N1 8JX to Islington Boat Club for a term of 7 years less 1 month at an annual rental value of £1 per year. A lease was previously in place with the Boat Club, which required them to ensure ongoing maintenance, but was terminated early in 2023 as the building was found to be unsafe and not fit for purpose. Following emergency works the building has been made safe at the council's expense and operations have recommenced.
- 4.1.2 Under the Head of Terms the Boat Club will be responsible for all utilities and business rates and for maintaining the land and premises. The council will be responsible for insuring the premises but these costs will be recharged to the Boat Club.
- 4.1.3 The Boat Club is currently in a perilous financial position due to a hit to operations during the pandemic and temporary closure of activities during emergency building works. The Boat Club have developed a business plan that seeks to put the Boat Club back on to a more sustainable financial footing, but this will be very challenging to deliver over a very short period of time. The plan requires the establishment of traded income streams through commercial activity from a standing start such as adult kayaking, narrow boat helms courses and stand up paddleboarding to supplement and support its charitable activities.
- 4.1.4 Despite extraordinarily optimistic assumptions, the business plan provided does not evidence that the Boat Club is financially viable. The assumptions included model that commercial income from operations will be achieved at the same level during the winter (Dec – Feb) as during the summer. It is extremely unlikely that this will be the case, however anecdotal information regarding similar facilities indicate that modest income can be achieved year round.
- 4.1.5 The council intends to provide £0.071m of financial support to the Boat Club in 2024/25 through the allocation of Local CIL funding while the club builds up its income streams.

4.1.6 Even with this support for the Boat Club the business plan suggests the Boat Club will struggle to breakeven this calendar year without requiring further funding.

4.1.7 The Club will need to go further than its current business plan to become financially sustainable without further financial support for which there is no further budget. The existing business plan if delivered in full runs at a loss of between £0.040m and £0.020m per year, therefore other income streams and / or philanthropic donations will be required to become financially viable on top of already planned activity in the business case.

4.1.8 The Boat Club will have to reach agreement directly with CART to allow it to use the Basin for water-based activities. If it is unable to do so it will not be able to deliver on its business case. An allowance for lease costs has been built into the business case but it is not known if these will be sufficient.

4.1.9 To mitigate the Council's risk, a break clause is to be added allowing the council to terminate the lease if the Boat Club runs out of funds and fails to deliver its business plan. Any decision to grant the lease needs to be in consideration of the risk of the entity's viability. The clause proposed around terminating the lease in the case of financial hardship of the Boat Club reduces the risk to the council. Should the building become vacant at any point, there would be limited financial implications for the council excepting minor void costs.

The allocation of Local CIL is allowable and is in the pursuit of the provision of local leisure and education facilities.

## 4.2 **Legal Implications**

4.2.1 Under Section 123(1) of the Local Government Act 1972 the Council has the power amongst other things to grant leases for 7 years or less at a rent that is less than best consideration.

4.3.1 Although the Council may have the necessary power under Section 123 of the 1972 Act to grant a lease to Islington Boat Club at a nominal rent as proposed in the Appendix, any decision to do so must be taken:

- (1) reasonably;
- (2) with due regard to the Council's fiduciary duty

Therefore, in deciding whether to grant the proposed lease to IBC the Council should take into consideration the actual value of the market rent of the premises that is being forgone and the social value that the lease will contribute to the borough or the borough's residents as outlined in this report.

The Council's headlease of the premises does not include the waterway known as City Road Basin, the Council's lease of the Basin having expired in March this year. Therefore, the granting of the proposed lease by the Council will not secure water-based activities in the Basin for Islington Boat Club who will have to reach agreement directly with CART to allow it to use the Basin for these purposes.

- 4.3.2 Under the Council's headlease of the premises the Council will need to obtain the head landlord's consent to the proposed underlease to IBC before it can grant the same.

### **Equalities Impact Assessment**

The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

An Equalities Impact Assessment included in Appendix 2 was completed on 17 June 2024 and its main findings were that there were no equality implications in respect of this proposal.

### **4.4 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

- 4.4.1 There are no particular environmental or net zero implications associated with the letting arrangements. The existing use continues.

The Environmental implications of the boat club are primarily linked to the use of energy in the building and the operation of the boats. The boat club has recently removed their main gas boilers and replaced it by electricity. One gas boiler remains but is not heavily used. Most of the energy use is electricity supplied by EDF and they use renewable mix tariff. Their core activity, watersports, is wind or human energy driven and their narrowboat is petrol driven as are their three outboard boats, one being the safety boat. Petrol engines being preferable to Diesel as the produce less Particulate Matter and Air Pollution. The limited use of petrol engines adding a relatively small amount of carbon emissions.

## **5. Reason for recommendations**

- 5.1 This report seeks approval to grant a lease to Islington Boat Club. Given their unique community value contribution, last year's capital investment, a change in leadership, and the production of a new business plan, subject to ongoing joint monitoring, it is recommended that the council enter into a lease with Islington Boat Club. The lease will include break clauses to protect the Council should the Club fall into financial difficulties.

### **Appendices**

- Exempt Appendix 1: Heads of Terms
- Appendix 2: Equality Impact Assessment
- Exempt Appendix 3: Financial Implications



**Final report clearance:**

Authorised by:

Executive Member for Finance and Performance

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