

MIDDLESBROUGH COUNCIL

EXECUTIVE REPORT

Community Services Review | Park End Community Centre- PART A

Deputy Mayor and Executive Member for Resources

Executive Director of Children, Families and Learning

9 July 2012

PURPOSE OF THE REPORT

1. To outline the salient points in the business case for the Community Asset Transfer of Park End Community Centre to the current Management Committee and seek approval for the transfer to proceed.

SUMMARY OF RECOMMENDATIONS

2. That Executive Sub-Committee for Property approves the opening of negotiations with the Secretary of State for Health over the lease of Park End Community Centre, with a view to agreeing a new lease for the Centre's Management Committee.
3. That if the Management Committee is successful in agreeing a lease for the Centre, the Council provide a subsidy, tapering off over three years, to enable the Centre to become self-sustaining.

IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?

It is over the financial threshold (£150,000)
It has a significant impact on 2 or more wards
Non Key

X

DECISION IMPLEMENTATION DEADLINE

For the purposes of the scrutiny call in procedure this report is:

Non-urgent
Urgent report

X

BACKGROUND AND EXTERNAL CONSULTATION

Background

4. To promote community-led regeneration and to support an increasingly robust Voluntary, Community and Social Enterprise Sector, the Council recognises the benefits of transferring surplus assets to community management.
5. To support increased community management of assets, Executive Sub-Committee for Property approved a Community Asset Transfer (CAT) policy on 3 February 2012.
6. The Council listed six buildings as potentially available for CAT in February 2012, including Thorntree Park Pavilion and Pallister Park Centre, which were subsequently approved for transfer on 9 May 2012.
7. The list also included Park End Community Centre. Expressions of Interest in this centre were duly considered, and on 13 March CMT selected the current Management Committee as the most viable transfer partner.
8. In line with the Council's CAT Policy, the Management Committee has since submitted a business case to the Council to demonstrate that its proposal for transfer is viable.
9. The CAT of this building will be more complicated than others currently underway, due to two key factors:
 - The capacity and capability of the current Management Committee is limited, and additional support from the Council and its partners will be required to support the Committee to make the transfer a success.
 - That the Council built and manages the building courtesy of a ground lease, so enabling the Management Committee to take over the running of the building for the long-term will involve negotiation with the owner of the freehold (the Secretary of State for Health).
10. These matters are addressed in the following paragraphs.

The current Management Committee and its proposal

11. The Park End Community Centre Management Committee comprises 13 local volunteers. The Committee is enthusiastic, committed and experienced in delivering services to the community. However, members have no experience of managing a trading entity.
12. For this reason, the Council has provided support to the Committee in developing its business case for the centre, and it is anticipated that continued support from both the Council and MVDA will be required to ensure that the Committee acquires the skills needed to make the centre a success.
13. In taking on the building, the Committee would become a company limited by guarantee with charitable status. It also proposes to hire a Centre Manager, with responsibility for caretaking, cleaning, bookings and other such functions. This provides assurance that the Centre will be managed effectively from the outset of any transfer.
14. The key points of the Committee's Business Case for the CAT of the Centre are as follows:
 - That the centre would continue to run as a community facility, offering a wide range of typical activities to reduce social exclusion (café, bingo, arts and crafts etc.) and space for private hire.

- That relationships with current partners, including the adjoining medical centre, fire service, and local credit union be strengthened to increase usage.
 - Applications for grant funding will be made to facilitate the above, and other initiatives.
 - That prices be reviewed to ensure that they are competitive while continuing to allow wide community use of the Centre.
15. Clearly there is local support for maintaining the Centre as a community facility. Ward Councillors have been kept fully informed of proposals and have indicated their support. The Park End Medical Centre indicated its support during the recent budget consultation process.

Ground Lease issue

16. The Council's standard terms for CAT are for a 25-year lease, under which the tenant is responsible for repairs, maintenance and running costs all sit with the tenant. This transfer would be much more complicated as the Council does not own the freehold of the Centre.
17. The Council constructed the Centre (connected to the adjoining Park End Medical Centre) in 1996 with Big Lottery funding totalling £102,000, on a site leased from the Secretary of State for Health. The lease costs the Council £920 per annum and has a further eight years to run.
18. As it stands, the Council could only achieve the transfer of the Centre by under-leasing the ground lease to the Management Committee for the remaining term. This approach is not considered viable for several reasons:
- As the Council would remain the lessee, it would be liable if the Committee defaulted on rental or other payments.
 - The Committee would not be able to access funding streams such as the Big Lottery, which requires security of tenure for 25 years.
 - At the end of the term, new terms (if offered) would be at the discretion of the Secretary of State, who could legitimately charge rent for the building, as well as for the land.
19. If the Council wishes to support the Management Committee in taking over the running of the Centre, the best solution would be for the Council to negotiate with the Secretary of State with a view to surrendering the lease early, if the Secretary of State will consent to agreeing a new, 25-year lease for the Management Committee. This would mean that the Council would relinquish ownership and any liabilities for the Centre.
20. Should the Secretary of State be unwilling to consider this solution, the Council could consider other options, such as negotiating an extension of its current lease, or a new lease, and under-leasing this to the Management Committee for the new term. However, it is proposed that alternative options only be considered if the preferred option cannot proceed.

Recommendation

21. It is proposed that:
- The Council support the current Management Committee in its efforts to secure a long-term lease for the Centre, by entering into negotiations with the Secretary of State.
 - If successful, the Council continues to support the Management Committee – in kind and financially – over the next three years, to enable the Centre to become self-sustaining.

22. If successful, this solution would secure a valuable community facility for Park End for the medium to long-term and achieve long-term savings on running costs and in avoidance of maintenance (or demolition).

Next steps and timescales

23. If the above recommendation were approved, the Council would enter into discussions with the Secretary of State regarding the surrender of the Park End Community Centre and the agreement of a new lease for the Centre with the current Management Committee.

IMPACT ASSESSMENT

24. The Community Asset Transfer process has been subject to a Stage 1 Impact Assessment. No negative differential impact on diverse groups and communities is anticipated from the implementation of the process.

OPTION APPRAISAL/RISK ASSESSMENT

25. The following options are available in respect of the future of Park End Community Centre:

Option 1: Close and demolish the centre – not recommended

26. At a cost of £38,799 this option does not represent good value for money and would mean the opportunity to empower the community to run a facility for local people would be lost.

Option 2: Under-lease to the Committee for eight years – not recommended

27. This option would mean that the Committee would have no long-term security of tenure and would be unable to apply for grant funding that could make the difference in terms of the sustainability of the venture. The Council would retain liability for the Centre for the next eight years.

Option 3: Surrender the building and facilitate discussions for new lease – recommended

28. This option represents good value for money, has local community support and secure a valuable community facility for the area.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

Financial implications

29. The Management Committee's Business Case proposes that the Council continues some level of financial support, tapered off over three years (as per the CAT Policy) to allow the Committee time to develop alternative income streams. The proposed sharing of costs is set out below:

	Year 1	Year 2	Year 3	Total	% of Total
Management Committee	28,454	24,937	31,960	85,351	70%
MBC subsidy	18,729	12,486	6,243	37,458	30%
Total running costs	47,183	37,423	38,203	122,809	100%

30. The transfer of the Centre would save the Council £24,972 p.a. in running costs, and £36,813 in maintenance (reflecting the current backlog). Were the Centre to have closed, demolition costs were estimated at £38,799.
31. A subsidy of £37,458 over three years therefore represents a payback term against the running costs savings of 1 year 7 months. The subsidy would be paid from the Council's Community Services Review Transition Fund.
32. There may be a cost attached to surrendering the lease, however this will not be confirmed until discussions are opened with the Secretary of State.

Legal implications

33. If the recommendation is approved, the Council negotiate a 25-year lease for Park End Community Centre between the current Management Committee and the Secretary of State for Health. This would involve the Council surrendering the Community Centre to the Secretary of State.
34. In addition, a funding agreement will be put in place to cover the initial three-year subsidy outlined above. This agreement will make provision for the Council to review terms on an annual basis, if required.

Ward Implications

35. This Centre within Park End Ward. Its transfer would secure a valuable community facility within this ward for the medium to long-term.

RECOMMENDATIONS

36. That Executive Sub-Committee for Property approves the opening of negotiations with the Secretary of State for Health over the lease of Park End Community Centre, with a view to agreeing a new lease for the Centre's Management Committee.
37. That if the Management Committee is successful in agreeing a lease for the Centre, the Council provide a subsidy, tapering off over three years, to enable the Centre to become self-sustaining.

REASONS

38. To contribute to a robust VCSE sector and to maximise savings in relation to the Council's withdrawal of services from Park End Community Centre.

BACKGROUND PAPERS

- Park End Community Centre Management Committee | Business Case for Park End Community Centre (confidential)

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