

**TITLE OF REPORT: COMMUNITY CENTRE LEASES AND AUDIT OUTCOMES**

REPORT OF THE HEAD OF POLICY AND COMMUNITY SERVICES

PORTFOLIO HOLDERS: COUNCILLORS T.W. HONE AND TONY HUNTER

**1. SUMMARY**

- 1.1 To present to Cabinet the final report and two recommendations arising from the Shared Internal Audit Service (SIAS) review of Community Centre Lease renewals, examining officers' ability to implement the Council's adopted policy
- 1.2 To present to Cabinet a summary of the current position reached in negotiations for renewal of leases of NHDC owned properties, in order to seek Cabinet direction how they wish officers to progress.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet note the findings of the attached SIAS audit report on Community Halls and Centres, and the two recommendations arising therefrom.
- 2.2 That Cabinet indicates its preferred way forward from the alternative options outlined in paragraph 10 of the report.
- 2.3 That authority to agree the precise terms of any leases to be taken forward is delegated to the Strategic Director of Finance, Policy and Governance, in consultation with the Executive Members for Finance and IT and Community & Rural Affairs.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 Lease negotiations have been conducted in accordance with the District Council's adopted Community Halls Strategy. That strategy recognised that with the increasing pressures on Council finances, the ability of the Council to continue to be responsible for all repair and maintenance for Community centres was unsustainable in the longer term. In an effort to support the on-going provision of Community centres, the Council sought to negotiate new leases to make the Community Centres responsible for repairs, maintenance and insurances and deliver value for money to the local Council tax-payer.
- 3.2 The outcomes of negotiations have varied between Community Centres, some Centres more able and willing to accept new lease terms than others. Whilst negotiations have remained amicable and additional third party independent support has been provided at the authority's expense, it is felt that a point has now been reached where productive negotiations directly between the respective Community Associations and the Council have been exhausted.

- 3.3 In order to best inform members of progress thus far, and issues which have arisen, the Shared Internal Audit Service (SIAS) have recently completed an audit to examine officers' actions to implement agreed Council policy. Their first recommendation was to seek guidance from Cabinet as to how the Council should progress and complete community centre lease negotiations.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 A number of alternative options are referred to in the body of the report at paragraph 10.

#### **5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 The Community Halls Strategy was adopted by Cabinet on 27 September 2011. This followed consultation on the Strategy with numerous parties, including District Councillor Members, Community Centre Managers and the general public.
- 5.2 Local Ward members have also been contacted to seek any initial general views they may have with regard to those community centres where lease negotiations are ongoing. Local councillors have been present at a number of lease negotiation meetings by virtue of their being members of the relevant Community Association either in their own regard or as the Council's representatives on the Association. The SIAS audit has made a second recommendation that this involvement should be reviewed as part of the annual 'membership of outside bodies' report to Annual Council.

#### **6. FORWARD PLAN**

- 6.1 This Report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 1 August 2014.

#### **7. BACKGROUND**

##### **7.1 Community Hall Strategy (adopted by Council October 2011)**

- 7.1 The purpose of the Community Hall Strategy was to define North Hertfordshire District Council's role in the operation of existing community halls, provide a strategy for supporting those facilities in a sustainable way, and advise on the construction and operational management of new builds in accordance with anticipated housing and infrastructure developments up to 2031

- 7.2 The adopted Community Hall Strategy also sets out Council policies to be implemented in relation to community halls for the future and recommended (page 17, para 8.2.15-17);

*8.2.15 The Council might consider requiring a community centre to justify why, on lease renewal, it should not be required to have a full repairing lease at the commencement of the new lease term.*

*8.2.16 Assessment of the last three years' published accounts could be undertaken, as could an assessment of the level of existing financial support / subsidies being given by the Council. Rent reviews of say five year periods could be applied such that the situation could be adjusted if required in line with the financial success or otherwise of the facility. Lease renewals should therefore be by negotiation based on what the facility can afford.*

8.2.17 We can summarise this policy, Ref CHS 04, thus:

***“When community centre leases come up for renewal the Council will seek opportunities to agree a renewal on a repairs basis that is appropriate for the operation of the facility and provides value for money to the local taxpayer”***

## **8. ISSUES**

### **8.1 Community Halls and Centres Audit report from SIAS (attached as Appendix 1)**

8.1.1 The audit of Community Centre and Halls was commissioned to examine the approach taken by NHDC officers toward renewal of community centre leases and how negotiations were progressing, or not, toward agreement of lease terms in accord with the Council’s agreed Community Hall Strategy.

8.1.2 The SIAS audit focused on evaluating progress to date regarding the renewal of leases on all urban community halls and centres, future plans and the approach to taking these forward. The audit explored support officers had provided to the tenants, including signposting toward pro bono or low cost legal advice, third sector independent advice and concluded that despite significant resource having been provided and ‘moderate assurance’ achieved, Council officers have now reached an impasse in progressing negotiations any further. SIAS therefore recommend that;

**Recommendation 1:** “an updated report be taken to Cabinet to obtain a formal decision on how the Council should progress and complete community centre lease negotiations, in order to conclude this process and set the expectations for future lease negotiations for other NHDC owned community assets. This should include an update of the current position, including work undertaken to date and also tenancy options to be considered”.

**Recommendation 2:** “ It is recommended that the wider issue of Members acting in additional outside roles be reviewed by the Council and further guidance be produced to limit the impact of potential conflicts’;

8.1.3 The second recommendation arising from the SIAS audit report on Community Halls and Centres arose from the finding during audit fieldwork that in some situations Members also act as trustees for community groups, posing a potential conflict of interest ‘that does not support the successful completion of lease negotiations’. It is therefore recommended that the wider issue of Members acting in additional outside roles should be reviewed by the Council and further guidance be produced to limit the impact of potential conflicts. This will be reviewed in advance of, and guidance produced, following Annual Council in May 2016.

## **8.2 Current lease negotiation position**

8.2.1 The Table below briefly summarises the status of all lease negotiations on Community Centres owned by the District Council, at 19<sup>th</sup> February 2016;

<b><u>Status of Lease Negotiations</u></b>	
<b><u>Community Centre</u></b>	<b><u>Details</u></b>
Baldock Community Centre	<ul style="list-style-type: none"> <li>• Lease commenced April 1982</li> <li>• Expires March 2024</li> </ul>
Coombes	<ul style="list-style-type: none"> <li>• Lease commenced September 1987</li> <li>• Expired September 2012</li> <li>• District Council currently remains open to negotiations</li> <li>• Tenant has signed a Tenancy at Will to formalise current occupation – eviction could be effected on four weeks notice</li> <li>• No Security of Tenure</li> <li>• Firm proposals regarding lease terms requested by the Association still to be received following meeting in early Nov 2015, although at 18<sup>th</sup> February a schedule of works the Association may consider financing, estimated at £35k over the first five years of lease, was submitted to the authority for consideration</li> <li>• The Coombes Community Centre has been proposed for future extension and plans drawn up, but the Association remain unable to draw down secured s106 funding as they do not have a valid lease to occupy the premises</li> <li>• CDA assistance provided</li> </ul>
Great Ashby Community Centre	<ul style="list-style-type: none"> <li>• Lease commenced May 2007</li> <li>• Expires May 2049</li> </ul>
Jackman's Community Centre	<ul style="list-style-type: none"> <li>• Lease commenced December 2012</li> <li>• Expires November 2037</li> <li>• Repairing lease agreed</li> <li>• Tenant break options</li> </ul>
Grange Community Centre	<ul style="list-style-type: none"> <li>• Lease commenced November 1965</li> <li>• Expired October 2007</li> <li>• Agreed Heads of Terms</li> <li>• Final lease details being closed off</li> </ul>
Grange Youth wing	<ul style="list-style-type: none"> <li>• Building currently empty</li> <li>• Short term licence or similar to be agreed to enable youth club to continue operating from the premises</li> </ul>
Mrs Howard Memorial Hall	<ul style="list-style-type: none"> <li>• Lease commenced July 2007</li> <li>• Expired July 2012</li> <li>• Heads of Terms currently in the process of agreement</li> </ul>
St John's Community Centre	<ul style="list-style-type: none"> <li>• Lease commenced September 1989</li> <li>• Expires September 2031</li> </ul>
St Michaels Mount Community Centre	<ul style="list-style-type: none"> <li>• Lease commenced October 1984</li> <li>• Expired October 2009</li> <li>• District Council currently remains open to negotiations</li> <li>• Tenant has signed a Tenancy at Will to formalise current occupation – eviction could be effected on four weeks notice</li> <li>• No Security of Tenure</li> <li>• Firm proposals regarding lease terms requested by the Association still to be received</li> </ul>

Royston Day Care centre	<ul style="list-style-type: none"> <li>• Lease commenced September 1990</li> <li>• Expires September 2032</li> </ul>
Walsworth Community Centre	<ul style="list-style-type: none"> <li>• Lease commenced April 1977</li> <li>• Expired March 2011</li> <li>• District Council currently remains open to negotiations.</li> <li>• Tenant has signed a Tenancy at Will to formalise current occupation – eviction could be effected on four weeks notice</li> <li>• No Security of Tenure.</li> <li>• No further proposals regarding lease or other terms made to NHDC following last meeting at the centre, 13th November 2015</li> <li>• CDA assistance provided</li> </ul>
Westmill Community Centre (old building)	<ul style="list-style-type: none"> <li>• Lease commenced July 1975</li> <li>• Expired June 2000</li> <li>• Heads of Terms still to be agreed and final lease progressed for new building</li> </ul>

8.2.2 Officers have sought to progress negotiations individual to each community centre. Whilst the focus of the report may be on those centres as yet to agree terms of a new lease, the application of the policy has not been without some success.

The Jackmans Community Centre for instance agreed a lease of just under 25 years with North Hertfordshire District Council in July 2014. The lease is broadly in line with the intention and spirit of the Community Halls Strategy, where full repairing and insuring obligation is now assigned to the tenant. Furthermore, a rent increase has been secured, albeit to a nominal £100 per annum, having regard to the financial strength of the tenant. The tenant secured independent professional representation during lease negotiations.

At the time of negotiations, published accounts for the tenant of Jackmans Community Centre revealed that it had remained at or around break-even point in its income and expenditure for the 3 years' accounts assessed

Since completing the lease, Jackmans Community Centre has continued to benefit from other support by the District Council, for example through the allocation of Section 106 monies; this s106 financial contribution has been invested into the Community Centre by the tenant, and includes new UPVC double glazed windows to part, improving the facilities for the community.

This positive outcome may give merit to continuing negotiations with Community Centres that have similar financial circumstances.

8.2.3 Despite a number of face to face meetings between officers and trustees/management committees, there are, however, three remaining centres which have failed to provide proposals in regard to their preferred lease term or sliding scale of payments, moving towards the full repairing lease agreed by Council, namely Walsworth and St Michaels Community Centres, Hitchin and Coombes Community Centre, Royston. The tenancies of all three properties are currently held under a 'Tenancy at Will', their former leases having expired.

8.2.4 As can be seen from the table above, of the current ongoing lease renewals, the leases for St Michaels Community Centre, Walsworth Community Centre and Coombes Community Centre appear to have reached an impasse. The original leases for these

centres have now expired. The original leases were on the following terms: annual rental of £1, partial internal repairing liabilities to be met by the lessee, with external repair/maintenance and buildings insurance to be met by the District Council.

8.2.5 The tenants of St Michaels Community Centre, Walsworth Community Centre and the Coombes Community Centres are Registered Charities. The occupier of Coombes has a trading subsidiary, earning income from its separate social club/bar facility.

8.2.6 All of the facilities complain that whilst they have a group of committed and skilled trustees many of whom have served in such positions for many years, they have been unable to attract new trustees or volunteers to manage the facilities; this may in part have been due to a misunderstanding in regard to the potential liability incurred by trustees were a facility to fail, which NHDC officers have advised is limited only to the assets held by the Trust at that stage. The Community Development Agency for Hertfordshire who were commissioned to work with Walsworth and Coombes trustees (with their agreement) confirm they have also provided such assurance

8.2.7 Lease negotiations with the St Michaels, Walsworth and Coombes Community Centre occupiers were initiated in May 2012.

The initial terms proposed by the District Council to open negotiations included

- an annual rent of £100
- for the tenant to adopt full external and internal repairing responsibility, and
- for the tenant to reimburse the cost of buildings insurance;

The latter enables tenants to benefit from the economies of scale afforded by the Council's insurance buying power, and also an assurance for the authority that its asset is adequately and appropriately insured. An annual rent of £100 represents a substantial discount from the full potential Market Rental Values of the individual Community Centres.

8.2.8 In accordance with the Community Halls Strategy, an assessment of the last 3 years' published accounts of the Community Centre occupiers, including the accounts of the trading subsidiary of Coombes Community Centre, has been undertaken. The figures summarised in **Appendix 2** show the financial position of each Community Centre, their financial reserves and where applicable, the trading subsidiary over those years.

8.2.9 The Community Centre occupiers for St Michaels, Walsworth and Coombes have informed the Council they cannot afford to adopt full repairing leases at this renewal. The profit and loss figures from the sample of accounts assessed, together with discussions with the occupiers regarding their current operational and future plans for the respective Community Centres, generally support this position and officers have stressed that the lease terms are able to be negotiated.

8.2.10 However, whilst the authority sought to offer third party expertise with the relevant Community Associations and the Coombes' trading subsidiary, to determine whether the premises are operating to optimum efficiency, it was felt that there was a degree of resistance to ideas for alternative uses or 'new ways of working'.

8.2.11 From discussions with the occupiers of each Community Centre, it is apparent that, even if the buildings were improved to a more serviceable condition by the District Council, this would not convince the occupiers to accept a full repairing responsibility under the new leases. Negotiations with the occupiers indicated that they would not be prepared to be exposed to the risk and uncertainty of fluctuating costs that may accompany a full repairing obligation. Officers have assured tenants that every lease can be made subject

to 'break clauses' which enable any tenant facing financial or resource difficulty to inform the Council of such, return the keys and terminate the lease. In the absence of each centre obtaining their own independent legal advice and thus independent assurance, this remains unresolved.

8.2.12 During discussion, officers have stressed that each Community Association should explore and consider all options available to them. Whilst a longer lease is often seen as a greater or too great a risk to a community group, they have been advised that longer lease terms can also bring greater opportunities to secure larger grant funding/investment, including through the Lottery, Locality, Comic Relief and similar organisations. Again, provided there are break clauses, which enable community associations to serve notice and hand back the keys, the risks of a longer lease may well be mitigated by the potential financial benefits. This opportunity has been stressed in separate advice from the Community Development Agency for Hertfordshire who also assist, and have a successful track record of working with, such groups in making bids for external grant funding.

8.2.13 One of the areas which Community Associations have pointed to as being a barrier to them progressing negotiations is that of securing adequate and independent (of NHDC) legal advice. Legal costs to community organisations are difficult to quantify; this is because, as with commercial rates, much will depend on the stage at which legal advice is first sought, the parties involved and amount of intervention/advice required. However, as an indication, a local community group has recently confirmed having paid £400 for first reading and commenting on a lease only, with the final sign off charged at a similar amount, so around £800 in total. There are a number of schemes in operation to which Community Associations and other community groups have been signposted which provide either a degree of 'pro bono' or low cost community sector legal advice; it is our understanding that none of the three Associations in question have yet sought such advice.

### **8.3 Coombes Community Centre, Royston**

8.3.1 The Coombes Community Centre is operated by the Royston Community Association, a registered charity, and has a trading subsidiary which operates the bar/social club element.

8.3.2 The Coombes Community Centre has a wide range of user groups and is available for many hours over the course of a week, and yet generally only breaks even; it may be that with suitable advice on establishing more 'commercial' versus non-commercial hire rates and assistance with regard to operating models and marketing, the facility could deliver a more sustainable profit position to mutual benefit. **Appendix 3** provides information on the usage

8.3.3 In initial discussions, the trustees of the Community Association expressed a wish to remain 'as is' and renew their lease on identical terms to those of the expired lease. Following further discussion with officers, the Royston Community Association (Coombes) trustees provisionally agreed to accept a mechanism in the new lease enabling the District Council to share in its future financial prosperity, should this be achieved. There remains uncertainty for both the Community Association and the Council in regard to future profitability given the Centre's current operating figures. These proposals would still leave the Council bearing the vast majority of the financial liability, contrary to the policy adopted in 2011.

8.3.4 Following a meeting of officers and trustees in November 2015, the tenants submitted a revised proposal in mid February 2016. This requested a 50 year lease term, initial rent

of £100 per annum but that the Association would bear the cost of £35,300 of works (over a period of five years i.e. £7060 per annum) identified in the Council's original condition survey; the proposal would only consider the first five years' commitment and requested that another survey be carried out to identify any additional works required to the Centre.

- 8.3.5 The Royston Community Association have also requested NHDC commit sufficient capital (as a condition of the lease) to enable them to carry out necessary maintenance during the 50 year term. The Association remain steadfast that they will not sign a lease requiring them to make the facility available, free of charge, to NHDC for use as a polling station, on the basis that this will impact regular hirers and critically, their income. The centre currently charges NHDC £450 for use of the centre for an election.
- 8.3.6 The Royston Community Association, in making these proposals, has cited that in order for the Centre to cover its increased costs, it will require additional support from council officers to increase the Centre's profitability by 15% per annum (current turnover is approximately £40k to £50k).
- 8.3.7 With the agreement of the trustees, NHDC commissioned and paid for third party advice from the Community Development Association for Hertfordshire, who can work with trustees to explore operational models, alternative income options and make efforts to increase trustee capacity, including engaging new trustees to provide sustainability. The Royston Community Association feedback was that they did not derive any additional benefit from this support, their board of trustees having served and gained many years experience of running the facility.
- 8.3.8 The tenants currently remain in occupation under a signed Tenancy at Will. The Royston Community Association receives 80% Mandatory Charitable Relief from national non-domestic rates. They also receive the 20% "top up" rates relief granted at the District Council's discretion (see para 12.5).

#### **8.4 St Michaels Mount Community Centre, Hitchin**

- 8.4.1 This centre is operated by the St Michaels Mount Community Association, a registered charity. From the commencement of negotiations in 2012, the Association have refused to accept any deviation from terms set out in their original, and now expired, lease. The Association's financial position is set out in Appendix II to this report; it is a thriving centre with high levels of usage, a daily playgroup with outside space for play, its other regular hirers including a martial arts group. The Centre charge NHDC £200 for use of the centre on Election Day.
- 8.4.2 A visit to the centre, for local Members and the Leader of the Council, was arranged in May 2015 to see how the centre operates and to speak with trustees. Whilst the visit went well, and a positive dialogue took place, the Association's position currently remains unchanged.
- 8.4.3 The tenants currently remain in occupation under a signed Tenancy at Will. The St Michaels Mount Community Association receives 80% Mandatory Charitable Relief from national non-domestic rates. They also receive the 20% "top up" rates relief granted at the District Council's discretion (see para 12.5).

#### **8.5 Walsworth Community Centre, Hitchin**

- 8.5.1 This centre is operated by the Walsworth Community Association, a registered charity.



- 8.5.2 The tenants at Walsworth Community Centre provisionally agreed to undertake minor external grounds maintenance works but during negotiation referred to significant financial obligations were they to commit to a full repairing lease, given the age of the building, size constraints of the facility and its potential lack of profitability. The Trustees reported that they have operated the building for a long time, and whilst they know they need to bring on board 'new blood' to increase sustainability and capacity, it had proven difficult. This appeared in part to be due to informing potential trustees that they could be committing to personal financial risks, which Council officers have assured them is not the case; any lease agreed restricts obligations only to that of the *Association only* at such time.
- 8.5.3 The tenants at Walsworth Community Centre have also advised that it is increasingly difficult to devote the time and resources necessary for operating the Community Centre to its current standard, since the building, although well regarded by the local community was constructed in 1852 and is showing signs of age. Trustees were offered the assistance of the Community Development Association for Hertfordshire, cost borne by NHDC, to explore its operational model, whether there were other options for use, and to secure additional trustees. Whilst it is understood those discussions and workshop were regarded positively by all parties, it would appear that the existing trustees feel they have explored all options and are not keen to progress lease negotiations further at this stage, although it is understood they have been in discussion with other groups expressing an interest in managing the hall.
- 8.5.4 The tenants currently remain in occupation under a signed Tenancy at Will. The Walsworth Community Association receives 80% Mandatory Charitable Relief from national non-domestic rates. They also receive the 20% "top up" rates relief granted at the District Council's discretion (see para 12.5). The Community Association charge NHDC £160 for use of the centre on Election Day.
- 8.5.5 With the agreement of, and following prior discussion with, the Walsworth Trustees, another group have come forward who believe a solution, on a joint tenancy basis, could be achieved. As the initial meeting with the interested parties does not take place until mid March, an oral update can be provided to Cabinet at its meeting as necessary.

## **8.6 Westmill Community Centre**

- 8.6.1 The new Westmill Community Centre is complete and due to be handed over by to the District Council in March. Once that has happened, the District Council intends to grant a lease of the new community centre to Westmill Community Association and accept the surrender of the old community centre that will then be demolished. The Centre charged NHDC £250 for use of the original Westmill Community Centre on Election Day.

## **9. CONDITION OF BUILDINGS**

- 9.1 Condition Surveys were carried out on all Community Centres in 2013 and 2014. The Surveys indicate the following investment is required in total by the District Council over an initial 5-year period to sustain the buildings' serviceability:

St Michaels Community Centre:	£ 78,150
Walsworth Community Centre:	£130,150
Coombes Community Centre:	£135,000

- 9.2 These amounts each reflect the cost of required works deemed high, medium and low priority in the Condition Surveys, including emergency repairs, and therefore may not all be carried out or indeed necessary. Depending on the outcome of the lease negotiations,

a proportion of low priority works could be encompassed within the occupiers' internal repairing responsibilities in the leases. However, this outcome cannot be guaranteed. **Appendix 4** provides more detail on the figures.

- 9.3 Walsworth Community Centre, built in 1852, poses particular challenges. The building lacks a damp-proof membrane and damp-proof course. This leads to the building enduring persistent rising and penetrating damp. The cost of remedying this defect is currently estimated to be £35,000 over 5 years. This cost is **not** included in the figures at paragraph 9.1 above. The advanced age, limited floor size and limited flexibility of this building severely restrict the revenue-generating capacity of the Community Centre. This issue is compounded by lack of on-site car parking. This limited functionality of Walsworth Community Centre has also been highlighted by the tenant during lease negotiations.
- 9.4 The Community Halls Strategy identified that the provision of community hall space across the whole district in 2011 was acceptably within the range of other local authorities. In 2011, the provision of community hall space within Hitchin was found to surpass the accepted standard adopted by the District Council of 0.1 square metres of space per person. The provision in Hitchin was 0.125 square metres per person. Based on this information alone, a proposal to close or dispose for example, through community asset transfer or other means, Walsworth Community Centre would not greatly impact on the district's overall capacity for community halls provision. Indeed, there is already evidence that even with the planned closure and demolition of Bancroft Hall, the community facility shortly to be opened at Hitchin Town Hall, and increased capacity to be gained via the opening of the new community centre at Westmill, there is sufficient capacity for all groups seeking accommodation within the town. However, there are wider social and equality implications to consider.
- 9.5 Total expenditure on community centres and public halls per head of the total resident population, based on Office of National Statistics mid-year population estimates, show that the District Council has consistently spent above the average spend between 2007/08 and 2012/13. In 2012/13, the District Council spent £4.07 more per head than the average. In 2012/13, compared to similar areas, i.e. the District Council's statistical nearest neighbours, the District Council spent £4.02 more per head than the average spend of these neighbouring areas. In fact, the Council had the highest spend per head compared to all its statistical nearest neighbours in 2012/13. **Source: Audit Commission (Communities and Local Government – Revenue Outturn RO5).** This spending is of course on a discretionary service, as the authority has no statutory obligation to continue to provide community facilities, and given its future spending pressures, may determine that it can no longer afford to maintain all its former assets.
- 9.6 The current rebuild valuations of the three Community Centres are as follows:

St Michaels Community Centre	£849,000
Walsworth Community Centre	£343,000
Coombes Community Centre	£1,177,000

These valuations are based on rebuild cost information sourced from the Quarterly Review of Building Prices, February 2016 edition, provided by the Royal Institution of Chartered Surveyors' Building Cost Information Service (BCIS). These valuations reflect factors such as building obsolescence. It is important to stress that these valuations, being cost-based, **do not represent the market values** of these Community Centres.

- 9.7 The Medium Term Financial Strategy (paragraph 6.8) states that “The Council will seek to manage all its assets cost-effectively and also to encourage community lessees to move towards running assets on a self-sustaining financial basis to reduce/remove the financial impacts on the wider taxpayer”. The most recent Spending Review which puts significant additional pressures on the Council’s budget needs to further inform how the Council now progresses with renewal of these remaining community centre leases or seeks alternative options for the future management, transfer or disposal of the assets.

## **10. OPTIONS**

The options outlined at paragraphs 10.1 to 10.4 are presented for consideration.

- 10.1 Officers continue to negotiate with the current occupiers of each community centre with a view to concluding leases on the best terms possible, noting that this may be at variance with the Council’s agreed Community Hall Strategy, and that the authority may continue to remain liable for remaining repairs, maintenance and insurance requirements in the longer term, such negotiations to be concluded by the end of September 2016;**

10.1.1 Should officers adopt a less rigorous approach to the implementation of the Community Hall Strategy, then evidently the full intended benefits of the Strategy will not be realised. If this approach to lease negotiations is adopted, then it will not only impact on the outcome of current ongoing negotiations, but may be relied upon by other community centre groups to form the basis of negotiations for future lease renewals.

10.1.2 Given the Council’s financial position and the medium to longer term ability to continue to provide funding for all such discretionary services, this is not a recommended option.

- 10.2 Officers continue to negotiate with the current occupiers of each community centre with a view to concluding leases on a full repairing basis in accordance with the Council’s agreed Community Hall Strategy. The Council indicates its preferred options in regard to the financing of agreed essential works at individual centres in order to provide greater assurance to the existing tenants as to the future sustainability of a facility, such negotiations to be concluded by the end of September**

10.2.1 Should lease negotiations continue in accordance with the Community Halls Strategy, then where an apparent impasse has been reached, this is increasingly unlikely to yield further beneficial outcomes for the District Council over those already provisionally agreed, and any benefit derived must be measured against officer and other time/resources invested, which have been considerable to date. This option to continue to pursue along similar lines could even be counter-productive by causing relations with the existing Community Centre occupiers to become strained. Equally, the SIAS Audit review identified that the Council may be at risk of challenge by other local groups seeking to take on, and having the capacity to take on, the management of a facility which continues to be occupied by tenants as yet to agree a lease.

10.2.2 The significant investment required to improve the condition of the three Community Centres (St Michaels, Walsworth and Coombes) would appear to render the negotiated lease advancements and any small financial benefits derived of little economic merit or value for the District Council (although social benefits would accrue). However, investment, against a schedule of ‘necessary’ repairs only, would support a case to negotiate with occupiers and prospective tenants to take on responsibility for more of the repair and maintenance obligations. This is the approach the authority took in regard to the transfer of Baldock Town Hall and whilst repairs and draw down of funding have

taken longer than originally anticipated, the Hall is operational, has a healthy volunteer base and is well used for a variety of events.

10.2.3 Council could prioritise use of the new £1million Capital fund to support only essential condition survey works which form part of the figures at paragraph 9.1

**10.3 Cabinet direct officers to terminate the tenancy of those community associations currently held over on a 'tenancy at will' and seek alternative tenants for the centres**

10.3.1 Should the option of seeking alternative tenants be chosen, this may prove fruitful in securing tenants who have the financial resources to accept leases containing full repairing obligations and/or pay a full market rent, or a rent which requires less subsidy by the council taxpayer. However, it should be borne in mind that, to attract such tenants, the District Council may have to invest in significant repairs and upgrading works to the Community Centres to elevate them to a serviceable condition and consider leasing to more 'commercial' organisations. The annual rental under the lease could, however, also be at a more commercial rate than the current rental proposals.

10.3.2 In pursuing this option, the District Council would need to consider the time and resources it may require to market and transfer a Community Centre to a prospective new tenant.

**10.4 Officers are directed, alongside the negotiation of any leases, to explore options to dispose of community centres/sites for other uses and where any centre is vacant or a lease has not been concluded by September 2016 present a further report to Cabinet in November 2016 regarding the options identified**

10.4.1 Taking account of the 'book value' (the asset value contained in the Council's annual financial return) of each of the premises in question against the anticipated maintenance over the next 10-15 years may demonstrate that one "disposal" option could be to offer them to community groups at no charge provided they agree to bear all future costs. Such transfer would be on a 99 year lease at nil rent but include a charge over the property to ensure it could not be converted for other use, demolished and redeveloped or disposed.

10.4.2 In such a scenario, Community groups would be responsible for all future costs but would be able to bid for funds from the new refurbishment and improvement of community facilities scheme, for which Capital funding of £1million over the next four years was agreed as part of the Capital budget 2016/17 onwards.

## **11. LEGAL IMPLICATIONS**

11.1 Cabinet has within its terms of reference at paragraph 5.6.1 of the Constitution to prepare and agree to implement policies and strategies other than those reserved to Council. This report relates to the implementation of a Council strategy.

11.2 The powers relevant to the options set out in this report are:

- (i) Under S19(1) of the Local Government (Miscellaneous Provisions) Act 1976 a local authority may provide such recreational facilities as it thinks fit and specifically under S19(1)(d) of the same act, premises for the use of clubs or societies having athletic, social or recreational objects.

- (ii) Section 123 of the Local Government Act 1972 permits a local authority to dispose of land held by them in any manner they wish provided that a local authority may not dispose of land otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained unless the local authority has the prior consent of the Secretary of State. A short tenancy is a tenancy of less than seven years.

A general consent has been issued which permits a disposal at less than best consideration subject to the condition that the undervalue does not exceed £2,000,000 and that the disposal is likely to achieve any one or more of the following objects:

- the promotion or improvement of economic well-being;
- the promotion or improvement of social well-being;
- the promotion or improvement of environmental well-being.

- (iii) S1 of the Localism Act 2011 provides a general power of competence and gives local authorities the power to do anything that individuals generally may do provided that it is not prevented from doing so by any pre-existing legislative provision.

- 11.3 The District Council served notices, in accordance with the Landlord and Tenant Act 1954, on the three groups discussed in the report terminating their leases with the offer of new leases where the groups were to be responsible for repairs and so on. The 1954 Act sets out time limits which allow the parties to negotiate the new lease. The groups failed to apply to the Court within the time limits and as a result they have lost the right to a new lease on this basis.
- 11.4 The occupation by the tenants of St Michaels Community Centre, Walsworth Community Centre and Coombes Community Centre is currently formalised by a Tenancy at Will. Tenancies at Will can be terminated at any time, on a minimum of four weeks notice, by either the District Council, as landlord, or by the tenant.
- 11.5 By signing a Tenancy at Will the occupation of St Michaels, Walsworth Community and Coombes Community Centres is regulated so that both parties (landlord and tenant) know their respective responsibilities and what to expect from each other. The tenants in these three community centres no longer benefit from security of tenure under the Landlord and Tenant Act 1954, Part II. The District Council therefore has sufficient legal flexibility to pursue and implement the option of leasing to alternative tenants, once any notices to quit are served on the existing occupiers and the occupiers have vacated the properties.
- 11.6 In the absence of a new lease, this greatly reduces a tenant's ability to attract external (grant) funding and inhibits the release of any qualifying Community Halls section 106/Unilateral Undertaking funding by the Council. Members may wish to note this point in respect of the Coombes Community Association's development of a plan for an extension to the building which cannot progress in the absence of an established lease and of sufficient term to warrant such investment.
- 11.7 In the event that one or more of the proposed options is approved, Legal Services will advise on the legal documentation necessary to give effect to the option(s) proposed.

## 12. FINANCIAL IMPLICATIONS

- 12.1 The Council has already borne the additional cost of third party independent specialist advice and support provided to each centre via the Community Development Agency for Hertfordshire, at a cost of £1,200 plus VAT. This advice has been provided both through meetings with trustees, in discussion with centre management and in writing/supply of documentation and has examined their existing operational strategy and profitability, considered and proposed new ways of working or potential new revenue streams, reviewed the facilities' charges, and conducted an audit of skills/resources and governance of each Association.
- 12.2 Each Community Centre requires considerable investment, as outlined in paragraph 9.1 (Appendix 4 refers) and therefore the District Council is seeking arrangements by which its future liabilities are reduced.
- 12.3 In addition to the necessary capital investment, the Council incurred the annual direct revenue costs for the Community Centres over the past 3 years shown in the Table below. These figures do not include any grants or contributions.

<b>St Michaels Community Centre</b>			
<b>Expenditure Type</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>
	£	£	£
General Maintenance	1,290	0	7,200
Fire Alarm Maintenance	0	0	0
Compliance Contract Work	3,000	3,000	3,900
Council's Labour Costs	50	50	0
<b>TOTAL:</b>	<b><u>4,340</u></b>	<b><u>3,050</u></b>	<b><u>11,100</u></b>

<b>Walsworth Community Centre</b>			
<b>Expenditure Type</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-016</b>
	£	£	£
General Maintenance	3,725	0	3,400
Fire Alarm Maintenance	955	0	0
Compliance Contract Work	3,000	3,000	3,900
Council's Labour Costs	0	35	0
<b>TOTAL:</b>	<b><u>7,680</u></b>	<b><u>3,035</u></b>	<b><u>7,300</u></b>

<b>Coombes Community Centre</b>			
<b>Expenditure Type</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>
	£	£	£
General Maintenance	3,940	0	5,600
Fire Alarm Maintenance	0	0	0.00
Consultants	0	0	1,200
Compliance Contract Work	3,000	3,000	3,900
Council's Labour Costs	0	0	0
<b>TOTAL</b>	<b><u>6,940</u></b>	<b><u>3,000</u></b>	<b><u>10,700</u></b>

- 12.4 The Council currently acquires buildings insurance for the three Community Centres and this is not currently recharged to the occupiers. The Council's policy has "restricted perils" and a £5,000 excess applies. If the Community Centres agree to be recharged for the buildings insurance this would be covered under a different schedule and would provide wider cover and be subject to a smaller excess of £250. Based on the current

valuations provided in this report and the current insurance rates, the recharge to each of the Community Centres would be:

St Michaels Community Centre	£644
Walsworth Community Centre	£484
Coombes Community Centre	£647

- 12.5 Provided a Community Association can prove charitable status, they can benefit from 80% mandatory relief from National Non Domestic Rates; they may also be considered for the remaining 20% relief on a discretionary basis. In accordance with the current funding arrangements through Business Rates, Government pays 50% of the costs of all rate relief, the County Council pays 10% and the District pays 40%. Figures awarded for the District's community centres are as follows;

<b>2015 schedule of NNDR relief</b>			
<b>Centre</b>	<b>Mandatory £</b>	<b>Discretionary £</b>	<b>Cost to NHDC £</b>
Coombes	5,420.80	1,355.20	2,710.40
Grange	4,936.80	1,234.20	2,468.40
Great Ashby	5,033.60	1,258.40	2,516.80
Jackmans	4,452.80	-	1,781.12
St Johns	3,717.12	929.28	1,858.56
St Michaels Mount	3,484.80	871.20	1,862.40
Walsworth	3,058.88	764.72	1,529.44
Westmill (old facility)	4,743.20	1,185.80	2,366.40

### **13. RISK IMPLICATIONS**

- 13.1 As mentioned in Section 10, there are several risks in relation to the financial position and community relations that the District Council could be exposed to in pursuing the various options described.
- 13.2 The risks relating to the renewal of lease agreements has been included on Covalent, the District Council's Performance and Risk software. The risk is described as "there is a risk that the Council will fail to agree a lease renewal or reach an agreement with the community centres. This would mean that Council Tax payers would continue to subsidise the operation of the facility and this would not be in line with the Council's agreed strategy".

### **14. EQUALITIES IMPLICATIONS**

- 14.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in paragraph 12.2, that

public bodies must meet, underpinned by more specific duties which are designed to help meet them.

- 14.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 14.3 As the issues and proposals made in this report directly impact either positively or adversely, and to differing degrees the provision of community halls across North Hertfordshire, an Equality Impact Assessment has been completed, assessing the impact of each option. This forms **Appendix 5** to this report.
- 14.4 Whilst the impact of whichever option or options Cabinet advise officers to progress will be subject to further review, it is important to consider that the provision of community centres remains a service which the Council has discretion to provide, or may provide through alternate means including through community management arrangements or community transfer. These should be seen in an enabling capacity, and afford the local communities in each location an opportunity to take on and run a facility as they see best, provided of course they meet the terms of any lease agreed. In assessing capacity and availability of premises, it should also be borne in mind that the Council is far from the only provider of community facilities; there are at least 47 managed halls, village halls and community centres in the district and indications are that they still retain sufficient capacity to meet community demands.

## **15. SOCIAL VALUE IMPLICATIONS**

- 15.1 The Public Services (Social Value) Act was passed at the end of February 2012. Under the Act, public bodies in England and Wales are required to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area.
- 15.2 As the recommendations made in this Report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraph 14.

## **16. HUMAN RESOURCE IMPLICATIONS**

- 16.1 There are no direct Human Resource implications to this Report apart from consideration of the constraints of officer time since the lease negotiations thus far,

## **17. APPENDICES**

- 17.1 Appendix 1:  
SIAS final Audit report – NHDC Community Centres and Halls February 2016
- 17.2 Appendix 2:  
Summary Financial information of centres
- 17.3 Appendix 3  
Coombes Community Centre response to information request
- 17.4 Appendix 4:  
Breakdown of Condition Survey figures



17.5 Appendix 5:  
Equality Impact Assessment of proposals

**18. CONTACT OFFICERS**  
***Report author***

18.1 Liz Green  
Head of Policy and Community Services  
Telephone: 01462 474230  
E-Mail: [liz.green@north-herts.gov.uk](mailto:liz.green@north-herts.gov.uk)

***Contributors***

18.2 Christopher Robson  
Estates Surveyor  
Property Services  
Telephone: 01462 474252  
E-Mail: [christopher.robson@north-herts.gov.uk](mailto:christopher.robson@north-herts.gov.uk)

18.3 David Charlton  
Senior Estates Surveyor  
Property Services  
Telephone: 01462 474320  
E-Mail: [david.charlton@north-herts.gov.uk](mailto:david.charlton@north-herts.gov.uk)

18.4 Peter Underwood  
Community Facilities Officer  
Telephone: 01462 474669  
E-Mail: [peter.underwood@north-herts.gov.uk](mailto:peter.underwood@north-herts.gov.uk)

18.5 Ian Davis  
Senior Building Surveyor  
Property Services  
Telephone: 01462 474340  
E-Mail: [ian.davis@north-herts.gov.uk](mailto:ian.davis@north-herts.gov.uk)

18.6 John Fairhall  
Property Solicitor  
Legal Services  
Telephone: 01462 474364  
E-Mail: [john.fairhall@north-herts.gov.uk](mailto:john.fairhall@north-herts.gov.uk)

18.7 Kerry Shorrocks  
Corporate Human Resources Manager  
Human Resources  
Telephone: 01462 474224  
E-Mail: [kerry.shorrocks@north-herts.gov.uk](mailto:kerry.shorrocks@north-herts.gov.uk)

18.8 Marie Searle  
Property Solicitor  
Legal Services  
Telephone : 01462 474315  
E-Mail : [marie.searle@north-herts.gov.uk](mailto:marie.searle@north-herts.gov.uk)

18.9 Jodie Penfold  
Group Accountant  
Financial Services  
Telephone : 01462 474332  
Email : [Jodie.penfold@north-herts.gov.uk](mailto:Jodie.penfold@north-herts.gov.uk)

**19. BACKGROUND PAPERS**

19.1 NHDC Community Halls Strategy: Adopted October 2011.