

Report of the Director of Communities and Environment

Report to Executive Board

Date: 19th April 2017

Subject: Bangladeshi Centre

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, name(s) of ward(s): Gipton and Harehills		
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number:		
Appendix number:		

Summary of main issues

1. The Bangladeshi Centre is a Council owned building on Roundhay Road in Leeds and it was leased to the Bangladeshi Centre Charity in 2011 for a period of 50 years. The Charity has some 800 members and it is managed through a Board comprising of 12 elected Directors with 3 vacancies on the Board, making a total of 15 Directors when fully populated. The 12 elected Directors are part of two established opposing groups involved in running the charity.
2. A dispute between members and Directors of the Bangladeshi Centre Charity arose in the early part of 2015, regarding the removal of a Director from the membership of the charity, on the basis of some ambiguity in the charity's constitution relating to the residency of members in the Leeds 7, 8, and 9 postcodes. The dispute culminated in a violent public disorder event on the 30 of May 2015 at the Bangladeshi Centre with many arrests, over 30 people charged and a small demonstration outside the Civic Hall by the members of one of the two groups involved in the dispute. The cases were heard by the magistrates in early 2016 with the remaining cases heard by the crown court in March 2017, resulting in custodial sentences ranging from eight months for five individuals, to six years for one individual.
3. Recognising the serious nature of the dispute and mindful of its responsibilities to the wellbeing of the wider community in the area and its role as the owner of the building, the Council intervened immediately after the incident on 30 May 2015 and soon established an 'Engagement Group' with representatives and agreed a set of engagement principles, to aid conflict resolution. Since the events of 30 May 2015,

the Council and West Yorkshire Police have expended considerable resources and senior officer time to support the two groups, with many meetings taking place at the civic hall and in community settings with a wider group of members from both groups. A number of proposals for a way forward on the governance of the charity have been identified by the engagement group to resolve the conflict. However, these have not been supported by the wider membership of either group.

4. Since September 2016, the Council has requested that the two groups meet each other independently from the Council and develop a joint proposal for a way forward. Following further meetings with the Council and several requests from either one or the other group for extensions to allow time for further discussions, Executive Board reporting was delayed until April 2017. This timeframe is some 21 months since the public disorder event and 7 months since both groups agreed to develop a joint proposal.
5. In February 2017, further allegations of financial impropriety emerged and the Council is currently working with both groups to investigate and understand these concerns and to resolve the difficult financial circumstances of the charity as it faces possible bankruptcy.
6. Whilst there has been some progress in the past few weeks on a joint solution to resolve issues on the governance of the charity between the two groups and there is cause for some optimism, no jointly agreed written proposal has yet been received. The potential for continued disharmony amongst the members of the charity, the non-functioning of the Board of Directors, the lack of proper management of the centre, and the imminent threat of bankruptcy, means that the Council should now work closely with the Charity Commission to determine the best way forward.

Recommendations

1. Executive Board notes the work undertaken by officers since 30 May 2015 to seek to resolve the dispute between the two sets of Directors responsible for running the centre.
2. Executive Board requests the Director of Communities and Environment to work with the Directors of the Bangladeshi Centre and the Charity Commission, to seek a joint solution to the effective governance of the Charity that satisfies the requirements of the Council by the deadlines stated in paragraph 3.13 of the main report.
3. Executive Board requests the Director of Communities and Environment, in the absence of a joint solution that satisfies the requirements of the Council or should the Charity become insolvent, to work with the Charity Commission to request the Charity Commission to create a scheme for the Centre with the Council as the sole trustee or ultimately, to begin court proceedings to recover the asset and run the community centre in the interests of the Bangladeshi and wider community. Such decision to be delegated by Executive Board to the Director of Communities and Environment, in consultation with the Executive Member for Communities, and in taking account of the running costs and liabilities that would arise to the Council in taking such action.

1. Purpose of this report

- 1.1 This report provides an outline of the events that have led to a dispute between the Directors of the Bangladeshi Centre Charity and seeks to report the steps that have been taken to seek to resolve the conflict and allow for a Council-facilitated approach towards effective governance of the Charity.

2. Background information

- 2.1. The Bangladeshi Centre on Roundhay Road in Harehills opened in 1989 funded by grants from the Urban Programme and the Chapeltown and Harehills Task Force to provide for the social and economic development of the Bangladeshi community. The Bangladeshi Management Committee had been involved in the centre from its early days and the members wished to operate and manage the centre themselves.
- 2.2. Following many months of discussion with the management committee, Executive Board received a report from the then Director of Environments and Neighbourhoods on 14 October 2009 advising the Board of the outcome of those discussions and seeking approval for the community asset transfer on a 50 year full repair and insuring lease at less than best consideration (peppercorn rent), for the provision of services to the Bangladeshi and wider communities of Harehills and Chapeltown.
- 2.3. In agreeing to the asset transfer Executive Board approved the foregoing of £45,000 of annual income and transition funding of £45,000 on a reducing scale, funded through the budget savings of £85,000 that the Council would realise by transferring the lease. Executive Board approved the following recommendations: (i) approve the principle of a fifty year lease for the Bangladeshi Community Centre at peppercorn rent to the Bangladeshi Management Committee to operate the premises as a community facility for the benefit of the local residents. (ii) That the Director of City Development be authorised to approve the detailed terms and conditions of the lease.
- 2.4. The committee developed a business plan for the centre, new memorandum of articles and sought registration as a company limited by guarantee with plans to also register as a charity with the Charities Commission. A long term lease was considered at the time to be the most appropriate means of tenure transfer that would balance the benefits, opportunities and risks to both the proposer and the Council.
- 2.5. The committee inherited a range of main users, e.g. Thomas Danby College, Leeds City Council Youth Services, Shantona and continued business from social functions and large gatherings such as weddings, conferences, and seminars. Up to 30 May 2015 the centre was being managed by a committee of Directors of the Bangladeshi Centre Charity. There are 15 director positions on the Board and at that time 12 positions were filled by elections from its wider membership. Three positions had been reserved for female director appointments. However these three vacancies have remained unfilled.

3. Main issues

- 3.1. On 30 May 2015, a major public disorder event took place at the Bangladeshi Centre arising from a dispute between the Directors of the charity. Some 30 or more people were charged by West Yorkshire Police and their cases were heard by a magistrate in 2016 resulting in mainly community service sentences. Six of the cases were referred on to the crown court. These cases were heard in March 2017 and resulted in custodial sentences ranging from eight months for five individuals to six years for one individual.
- 3.1 The dispute arose from attempts to cancel membership of the Charity for an existing Director from one of the two main groups on the Charity's board. The cancellation of membership was instigated by the opposing group based on a constitutional element that stipulates that new members of the charity must reside in the Leeds 7, 8 or 9 postcode area. The constitution was more ambiguous on the status of longer standing members of the charity who originally resided in Leeds 7, 8 or 9 postal code area but who subsequently moved out of the stipulated postcode area.
- 3.2 Recognising the serious nature of the dispute and mindful of its responsibilities to the wellbeing of the wider community in the area and its role as the owner of the building, the Council intervened immediately after the incident on 30 May 2015 and soon established an 'Engagement Group' Council with representatives of both groups to help reduce the risk for further public disorder and violence and to promote dialogue. A set of principles for the engagement were agreed between the Council and both groups and these have formed the backdrop to the Council's engagement throughout the intervening period.
- 3.3 The Council and West Yorkshire Police have provided and continue to provide significant and sustained support to both groups involved in the Charity's dispute since the events of 30 May 2015. In addition to conflict resolution, considerable work has been done by the Council on potential revisions to the constitution, bearing in mind the origins of the dispute, so, that it is more inclusive and welcoming of membership beyond the geographical boundaries of Leeds 7, 8 and 9. This inclusivity is particularly important to the Bangladeshi community given its social mobility and its migration over the years to areas beyond the Leeds 7, 8, and 9 postcode areas. Other support that has been provided has included the auditing of management operations; investigating allegations of financial impropriety; and, providing significant senior officer time to support the management of the centre.
- 3.4 The Board of Directors has not met collectively since the public disorder of 30 May 2015 and the Board has not been functioning to provide any governance of the Charity and to oversee decision making. The ongoing dispute between the two groups has resulted in the centre manager leaving the employment of the Charity some time ago. Interim support was provided for a period of time by a senior manager from the Council and this led to a negotiated position for the leaders of the two groups to jointly manage the centre. However, this approach to joint management broke down and now has no sustainability with further allegations of financial impropriety being made, which the Council is currently investigating.
- 3.5 Given the violent nature of the events that took place, the centre is used sparingly by providers and members of the community and income has fallen considerably.

This reduction in income was exacerbated by the loss of business from a major learning provider and investor in the centre withdrawing its delivery in June 2015.

- 3.6 Eid celebrations and elections for the management committee of the local Shahjalal mosque (where both of the same groups are represented) have required large scale police and Council presence and as a consequence, they have both passed without incident.
- 3.7 Many meetings of the Engagement Group have taken place where Leeds City Council has attempted to facilitate a way forward on the governance of the Charity. A number of meetings also have taken place in community settings between the Council and a larger group of members of the Charity from each group.
- 3.8 In September 2016, the Council advised the Engagement Group that whilst its intensive involvement to date had reduced the risk of further large scale public disorder taking place, the two groups were unable to cross the divide between them in the interests of the wider Bangladeshi community, whilst there is a continuing power struggle for dominance of the governance of the Charity.
- 3.9 The Council requested that the two groups met together separately from the Council and come forward with a solution to an agreed timeframe that both groups would find acceptable. Both groups met with the Council again in December 2016 with the Executive Member for Communities to report that whilst some discussions had taken place, the groups were no nearer a resolution and no joint proposal had been agreed. Both groups requested more time to discuss further and the end of January was agreed as a further deadline so that an Executive Board report could be provided to the February meeting of Executive Board. Again, no joint proposal was received in this timescale and it was agreed that a report would be submitted to the March Executive Board.
- 3.10 In February, allegations of serious financial impropriety were raised by one of the groups, which again caused a delay in reporting to Executive Board. The Council is currently working with both groups to investigate and understand these concerns and to resolve the issues between the two groups. During the course of these financial discussions it has been brought to the Council's attention that the Charity has approximately £1,500 remaining in its bank account with monthly expenditure equalling or exceeding this amount. Therefore, the Charity appears to be at imminent risk of bankruptcy. Even if the Charity were to resolve the imminent threat of bankruptcy, in the Council's view there is little prospect of a sustainable future given its recent history, the poor management of the centre, and the dire lack of regular public usage, unless a jointly agreed solution is implemented in the very near future.
- 3.11 Whilst we have recently received messages from both groups indicating that a jointly agreed proposal is being prepared, at the point of writing we were still awaiting receipt of such proposal and, therefore, officers considered it appropriate to proceed with now reporting to April Executive Board.
- 3.12 In reporting to Executive Board, officers are aware that a joint solution could imminently be agreed and the following deadlines are, therefore, proposed to ensure positive progress is made or to guide action for the council recovering or taking control of the centre:

- To have received a jointly agreed solution by 30 April 2017
- To re-establish the meetings of the Board of Directors by 31 May 2017
- To ensure the ongoing financial viability of the centre by 31 May 2017
- To have agreed a new constitution for the Charity by 31 August 2017
- To be operating peacefully and sustainably with a plan for holding elections by 31 August 2017
- Elections to be held by 31 December 2017

- 3.13 Should any of the above milestones not be met, or should the Charity become insolvent at any time during this process, the Director of Communities and Environment will have no option other than to formally request the Charity Commission to create a scheme for the Centre with the Council as the sole trustee or ultimately commence court proceedings to recover the asset and run the centre itself in the interests of the wider Bangladeshi community and that of other local residents, as envisaged in the ambitions of the original decision by Executive Board back in 2009.
- 3.14 Furthermore, considering the current challenges faced by the Bangladeshi Centre Charity and the issues raised above, a formal referral by the City Council has now been made to the Charity Commission to request their involvement and intervention to help determine the best way forward from here.

4. Corporate considerations

4.1. Consultation and engagement

- 4.1.1 The Executive Member for Communities has been consulted throughout. Local ward members for the Gipton and Harehills Ward have been consulted on the current position as have members from neighbouring wards.
- 4.1.2 Considerable engagement with a wider group of members of the Bangladeshi Centre Charity has taken place and an engagement group comprising of three representatives from each of the two groups involved in the Charity's dispute has met frequently in the intervening period. A set of engagement principles have been developed and they have been used throughout the period to underpin dialogue between the Council and representatives.

4.2. Equality and diversity / cohesion and integration

- 4.2.1. The dispute at the Charity is complex and it has proven extremely difficult to make progress on joint proposals. The disharmony between directors and members of the Charity is continuing and there is a possibility that it will continue beyond any action that is agreed with the two groups and the Charity Commission.
- 4.2.2. Should the Council take action to become the sole trustee or recover the asset, it is envisaged an arrangement will be developed that will seek nominations from the two groups to join a steering group to guide the Council's management and further development and use of the centre and to oversee the benefits to the local area and the Bangladeshi community.
- 4.2.3. An equality, diversity, cohesion and integration screening has been conducted and is attached to this report as Appendix 1. Further consideration will be given to the

implications for equality through the development of an impact assessment that will be undertaken at the point that a decision is required by the Director of Communities and Environment to begin proceedings to either implement a joint proposal or begin proceedings to recover the asset.

4.3. Council policies and best Council plan

- 4.3.1. The work articulated in the present report plays to our Best Council plan priorities to meaningfully support communities and raise aspirations and the ambitions of the strong communities benefiting from a strong city breakthrough programme.

4.4. Resources and value for money

- 4.4.1. Considerable Council and West Yorkshire police resources have been expended on a range of remedial and proactive measures to resolve the dispute and provide protection and negotiated ways forward since the events of 30 May 2015, with little likelihood of agreement. Costs to the Council in terms of officer time have been considerable over this prolonged period with the involvement of the Assistant Chief Executive (Citizens and Communities), Chief Officer Communities, Head of Internal Audit, Head of Legal, Area Leader (corporate), and their staff team being engaged in the journey since the public disorder event. This effort includes work on evenings and weekends to ensure a Council response to potential flash points and to field calls and attend meetings out of office hours.
- 4.4.2. It is the Council's view that further time and effort under the current circumstances and governance arrangements of the Charity, without reporting to Executive Board with a clear plan of action, will not prove successful and is not a good use of Council resources.
- 4.4.3. Concomitantly, there will be financial implications to the Council in seeking to recover the asset and in running the centre including staff to manage it and to provide for security and repairs. These costs would also arise if the Charity Commission agreed to make a scheme and appointed the Council as sole trustee.

4.5. Legal implications, access to information, and call-in

- 4.5.1. The Directors, as trustees of the Bangladeshi Centre Charity are under duties to act in the best interests of the Charity as a whole, to manage the Charity's resources responsibly, and to act with reasonable care and skill. It is clear, therefore, that the Directors should not be in a position where their duty to the Charity as a whole conflicts with their personal loyalties to a particular group of Directors or members. Charity Commission guidance makes it clear that "collective decision-making is one of the most important parts of the trustee role", and currently it is apparent that no collective decision-making is taking place either by the board or by the members of the charitable company.
- 4.5.2. In addition, it appears that the directors are failing to ensure that the Charity's assets, in particular the Centre itself are being properly used and managed, to support and carry out the Charity's purposes, that risks are not being properly managed, and that the directors are having no regard to what funding the Charity needs and where it will get funds from and, therefore, it appears that the directors are failing to manage the Charity's resources responsibly. Formal referrals in relation to these matters have been submitted to the Charity Commission.

- 4.5.3. If the Charity Commission considers that the referral is sufficiently serious, it has the power to carry out an inquiry. It is anticipated that the Commission will carry out a pre-investigation assessment, to assess the evidence and the risks to the Charity. Generally, the Commission will open an inquiry in cases where there is significant financial loss to a charity; when a charity is being deliberately used for significant private advantage; if a charity's independence is seriously called into question; or where other significant non-compliance, breaches of trust or abuse would have a substantial adverse effect on public trust and confidence in the integrity of a charity and of charities generally.
- 4.5.4. If the Commission is satisfied that there is or has been misconduct or mismanagement and it is necessary or desirable to protect the charity's property, it can remove individuals from holding the position of charity trustee, or establish a scheme for the administration of the charity, or wind up and strike off the charity.
- 4.5.5. The lease granted by the Council to the trustees of the centre provides that the Council can forfeit (terminate) the lease if the lessees do not fulfil their covenants, and these covenants include a covenant not to commit harassment, violence etc. and not to breach legislation including public order legislation. In the absence of a satisfactory solution, if the Charity Commission declines to carry out an inquiry, then the Council could consider whether to start court proceedings to forfeit the lease. However, it should be noted that forfeiture proceedings could be complex and the Charity Commission will be keen to preserve the Centre as charitable property, and therefore it is anticipated that further detailed legal advice will be required at the relevant time.
- 4.5.6. There are no exempt items relating to this report and the report is subject to call-in.

4.6. Risk management

- 4.6.1. The consequences of not agreeing the recommended course of action is that the police and the Council will continue to commit increasingly scarce resources at a time of considerable budget reductions to support the Charity with little prospect of a resolution of the conflict between the directors that led to the public disorder event.
- 4.6.2. As a consequence and importantly, a Council-owned asset located in a vibrant and very diverse area of the city that is experiencing increasingly challenging circumstances in terms of cohesion and integration is not being used to benefit the community and in not doing so, it is not meeting the ambitions of the decision that Executive Board took to transfer the asset to the Bangladeshi Centre Management Committee in 2009. This situation may also lead to a loss of confidence of the local community in the Council and the potential for reputational damage.

5. Conclusions

- 5.1. A lot of work at considerable cost has been undertaken by Leeds City Council to resolve the conflict that led to the dispute between the directors of the Bangladeshi Centre Charity and bring the Bangladeshi Centre back into material use for the Bangladeshi and wider community in the area.
- 5.2. Whilst there has been some progress in the past few weeks on a joint solution to resolve issues on the governance of the Charity between the two groups and there is cause for some optimism, no jointly agreed written proposal has been received at the time of writing this report. The likelihood of continued disharmony amongst the

members of the Charity, the non-functioning of the Board of Directors, the lack of proper management of the centre, and the imminent threat of bankruptcy, means that the Council should in the absence of the implementation of a joint solution that satisfies the Council in accordance with the milestones detailed at paragraph 3.13, request the Charity Commission to create a scheme for the Centre with the Council as the sole trustee or ultimately begin court proceedings to recover the asset and run the community centre in the interests of the wider Bangladeshi community.

6. Recommendations

- 6.1. Executive Board notes the work undertaken by officers since 30 May 2015 to seek to resolve the dispute between the two sets of directors responsible for running the centre.
- 6.2. Executive Board requests the Director of Communities and Environment to work with the directors of the Bangladeshi Centre and the Charity Commission, to seek a joint solution to the effective governance of the Charity that satisfies the requirements of the Council by the deadlines stated in paragraph 3.13 of the main report.
- 6.3. Executive Board requests the Director of Communities and Environment, in the absence of a joint solution that satisfies the requirements of the Council or should the Charity become insolvent, to work with the Charity Commission to request the Charity Commission to create a scheme for the Centre with the Council as the sole trustee or ultimately, to begin court proceedings to recover the asset and run the community centre in the interests of the Bangladeshi and wider community. Such decision to be delegated by Executive Board to the Director of Communities and Environment, in consultation with the Executive Member for Communities, and in taking account of the running costs and liabilities that would arise to the Council in taking such action.

7. Council Background documents¹

- 7.1. None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.