

**Report of The Director of City Development and The Director of Communities & Environment**

**Report to Executive Board**

**Date: 19<sup>th</sup> September 2018**

**Subject: Community Asset Transfer of Kentmere Community Centre and Meanwood Community Centre to Leeds Community Spaces**

|   |   |  |
|---|---|--|
| Are specific electoral wards affected?  | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            |
| If yes, name(s) of ward(s): Killingbeck & Seacroft and Weetwood                 |   |  |
| Are there implications for equality and diversity and cohesion and integration? | <input type="checkbox"/> Yes            | <input checked="" 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 council owns a community centre portfolio comprising of 57 centres throughout the city. Thirty seven of the centres are directly managed with the remaining 20 centres being leased out to community groups.
2. Local groups run social activities from the centres and they are also used by commercial organisations, such as Slimming World, to run their sessions. Community centres are used by council services, such as Youth Services, to deliver activities directly to local people. Partner organisations such as Neighbourhood Networks also use the centres to deliver training, support and social activities for communities. A range of activities takes place across the community centre portfolio offering education, support and social opportunities
3. During a consultation on community Centres in 2014/15 Leeds City Council was contacted by Locality Leeds Consortium, a group made up of 15 community organisations from across the city, who expressed an interest in exploring the potential for their involvement in the running of council community centres included in the consultation and also indicated an interest in any other buildings that could potentially be run more efficiently and effectively in community control.
4. Over the past few years discussions have taken place with the consortium, primarily to establish a clear picture of the various centres within the portfolio, and to narrow

down the scope of the discussions to a manageable number of centres where options could be explored. During these discussions a company with charitable status was set up by some consortium members under the name of Leeds Community Spaces (LCS) as a vehicle for progressing the options under discussion.

5. LCS submitted a proposal during 2017 for community asset transfer of eight centres all at once. However, this proved to be unviable for a number of reasons, not least a significant cashflow shortfall in the first two years. The revised proposal is based on a phased approach with Meanwood and Kentmere being transferred initially with a third centre (yet to be decided) to be reported to Executive Board in the near future. This will give LCS the critical mass required to put appropriate management systems in place while developing proposals for further centres.
6. LCS will develop flexible management systems which will allow them to keep running costs down while making the process of booking the centres much easier. The LCS proposal will allow users to book at much shorter notice and will be able to do so online or in person at the centre.
7. At present nearly every centre within the community centre portfolio runs at a financial loss. The budget across the portfolio for 2018/19 is £944k. LCS will require financial support in the first few years and this will be funded from the community centres budget. The financial support will be no more than the net budget for the centres and will decrease over time. For Meanwood and Kentmere the model will be payment of an amount equivalent to 100% of the 18/19 budget for 17 months, reducing to 90% in the following year, then 70%, 50% and 30% in the next three years. After that time there will be no financial contribution from the council
8. Draft heads of terms have been agreed and are attached at Appendix 3. In summary these terms set out a 50 year term at peppercorn consideration with the tenant being responsible for all repairs and maintenance.

## **9. Recommendations**

### 9.1 Executive Board is recommended to:

- a) Approve a 50 year full repairing and insuring lease for a peppercorn consideration to Leeds Community Spaces for Kentmere Community Centre;
- b) Approve a 50 year full repairing and insuring lease for a peppercorn consideration to Leeds Community Spaces for Meanwood Community Centre;
- c) Approve associated grant funding for the centres totalling £168,614 funded from the existing community centre budget, allocated on a year by year basis as follows:
  - 2018/19 £24,692 (5 months from November 1<sup>st</sup> 2018);
  - 2019/20 £42,330
  - 2020/21 £38,097
  - 2021/22 £29,631
  - 2022/23 £21,165
  - 2023/24 £12,699
- (d) Note that the Chief Asset Management & Regeneration Officer will be responsible for ensuring the leases are processed and that the Chief Officer Communities will be responsible for awarding the grant funding.

9.2 Members are requested to note that the estimated market value of the properties is £1.362m.

## **1. Purpose of this report**

- 1.1 The purpose of this report is to seek approval for the community asset transfer of Kentmere Community Centre and Meanwood Community Centre to Leeds Community Spaces by way of 50 year full repairing and insuring leases for a peppercorn consideration.
- 1.2 The report also seeks approval for associated grant funding totalling £168,614 to be awarded between November 1<sup>st</sup> 2018 and 31<sup>st</sup> March 2024 on a declining basis year on year.

## **2. Background information**

- 2.1 The council owns a community centre portfolio comprising of 57 centres throughout the city. Thirty seven of the centres are directly managed with the remaining 20 centres being leased out to local community groups. These are a diverse collection of buildings, in both inner and outer areas of the city. A service level agreement is in place with Civic Enterprise Leeds to provide a caretaking and cleaning function as well as other health and safety and building management activities.
- 2.2 Local groups run social activities from the centres and they are also used by commercial organisations, such as Slimming World, to run their sessions. Community centres are used by council services, such as Youth Services, to deliver activities directly to local people. Partner organisations such as Neighbourhood Networks also use the centres to deliver training, support and social activities for communities. A range of activities takes place across the community centre portfolio offering education, support and social opportunities.
- 2.3 The community centre portfolio allows activities and interventions to take place, in local venues for local communities, that tackle poverty and reduce inequalities and particularly contribute to priorities around health and wellbeing and resilient communities. Local groups, and larger organisations, provide activities that tackle isolation for older people, people with disabilities, minority ethnic groups, people with mental health issues, refugees and the wider local community. Sessions on healthy eating, smoking, diabetes and other health issues are run from community centres. Activities to develop parenting skills, enhance IT proficiency, improve CV writing, assist with job applications and develop interview skills are among a range of activities that take place to improve the prospects for local people. Sessions run by Youth Services and other organisations provide opportunities for physical exercise, health advice and social interaction which benefits young people and also the wider community. Although the activities that take place within the centres are very valuable, actual usage is limited
- 2.4 In 2017/18 the total expenditure across the portfolio was £1,510,700. The total income was £447,157 leaving a net cost to the council of £1,063,543.
- 2.5 Kentmere Community Centre is located in the Killingbeck and Seacroft ward (site plan attached at Appendix 1). It is within the catchment area for the Boggart Hill priority neighbourhood. It is a 2 storey building built around 1980 and was originally used as additional teaching space for the adjacent school. It comprises of 6 lettable rooms in addition to a small sports hall and a catering kitchen. Office space is also available in the building.
- 2.6 Current users include the local children's centre, the local neighbourhood network, a church and choir group along with various sport and dance groups.

- 2.7 In 2017/18 the total expenditure from the community centres budget for Kentmere Community Centre was £40,366. The total income was £18,050 leaving a net cost of £22,316. In 2018/19 the total budget allocated to this building is £21,740.
- 2.8 Meanwood Community Centre is located in the Weetwood ward (see site plan attached at Appendix 2). It is a one storey building originally built in 1936 and reopened as a community centre in 1999 following refurbishment. It comprises of 3 lettable rooms in addition to a hall with a stage. It has a large reception area, a kitchen and office space.
- 2.9 Meanwood Community Centre was included in the 10 centres under review in 2014/15. The outcome of the review was to explore alternative management arrangements. Initially it was hoped that a collection of the user groups at this time could come together to take on responsibility for the building but this didn't prove to be a viable option.
- 2.10 Current users include LCC Youth Services, special needs and disability support groups, woodland craft groups, church groups, fitness classes, arts activities and voluntary support groups. Some of the organisations that occupy the centre were displaced when the West Park Centre closed in 2012.
- 2.11 In 2017/18 the total expenditure from the community centres budget for Meanwood Community Centre was £28,782. The total income was £14,970 leaving a net cost of £13,812. In 2018/19 the total budget allocated to this building is £20,590.

### **3. Main issues**

- 3.1 In November 2014 Executive Board agreed for a consultation to be undertaken on the future of 10 community centres across Leeds. The centres had been identified as requiring attention due to a combination of high running costs, poor level of usage and backlog maintenance issues. The consultation took place between December 2014 and March 2015 and led to the closure of two centres and the transfer of another two centres, under leases, to local third sector groups.
- 3.2 During the consultation Leeds City Council was contacted by Locality Leeds Consortium, a group made up of 15 community organisations from across the city, who expressed an interest in exploring the potential for their involvement in the running of council community centres included in the consultation and also indicated an interest in any other buildings that could potentially be run more efficiently and effectively in community control.
- 3.3 Over the past few years discussions have taken place with the consortium, primarily to establish a clear picture of the various centres within the portfolio, and to narrow down the scope of the discussions to a manageable number of centres where options could be explored.
- 3.4 During these discussions a company with charitable status was set up by some consortium members under the name of Leeds Community Spaces (LCS) as a vehicle for progressing the options under discussion. LCS is a newly registered company with charitable status which is made up of key individuals from four community anchor organisations in Leeds which currently run community facilities in the city. These organisations are: New Wortley Community Centre; Oblong; LS14 Trust; and GIPSIL. One of the individuals is a trustee for the Friends of Bramley Bath and contributed towards the development of their community asset transfer proposal and business plan. LCS has been specifically set up to manage and improve community centres across Leeds. LCS aims to run a diverse and

supportive range of community buildings that can facilitate the goals, talent and aspirations of the people who use them. The plan is to transfer community buildings from the council with the support of the council. In the future they'd like to be able to expand the portfolio of buildings and bring their vision of user influenced community spaces across the city. Through support, cooperation and collaboration LCS will enable local groups to one day take ownership of these buildings themselves.

- 3.5 The original proposal LCS submitted during 2017 was based on a simultaneous asset transfer of eight community centres along with a proportion of the budget for running those centres over the next five years. That proposal posed a number of challenges, not least a significant cashflow shortfall in the first two years.
- 3.6 The revised proposal is based on a phased approach with Meanwood and Kentmere being transferred initially and any further centres being brought forward at the appropriate time and subject to separate approval. This will give LCS the critical mass required to put appropriate management systems in place while developing proposals for further centres.
- 3.7 LCS will develop flexible management systems which will allow them to keep running costs down while making the process of booking the centres much easier. For example, the LCS proposal will allow users to book at much shorter notice and will be able to do so online or in person at the centre.
- 3.8 LCS will involve the local community and existing centre users to influence the management of each centre and establish a local connection with the facilities. Local steering groups, or other appropriate local structures, will be set up at each centre and training and support will be given to build local capacity to deliver the right community space for their community. The LCS members have experience of encouraging and utilising local volunteers at their existing community facilities, which provides opportunities and experience for individuals and also provides a benefit to the wider community. Usage levels at both centres are relatively low and there are periods when there is little or no activity taking place. LCS will proactively market the centres to increase usage from the local community and will encourage those running groups in one area to expand into other areas of need, offering more activities across the city.
- 3.9 Both centres, particularly Kentmere, require capital investment to carry out both essential works and to make the surroundings more pleasant. The last condition survey at Kentmere Community Centre was carried out in 2014. This identified just over £438,000 of immediate and essential works required, although some of those works have been carried out. The remaining condition issues will need to be addressed at some point in the future and if the buildings remain in council operation then liability for those works would sit with the council. As an organisation with charitable status LCS will apply for funding that the council isn't eligible for to carry out capital works.
- 3.10 Further to addressing the condition issues, LCS will apply for funding to proactively invest in refurbishment works to improve the centres and their facilities. Again, they will be able to apply for funding streams not available to the council. One project already identified is to improve pedestrian access to Kentmere Community Centre and bring people in from the nearby footpath, rather than accessing via the narrow driveway.

- 3.11 LCS will have a more streamlined approach to management and be able to achieve efficiencies. Their charitable status will allow them to apply for the maximum 80% business rates reduction.
- 3.12 At present nearly every centre within the community centre portfolio runs at a financial loss. The budget across the portfolio is £944k. LCS will require financial support in the first few years and this will be funded from the community centres budget. The financial support will be no more than the net budget for the centres and will decrease over time. For Meanwood and Kentmere the model will be payment of an amount equivalent to 100% of the 18/19 budget for 17 months, reducing to 90% in the following year, then 70%, 50% and 30% in the next three years. After that time there will be no financial contribution from the council.
- 3.13 The business plan submitted by LCS maintains the current rental rates for existing users until the end of March 2019. After this LCS will offer both community and commercial rates for the use of the centres.
- 3.14 Draft heads of terms have been agreed and are attached at Appendix 3. The terms will be the same but each centre will have a separate lease. In summary these terms set out a 50 year term at peppercorn consideration with the tenant being responsible for all repairs and maintenance.
- 3.15 The 50 year terms will give LCS sufficient tenure to be able to apply for capital grant support both now and in the future. For the significant funding that may be required, funders often require up to 25 years security of tenure. Granting a lease with a term well in excess of the maximum term a funder will require will allow LCS to continue to apply for funding during the term of the lease without having to come back to the council for extensions. Having a longer term is also seen as a positive attribute from the point of view of the funder.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 The Executive Member for Transport, Economy & Planning and the Executive Member for Communities have been briefed throughout the development of the proposal and are supportive.
- 4.1.2 The three newly elected ward members in Killingbeck and Seacroft have been briefed and support the project.
- 4.1.3 Weetwood Ward Members have been kept up to date as the proposal has developed and are supportive. The newly elected members in the ward have been briefed and are supportive.
- 4.1.4 LCS has carried out extensive consultation with centre users and the local community, including open days at the centres, meetings with regular users and attending other venues in the community to meet and discuss the proposal with local people. The vast majority of feedback has been positive. There are some concerns at Kentmere Community Centres from neighbouring houses who are somewhat wary of centre users causing nuisance at their properties, although the proposed new pedestrian access would address this concern. LCS has sought to pacify these concerns by pointing out that the centres will be used for organised activities which will help to address social issues.

### **4.2 Equality and diversity / cohesion and integration**

4.2.1 An Equality and diversity, cohesion and integration screening has been completed and found no negative impacts on any of the equality characteristics.

### **4.3 Council policies and best council plan**

4.3.1 Transferring community centres into third sector ownership for the benefit of local communities will help meet the city priority of Safe, Strong Communities: Being responsive to local needs, building thriving, resilient communities.

### **4.4 Resources and value for money**

4.4.1 Both Kentmere and Meanwood community centres operate at a financial deficit, For 2018/19 and Kentmere has a budget allocation of £21,740 and Meanwood £20,590. It is proposed that from 1<sup>st</sup> November 2018, which is the proposed date LCS will begin to operate the centres, until 31<sup>st</sup> March 2020, an amount equivalent to the combined budgets will be paid to LCS. For the next 12 months an amount equivalent to 90% of the 18/19 budget will be paid (£38,097) reducing to 70% for the next year (£29,631), 50% for the year afterwards (£21,165) and 30% for the subsequent year (£12,699). Beyond that time the financial support for those centres will end. With this support the business plan produced by Leeds Community Spaces will be viable and sustainable,

4.4.2 A valuation has been carried out for both centres. Kentmere Community Centre has been assessed as having an open market value of £0.162m.

4.4.3 Meanwood Community Centre has been assessed as having an open market valuation of £1.2m. This is based on the potential to demolish the building and take advantage of its access road to create a new housing development and includes all of the area inside the blue line boundary shown on the plan Appendix 2. As a result, in addition to the loss of the community centre, this would also lead to a loss of green space in the area.

4.4.4 By granting long leases on these two centres in this way the council will be investing assets worth £1.362m in areas of need.

### **4.5 Legal implications, access to information, and call-in**

4.5.1 The lease will be contracted outside the terms of the Landlord & Tenant Act 1954, so the tenant will have no automatic right to renew.

4.5.2 Section 123 of the Local Government Act 1972 provides that a local authority shall not dispose of land for less than the best consideration reasonably obtainable without the consent of the Secretary of State. The Local Government Act 1972: General Disposal Consent (England) 2003 permits local authorities to dispose of land for less than best consideration where:

- the difference between the unrestricted value of the land and the consideration for the disposal does not exceed £2,000,000; and
- the purpose for which the land is to be disposed of is likely to contribute to the promotion or improvement of the economic, social or environmental well-being of the area.

4.5.3 In this case, the difference between the unrestricted value of the land and the consideration for the disposal is within the parameter indicated above. In addition,



the asset transfer of Kentmere Community Centre and Meanwood Community Centre will promote/improve the social well-being of the area by providing for additional public sessions for community use in the local area, reducing journey times to other facilities and promoting more community cohesion.

- 4.5.4 The City Solicitor is therefore of the opinion that the proposed disposal falls within the terms of the Local Government Act 1972: General Disposal Consent (England) 2003.
- 4.5.5 There are no Access to Information implications from the report's recommendations.
- 4.5.6 The report's recommendations will have a significant impact in more than one ward and will result in potentially foregone capital receipts in excess of £250,000 so the report is subject to Call In.

## **4.6 Risk management**

- 4.6.1 The main risk from the project is that LCS cannot operate the centres as efficiently as the business plan requires and ultimately surrenders the leases and the buildings return to council management. In the absence of any alternative proposal for the centres, the council would retain responsibility for their management. Therefore, in circumstances whereby LCS surrendered the leases back to the council, the council would be in no worse position than it is now. Although LCS would have received financial support, this will be mainly paid in arrears (with the exception of a payment at the start of the project) and is funded from within the relevant centre's existing budgets, so there would be no net costs to the council.
- 4.6.2 There is a risk that LCS can't raise the funding required to carry out necessary capital works to the buildings. This is considered unlikely given the key individual's involved track records of obtaining funding. However, even in a scenario that saw LCS unable to afford the repairs and either requesting support from the council or surrendering the leases, this would be no worse than the current position where the council carries this risk.

## **5. Conclusions**

- 5.1 Kentmere and Meanwood Community Centres are both under-utilized and each costs the council over £20,000 to operate after income. Both centres have potential to be better utilised for their local community. This is particularly true for Kentmere Community Centre which is based near the Boggart Hill priority neighbourhood.
- 5.2 LCS is made up of trustees who have excellent track records in running community assets and engaging with local communities. Their status as a company with charitable status will allow them to run the centres in a more efficient manner than the council and with streamlined processes, including an easier to use booking system.
- 5.3 LCS's business plan will require financial support for the first few years. Initially there will be no saving to the council, but over the first five years the financial support required will taper away to nothing. If LCS's plans to take over further community centres under this model come to fruition, there is the potential to achieve significant financial savings in the medium term.
- 5.4 The LCS model offers the potential to see community centres better utilised for the benefit of the local community, improved book and management systems, the

condition issues to be addressed, refurbishment and improvement works to be funded from external grants not available to the council, the potential for new locally based groups to be established to eventually take over the buildings, all the while offering financial savings in the medium term and removing the repairing liability from the council.

## **6. Recommendations**

6.1 Executive Board is recommended to:

- a) Approve a 50 year full repairing and insuring lease for a peppercorn consideration to Leeds Community Spaces for Kentmere Community Centre;
- b) Approve a 50 year full repairing and insuring lease for a peppercorn consideration to Leeds Community Spaces for Meanwood Community Centre;
- c) Approve associated grant funding for the centres totalling £168,614 funded from the existing community centre budget, allocated on a year by year basis as follows:
  - 2018/19 £24,692 (5 months from November 1<sup>st</sup> 2018);
  - 2019/20 £42,330
  - 2020/21 £38,097
  - 2021/22 £29,631
  - 2022/23 £21,165
  - 2023/24 £12,699
- d) Note that the Chief Asset Management & Regeneration Officer will be responsible for ensuring the leases are processed and that the Chief Officer Communities will be responsible for awarding the grant funding.

6.2 Members are requested to note that the estimated market value of the properties is £1.362m.

## **7. Background documents<sup>1</sup>**

7.1 None.

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<sup>1</sup> 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.