

**Report of : Chief Asset Management Officer**

**To : Executive Board**

**Date: 9th March 2011**

**Subject: The Cardigan Centre**

**Electoral Wards Affected:**

**Headingley**



Ward Members consulted  
(referred to in report)

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In



Not Eligible for Call In

(Details contained in the report)



**Executive Summary**

On 13th October 2004, Executive Board approved a recommendation that, as part of the review of the Council's Community Centre Portfolio, the Council dispose of the subject property to the existing occupier, The Cardigan Centre, subject to satisfactory terms being agreed.

The Cardigan Centre was purpose built as a community and business resource centre by the Council in 1988 using Urban Programme Funding. The site of the building is owned by the Parochial Church Council of the Diocese of Ripon. Leeds City Council was granted a 99 year development lease to construct the building. Immediately following the completion of construction, a sublease was granted to a local community association. Subsequently a further seven year sub-lease was granted, with the current sub-tenant/occupier, The Cardigan Centre.

In June 2009 Asset Management Board supported the grant of a long term lease to the Cardigan Centre at a peppercorn rent.

This report details both the background and current position to the subject property and seeks Executive Board support for the grant of a long term sublease at a peppercorn rent of the property to The Cardigan Centre.

## **1.0 Purpose of This Report**

- 1.1 The purpose of this report is to seek Executive Board support for the recommendation that the Council grant the current occupier of the Cardigan Centre a sublease for a term equivalent to the remainder of the Council's ground lease less one day. Executive Board support is sought for the grant of the proposed sublease at a peppercorn rent.

## **2.0 Background Information**

- 2.1 The Council built the centre with a £792,000 grant from the Urban Programme. The land is leased by the Council from the Parochial Church Council of Ripon and Leeds City for a term of 99 years from 14th October 1988, at a peppercorn annual rent without review. The permitted use under the lease is restricted to the operation of a community and training centre for the benefit of the social and economic welfare of the inhabitants of the surrounding neighbourhood, although this use is subject to amendment by consent.
- 2.2 Under the terms of its lease, the Council is permitted to grant a sublease of the property to the trustees of a community organisation or a charitable organisation but assignment is only permitted in the event of it becoming impossible to use the property for the permitted use.
- 2.3 Following construction, the premises were sub-let in October 1988 to the Trustees of St Margaret/South Headingley Community Centre Steering Committee by way of a seven year sub-lease at a peppercorn rent. A further seven year sub-lease was granted in October 1995 to The Cardigan Centre again at a peppercorn rent, and they remain in occupation under this lease.
- 2.4 The Cardigan Centre is both a registered charity and a company limited by guarantee. Its principal purpose is to facilitate social welfare, recreation, education and economic regeneration in the inner-city neighbourhoods of North West Leeds. As well as engaging in general community work, The Cardigan Centre runs the subject property as a resource centre providing office space for other community organisations and a hall where local groups and societies can meet.
- 2.5 In June 2009 Asset Management Board supported the grant of a long term lease to the Cardigan Centre at a peppercorn rent.

## **3.0 Main Issues**

- 3.1 The Council could dispose of its leasehold interest to The Cardigan Centre by either assignment of its interest or to grant a sublease, preferably for a term equivalent to that remaining on its lease (approximately 77 years) minus one day; alternatively a further short term sublease could be granted. It is proposed that the Council grant a sublease to the Cardigan Centre for the remaining term of the lease at a peppercorn rent. Paragraph 5.1 outlines the reasons for proceeding on the basis of a sub lease.
- 3.2 The centre was built with the purpose that it would be managed by local residents for the benefit of the local community. The initial short term lease was granted to allow the steering committee a suitable period to try to operate the centre successfully. This short lease term has been renewed as a matter of course.

- 3.3 The short term nature of the lease limits the security for the Cardigan Centre and their ability to develop long term plans. The short term agreement also limits the feeling of community ownership. While it was considered appropriate at the time to grant a short term lease to a new organisation, the charity has now successfully operated for 22 years. The Cardigan Centre has developed sustainably over the years, generating income through lettings and delivery of contracts and has expanded into a neighbouring property for some service delivery. Given that it is so established and has proved its viability it is considered appropriate to enter into a long term agreement.
- 3.4 The Cardigan Centre operates independently but some of its services are commissioned by the Council. In terms of certainty moving forward, Children's Services are proposing to continue to commission youth work and targeted youth support from April 2011 for a further 12 months. The initial overall annual contract value will be £63,044. In addition Children's Services have a contract with igen Trust to deliver targeted Connexions services in the city. This will result in the Cardigan Centre receiving sub-contracted funding from igen in 2011/12 to the value of £96,388. This amounts to a proposed total of £159,432 in direct or indirect funding from Children's Services in 2011/12.
- 3.5 Community ownership and management of assets has been strongly promoted by government. The agenda was made prominent by the Quirk Review 'Making Assets Work – Community Management And Ownership Of Public Assets'. Government support for community asset transfer has been confirmed through the principles of the Big Society and through the proposals in the Localism Bill. The Bill will give community organisations greater opportunity to identify and bid for assets of value to them, from which they can deliver existing or new services. As well as empowering communities, this aims to diversify the providers of services and stimulate creative and imaginative new patterns of service and enterprise.
- 3.6 When contemplating the disposal of any property interest, whether leasehold or freehold the Council is required under S.123 of the Local Government Act to achieve 'best consideration' unless formal approval is granted to dispose by other means. The current open market rental value of the Cardigan Centre on a seven year sub-lease as previously granted is £31,965 per annum. The capital value of the Council's interest has been assessed to be in the order of £240,000.
- 3.7 It is proposed that Executive Board support the grant of a lease to The Cardigan Centre at a peppercorn rent for the remainder of the Council leasehold less one day, approximately 77 years for its current purpose, on the basis that this lease will be surrendered if the centre ceases operation, so as to ensure the security of the Council's interest. The grant of such a lease was supported at Asset Management Board in 2009.
- 3.8 The grant of the proposed lease on a peppercorn rent will ensure the continuation of the service provided to the local community by the Cardigan Centre whilst protecting the Council from a potential maintenance and financial liability should the organisation decide to vacate.

#### **4.0 Implications for Council Policy and Governance**

- 4.1 Whilst meeting the recommendation given by Executive Board in 2004 the proposed sublease will also assist in ensuring the continuity of the service provided by The Cardigan Centre in the local community.

- 4.2 The transfer will contribute towards achieving the following outcomes outlined in the Leeds Strategic Plan:
- Increased entrepreneurship and innovation through effective support to achieve the full potential of people, business and the economy;
  - More inclusive, varied and vibrant communities through empowering people to contribute to decision making and delivering local services.
- 4.3 Local Ward Members have been consulted on the proposal to renew the Cardigan Centre's lease and have confirmed their continuing support for the Cardigan Centre and their approval to the terms outlined in this report.
- 4.4 The Council and the Cardigan Centre are committed to ensuring equality in the provision of services and the grant of the proposed lease will ensure a continuation of the benefits provided by the centre to all members of the local community. Equality, Diversity, Cohesion and Integration screening has been undertaken and is available on request.

## **5.0 Legal and Resource Implications**

- 5.1 Legal, Licensing and Registration have advised that the Council's interest would be best protected if a long term sub-lease were granted. This would remove the potential for any claim against the Council from the Diocese by bypassing the Privity of contract issues which would arise upon assignment. It would additionally enable the Council to retain control over the activities of The Cardigan Centre or any subsequent occupier.
- 5.2 In accordance with Section 123 of the Local Government Act 1972, the Council can only dispose of land for a consideration less than the best that can reasonably be obtained with the consent of the Secretary of State. Under the terms of the Local Government Act 1972 General Disposal Consent (England) 2003 , the Council has the power to dispose of land at less than the best consideration that can reasonably be obtained subject to the following conditions:-
- (i) the Council considers that the purpose for which the land is to be disposed is likely to promote or improve the economic, social and/or environmental well-being of the area or of local residents; and
  - (ii) the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2m.
- 5.3 The Council currently has no outgoings in respect of the subject premises. The rent under the ground lease being a peppercorn without review and the full repairing and insuring liabilities currently being vested with The Cardigan Centre under the sublease granted in 1995. The grant of a sub lease for the remaining term of the lease will mean these liabilities remain with the Cardigan Centre.
- 5.4 While there exists a possibility of liability falling on the Council as a result of clawback arrangements from the construction of the building these are likely to be minimal as this contribution was made over 17 years ago.
- 5.5 The Cardigan Centre have been grant aided by the Council's Social Services and through Connexions.

## **6.0 Recommendation**

Subject to Members being satisfied that the disposal of the land is likely to promote or improve the economic, social and/or environmental well-being of the area or of local residents, Executive Board is asked to approve the grant of a sublease of the subject property on a less than best basis for the remainder of the term held by the Council, less one day, to The Cardigan Centre.

### **Background Papers**

Executive Board report 13 April 2004

Asset Management Board report 26 June 2009