

DECISION-MAKER:	CABINET		
SUBJECT:	COMMUNITY ASSET TRANSFER STRATEGY : PROGRESS AND REVIEW		
DATE OF DECISION:	20 DECEMBER 2016		
REPORT OF:	CABINET MEMBER FOR COMMUNITIES, CULTURE AND LEISURE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
None

BRIEF SUMMARY

This report recommends approval for:

i) the disposal of Kingsland Community Centre at Less than Best Consideration to West Itchen Community Trust (WICT) working in partnership with Kingsland Residents and Community Association (KRCA)

It also provides an update on progress of transferring community centres and community buildings since Cabinet's approval of the Community Asset Transfer Strategy on 18 June 2013.

RECOMMENDATIONS:

- (i) To approve the disposal of Kingsland Community Centre to WICT on a freehold basis at Less than Best Consideration for a sum in the region of £10,800
- (ii) To delegate authority to the Head of Capital Assets to approve the disposal on a freehold basis at Less than Best Consideration on the basis it secures an improvement in the economic, social and environmental well being of the Council's area by securing the delivery and growth of community services.
- (iii) To delegate authority to the Service Director (Growth) following consultation with the Cabinet Member for Communities, Culture and Leisure, the Cabinet Member for Finance and the Head of Capital Assets to do anything necessary to give effect to the recommendations contained in this report
- (iv) To note progress on transferring community centres and buildings since implementation of the Community Asset Transfer Strategy.

REASONS FOR REPORT RECOMMENDATIONS

1. To ensure that progress continues to be made with the Council's Community Asset Transfer Strategy by ensuring the continuation and development of valued local provision at Kingsland Community Centre.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The alternative options considered were:
 - doing nothing. This option was considered and rejected because this would hamper the momentum of the first phase of the Community Asset Transfer Programme.
 - disposing of the asset on the open market and securing a larger capital receipt. Kingsland Community Centre is in scope for the pilot Community Asset Transfer (CAT) programme. This was agreed by Cabinet at its meeting on 18 June 2013. The objectives of CAT include the retention of local facilities which are used for a variety of social, community and public purposes without the use of council funds in the future. This option was considered and rejected because although a smaller capital receipt will be secured, a disposal on the open market would not guarantee retention of Kingsland Community Centre as a community resource

DETAIL (Including consultation carried out)

3. Kingsland Community Centre comprises a former church and adjacent two storey 'rectory type' building dating back to the late 1800's. The ground floor of the combined buildings is occupied by the Kingsland Residents Community Association (KRCA) and comprises of two halls, ancillary storage rooms, a meeting room, office, two kitchens and toilet facilities. There is also a first floor 2/ 3 bedroom flat with a roof garden. The flat is occupied by the caretaker for the building on an Assured Short Hold Tenancy agreed between the Kingsland Residents Community Association (KRCA) and the caretaker.
4. The market value of the property is £120,000 and the value for community asset transfer (CAT) purposes, at Less than Best Consideration is £10,800 for the freehold.
5. The CAT Appraisal Panel assessed the application against agreed criteria recognising that in transferring an asset at less than market value the statutory test for such disposals must be considered. It was determined that the community and social benefits would need to compensate for the financial loss to the council to secure an improvement in the economic, social or environmental wellbeing of the area. The Panel felt that the partnership between WICT and KRCA met all the requirements for transfer for the following reasons:
 - Professional expertise and track record in property management, community development and securing external funding;
 - WICT currently manage a property portfolio valued in the region of £2.6M and manage community organisers. They have a track record of working with local people to identify local needs and develop local projects;
 - Viable business plan;

- Sound governance arrangements including Memorandum of Understanding underpinning partnership arrangement; and
 - Understanding of local community needs with commitment to develop programme of activities to meet those needs for example activities for single people; single parents; students and advice and support for unemployed people.
6. The economic, social and community benefits WICT and KRCA would deliver to the council are:
- Continued provision of a local community centre;
 - Value for money as through its contracts e.g. for utilities, WICT is able to deliver economies of scale across its property portfolio;
 - The ability to absorb expenditure and occasional losses at the centre from WICT's commercial property portfolio;
 - Responsibility for all repairs, maintenance and insurance liabilities including development of a "sinking fund" for ongoing investment in the building;
 - The potential to lever in other sources of funding not available to the council, borne out by their track record. For example, in 2014 WICT raised over £85,000 of inward investment grants and have recently secured £350,000 over 3 years to be invested in the St.Mary's area of Southampton;
 - Strengthening the existing work of KRCA by developing their activities to increase centre usage (linked to local needs) and therefore increase income. Examples of proposed activities include sports and fitness activities, activities for older people and skills and learning activities;
 - Refurbishment of the building and increased value to the community with an improved community facility;
 - Support in kind through their existing staff – particularly the WICT Property Manager, Marketing and Administration Manager, 8 community organisers and 8 volunteers, 3 of which have qualified as Foundation Level 3 Community Organisers. They provide the approximate equivalent of 3 part-time Community Development Workers (approximately £46,000 per annum) and 5 part-time volunteers (approx. £600 per week worked);
 - Commitment to protect and support the development of existing early years' use;
 - Training and development opportunities for local people including support for social enterprise/business start-up;
 - Capacity building and resource sharing for local groups; and
 - Long term community engagement and activism

PROGRESS ON OTHER TRANSFERS

7. Significant progress has been made on transferring the community buildings in the initial scope. Through the speculative enquiry process, this scope was increased to include a local community swimming pool. The table below summarises this progress.

8.

Status	Building	Progress
Transferred	<p>St. Albans Resource Centre</p> <p>Townhill Park Community Centre</p> <p>Woolston Community Centre</p>	<p>Under lease of 860 years signed in July 2016. Partnership between West Itchen Community Trust and Black Heritage Community Association</p> <p>Lease signed with City Life Church; came into effect on 1 October 2016. Partnership between City Life Church and Townhill Park Community Association</p> <p>The council already has a long lease in place with Woolston Community Association, that meets CAT requirements, so the building has effectively transferred</p>
Negotiating terms	<p>Freemantle Community Centre</p> <p>Harefield Community Centre</p> <p>Merryoak Community Centre</p> <p>Moorlands Community Centre</p>	<p>Negotiating freehold transfer to Freemantle and Shirley Community Association</p> <p>Negotiating freehold transfer to West Itchen Community Trust.</p> <p>Negotiating freehold transfer to West Itchen Community Trust in partnership with Merryoak Community Association</p> <p>Negotiating freehold transfer to West Itchen Community Trust in partnership with Moorlands Community Association</p>

	Northam Community Centre	Negotiating freehold transfer to West Itchen Community Trust in partnership with Northam Community Association
	Sholing Community Centre	Negotiating freehold transfer to West Itchen Community Trust in partnership with Sholing Community Association
	Red Lodge Community Pool	Negotiating freehold transfer to existing tenants. Estimated completion date 30 November 2016.
Drafting documents prior to negotiating terms	St. Denys Community Centre	Transfer to St. Denys Area Community Association on a freehold basis approved under delegated powers. Valuers currently drafting sales contract to start negotiations.

9. This table illustrates that some existing tenants have chosen to progress community asset transfers on their own; others have chosen to partner with another organisation. Several community associations have chosen to partner with West Itchen Community Trust.
10. Lordswood, Swaythling and Coxford Community Associations are not currently progressing with CAT but all three are in negotiation with the council to secure new leases. Lordswood and Swaythling 24 years and Coxford 10 years. All three leases will require the tenants to undertake all repairs maintenance and compliance, thus relieving the Council of any financial involvement with these buildings.

RESOURCE IMPLICATIONS

Capital/Revenue

11. The transfer of Kingsland Community Centre will generate a 100% capital receipt to the General Fund in the region of £10,800. In addition there will be a £2,000 saving per annum to the Council on repairs and maintenance. This ongoing reduction in costs is already covered by a previously approved saving, as approved by Council on 12th February 2014 (ref COMM2, reduce community centres budget).

12. The costs associated with these disposals such as the internal Council and other professional costs will be met from existing budgets. Any additional costs incurred beyond the pilot phase of the programme will be borne by the relevant service area as set out in the 21 April 2015 report to Cabinet.

Property/Other

13. The disposal of Kingsland Community Centre is at Less than Best Consideration. This is a disposal at less than best consideration as the disposal terms are less than at full open market value. As use will be restricted for community benefit the valuation has been adjusted accordingly. Therefore in accordance with the RICS document "Local Authority Asset Management Best Practice" it is advisable to state the best consideration that would otherwise be receivable. This is £120,000. The difference in values is £109,200 but it is the professional judgement of the CAT appraisal panel that the economic, social and community benefits (see paragraph 6) achieved by the transfer will generate at least this value in kind.
14. Kingsland Residents and Community Association currently occupies the building under a tenancy at will which would need to be surrendered as part of the process to transfer the freehold. The Association has been involved in discussions with West Itchen Community Trust (WICT) and is aware that if approved they will be purchasing the freehold which means their current arrangements with the council will cease.
15. The Council can transfer its own property interests (either freehold or long leasehold) to a third party. This transfer to a third party could either be a freehold or a long leasehold.
16. Disposal will be at less than best consideration where the disposal terms are less than at full open market value.
17. As Kingsland Community Centre is one of seven assets being transferred in partnership with WICT the CAT appraisal panel discussed the potential risks associated with such a multiple transfer, particularly whether WICT has both the capacity and ability to meet the demands and liabilities associated with managing this number of properties and supporting the voluntary management committees.
18. WICT has a track record in the City in managing and developing social property. It has already secured a loan in principle from its bank of £50,000 and has a commercial property portfolio valued in the region of £3M. Revenue from this portfolio will be used to subsidise liabilities in the social properties being transferred until they can operate on a full cost recovery basis. WICT's staff team includes paid and volunteer community organisers, as well as a Property Manager, who will be supporting the voluntary committees. Having considered all these factors the CAT appraisal panel consider that WICT has in place appropriate measures to manage and control the risks associated with a multiple community asset transfer. However, they felt it was important to highlight the potential risks as part of this decision-making report.

19. To ensure that assets continue to be used for the purposes of benefiting local communities, an asset lock will be incorporated into legal agreements. For nominal value freehold sales, it will be necessary to reserve pre-emption or “buy back” rights whereby the Council will be entitled to buy back the sites for the same value that they were sold in the event that there is no longer a community use for the asset.
20. Building Contract Services (BCS) provides a repairs and maintenance service to a number of Council-owned community centres and community buildings. Transferring the assets would mean the community, voluntary or faith organisation would be able to choose whether to continue to purchase services from BCS or enter into agreements with other contractors. Depending on the number of transfers that are achieved, there may be a negative impact on BCS income.
21. The current repairs and maintenance budget that supports community centres together with 1 FTE post (ref COMM2, paragraph 11 above) will cease from the 1st April 2017.
22. Therefore from the 1st April 2017 the responsibility for administering any ongoing or new CAT transfers will be transferred to the Service Director for Growth and rest within the Capital Assets Team.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

23. Under Section 1 of the Localism Act 2011, the Council has a general power of competence to do anything that individuals generally may do; however that general power is subject to other statutory limitations. Section 123 of the Local Government Act 1972 provides that the Council must dispose of land for best consideration, save for cases where the consent of the Secretary of State has been obtained for any disposal at less than best consideration. Under the General Disposal Consent (England) 2003, such specific consent is not required for any disposal where the difference between the unrestricted value of the interest and the consideration accepted, is £2M or less, provided that:
 - the purpose for which the land is to be transferred is likely to contribute to the “promotion or improvement” of the economic, social or environmental well-being of the area.In order to dispose of property at an under value, pursuant to the General Disposal Consent (England) 2003, the properties concerned must be held under the Local Government Acts. There are a number in the HRA which means they will need appropriation from Housing Acts to Local Government Acts. This is an internal administrative process.
24. In determining whether or not to dispose of land for less than best consideration the Council should have regard to a number of factors including its accountability and fiduciary duty to local people, its community strategy, all normal and prudent commercial practices, clear and realistic valuation advice on the asset in question and EU State Aid rules.

Other Legal Implications:

25. Any pre-emption, asset lock or buy back right would need to be protected by a restriction entered onto the title of the relevant asset.

26. The recommendation to transfer Kingsland Community Centre to WICT working in partnership with KRCA will fall outside State aid rules because the activities provided will be run by registered charities, are exclusively small scale, localised and for charitable, social or educational purposes. In addition, the nature of the transfer will protect the future use of the asset for community purposes, so the support in kind being provided by the council will effectively be ring-fenced.

POLICY FRAMEWORK IMPLICATIONS

27. Assets transferred on a leasehold basis will be carried out on the basis that the entire responsibilities for managing and repairing the building, including all health and safety responsibilities, will be transferred from the Council to the receiving organisation.
28. Recommendations for community asset transfer relate to the relevant Policy Framework plans. The services provided by the organisations to which a transfer is approved will assist the Council in meeting the overall aims of its policy framework including the Southampton City Council Strategy 2014 - 17.

KEY DECISION?	Yes	
WARDS/COMMUNITIES AFFECTED:	Bevois, Bargate, Bassett, Bitterne Park, Coxford, Freemantle, Harefield, Millbrook, Peartree, Portswood, Shirley, Sholing, Swaythling, Woolston	
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	Kingsland Community Centre site plan	
Documents In Members' Rooms		
1.	None	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		Yes
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		Yes
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	None	