

THE EXECUTIVE

22 JULY 2003

REPORT OF THE DIRECTOR OF CORPORATE STRATEGY

| COMMUNITY HALL - SAVINGS PACKAGE | | FOR DECISION |
|--|---------------------------------------|--|
| <p><i>This report involves a significant change in strategic policy with potential implications for staff.</i></p> <p><u>Summary</u></p> <p>This report seeks approval to accelerate the Community Hall Strategy that aims to pass the management and cost of running community halls to Community Associations with consequent savings of £240,000 per annum by 2005/06</p> <p><u>Recommendations</u></p> <p>The Executive is asked to agree:</p> <ol style="list-style-type: none">1. That the programme of transferring community halls to full local management and the granting of 21 year leases be accelerated to produce net savings of £240,000 from 2005/06.2. That a one-off sum of £60,000 be made available for the legal work around leases and external support for self management, to be funded by the savings3. That in the event that a Community Association cannot, or is unwilling to manage a hall and meet its running costs, the hall be taken over by the Council and run on a break-even basis, or closed down and disposed of. <p><u>Reason</u></p> <p>The Council has approved a financial savings package for the next three years. In all a £350,000 reduction in the Community Halls budget was proposed. Subsequent proposals have been made that as much as possible of this saving be brought forward to year 1.</p> | | |
| Contact Officers Jeremy Grint | Head of Regeneration | Tel: 0208 227 2443 Fax: 0208 227 2035 Minicom: 0208 227 2685 E-mail: jeremy.grint@lbbd.co.uk |
| Tony Freeman | Interim Head of Financial Services | Tel: 0208 227 2855 Fax: 0208 227 5859 E-mail: tony.freeman@lbbd.gov.uk |

1. Background

- 1.1 The Community Development/Community Hall Best Value Review recommended a three year action plan for Community Halls. The proposal was that Community Associations should be encouraged to take on the day to day costs of running their halls in exchange for a 21 year lease of the building. The Council would retain the freehold and be responsible for major repairs. There was to be a pilot of four halls in year one
- 1.2 As a result of the budget discussions for 2003/04 the Council has requested that the programme be accelerated in order to bring the maximum savings in year one rather than over three years.
- 1.3 Discussions are ongoing regarding the transfer of Halls to the Director of Leisure and Environment. A separate report will be made to The Executive regarding this issue.

2. Current Position and Change

- 2.1 Plans are already in place to implement the three year Action Plan. The Community Development team is currently working with all Community Associations to help them understand their responsibilities both for them as a group and for the future direction of the Community Halls with the aim of formulating a financial strategy and agreeing leases to enable the Community Associations to manage the halls and to be self-financing.
- 2.2 The Community Development Officers have been working with four pilot Community Associations and the two groups at Hatfield and River halls on an 18 months development plan. These activities are funded from within existing resources, save £20,000 contingency required to cover formal legal arrangements once agreement is reached with the Associations.

3. Financial Implications

- 3.1 The cost of running the community halls can be broken down as follows:

| | (£000s) |
|---|------------|
| Gross operational costs (including rates) | 496 |
| Depreciation & Notional Interest | 223 |
| Re-charges | <u>151</u> |
| | <u>870</u> |

- 3.2 Currently, Community Associations are responsible for letting halls from Sundays to Fridays and retain the income from this except in relation to Age Concern. This Council is responsible for lettings on Saturdays and to certain organisations such as Age Concern for which it retains the income, currently £216,000 per annum.
- 3.3 The levels of rents charged by Community Associations vary but are not thought to be at commercial levels. In many cases the charge is not sufficient to cover the basic running costs and will therefore need to be increased. This is likely to be more significant for some Community Associations than others.

The potential savings available through the implementation of self-management are therefore:

| | |
|---|-------------|
| | (£000s) |
| Gross operational costs | 496 |
| Less | |
| Loss of rental income retained by the Council | - 216 |
| Provision for major repairs | - <u>40</u> |
| Net | <u>240</u> |

Some reductions should also be possible on re-charges although these will only represent real savings to the Council if consequent reductions are made in the re-charging departments.

- 3.4 If there were to be no change to the present staffing and contractual arrangements for the halls, the Community Associations would need to bear these costs.
- 3.5 However, where current staff and cleaning contracts are terminated, the financial risks to the Associations are reduced by up to £200,000 if they undertake administration, caretaking and cleaning tasks themselves. This closes the gap between income and cost.
- 3.6 The table below shows the costs and savings required for two scenarios- with and without the Council's staffing arrangements. Redundancy costs could amount to £110,000, although every effort would be made to seek suitable re-deployment. Such an option is only available if a significant majority of the Community Associations are able to undertake management of the Halls. A further report will be made to The Executive on the staffing issues in due course. The staff affected are aware of these proposals.

| Item | Scenario 1 Community Associations take leases with present Staffing arrangements | Scenario 2: Community Associations take leases. Council staff and cleaning contracts terminated |
|-----------------------------------|--|--|
| | £000 | £000 |
| Available savings | 280 | 280 |
| Less: provision for major repairs | (40) | (40) |
| Net annual savings | 240 | 240 |
| Investment required | | |
| Community Matters | 40 | 40 |
| Additional staff resources | | |
| Legal costs of leases | 20 | 20 |
| Potential Redundancies | | 110 |
| Total Investment | 60 | 170 |
| | | |

3.7 The anticipated saving to be achieved year by year are as follows:

| Item | Gross saving | Costs | Maximum Net saving |
|-------------------|--------------|-------|--------------------|
| Scenario 1 | £000 | | £000 |
| 2003/04 | 140 | 80 | 60 |
| 2004/05 | 280 | 60 | 220 |
| 2005/06 | 280 | 40 | 240 |
| Scenario 2 | | | |
| 2003/04 | 140 | 80 | 60 |
| 2004/05 | 280 | 170 | 110 |
| 2005/06 | 280 | 40 | 240 |

In both scenarios, the savings achieved by 2005/06 - £240,000 - is £110,000 less than the total savings in the budget for community halls (£350,000). Steps will be taken to reduce this through reducing the pre-charges, and, possibly, disposal of the halls that cannot be run economically.

4. Property Implications

- 4.1 Advice from the Head of Property is that only five year leases can be granted at peppercorn - on the basis that the use will be restricted to Leisure, Community and Learning on a not for profit basis. However, the Community Associations are unlikely to be willing to agree to such short leases.
- 4.2 However if 21 year leases are to be provided then commercial rents will have to be charged. In order to prevent this being too onerous for the Community Associations an equivalent amount will have to be added to the grants budget to cover the total sum of commercial rents from the halls. This would result in no net change to the savings mentioned in paragraph 3.6
- 4.3 If the Council as landlord is to repair the externals/structure then this cost will need to be clearly identified in the revenue budgets. Surveys may be needed to assist with the level of budget needed. The Council does, of course, currently bear this responsibility.

5. Risk

- 5.1 There is no guarantee the Community Associations will achieve the income required to fund the operational costs of the halls because of either lack of capacity, lack of demand for the halls at an economical cost or because associations choose to disband.

These risks could be mitigated by:

- (a) Asking Community Matters, a national organisation for the development of Community Halls/Community Associations to assist the process by providing a package of training and support to our Community Associations at a cost of £40,000. This would be funded from the first year savings.

- (b) Devoting the work of all community development staff to this initiative. This would mean a considerably scaling back of all other community development activity.
- (c) Spreading the programme over two years with half the gross savings in this year and the full gross savings in 2004/05.
- (d) Taking halls into full Council control where a Community Association could not, or would not, take over full management, then seeking to operate the hall at break even cost, or closing it.