

ABERDEEN CITY COUNCIL

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COMMITTEE	Communities Housing & Infrastructure
DATE	1 <sup>st</sup> November 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Leased Centres
REPORT NUMBER	CHI/16/233
CHECKLIST COMPLETED	Yes

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1. PURPOSE OF REPORT

The purpose of the report is to

- 1) Update the Committee with respect to the Leased Centres signed up to the current Lease and Management Agreements.
- 2) Make recommendations on amendments to the Lease and Management Agreements following engagement with the Leased Centres during 2016.

2. RECOMMENDATIONS

- 1) Approve amendments to the Lease and Management Agreement as detailed in Appendix A and take note of key principles of repair and maintenance as detailed in section 5.4.
- 2) Agree all existing special provisions in the Existing Leases remain as detailed in 5.6
- 3) Approve a special provision for Ruthrieston to pay for their repairs
- 4) Instruct Director of CHI to implement new Lease and Management Agreements
- 5) Instruct Director of CHI to enter into the Management Agreement with Airyhall for the existing term of the Lease.

3. FINANCIAL IMPLICATIONS

- 1) The estimated value of repairs will be up to £100,000 based on Leased Centres past repair costs and an uplift for prudence.

- 2) Asset Management have identified that the potential cost incurred by the council of not doing these repairs to a satisfactory standard could lead to faster degradation of the asset and ultimately have a larger cash impact than the current projected annual spend on repairs and maintenance.
- 3) The current repairs and maintenance budget for non-housing stock is £4 million per annum. There is no proposal to increase the budget but there will be a knock on effect with respect to other repairs and the backlog system (which already includes community centres with respect to cyclical maintenance).
- 4) There has not been a building by building condition survey and lifecycle survey undertaken for each Leased Centre to give a precise picture of costs which could be incurred as an emergency or general repair.
- 5) Asset management have advised that whilst the above exercise would indicate the amount expected to hit the backlog amount it would not necessarily indicate the immediate repairs (designated as Emergency) that would impact the annual budget. The cost of this exercise is currently prohibitive.
- 6) In light of the above we have analysed the last three years of repairs and upgrades undertaken by the Leased Centres as per their audited accounts.
  - i. 2014/2015 £124,000
  - ii. 2013/2014 £119,000
  - iii. 2012/2013 £58,000

It should be noted that the above repair liability was passed to the Leased Centres FY 13/14 and the costs also include upgrades to premises over and above the current schedule of condition.

- 7) There is a provision in the Lease and Management Agreement which gives sole discretion to the council to not undertake uneconomical repairs. "In the event that the Council decide any repairs or maintenance, for which they are responsible in terms of this clause to be uneconomic which decision, having considered all funding options including from the Association, shall be entirely at the sole discretion of the Communities Housing and Infrastructure Committee of the Council"
- 8) With the information we have, we estimate that the community activities delivered cost the council on average £9.97 per hour (based on 2014/2015 £750k investment figures – which includes grants, ACC maintenance figures and utilities – exclusive of major capital investment). The Council could not deliver this type of service at a comparable rate.

#### 4. OTHER IMPLICATIONS

There will be a significant decrease in Senior Officer time dealing with issues arising around the Lease and Management Agreements.

There will be a requirement for the Legal Team working with Asset Management to re-issue all Lease and Management Agreements on a Lease by Lease basis, taking into consideration existing special provisions.

Asset Management and the Communities Team will retrain on any operational change implications and update the Leased Centre Handbook, to ensure a consistently high standard of customer care.

#### 5. BACKGROUND/MAIN ISSUES

##### **5.2 Background**

There are 22 Leased Community Centres across the City. Based on the information we have access to, we estimate that the Leased Centres (based on 2014/15 figures) deliver on average 60 hours (each) of community activity per week.

The leased Community Centres are independent voluntary organisations operating a programme of activities for the benefit of the communities and are mainly run by volunteers, but some employ paid staff.

The Community Empowerment (Scotland) Act 2015 sets out the requirement to develop enhanced community participation in Locality Planning and service delivery.

During 2011 – 2013 a series of negotiations took place with Leased Centres to sign up a to a new style lease and Management Agreement “The current Lease and Management Agreement”.

Full Council on the 4<sup>th</sup> April 2012 approved the “New Style lease and Management agreement” for implementation.

Currently 5 of the 22 Leased Centres are not signed up. Those not signed up are as follows:

1. Airyhall
2. Danestone
3. Ferryhill
4. Hanover
5. Kingswell

At the start of 2016 Leased Community Centres requested a review of the agreements, with a specific focus on the Repairs and Maintenance Clause of

the Lease. This desire for review was also mirrored by Officers who wanted to understand and resolve the Leased Community Centres dissatisfaction with the current agreement.

### **5.3 Process of engagement with Leased Community Centres during 2016**

There have been a number of meetings between Leased Centres and Officers to understand issues and develop a common agreement of proposed changes to the Lease and Management Agreement.

To ensure all Leased Community Centres had the opportunity to contribute, especially for those who do not attend meetings a survey monkey was also set up to gather feedback on the agreements.

In total, 19 Leased Community Centres have actively feedback throughout the final stages of the Lease and Management Agreement amendment process.

Following the last meeting on the 28<sup>th</sup> September 2016, which approved the final proposed changes to the Lease and Management Agreement (as attached) a request was made to Leased Centres to provide, in writing, a confirmation that they would sign up the new arrangement prior to a report being submitted to Committee.

20 Leased Centres have provided written confirmation that they will sign up to the Lease and Management Agreement. The status with the remaining two Centres is as follows:

1. Airyhall wish to let their existing lease run until 2019 but will sign the Management Agreement now
2. Danestone Management Committee have not met but will have a response before Committee which will be verbally reported.

### **5.4 ACC Officer Review**

ACC Officers from Corporate Governance; Legal, Office of the Chief Executive, Communities & Partnership, Asset Management, Environment have been involved in a complete review of the Lease and Management Agreement.

The recommendations are based on an agreed position with the Leased Centres and an understanding that we will move towards a joint working partnership approach to delivery against community outcomes. Officers have taken a pragmatic approach and have taken into account the following principles in reaching recommendations:

- 1) Given the historic process undertaken officers have responded to the Leased Centres change requests and only recommended additional material amendments rather than redrafting the agreements.
- 2) The Lease and Management Agreements are between the Council and independent Voluntary organisations who deliver a service which the Council cannot provide at the same cost base. This is not a straight forward commercial agreement.
- 3) If we are not going to enforce clauses then we should relax them and the spirit of the agreement should create a culture for Leased Community Centres to develop their programme of activities for the community by not put in unnecessary barriers as we move towards the delivery of locality planning.
- 4) Leased Community Centres are independent organisations, not a Council service.

The proposed detailed amendments to the Lease and Management Agreements are detailed in **Appendix A**

The fundamental change to the Lease and Management Agreement is the amendment to Clause 9 in the Lease Agreement which places increased responsibility of Repairs and Maintenance on the Council.

In summary the key Principles:

- a. Aberdeen City Council will be responsible for all internal and external repairs and maintenance to keep the premises fit for the purposes for which they are let.
- b. The Tenant will be responsible for any upgrades to the premises and for internal decoration.
- c. Grounds Maintenance, on land that is leased to the Association, will be delivered in line with current service arrangements with the Environment Team. The Landlord will be responsible for trees on the premises as detailed in the current Lease but only applied where there are trees within the leased area.
- d. The Tenant will be responsible for repairs and maintenance of any play equipment or moveable equipment on leased land which they have put in place. This does not include play equipment that was transferred by the Council in the existing Lease.
- e. The Council's decision shall be final as to whether any repairs and/or maintenance are required and, except in the case of emergency, the timing of the carrying out of any repairs and maintenance shall be at the Council's sole discretion. This may result in being held on a waiting list for a number of years as is the case with all current Council buildings.

- f. The Tenant will be wholly responsible for all repairs and maintenance if it is vandalism caused by a party connected with the Leased Community Centre.
- g. Either party shall be entitled to bring the lease to an end giving 6 months notice if any Repair or Maintenance, which the council is responsible for, is deemed to be uneconomic (At the sole discretion of the council)

The only exception to this will be Ruthrieston Leased Centre who wish to pay for their repairs and we propose to make an accommodation to this.

Currently Clause 9 has the council responsible for wind and watertight repairs and cyclical maintenance (and works arising from this) with the centres being responsible for other repairs by reference to a Schedule of Condition. Where the Schedule attached to the Lease is silent then the responsibility for repair could be challenged. This creates a level of uncertainty around responsibilities.

The proposed amendments make all obligations clear, ensure that repairs and maintenance are undertaken in line with the required HSE standards and the repairs are undertaken with a view to protect the longterm position of the asset.

It should be noted that If the Leased Community Centre has the ability to contribute to a repair/and or maintenance that is not classified as Emergency then this may result in the repair being fast tracked.

The financial impact of this amendment is detailed in section 3.

## **5.6 Implementation**

Once a position has been reached on the Lease and Management Agreements.

1. The Lease and Management Agreement will be reissued, on a Centre by Centre basis, for a seven year term to end in line with current arrangements of those Centres signed up to the Current Lease & Management Agreement.
2. Existing special provisions in existing leases will remain for example where there is an arrangement to accommodate a project like the Seaton Rehab project or where an agreement by the tenant to maintain play equipment.
3. Officers will all need to be fully trained on the changes to ensure excellent customer service.

## 6. IMPACT

### **Improving Customer Experience**

This report will positively impact on customers as they will have access to Community Centres whose increased focus will be on delivering community activity.

### **Improving Staff Experience**

Increased Officer and Leased Centres relationships will increase the ability to deliver the shared vision .

This report will decrease staff time in dealing with issues arising from Leased Centres Lease and Management Agreements.

### **Improving our use of Resources**

This report will seek to support increased community activity delivered within the Leased Community Centres as well as protecting the longterm asset.

### **Corporate**

This Report contributes to all aspects of Aberdeen: The Smarter City. With a particular emphasis on Smarter Living

This proposal also support various outcomes in the Local Outcome Improvement Plan and will also support the Locality Planning Agenda.

### **Public**

This proposal will be of interest to the public given the usage of the Leased Community Centres and the high profile nature of the Leased Community Centres in the City.

## 7. MANAGEMENT OF RISK

### **Continued Fractured relationships impacting Community Outcomes and impeding the delivery of Locality Planning**

There has been a significant change in relations with Centres since the start of 2016, demonstrated by the tone of meeting on the 28<sup>th</sup> September 2016, delivering the revised agreements will build on this momentum.

### **Financial Risk**

There has not been a building by building condition survey and lifecycle survey undertaken for each Leased Centre to give a precise picture of costs which could be incurred either as an emergency or general repair/maintenance.

Asset management have advised that whilst the above exercise would indicate the amount expected to hit the backlog amount it would not necessarily indicate the immediate repairs (designated as Emergency) that would impact the annual budget. The cost of this exercise is currently prohibitive.

### **Clause changes**

Risks have been assessed in each clause amendment as part of the review process, taking into account the previously identified principles in reaching recommendations.

Aberdeen City Council, will always have the right to serve notice to the Leased Community Centres with one years notice where it determines that:-

- a. changes in Council policy; and/or
- b. changes in budgetary considerations on the part of the Council; and/or
- c. changes in Law; and/or acts or omissions on the part of the Scottish Government may make this necessary or desirable.

### **Leased Centres do not resign agreements**

We have now ascertained that 20 Leased Centres will re-sign the current arrangements.

### **Impact on existing repairs and potential reduction of budget through cost savings**

Evidence from the management of the leases raises concerns about management committees safely meeting the terms of the previously proposed lease agreements (Council wind and watertight/ cyclical maintenance). Within the revisited risk matrix there are particular concerns around management committees potentially being responsible for electrical/ heating works etc.

Whilst these systems are checked as part of the cyclical maintenance process, in some instances works have been undertaken/ or left unattended in intervening periods which has resulted in increased costs. This also creates a risk around works being undertaken which may be considered unsafe, excessively costly or have had to be re-visited as part of cyclical maintenance.

Buildings being repaired by volunteers also can lead to higher long term maintenance costs of repairs being undertaken.

## **8. BACKGROUND PAPERS**

1. Community Centres Report by the Acting Director of Education Culture & Sport 28.3.2012 – Full Council Item agenda 8 (e) 4<sup>th</sup> April 2012 and subsequent minutes.

9. REPORT AUTHOR DETAILS

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