

To: City Executive Board

Date: **Item No: 17**

Report of: Head of Corporate Assets

Title of Report: Community Asset Transfer of Property at Hinksey Park to Lake Street Playgroup

Summary and Recommendations

Purpose of report: This report sets out a proposal to transfer an asset from Oxford City Council to the Trustees of Lake Street Playgroup, by way of the surrender of the existing lease and creation of a new 5 year lease at a nominal rent.

Key decision? No

Executive lead member: Councillor Antonia Bance

Report Approved by: Mel Barrett, Executive Director of City Regeneration

Finance:

Legal:

Policy Framework:

Tackling inequalities and supporting communities.
Improve the local environment, economy and quality of life.

Recommendation(s)

City Executive Board is recommended to either:

1. Note the contents of the report and agree to the principle of a Community Asset Transfer “pilot” to the Trustees of Lake Street Playgroup. It is proposed that the form of transfer be executed by way of a new lease at a nominal rent to the Trustees (final Terms and conditions to be agreed by the Head of Corporate Assets).

Or alternatively

2. Note the contents of the report but defer the decision on this “pilot” Community Asset Transfer, until a formal policy has been developed. The implication of this decision (save for any short term rental concessions) could be the immediate closure of Lake Street Playgroup, and the resultant loss of this community facility.

Appendix 1 is the risk register.

1.1 Background

- 1.1 The Lake Street Playgroup (“the playgroup”) was established around 1967, initially by a group of parents, to redress an absence of pre-school facilities in the South Oxford area.
- 1.2 Initially the group utilised space within the Community Centre in Lake Street for a period of 2-3 hours per morning. The playgroup largely existed through voluntary efforts of parents, until their success led to the employment of two part time professional day care staff.
- 1.3 The playgroup continued to subsist in the Community Centre until circa 10 years ago when these premises became unfit for purpose, due to the following factors:
 - The demand for places increased significantly;
 - The regulation of Childcare through Ofsted necessitated the need for the provision of dedicated/permanent purpose built facilities; and
 - The demand from the Community Association to increase its income from lettings of the Community Centre.
- 1.4 Accordingly, a capital bid was approved in 2004 by the Executive Board to convert the unused derelict changing rooms of Hinksey Pool into a dedicated facility for the playgroup, and the scheme of refurbishment was completed in spring 2005.
- 1.5 It is understood that the substance of the agreement with the playgroup, and the basis of the capital bid (funded by the Council), was that they would occupy rent free for the duration of their lease, albeit they would be responsible for the payment of business rates, utilities and the costs of repairs of the building.
- 1.6 Notwithstanding this principle, and consistent with leases to other “community/third sector” organisations, the Council’s policy (in accordance with the adopted Asset Management plan) has been to charge a commercial rent for the space occupied, which has then been repaid through the grants system to the playgroup. Accordingly, a commercial rent of £11k p.a. has been charged to the playgroup since the commencement of the lease in September 2005.
- 1.7 Since moving to the new premises, the playgroup has excelled and has achieved a “outstanding” mark in 11 out of the 12 categories in the last Ofsted inspection. It works very closely with the Grandpont Children’s Centre, in addition it receives referrals from Social Services, and furthermore has developed a specialism in dealing with children with severe hearing difficulties.

2. Report

- 2.1 The playgroup continues to function primarily as a voluntary organisation, with parents assisting with the day to day running of the centre, with the overall management being facilitated by a Volunteer committee.
- 2.2 The playgroup secured grant funding from the Council in 2009/10, however they were unsuccessful in securing grant funding in 2010/11. This position was mitigated in 2010/2011 by funding from Community Housing and Community Development, due to a budget under spend, however this will not be possible for 2011/2012.
- 2.3 The playgroup have been successful in fund raising significant sums annually, however it is understood that this would not be sufficient for them to continue in existence if they were required to pay a commercial rent, without the benefit of grant funding. This will be verified by analysis of their accounts as part of a due diligence process.
- 2.4 In accordance with the policy framework outlined in the Asset Management Plan 2009, the Council's existing agreed approach for community/third sector organisations is to create transparent "arms length" lease arrangements, let at full market rent and commercial terms. Notwithstanding this, in the light of reforms to the grant system, and the subsequent ineligibility of certain areas of work that do not match the Council's priorities, it is necessary for the Council to develop a strategy for the management of the "legacy" of some groups currently occupying Council premises, such as the playgroup, in order to preserve the benefits they generate to the local community.
- 2.5 There may be a number of options available to address these "legacy" positions, which, in appropriate circumstances, may lead to a form of "Community Asset Transfer", where it is considered by the Council that the existence of the group is of significant benefit to the local community, and is not currently replicated by alternative groups or service providers. This may be particularly appropriate where it is considered that a group would be unable to continue as a "going concern", if a full market rent was imposed on their occupation of Council premises. This approach is consistent with the principles established by "*The Quirk Review of community management and ownership of public assets*" ("The Quirk report"), and will be expanded upon and clarified in the new Asset Management Plan, expected to be published in draft in March 2011.
- 2.6 It is understood that without direct financial support in terms of rental or grant subsidy by the Council, the future of the playgroup in its current form would be in immediate and real danger of closure at the end of March 2011. Accordingly, the Council may wish to support this group especially as the premises have been suitably adapted to meet the needs of this specific client group, directly by a form of Asset Transfer, which will serve as a "pilot" to explore the principle of Community Asset

Transfer. Given the nature of the playgroup and the premises in question, it is suggested, any transfer should take the form of a new lease to be granted to the playgroup at a nominal rent, (but with the playgroup retaining the responsibility for full repair, and the payment of rates and utilities).

- 2.7 Any future applications for Asset Transfers received from other Community groups will be treated on their merits. It is therefore the case that this proposal does not set any policy or precedent in this respect.
- 2.8 It is therefore proposed that a “Community Asset Transfer” is granted by way of short term lease at a nominal rental, and otherwise on terms to be agreed be supported in this instance. This proposal is supported by the Head of Housing and Communities.

3. Financial Implications

- 3.1 The decision to vary the terms of the existing lease to provide for a nominal rent will be in accordance with the spirit of the original agreement entered into with the playgroup in 2004.
- 3.2 This will lead to a loss of income to the Council budget of £11kp.a.
- 3.3 Each party will bear its own legal and surveyors costs incurred in this matter.

4. Legal Implications

- 4.1 Although there are significant benefits to the Council and community in transacting this matter as proposed, it is difficult to quantify those benefits in financial terms. On that basis, the best consideration in the disposal is not being achieved.
- 4.2 Section 123 of the Local Government Act 1972 allows Local Authorities to dispose of leasehold interests of less than 7 years duration for less than best consideration, and or the Council can rely on the provisions of the published General Disposals Consent 2003, which passed to Local Authorities the administration of considering less than best consideration transactions with a an ‘undervalue’ of no more than £2m. This transaction is below this threshold.

5. Equalities Implications

5.1 There are no equalities issues arising.

6. Environmental Impact

6.1 There are no direct climate change/environmental issues within this report.

7. Risk

7.1 A copy of the current risk register relating to this report is attached as Appendix 1.

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List of background papers: None.

Version number: 1

Appendix 1

Risk Register

Risk Score **Impact Score:** 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic **Probability Score:** 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain

No.	Risk Description Link to Corporate Objectives	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid		Monitoring Effectiveness				Current Risk	
		I	P			I	P	Action:	Outcome required:	Q	Q	Q	Q	I	P
		I	P		Mitigating Control: Level of Effectiveness: (HML)	I	P	Action: Action Owner:	Outcome required: Milestone Date:	1 ☹	2 ☹	3 ☹	4 ☹	I	P
		☺	☺					Mitigating Control: Control Owner:		☺	☺	☺	☺		
1	Closure of Lake Street Playgroup. Impact on communities, local environment, economy and quality of life.	4	4	Failure to raise funds to pay commercial rent on leasehold premises in Hinksey Park.	Community Asset Transfer – grant of a new lease at a nominal rent for 5 years	1	1	Action: Continued liaison with the group over 5 year period of the lease to plan for the legacy of the playgroup beyond the expiry of the lease. Action Owner: Richard Hawkes Mitigating Control: Ensure completion of lease. Control Owner: Steve Sprason	Outcome required: Reduce the risk of the closure. Milestone Date: 31 st March 2011						