Committee: Community and Children's Services Committee	**Dated:** 13/12/2023
Subject: Community Centre Finance (Portsoken and Golden Lane Community Centres)	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	2, 4, 12
Does this proposal require extra revenue and/or capital spending?	**Y/N**
If so, how much?	**£**
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	**Y/N**
Report of: Executive Director of Community and Children's Services	**For Decision**
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Summary

This paper provides Members with an update on the operation of the two community centres at Portsoken and Golden Lane Estate, which are managed by the Housing Division. The centres are managed directly, through operating models supported by Members. However, there are alternative operating models, for example, community-led delivery or outsourcing to a third party, that could be considered. A community-led approach was explored in some detail for the delivery of the Golden Lane Community Centre but was not viable at the time of exploration. The considerations and interdependencies around adopting different models are complex, and likely to take time and additional resource to deliver, and therefore it is recommended that the current arrangements are maintained. Potential grant funding opportunities remain available for groups that may wish to seeking funding to explore and develop alternative business models. However, it is recommended that the Department continues to manage the facilities but will consider any viable alternative options if they arise, bringing these to Members' attention.

Specifically in relation to Golden Lane Community Centre, which is accounted for in the Housing Revenue Account (HRA), the implications of wider community (i.e. non-resident) use have been explored. Wider use places an obligation on the Department to contribute from its local risk budget to the provision of HRA facilities when they are made available for the public. As such, officers will need to identify a Departmental local risk budget to contribute towards operating costs.

Leaseholder contributions to the running costs of Golden Lane Community Centre are also being reconsidered given the use of the centre by the wider community.

Recommendations

Members are asked to:

- Note the report
- Endorse the current operating models for Portsoken and Golden Lane Community Centres and note that officers will consider the viability of any suggested alternative arrangements
- Note the requirement to contribute to Golden Lane Community Centre's costs from a non-HRA budget
- Note that officers will consider in more detail whether leaseholders will continue to be recharged costs relating to GLCC and, if so, how the contribution will be calculated, with a decision to be made before the new financial year

Main Report

Background

1. The Housing Division manages two community centres within the City of London: Golden Lane Estate Community Centre (GLCC) and Portsoken Community Centre.

2. GLCC is integral to the Golden Lane Estate and is therefore managed within the Department's housing function and underwritten by the Housing Revenue Account (HRA). Portsoken Community Centre (PCC) was provided as part of the Canopy by Hilton hotel development at Aldgate and is not a Housing Division asset. The property is leased by the Department from the hotel and its running costs are underwritten by the Department's local risk budget.

3. Both facilities are available for hire by residents and the general public, and the income generated is used to offset running costs. Neither centre is currently profitable, however they produce income which acts to reduce the cost to the City of operating the buildings.

Current and alternative operating models

Current operating models

4. The centres are managed by Housing Division staff. A Community Centres Manager oversees their operation, with help from a Community Centres Assistant. This ensures a staff presence on both sites during operational hours and the staff costs for these posts are split across the two sites.

5. Under this model, the management of the centres, including room bookings, budgets, income generation and facilities management is the responsibility of the Housing Division.

6. For PCC, Members set a vision for a thriving and financially sustainable facility, serving and driven by people living and working in the community. No operating

budget was provided for the centre, so it must either cover its costs through income generation or the deficit be absorbed by the Department.

7. Similarly, with GLCC, Members endorsed the model of a centre run in the interests of the residents and wider community, with the input of those living on the estate and others using the centre.

8. Both centres have Advisory Boards made up of local stakeholders, including Members, residents and City Corporation officers, which act as community consultative groups and help set policy for the centres, including reviewing hiring charges and balancing types of use in the spaces.

9. Both PCC and GLCC operate on a ‘zero budget’ principle; they are accounted for in the City Fund and HRA respectively, with income offsetting running costs. Remaining costs are charged to the relevant local risk budgets. In the case of GLCC, an element of the running costs is charged to leaseholders of Golden Lane Estate.

10. The centres are both well used, with a variety of commissioned services, commercial users, community-focused initiatives, and resident hirers making use of the space.

11. PCC averages 530 hours of bookings per month (constituting approximately 55% of the available time), with 510 hours on average at GLCC (approximately 63% of usable time being booked). The under-utilised hours tend to be at times when demand for hire is low, for instance early mornings, or during school holidays. Peak times are weekday evenings and, for commissioned services, weekday afternoons and evenings. These slots tend to be consistently booked by hirers.

12. It should be noted that the two centres operate in areas where they compete with other community spaces, including the City’s own libraries, church-based spaces and venues such as St. Luke’s Community Centre.

13. A scheme of different hiring charges is operated, from free resident/community use up to full commercial hire rates. Officers balance the use of the centres to ensure that one type of hire does not dominate and free or reduced-cost use, which benefits the local community, is enabled. Officers are assisted in monitoring this balance by the respective Advisory Boards. Currently, approximately 25% of the use at each site is for free community or resident hire. The centres are moving towards the goal of standalone financial viability, however the need to generate income must be balanced with enabling resident use and playing an important role in supporting wider delivery of Department-sponsored activity (e.g., adult skills, youth club provision and community events).

Alternative operating models

14. Officers have been asked to consider alternative operating models for both PCC and GLCC at various times, including the potential running of the centres by community-led groups.

15. In the case of GLCC, this was considered in detail several years ago, when a group led by residents of Golden Lane Estate expressed an interest in taking over the running of GLCC after its refurbishment. This group was successful in obtaining funding for a feasibility study to examine the potential for a community-led model, however this did not result in a viable proposal being presented at the time, principally due to the lack of firm data on running costs, being so soon after the centre's reopening.

16. The outsourcing of the centres to community-led groups would require sufficient assurance to be given about the management of financial and other risks (asset management, safeguarding, health and safety, etc.) involved in doing so. Operating costs such as utilities, business rates and rent/service charges are significant and the business case for a community-led model for either location would need to give adequate assurance of the financial viability of the proposal, and not rely on the City Corporation effectively underwriting the risk should the venture not prove workable.

17. The City Corporation would also have to factor in its duties to the HRA and legal considerations around the proper management of housing assets (in the case of GLCC). A further factor is that PCC is held pursuant to a lease, which may complicate, or potentially prohibit, the transfer of operational management to a third party.

18. When considering the model for the two centres prior to their opening, Members supported the approach that the centres would be run by the Department along their current lines, to establish stability and long-term feasibility. This was intended to allow other possible arrangements to be suggested, including those led by the community, which could be informed by a more realistic view of how the centre operates.

19. An initial step for an alternative model could be the establishment of an organisation to develop the capacity to deliver services, or manage the centre, like the approach taken initially at GLCC. Community-led models for this type of facility do exist elsewhere, however they tend to be supported by much larger resident bases and involve well-established entities with a track record of similar operations. The running of community facilities can also be outsourced to provider organisations, however this may not deliver any substantial benefits in financial or community involvement terms.

20. Members should note that there is currently no identified Departmental funding to support this capacity-building by any interested group and, if a group came forward and it was considered desirable to explore the potential of any model, suitable funding would need to be found either by the Department or the group itself.

21. Given the above considerations, Members are asked to endorse the current operating models, though officers will consider any suggested alternatives and bring viable alternatives to Members for their consideration.

Financing of Golden Lane Estate Community Centre (GLCC)

General financial arrangements

22. GLCC forms part of the City Corporation's housing estate portfolio. The housing estates and related buildings and amenities are financed through the Housing Revenue Account (HRA). This includes facilities such as community centres; income and expenditure for GLCC is therefore currently managed through this account.

23. Leases for residential properties on Golden Lane, which have been sold through the Right to Buy, provide that the City Corporation may apportion part of the costs of the provision of its housing and other services relating to the estates. Therefore, after income has been applied to the account, the remaining running costs of GLCC are covered by the HRA, with a proportion billed to leaseholders through their service charges. The proportion paid by leaseholders is determined by the percentages contained in individual leases.

24. In 2022/23, £83,529 in income was generated at GLCC and the operating costs amounted to £126,719, leaving a deficit of £43k. Of this, £10,561 was recharged to leaseholders on the estate, which is the lowest amount passed on to leaseholders for several years. Members may wish to note that no service charge contribution was demanded in 2020/21 as the centre was closed during the pandemic.

Resident and wider community use of GLCC

25. GLCC was substantially refurbished in 2017/18. Prior to that, it had been used almost exclusively by residents living on the estate. The financing of the centre through the HRA and service charge contributions was therefore both a logical and fair arrangement.

26. Since the refurbishment of the centre, use by the wider community has grown and now makes up a significant amount of the activity taking place at the centre. Approximately 75% of bookings are made by non-resident hirers (whether individuals or organisations), however it should be noted that many of these activities will be open to residents, or specifically aimed towards them (including commissioned services). The remaining c.25% of bookings are made by residents on the estate.

27. It can therefore be questioned whether it is fair to continue to finance the running of the centre through the traditional means (i.e., via the HRA and service charge contributions).

28. Bearing in mind the implications for management of the HRA, officers obtained advice on the current model and potential different approaches, with a view to agreeing as fair and transparent an approach as possible for the HRA and leaseholders.

Advice on the implications for the management of the HRA

29. Legal advice was sought on the current operating model and its implications for the maintenance of the HRA, given the changed nature of the use of GLCC following its refurbishment. Officers requested an opinion on whether the HRA was the correct account through which to administer the running costs of the centre, and what the implications were for the current operating model on the practice of charging back an element of the costs to leaseholders on Golden Lane.

30. Officers were advised that wider community use of HRA facilities places an obligation on the Department to contribute to the cost of providing such facilities from non-HRA money. The non-HRA contribution should be a reasonable reflection of the wider community's benefit from the facilities.

31. Officers were also advised that the HRA was still the correct fund through which to account for GLCC's running costs and that a contribution may still be sought from leaseholders on the estate, however there is no obligation to do so.

32. The Department must therefore consider apportioning the operating costs of GLCC between the HRA and a suitable Departmental local risk budget. Members may wish to note that there is currently no identified local risk budget to cover such costs, however officers will work with the Chamberlain's Department to identify a suitable budget and implement this formally by the next financial year.

33. It should be noted that a contribution is already made to the centre from non-HRA funds. The City Corporation's Adult Skills and Education Service (ASES) is a major user of the centre and pays £28,000 per annum for use of various rooms and facilities. This amount was agreed at the time of GLCC's reopening in 2018 and was set with reference to the Business Rates payable on their former premises at the Sir Richard Cloudesley School site. At the time, it roughly equated to their expected demand for bookable time within the centre. This income is of course contingent on ASES's continued use of the centre, which is not subject to any time commitment on their part.

Implications for long leaseholders

34. The relevant clause in the lease agreements for properties on Golden Lane Estate says that the City Corporation *may* charge a proportion of the costs for estate facilities including GLCC. Under the old operating model (before refurbishment), it was clearly arguable that costs should be apportioned through leases as the facilities were provided almost exclusively for the benefit of residents on the estate.

35. Given the changed nature of the use of GLCC, we are required not only to identify a contribution from non-HRA funds but to consider what, if anything, should be charged to long leaseholders through service charge provisions.

36. Officers suggest that two options are reasonably open to the Department in respect of leaseholder contributions:

   i. Continue to charge a proportion of the costs for GLCC to leaseholders but limit this recharge to the relevant part of the costs directly attributable to <u>resident</u> use (quantified through analysis of previous year's bookings)

   ii. Do not charge anything back to leaseholders (costs attributable to resident use to be borne solely by the HRA)

37. Officers will consider the financial implications of these options in more detail. Consideration must also be given to our duties towards the HRA and the need to recover costs wherever possible. Any decision to reduce or remove service charge contributions would of course underline the need for GLCC to generate as much income as possible.

Proposals

38. Members are asked to note the report, and:

Operating models

   i. Endorse the current approach to the operation of both community centres, with officers committing to bringing potential alternatives to Members' attention and engaging with any community groups expressing an interest in developing an alternative proposal

Operation and financing of GLCC

   ii. Note that GLCC will continue to be accounted for within the HRA, with a contribution from a Departmental local risk budget, to reflect the wider community's share of the benefits and amenities of GLCC, the precise arrangements being subject to discussion with the Chamberlain's Department

Leaseholder contributions

   iii. Note that officers will consider in more detail whether leaseholders will continue to be recharged costs relating to GLCC and, if so, how the contribution will be calculated, with a decision to be made before the new financial year

Corporate & Strategic Implications

<u>**Strategic implications**</u>

The community centre provision supports our strategic aims of 'contributing to a flourishing society' (people enjoy good health and wellbeing, people have equal opportunities to enrich their lives and reach their full potential, communities are cohesive and have the facilities they need) and ‘shaping outstanding environments’ (Our spaces are secure resilient and well maintained).

Financial implications

The main financial implication is the need to identify an appropriate local risk budget to contribute to the running of GLCC. This will be subject to further discussion with officer in DCCS and Chamberlain’s.

Officers will also consider the financial implications of limiting or removing the leaseholder contribution to GLCC in more detail and arrive at a decision.

Resource implications

None.

Legal implications

The reconsideration of financial arrangements in respect of GLCC will support greater transparency in our management of the HRA and our duties in respect of that account.

Risk implications

None.

Equalities Implications

None.

Climate implications

None.

Security implications

None.

Conclusion

39. The Housing Division manages two community centres within the City, at Portsoken and Golden Lane Estate. These are run in-house in accordance with models endorsed by Members. Officers have been asked to consider alternative operating models for both PCC and GLCC at various times, including the potential running of the centres by community-led groups and, in the case of GLCC a community group conducted a feasibility study on a proposal by a resident group, though this did not result in a viable plan at the time it was explored (now several years ago).

40. Officers recommend that the current operating models continue and will give due consideration to potential alternatives.

41. The arrangements for financing GLCC through the HRA have been confirmed as the most appropriate arrangement, given that it is a Housing asset. However, a contribution from a non-HRA local risk budget will need to be made in recognition of the centre’s use by the wider community.

42. The cost of running GLCC is also partly covered by leaseholder service charges. Given the changed nature of the use of the centre, officers will

consider whether the service charge will continue to be made and, if so, limit it to a proportion of the use directly attributable to residents.

Appendices

- None

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