

<b>Report for:</b> <b>ACTION/INFORMATION</b>
<b>Item Number:</b>  12

<b>Contains Confidential or Exempt Information</b>	<b>YES (Part)</b> Appendix 1 & A contain exempt information in accordance with paragraph 10.4 of the Access to Information Procedure Rules
<b>Title</b>	Hanwell Community Centre - Funding Options
<b>Responsible Officer(s)</b>	Keith Townsend – Executive Director Environment and Customer Services
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<b>Portfolio(s)</b>	Councillor Ranjit Dheer, Safety, Culture and Community Services and Deputy Leader
<b>For Consideration By</b>	Cabinet
<b>Date to be Considered</b>	15 <sup>th</sup> December 2015
<b>Implementation Date if Not Called In</b>	5 <sup>th</sup> January 2016
<b>Affected Wards</b>	Hobbayne
<b>Keywords/Index</b>	Hanwell, community, Adults, Children, Volunteers, Regeneration

**Purpose of Report:**

To provide an update to cabinet on the Hanwell Community Centre (HCC) project, with regards to the three core project elements

1. The procurement of an operator
2. Seeks approval to progress with working up an enabling development scheme to generate a capital sum which can provide secure match funding for future external funding applications
3. Development of external Funding Applications to the Heritage Lottery Fund

These activities will allow the council to achieve its vision for Hanwell Community Centre to be a financially sustainable mixed use facility, which is well used by residents whilst respecting, enhancing and interpreting its historic fabric.

## **1. Recommendations**

### **It is recommended that Cabinet**

- 1.1. Approves the submission of an Expression of Interest to the Heritage Lottery Fund (HLF), with regards to securing funds from one of their core funding streams; Heritage Grant or Enterprise Grant of up to £5.000m, and if accepted by the HLF authorises the Executive Director of Environment and Customer Services to submit a Round 1 application
- 1.2. Authorises the Executive Director of Environment and Customer Services to proceed with working up a feasibility study to identify a potential enabling development housing scheme, in partnership with Broadway Living, to generate a capital contribution to enable a sustainable future for Hanwell Community Centre
- 1.3. Notes that a report will be brought back to cabinet, once this enabling development feasibility has been progressed.
- 1.4. Notes that a future report will be brought to cabinet, once the OJEU procurement process for the selection of a future operator is completed and an operator has been selected

## **2. Reason for Decision and Options Considered**

### *Background from previous reports –*

- 2.1. Hanwell Community Centre plays an important role in supporting residents from Hobbayne ward and across the borough to access much needed local services and open space. Cuckoo Park which surrounds the Centre is a registered town/village green'
- 2.2. In March 2013 Cabinet agreed to retain the management of Hanwell Community Centre in house for two years following the decision of the Council's then lessee (Hanwell Community Association) not to renew their lease. In December 2014 Cabinet agreed to extend this until up to March 2017.
- 2.3. In December 2014 Cabinet noted the Future Options Report for Hanwell Community Centre which stated the following vision:
- 2.4. Ealing Council's vision is for Hanwell Community Centre (HCC) to be a financially sustainable mixed use facility, which is well used by residents whilst respecting, enhancing and interpreting its historic fabric.

2.5. The following principles for the project build on this vision:

- Hanwell Community Centre is key to Ealing's Community Centre Strategy and will remain as a community centre
- The Council will optimise Hanwell Community Centre's usage and income through maximising commercial opportunities
- HCC will operate with zero subsidy from the council from April 2017 and needs to be financially viable going forward

2.6. As a whole, the subsidy for community centres across the borough is being reduced in line with Council wide savings. The options proposed for Hanwell Community Centre are in line with the Community Centre Strategy which aims to enable Hanwell Community Centre to operate at zero cost.

2.7. The Cabinet report (Dec 14) estimated the value of these works to be £3.840m but after the £0.504m that the Council already has approval to spend on immediate works (toilets refurbishment, catering kitchen added etc.), this will be reduced to £3.336m. Officers have carried out further investigation and surveys and now estimate the value of these works to be closer to £2.864m, as a result of design choices the Council can make during the detailed design phases. The design team is preparing a feasibility study to further explore these works and costs.

2.8. It is important to note that an investment of £2.864m (current day construction prices) is to achieve the council's vision for the site and its core objectives, as detailed in point 2.5. This investment will not provide for a fully restored listed building, but will provide a strong foundation on which future operators, working with the council; can develop a sustainable business and operating model whilst looking to secure further capital funding over a sustain period.

2.9. £2.864m would enable the following works:

- Basement: improvements to 250sqm to enable currently unused spaces to be brought back into use
- First floor: improvements to 335sqm including the badminton hall to enable it to be used for private hires and events
- Second and third floors: improvements to 350sqm to improve communal areas and sports spaces not included in the previous capital project to ensure that they can continue to be used and hired out

- Essential access improvements e.g. lift
- Improved landscaping around the site to make it improve parking, make it more welcoming and improve access to the park

*Recommendations from July 2015 report and updates*

2.10. *Note that Hanwell Community Centre requires £2.864m capital funding to complete the refurbishment of the facility and to restore the heritage fabric of the building; and this will most likely be achieved via the funding scenario described in table 4b*

2.11. *Table 4b, from the July 15 report, copied below for ease as table 1.1. indicated the most likely funding scenario for the delivery of the first phase of works at Hanwell Community Centre, totalling £2.864m.*

*Table 1.1 – Original Table 4b from July 2015 Cabinet Report*

<b>Item</b>	<b>Cost £m</b>	<b>Funding £m</b>	<b>Comment</b>
Total remaining capital cost	2.864	-	
Council capital contribution and / or capital receipt from enabling development	-	1.200	e.g. partner capital contribution, enabling development
External funding	-	1.614	This could be HLF** or partner funding via operator contribution through procurement process.
<b>Total for proposed capital project</b>	<b>2.864</b>	<b>2.864</b>	

2.12. This was based upon present day construction values, and it would be prudent to add in a 20% increase of 2019 construction values, which is when the project is estimated to start on site, giving a revised figure of £3.586m and to include the £0.150m HLF round 1 development cost, which is reflected in table 1.2 of the financial section

Recommendation two from the July 2015 was for cabinet to;

2.13. *Note that the Council will further explore the funding options detailed in 2.14 and report back to Cabinet by the end of 2015*

2.14. These further discussions, as part of the soft market testing and potential partner contributions; have shown that it is unlikely that the full procurement process and selection of a partner will generate £1.200m of match funding, indicated in the July Report and highlighted in table 1.1

- 2.15. Therefore this report recommends that a scheme of enabling development is worked up, in partnership with Broadway Living based upon an initial scoping exercise, in confidential Appendix 1, to generate the enabling capital contribution to secure the long term sustainable future of Hanwell Community Centre.
- 2.16. It should be noted that the initial scoping exercise document in appendix 1, will be developed as part of the Feasibility study to be brought back to cabinet. This will allow exploration of a number of alternative models, as other housing products and financing/ JV options may be more appropriate as the scheme develops.
- 2.17. There have been some initial site valuations both for building homes for sale and for rent, as detailed in appendix 1A. First-time buyers will be attracted to this area due to the lower value of homes compared to other parts of Ealing and therefore low cost home ownership options will be progressed as well as affordable and private rent housing products as part of a more detailed feasibility study with Broadway Living and the council's Housing Development Team.
- 2.18. External funding from the Heritage Lottery Fund is a distinct possibility, subject to a full application, and the council will be working up an Expression of Interest, to submit to the HLF, prior to a Round 1 application being submitted.
- 2.19. *Note the options for the future operation of Hanwell Community Centre and agree that option 3 outlined in paragraph 2.19 (of the July Report) be pursued.*
- 2.20. Option 3 indicated that the council would look to seek an external operator as its preferred operating structure for Hanwell Community Centre as of 2017.
- 2.21. This was based upon there being a number of existing operators managing and operating heritage services in partnership with local authorities. External operators would have a track record of increasing income compared to previous Authority run facilities; this is through more specialist market understanding. An operator with charitable status will have a more favourable position on VAT on income, whereby they do not charge VAT on income. There are some consequential effects on reclaiming VAT. An operator with charitable status would also be able to secure additional grant funding which is not open to the local authority. They should also be able to increase the levels of other income generation. This is an applicable model and may enable the Council to reduce its level of subsidy to zero.

2.22. This would involve carrying out a procurement process to find an operator as the Council has done with its libraries and leisure facilities. It could either be a community organisation or a private operator / leisure trust. It would involve entering into contractual arrangements for the delivery of agreed KPIs.

2.23. *Recommendation 3 of the July 2015 report was to: Authorise the Executive Director of Environment and Customer Services to explore and finalise the appropriate procurement compliant procedure and to then invite and evaluate tenders to select an external operator for Hanwell Community Centre. It should be noted that a report will be brought back to cabinet, following the completion of this procurement process, with recommendations.*

2.24. This full OJEU process will be starting in January 2016, based upon the indicative programme in Appendix 2. It is envisaged that this procurement will be completed in August 2016, at which point a report will be brought back to cabinet, in accordance with the final recommendation of the July 2015 report

### **3. Key Implications**

3.1. Cuckoo Park is a designated 'Village Green' which means that it receives protection equivalent to Green Belt and any enabling development would be subject to a planning application, for which each planning application is judged upon its own merits.

3.2. Members should note that the Council has received an application and is going through due process, to list Hanwell Community Centre and Cuckoo Park as an Asset of Community Value (ACV). The Council is taking this into account to ensure that this is taken into account.

3.3. There is a capital budget requirement on Hanwell Community Centre of £2.864m, which if not invested in the site, will not make the site attractive to potential operators, as fed back via the soft market testing, and could preclude the securing of a long term sustainable operator for the site.

3.4. The council are not in a position to allocate the required match funding from mainstream capital funding, given the current level of financial pressures facing local authorities; and therefore officers have been required to work up a challenging but viable solution to securing the long term future of Hanwell Community Centre.

3.5. The development of a Round 1 HLF application would require a budget allocation of circa £0.150m, as indicated in the July 2015 report. This sum would be built into the total project budget and therefore would be offset by the enabling development, should a scheme be approved. If a scheme is not approved then these funds would be sunk and not recoverable by the council.

3.6. The Council can only operate the site for another 12-18 months without requiring additional allocation of budget funding. There is therefore a need to try to find a way in which the Centre can be operated at nil cost or at least a substantially reduced cost to the Council

#### 4. Financial Financial Impact on the Budget

4.1. As indicated in the table above, and pulled through from the July 2015 report, The following table shows the recommended scenario in order to fund the £3.436m capital project (£3.586m - £0.150m HLF costs), which takes into account an inflation amount for up to 2019 This option took the mid-range from each of the scenarios in the July 2015 report, assuming no further council contribution to the site from mainstream funding.

Table 1.2 – Project Funding Table Scenario\*

Item	Cost £m	Funding £m	Comment
Total remaining capital cost	2.864	-	Present day value, add in 20% for 2020 market rates
Inflation add in	0.572	-	At 20% estimate
HLF round 1 application costs	0.150	-	To be secured
Council capital contribution and / or capital receipt from enabling development	-	1.350	e.g. partner capital contribution, enabling development
External funding	-	2.236	This could be HLF** or partner funding via operator contribution through procurement process.
<b>Total for proposed capital project</b>	<b>3.586</b>	<b>3.586</b>	

\*scenario for illustrative purpose only, subject to design development, consultation and planning

4.2. The first phase of the refurbishment of Hanwell Community Centre started in 2008, with a total budget of £4.183m. An amount of £0.597m was held back, given the legal challenge, and will be spent in the 2015/16 financial year. Should approval be given for this phase of the project; then the capital investment to Hanwell Community Centre will total £7.769m.

4.3. Approximately £0.150m would be required to work up a Round 1 Heritage Lottery Fund Application. This amount would be included in the total project budget costs, and therefore covered by the enabling development contribution if approved.

## 5. Legal

- 5.1. The Council has the power to dispose of property under section 123 of the Local Government 1972 Act in any manner it wishes. This is subject to an obligation to obtain the best consideration that can reasonably be obtained (except for leases of seven years or less) unless the Secretary of State's consent is obtained for the disposal. Where a disposal under section 123 consists of open space the Council must first advertise their intention to dispose and consider any objections prior to the proposed disposal
- 5.2. The project will be subject to a planning application and each planning application is assessed upon its merits against the planning policy framework.
- 5.3. The procurement of a services contract with the operator of Hanwell Community Centre will be in accordance with Ealing's Contract Procurement Rules and the Public Contracts Regulations 2015.
- 5.4. The Community Right to Challenge was introduced through the Localism Act 2011, and came into effect in April 2012. Under the Right, a local group or group of local authority employees can express an interest in running a council service. The council must then consider this expression of interest, and if it thinks it is feasible then a full procurement exercise will take place. Local authorities are able to designate certain times of year when expressions of interest can be submitted. In Ealing, we have agreed that expressions of interest may be submitted from 1 May to 31 July each year.
- 5.5. The ACV listing means that if the Council wishes to dispose of the asset, it is required to notify the organisation that submitted the original application, of their intent. An interim moratorium period of six weeks then begins. The nominating group is then able to make a bid to acquire the property during that period. Once the moratorium period has expired the owner may then dispose of the asset as they wish within a 'protected period' which is 18 months from the date of the notice of the proposed relevant disposal. There is no obligation on the owner to dispose of the asset to the community group.
- 5.6. Cuckoo Park is a designated 'Village Green' which means that it receives protection equivalent to Green Belt.

## 6. Value For Money

6.1. Any The Council will be procuring an operator following a competitive tender procedure (OJEU) in accordance with Ealing's Contract Procurement Rules and the Public Contracts Regulations 2006 (as amended).

6.2. The facility contributes significantly to the Council's overall community centre strategy and this approach will enable the removal of all subsidy from centre as described in the Community Centre Strategy.

## 7. Sustainability Impact Appraisal

7.1. requirements relating to energy efficiency and sustainability will be built into the contract as part of negotiations with providers

## 8. Risk Management

8.1. The key risk associated with the project are

Description	Probability	Impact	Mitigating Action
Failure to procure operator for the site	Low	High	Market testing and research indicates that the likelihood of this has been reduced
Failure to secure the capital funding for the required works	High	High	Develop a mixed funding and work closely with funding partners
Failure to get planning permission and listed building consent	Medium	High	Develop good working relations with planners, conservation officer and English Heritage to ensure that issues are raised and addressed
Increase of capital costs	Medium	High	Regular financial reports and checks, robust project management
Failure to get planning permission for the enabling development	Medium	High	Each application is assessed upon its merits and the core enabling development arguments and exceptional circumstances would need to proven.

## 9. Community Safety

9.1. The design of the redeveloped Centre will incorporate Secured by Design principles and security conscious management systems to ensure that staff and users work in a safe environment.

9.2. The Council is looking to remove a number of barriers and fencing at the site to make the Centre more welcoming and increase the number of users of the site

## **10. Links to the 6 Priorities for the Borough**

10.1 The following priorities, taken from the council's six priorities for the borough are applicable to this project:

- prosperous
- healthier
- accessible

## **11. Equalities, Human Rights and Community Cohesion**

11.1. The council has carried out further EIA screening since managing the site and there is no impact.

## **12. Staffing/Workforce and Accommodation implications:**

12.1. Staff currently working at Hanwell Community Centre, directly employed by the Council may be covered by "Transfer of Undertakings (Protection of Employment) Regulations 2006" as amended by the "Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014". Which states that staff who may be eligible will be assessed on the following:

- an organised grouping of employees
- employees should be assigned to the group
- the client should remain the same
- the activities should not become overly fragmented
- the activities should remain fundamentally the same.

12.2. Any organisational change will, of course, be of concern to staff. It is imperative that any future management options prioritise staff concerns. It would be essential to consult with Unions at the outset and to agree a staff consultation protocol. This will involve a commitment by the Council to meet regularly with the Unions and to communicate in relation to all aspects of the project.

12.3. There are no accommodation implications, all staff will continue to be accommodated in the same

## **13. Property and Assets**

13.1. Under the proposed arrangements it is likely that the freehold ownership of Hanwell Community Centre will remain with Ealing Council but that the Council will grant a lease, co-terminus with a service contract, to the operator to facilitate the future management and operation of the site.

## 14. Any other implications:

14.1. None

## 15. Consultation

- 15.1. The Council has met with HCC users to discuss the options for future operation of the site and the need for capital works and will meet with them again to explain the recommendations in the Cabinet report in July.
- 15.2. Soft market testing has been carried out with a number of private and community organisations about taking on a service agreement to operate the centre and we have received positive feedback from all parties.
- 15.3. Community Consultation event in September 2015 and information displayed for users of the facility within the centre and to provide feedback on the sustainable future of HCC

## 16. Timetable for Implementation

Activity	Timescale
Develop designs and carry out consultation	June 15 – April 19
Development of enabling development scheme	Jan – Dec 2016
Planning application for enabling development	Dec 2016
Planning approval for enabling development	March 2017
Enabling development to start on site	Summer 2017
Round 1 HLF application	Summer 2017
Round 2 HLF application	Summer 2018
Round 2 grant secured	Jan 2019
Procurement of capital works contractor	Feb – Sept 19
Capital works start on site	June 19
Capital works completed on site	June 20

## 17. Appendices

Appendix 1 Confidential Broadway Living appraisal  
Appendix 1A Confidential Site Appraisal – Savilles  
Appendix 2 Procurement timetable

## 18. Background Information

- 18.1. Cabinet Report December 2014  
18.2. Cabinet report July 2015

### Consultation

Name of consultee	Post held	Date sent to consultee	Date final response received	Comments appear in paragraph:
<b>Internal</b>				
Lucy Taylor	Director Regeneration and planning	17 <sup>th</sup> Nov 2015	02/12/2015	Throughout
Philippa Cartwright	Housing	17 <sup>th</sup> Nov 2015	02/12/2015	Throughout
Jonathan Alsop	Finance	17 <sup>th</sup> Nov 2015	02/12/2015	Throughout
Jackie Adams	Legal	17 <sup>th</sup> Nov 2015	02/12/2015	Throughout
<b>External</b>				

### Report History

Decision type:	Urgency item?
Key decision	NO
Report no.:	Report author and contact for queries: Jonathan Kirby – <a href="mailto:kirbyjo@ealing.gov.uk">kirbyjo@ealing.gov.uk</a> – Tel 020 8825 6099