

## Should Prudhoe Town Council commission a 'feasibility study' on the future use of Prudhoe East Centre, in order to inform a Community Asset Transfer Application?

### 1. Introduction

In March 2019, Prudhoe Town Council agreed to arrange a site visit to Prudhoe East Centre, with other interested users, and to seek quotations for a full building survey of the site. It was also agreed at that time, that the Council would only consider the next steps, which were proposed as 'a feasibility study on the future use of the site', following due diligence and an evaluation of the results.

This short analytical and impartial report aims to identify and discuss all factors leading up to this point, alongside relevant research by the Clerk, to aid decision-making by members.

The next steps do not commit Prudhoe Town Council to a formal community asset transfer request to Northumberland County Council, of Prudhoe East Centre, but they do demand a significant investment of time and money and therefore careful consideration in view of the fiduciary responsibility to the tax-payers of Prudhoe.

### 2. Current users<sup>1</sup>

#### 2.1 West Northumberland Youth Service (WNYS)

The main user of the site and in particular the main building is Northumberland Youth Service; they have drop-in and evening sessions and also have an agreement with The Prince's Trust who operate their 12-week programme recurrently. The Motor Project is also part of the offer from WNYS; they use the garage which is attached to the former Adult Learning Building.

In a meeting with Northumberland Youth Service on 8<sup>th</sup> May<sup>2</sup>, they described that the availability of Prudhoe East Centre as a building had no bearing on the future delivery of youth work by Northumberland County Council. The Youth Service highlighted that although they were currently in the building, they would prefer to use any funds available to the youth service to provide more youth workers, not to maintain the building which requires substantial investment. A modern youth provision was depicted as one that delivers a service where young people 'are'; in leisure centres, at parks and at clubs or out on the streets. They also referred to the new but forward moving efforts of Prudhoe Youth Project as most welcome.

When asked if the Youth Service would use the East Centre to deliver sessions in the future, if the building was available for use by another, they advised that this would depend on the resource available and the cost.

The meeting attempted to establish if the site was required by the Youth Service and the answer was, that essentially, it was not; this model of delivery is not one that is favoured. In regards the former Adult Learning Building, this is not used and has become an overflow and storage area. With respect to the main building, the Youth Service has overstretched into every available space but this is not reflected in delivery; available space could be improved and shared.

The Town Council should establish what the impact would be if the Youth Service ceased to deliver from the site and whether the service as it is being delivered presently is meeting the needs of the town. Is the Town Council's interest with regards the service or the building?

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<sup>1</sup> See Appendix A for illustration of current use.

<sup>2</sup> The meeting was attended by Cath McAvoy-Carr (Executive Director of Adult & Children's Services), Mary Connor (Senior Manager Early Intervention & Prevention), Sharron Pearson (Senior Manager Well Being & Community Health Services), Ash Brown (Senior Lead Youth Practitioner), Wayne Daley (Portfolio Holder for Children's Services), County Cllr Gordon Stewart, Cllr Tracy Gilmore, Cllr Jennifer McGee

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Northumberland County Council Strategic Estates explained that they would only identify a building as being 'surplus to requirements' if the main service user decided that was the case. When recently asked about making the former Adult Learning building available for use, independently of the rest of the site, they advised that this was not possible in view that there was a long-term plan, i.e. the request by Prudhoe Town Council for a 'Community Asset Transfer'.

### 2.2 Prudhoe Poppets

Prudhoe Poppets use the main building weekly with the aim of bringing free play sessions for Prudhoe families that run throughout the school holidays as well as during term-time. They recognise that whilst most other 'stay and play' sessions only operate during term-time, it is during school holidays when some parents/carers may struggle both financially and emotionally and may need support, even if that is simply to have a cup of tea with a friendly face.

Prudhoe Poppets need an affordable space as they do not charge those attending sessions but they recognise and accept that the current space has shortcomings, of which many have been reported but not resolved. Prudhoe Poppets hope to remain in the East Centre as it is central and where they became established, but their contribution towards running costs would be negligible.

Since the site meeting, Prudhoe Poppets have ceased operating due to the lead volunteers having commitments elsewhere and other parents not coming forward to take on the responsibility.

## **3. Interested Users**

### 3.1 Citizens Advice Northumberland

Abi Conway (Chief Executive) and Tracey Gillies were part of the site visit to the East Centre and have a strong desire to return to the town centre and deliver a service from a community-focused building.

With regards the main building, they believe the room currently being used as a Youth Service Office (formally Prudhoe East Nursery) could be utilised in its present condition, if cleared, to provide their appointment and drop-in service; with the use of partitions they could see 4+ clients at a time. They also noted a cupboard in the office that could be converted into a private room for anyone requiring greater confidentiality. The kitchen and toilet facilities would need to be made available for staff, volunteers and clients and although they appreciate that there is a great deal of work required to bring the building up to a desired specification, they would be willing to work around that.

Citizens Advice Northumberland would be willing to pay a 'like' rent with what they pay now which is £30/day, currently 2 days/week. This equates to a rental income of £3,120/annum but does not compare with typical community hire charges which are between £10-£15/hour (£60-£90/day). This would be classed as a business activity for the purposes of VAT; therefore, the Council would need to be registered for VAT and would have to charge VAT on supply.

In regards the former Adult Learning building, Citizens Advice Northumberland could establish this as their West Northumberland Hub moving forward, but this would be dependent on the required changes being made to the building and on the cost. With regards the changes required; there would need to be a kitchenette and a toilet installed and the access from the garage would need to be permanently secured. They would be able to partition the building to

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allow a meeting room at the front, space to see clients and have touchdown spaces for all staff and volunteers. The service would require exclusive use of the building 5 days/week as they would hold all specialist and generalist drop-ins, in addition to the administrative function, and they would be looking for commercial/charity terms.<sup>3</sup>

Notwithstanding a professional valuation, based on our charges at the Spetchells Centre, I would estimate a typical community lease in the region of £7,000/annum. Service charges are more difficult to estimate but are likely to only include utilities and maintenance as Citizens Advice Northumberland have their own IT set-up and may use their own cleaners; they would also be subject to their own business rates as a tenant. This estimated lease charge is in the region of the Grant Aid previously awarded to the service. This is considered a business activity for the purposes of VAT and therefore the Council would have to charge VAT but would be able to recover related VAT, as is usual.<sup>4</sup>

Taking the above into consideration, should the Council support the potential of Citizens Advice Northumberland relocating to the former Adult Learning building, it would be unlikely to yield any additional income for capital repairs or ongoing maintenance but would rather restore the grant paid over.

### 3.2 Mortal Fools Theatre Company (registered charity)

Mortal Fools consider the building to have a lot of potential for their activities. They are interested in establishing a central base for their activities, which would include an office base, and moving in several of their young people’s groups that currently operate in other community spaces and giving potential to extend their activities.

Mortal Fools would consider acting as a partner in the future of the building following their own due diligence. They would want to see a full surveyor’s report as feel strongly that another ‘spruce up’ won’t suffice to bring the building up building regulations, DDA compliance and to make it a pleasant and contemporary place to spend time.

If Mortal Fools were to consider making the East Centre their main base, they would need to be the primary occupants. They came away from the visit talking about a reconfiguration of the layout in the main building to include a secure office, multi-use activity spaces and a social space. As primary occupants, they could also envisage other groups using the spaces, perhaps those with a particular focus on children and young people, so the Centre would have a strong purpose and focus. In this scenario, they could see the adult learning building being used as another multi-use activity space and for storage, with each regular user group being allocated a lockable cupboard to store their equipment.

Mortal Fools have given thought to the activities they could run or see happening in the East Centre with a focus for children and young people:

Parent and Baby/Toddler activities (daytime)

Visiting theatre for under-5s (daytime)

Creative activities for local school groups (daytime)

Creative activities for home schoolers / children not in school (daytime)

Training for professionals working with children and young people (daytime)

<sup>3</sup> PTC pay a community rental charge to PCP of £2,722, this is exclusive of services which were £2,234 in 2018/19.

<sup>4</sup> Leasing commercial land or buildings is exempt from VAT, but this right can be waived to allow related VAT recovery.

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Training for young people who are NEET (daytime)  
Youth Theatre sessions (evening)  
Other creative sessions (evening)  
Theatre performances (evening)  
General young people hangout (evening)  
Youth Work (evening)

Mortal Fools have plans to source new premises into 2019-21 with the aim of being operational within a new space by 2021, subject to securing the right premises and arrangements for it.

In regards the East Centre, there is a possibility that subject to the results of the building survey, Mortal Fools could work with the right partners to help raise funds for redevelopment and then become the main tenant at a suitable rate of rent. With regards management of the building(s), this would require discussion of how this could be split between landlord and tenant.

The most obvious question is, if Mortal Fools was interested in securing the building as a primary user for the benefit of the user’s groups listed above, what role or advantage could the Council bring; would the Council be superfluous?

3.3 Prudhoe Community Partnership

Members of Prudhoe Town Council met with Prudhoe Community Partnership Chair, Mr George Hepburn on 25<sup>th</sup> March to establish whether there was a desire to work together on the future use of the East Centre.

What came out of the meeting was that Prudhoe Community Partnership did not have an agreed vision for the East Centre, as had not discussed plans in view that the asset was being pursued by the Council. Therefore, it was not possible to look at a shared vision and the possibility of working together.

On whether the organisations could work together, Mr Hepburn advised that on a Community Asset Transfer there has to be a lead who asks for the transfer, so he was not sure how a partnership approach could work.

Mr Hepburn advised that should the Council agree that it did not wish to pursue an asset transfer of Prudhoe East Centre, Prudhoe Community Partnership would consider if it would be viable for them to do so.

**4. An Asset of Community Value**

Prudhoe Community Partnership registered a ‘Community Right to Bid’ for the East Centre following it being put up for sale in 2017, what followed and which is now confirmed on Northumberland County Council’s website is that the East Centre is now listed as an ‘Asset of Community Value’ (ACV).

Following discussion with Tony Kirsopp (NCC) it is clear that although this listing aims to protect the building for use by the community, in reality, a planning application can seek to change the use but the listing ensures this is a ‘material consideration’.

Most notably in Northumberland it is the local pub that has an ACV placed upon it, but if a developer can show that it cannot feasibly operate as a pub; this could be that it won’t sell and has been empty for some time or that the accounts depict poor trade, then planners may support a change of use.

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Planners may also support a change of use from community where plans to maintain a building for ‘community use’ are not feasible, i.e. too costly.

**5. Financial Resources**

**5.1 Public Works Loan Board (PWLB)**

The Council could consider taking out a Capital Works Loan of between £43,280<sup>5</sup> and £500,000<sup>6</sup> in accordance with The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

The following points need to be taken into consideration:

- Any unallocated resources have to be used first.
- Loans are only permitted for capital projects, not repairs and maintenance but following consultation with NALC it is likely that the substantial work required on the East Centre could be argued as ‘capital in order to add to the economic and service potential’.
- Formal approval is required from the Secretary of State by way of the Department for Communities and Local Government (DCLG); applications are first made to the Northumberland Association of Local Councils.
- The full council must receive a full report of the business case, proposed works, estimated costs, financial planning and repayment plan prior to resolving to apply for borrowing approval.
- Details of the project, the intention to borrow and loan repayments must be available to residents at an early stage (inclusion on a public agenda will not in itself be considered sufficient consultation).
- When increasing the precept to cover borrowing, evidence of public support for increasing the associated precept will be required in the borrowing application.
- Project costs must include loan repayments.
- Borrowing should be for the purpose of capital expenditure only and the term of the loan should not exceed the life of the asset.
- As well as agreeing to apply for borrowing approval, the full council must also resolve to apply for the loan, only after all permissions, including planning permission, have been granted.
- Borrowing approval will require a Council to take out a loan within 12 months of approval.

**5.2 Grant Funding**

Funders look for evidence of involving local people, speaking to others who have done the same type of project and developing relationships. In essence they want to know:

- |                                 |   |
|---------------------------------|---|
| ➤ What you want to do?          | ➤ How does it fit in with local activities/needs? |
| ➤ Why you want to do it?        | ➤ How much will it cost?                          |
| ➤ What difference it will make? | ➤ How much money is available?                    |
| ➤ Who will be involved?         | ➤ How will it be financially sustainable?         |

The most likely funding streams available to the Town Council are The National Lottery Community Fund, Community Foundation and County Councillor Capital Schemes Funding. It is difficult to be more specific without an overall vision, but it is clear that the availability of funding is ever decreasing.

<sup>5</sup> £5 x number of electors (8,656) is the least that can be borrowed.

<sup>6</sup> Borrowing approval can be phased over a number of years if more than £500,000 is required.

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Funding applications are unlikely to succeed if they are not based upon community needs following a consultation.

The viability of a project should not be reliant on grant funding.

### 6. Financial and Management Risk Assessment

As has been provided previously, an updated Financial and Management Risk Assessment prepared to identify the risks associated with a potential Community Asset Transfer of Prudhoe East Centre is included at Appendix B.

Risk is an uncertain event or condition that, if it occurs, will have an effect on the achievement of the Council’s objectives. Risk management is the process whereby the Council methodically addresses the risks associated with what they do and the services they provide. The focus of risk management is to identify what can go wrong and take proportionate steps to avoid this or successfully manage the consequences. Good risk management gives members of the public an increased confidence in the authority’s corporate governance arrangements and its ability to deliver its priorities.

Risk management is not just about financial management; it is about protecting the achievement of objectives set by the Council to deliver high quality public services. The failure to manage risks effectively can be expensive in terms of litigation and reputation, and can impact on the ability to achieve desired outcomes. The Council as a corporate body and members individually are responsible for risk management.

Once the Council has identified its key risks, the next step is to assess the potential consequences of a risk occurring (impact) and consider how likely this is (likelihood). The risk assessment enables the Council to decide which risks it should pay most attention to when considering what measures to take to manage them.

Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The response to risk, which is initiated within the organisation, is called ‘internal control’ and may involve one or more of the following standard responses:

- **Tolerate** the risk - for risks where the downside is containable with appropriate contingency plans; for some where the possible controls cannot be justified (e.g. because they would be disproportionate); and for unavoidable risks.
- **Treat** the risk - a common response which can mean imposing controls so that the organisation can continue to operate; or setting up prevention techniques.
- **Transfer** the risk – buying in a service from a specialist external body or taking out insurance. Some risks cannot be transferred, especially reputational risk.
- **Terminate** the activity giving rise to the risk - it may be best to stop (or not to start) activities which involve intolerable risks or those where no response can bring the risk to a tolerable level.

The highest risk identified by the Clerk concerns governance. The next decision to be taken by the Council is whether to instruct someone to carry out a feasibility study; when this came before the Council previously, there was a slim majority, as has been the case for most decisions concerning Prudhoe East Centre.

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Following a feasibility study would almost certainly be further agenda items to agree the proceeding steps, including public consultation, a potential business plan, the question of whether to apply for a loan or to increase the precept, and many more financial and strategic decisions over a period of time. There is no assurance that without a substantial majority and the whole-hearted backing of the Council that any future resolutions would not frustrate the process, thus resulting in time and money wasted and having an adverse impact of the reputation of the Council.

The risk assessment identifies that the most agreeable way to ‘treat’ this would be via public consultation, which benefits the Council and its constituents in many other ways too, and is a necessary course of action identified in paragraph 4 and 5 above. Public opinion has not been properly tested on this yet and not with regards any real vision or plan of spending so should be considered a priority.

### 7. Summary of Conditions Survey (carried out in 2015)<sup>7</sup>

Taking into account the detailed conditions survey that was carried out in 2015, there are currently £89,420 of capital repair costs and £10,303 of revenue repair costs, totalling £99,722 up to and including 2019.

Moving forward the survey identifies a further £1,081,365 of capital expenditure and £267,826 of revenue expenditure in the next ten+ years. The highest value costs are associated with mechanical<sup>8</sup> and electrical<sup>9</sup> failings.

The survey was carried out for and on behalf of Northumberland County Council, further details are not available.

### 8. Building Survey (carried out in 2019)<sup>10</sup>

The purpose of including the results of the building survey in this report is not to evaluate the results but to use the indicative costs given to inform the Council in respect of financial planning.

Costs exclude work that may be required to repair or remediate the following:

- mechanical and electrical installation
- damp affected walls
- windows

Remedial works have been identified at a cost of **£188,298**. Refurbishment works have been identified at a cost of between **£367,400 and £469,200**, in addition to remedial works. Therefore, remedial and refurbishment together total between **£555,698 and £657,498** (excluding any contingency).

In providing the financial information that follows, the following assumptions have been made to avoid a limitless number of examples:

- ✓ The only increase in budget relates to this project: 2019/20 figures remain unchanged otherwise; it is acknowledged that this would be unusual.
- ✓ That a 15% contingency budget would be allocated towards any costed project.
- ✓ Remedial only works would be carried out over two financial years.

<sup>7</sup> See Appendix C – 2015 Conditions Survey

<sup>8</sup> Gas and electrical components, pipework, fans, tanks and controls for heating and water.

<sup>9</sup> Fire and intruder alarm systems, DD compliance and lighting.

<sup>10</sup> See Appendix D – 2019 Building Survey

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- ✓ A PWLB would only be considered if remedial + refurbishment works were being undertaken.
- ✓ The Council would not seek to borrow in excess of £500,000 (although it is acknowledged that this would not cover all remedial and refurbishment costs).
- ✓ Figures are calculated on an annuity rather than EIP (Equal Instalments of Principle) basis.
- ✓ Precept costs/increase and typical elector costs are calculated using 2019/20 figures and council tax base. \*

<b>Remedial Work Cost +15% contingency Value = £216,542</b>	<b>Annual Budget Cost</b>	<b>Resulting Precept Demand</b>	<b>Resulting Band D Precept Charge</b>	<b>Precept Increase (£) (in first year)</b>	<b>Precept Increase (%) (in first year)</b>	<b>Notional Annual Cost to taxpayer for this work</b>
Remedial Works assumed over 2 financial years	£108,271	£454,524	£136	£32.33	31.27%	£32.33

<b>Public Works Loan Value £500,000 (note this would not cover total costs anticipated; remedial + refurbishment)</b>	<b>Annual Budget Cost</b>	<b>Resulting Precept Demand</b>	<b>Resulting Band D Precept Charge</b>	<b>Precept Increase (£) (in first year of loan repayment)</b>	<b>Precept Increase (%) (in first year of loan repayment)</b>	<b>Notional Annual Cost to taxpayer for this work</b>
2-year term	£255,615	£601,868	£180	£76	73.8%	£76
5-year term	£104,402	£450,655	£135	£31	30.2%	£31
10-year term	£54,199	£400,452	£120	£16	15.7%	£16
15-year term	£37,827	£384,080	£115	£11	10.9%	£11
20-year term	£30,036	£376,289	£112	£9	8.7%	£9

\* 2019/20 figures: precept demand £346,253, Band D Precept £103.38, Council Tax Base 3349.2, Precept Increase £8.96/11%.



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**9. Conclusion**

Prudhoe Town Council is tasked with agreeing whether to spend money to establish the needs and the wishes of the community in terms of the future use of Prudhoe East Centre and ensuring that Prudhoe Town Council are the correct recipient of the asset transfer of the Prudhoe East Centre, via phase one of a previously agreed Feasibility Study. One could argue that money should only be directed in this way if Prudhoe Town Council could agree that it ‘wished’ to be the recipient of an asset transfer of Prudhoe East Centre.

Much time has passed since these questions were first discussed and the following conclusions are presented to aid the next stage of decision-making for the Council.

- The East Centre site is currently under-utilised, but the service delivered is not under threat.
- The current service users, West Northumberland Youth Service, do not value the site as a means of delivering a youth service; this could be due to the investment required to bring the building up to modern standards or to a new approach to delivery.
- There is no current evidence of capacity issues for other services, however, Northumberland Citizens Advice would be an ideal user/tenant but the Council would be unlikely to yield any substantial income from them.
- Mortal Fools Theatre Group could develop the site themselves with support from another, depending upon the result of survey and their own feasibility study.
- Prudhoe Town Council can raise money via the precept and/or a Public Works Loan and has some opportunities to seek funding.
- Investment is significant from both a capital and a maintenance/running costs point of view; Prudhoe Town Council could only achieve funding and/or a loan with evidence of public support and a sound business plan.
- Prudhoe Town Council could use reserves and increase the precept to fund Prudhoe East Centre; there is currently no cap for Town Councils, but a ‘good and transparent’ council would only do this with public support.
- Long-term plans need the full backing of the Council as decisions are regularly brought back to the table; a slim majority could run the risk of tax-payers money being wasted, if, as plans progress, they are not supported.
- The backing of the public, for plans and spending on Prudhoe East Centre, could encourage members who are ‘against’ the Town Council taking over the asset to change their minds. Likewise, the opposition of the public, could encourage members who are ‘for’ the Town Council taking over the asset, to change their minds.
- Phase One of the Feasibility Study would clearly articulate any community needs and would establish public support as well as the most appropriate role for the Town Council moving forward.
- Phase Two of the Feasibility Study is the production of a business plan that would support an asset transfer application to Northumberland County Council, depending upon the outcome of phase one.