

Finance and Resources Committee

10.00am, Tuesday, 28 September 2017

Proposed New Lease, Nelson Hall, 5 Spitalfield Crescent, Edinburgh

Item number	8.2
Report number	
Executive/routine	Routine
Wards	Southside/Newington
Council Commitments	

Executive Summary

Southside Community Association (SSCA) recently notified the Council of its intention to terminate its lease of Nelson Hall. This prompted the Council to consider a practicable solution to ensure the building continues to operate as normal whilst protecting current users of the building.

This report seeks approval for a new lease in favour of SCOOSH, a not for profit organisation, currently providing affordable child care services within the Hall via a sublease from SSCA. The new lease arrangement would supersede the existing agreement held with SSCA, and would be effective from 1 October 2017, for a period of 5 years.

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1. Recommendations

- 1.1 It is recommended that Committee approves the lease of Nelson Hall to SCOOSH on the terms outlined in this report and other terms and conditions to be agreed by the Executive Director of Resources.

2. Background

- 2.1 Nelson Hall is a community centre originally built with a donation from Thomas Nelson Junior in 1913 and bestowed to the Council, by the Trustees of Thomas Nelson, in 1935. A location plan for the property is enclosed at Appendix 1. The most recent condition survey, completed in December 2016, classified the building as being Condition Rating A – performing well and operating efficiently with no major expenditure for the next 1-5 years.
- 2.2 The purpose of the hall was to benefit the “working–class community”. In addition, the Council entered a Minute of Agreement (MOA) with the Trustees, dated 1935, which sets out several legally binding provisions in relation to any transfer of ownership. The specific provisions in relation to leasing the building include:
- The requirement to utilise income for the maintenance of the hall; and
 - The hall to be used for the benefit of the working classes and for the common good.
- 2.3 Since 1 June 2007, Southside Community Association (SSCA) has leased the building from the Council and managed daily user activity with support from Council staff. The accommodation includes; main hall, meeting room on the ground floor, and the Gray Room on the first floor which also houses the Southside of Edinburgh Museum.
- 2.4 On average, around 12 community groups pay to use the accommodation on a weekly basis and these bookings are all managed by SSCA. Groups range from adult education classes to recreation. Most user groups pay a room hire or hall charge which is retained by SSCA for future development or hall upgrades. The current lease agreement does not allow the Council to use these funds to offset annual running costs.

- 2.5 In addition, SSCA have a more formalised arrangement with SCOOSH who operate a child care service within the main hall between 10am-6pm Monday to Friday. SCOOSH are also a registered 'not for profit' organisation and have established themselves as one of the main child care providers in the area with around 100 children attending on a weekly basis. The organisation's main objective is to provide an affordable child care service which benefits the local community.
- 2.6 The sub-lease arrangement between SSCA and SCOOSH is on a concessionary basis. The Council retains responsibility for building compliance, repairs and maintenance, cleaning, utilities and provides daily janitorial support. The annual cost of operating the building is approximately £50k met from Council budgets.
- 2.7 The restrictive nature of the MOA impacts on the Council's ability to secure commercial terms with current or future users. The MOA also restricts what the Council can do with any rental income it generates. Therefore, it is likely the Council will have continued financial responsibility for the building, at least in the medium term. However, by implementing a more efficient model of managing the building and by implementing cost saving initiatives, Council expenditure will reduce significantly.
- 2.8 This report seeks approval to enter into a new operating model that meets the aspirations of building users and reduces the Council's financial liability in the longer term.

3. Main report

Current Position

- 3.1 SSCA also lease Southside Community Centre at 117 Nicholson Street from the Council, and is responsible for its management. Consequently, the Association has found it increasingly difficult to manage both buildings which led to its decision to terminate its lease at Nelson Hall with effect from 30 September 2017. The sub-lease held by SCOOSH will therefore also cease on this date.
- 3.2 Continuity of service and function is in everyone's interest and the wide range of community benefit provided by various user groups operating from the building is acknowledged. Closing the building is an option but is not recommended as the impact would be significant, particularly for the local community which is the main beneficiary of the services provided.
- 3.3 Offering the building for lease on the open market is also an option. However, this is discounted for the following reasons:
- The restrictions as defined in the Minute of Agreement means that the Council cannot benefit from a commercial rent for the property;
 - The risk of losing a vital affordable child care service;

- Safeguarding other educational services already established within the building with whom the Council have an established relationship; and
- The current circumstances leave little time to negotiate with unconnected parties.

Proposal

- 3.4 The current situation has given the Council the opportunity to review its level of staff and resource support, which involves a direct lease to SCOOSH as the main building user. In considering lease terms with SCOOSH, the main objectives were ensuring protection of the legal provisions set out in the 1935 MOA; reducing the council's financial contribution (over time); ensuring the quality and level of usage; and safeguarding the building for the common good.
- 3.5 Taking the above into account, the following main terms have been agreed with SCOOSH:
- The new lease will commence on 1 October 2017 for a period of five years at a concessionary rent of £1pa;
 - The building will remain open Monday – Friday between 10am-9pm but remain closed during weekends except for occasional hires;
 - SCOOSH will chair a core user group committee; positively promote the increase in the number of room hire bookings; undertake responsibility for the management of the room hire booking system; operate building opening and closure; and maintain building health and safety records;
 - The Council will continue to bear the costs associated with repairs and maintenance, building compliance, cleaning, and utilities; There will be a review of the room hire charging policy (subject to user group committee agreement) with the Council gaining control of the income generation to offset running costs.
 - Southside Museum will continue to occupy the Gray Room; and
 - The Council will withdraw janitorial and service support staff, except for statutory compliance requirements.
- 3.6 The proposal seeks to strike a balance between ensuring continued provision of the building for use by the local community; ensuring income generated is reinvested in the property and reducing the Council financial and resource contribution to the running costs and promoting community empowerment. It is expected that this proposal is the first step to the Council completely divesting from the building if the building operators can successfully achieve a fully sustainable business model over the five-year lease.
- 3.7 The Council will continue to review its on-going liabilities over the period of the lease. For example, a review of energy consumption/performance is underway with

proposals to upgrade heating controls; install energy efficient lighting and lighting absence detectors in common areas.

4. Measures of success

- 4.1 Granting a new five-year lease in favour of SCOOSH will safeguard a vital community facility. Council expenditure will reduce significantly as a direct result of renegotiated lease term.

5. Financial impact

- 5.1 The Council's annual expenditure is currently £50k, this includes all costs associated with cleaning, janitorial staff, repairs and maintenance and utilities.

The proposal will reduce Council expenditure as follows:

- Reallocation of janitorial staff – representing £15k per annum;
- Reduction in building running costs offset by income generated from room hires – representing £6k - £10k per annum.

- 5.2 The total saving in year one will be in the region of £21k - £25k.

- 5.3 Given the restrictions placed on the property through the MOA, it is considered that the asset has limited alternative commercial value either for sale or lease.

6. Risk, policy, compliance and governance impact

- 6.1 It is considered there is little or no impact on Risk, Policy, Compliance or Governance issues.

7. Equalities impact

- 7.1 An Equality and Rights Impact Assessment has been carried out. An enhancement of right has been identified as the new lease will ensure that the facility continues to provide vital community services. This directly links to an enhancement of the following rights namely (i) Life (ii) Health (iv) Productive and valued activities (v) Individual, family, and social Life.

8. Sustainability impact

- 8.1 Implementation of the energy savings measures detailed above have the potential to reduce building running costs. Implementation of these measures will depend on investment payback and available budget. The Council's Energy Policy (2013) for Council buildings states that effective energy management is a priority. One of the policy's main objectives is to reduce energy consumption and ensure high standards across non-domestic Council properties. Nelson Hall is a building that is

likely to remain in Council ownership, therefore even medium and long term energy saving measures should be considered.

9. Consultation and engagement

- 9.1 The Council's Communities and Families service area has been consulted on the proposed changes.
- 9.2 Transformation and Business Change has been consulted in relation to the proposed changes to janitorial support.
- 9.3 External stakeholders including Local Councillors have been informed of the proposed changes to the management of Nelson Hall.

10. Background reading/external references

- 10.1 N/A.

Stephen S. Moir

Executive Director of Resources

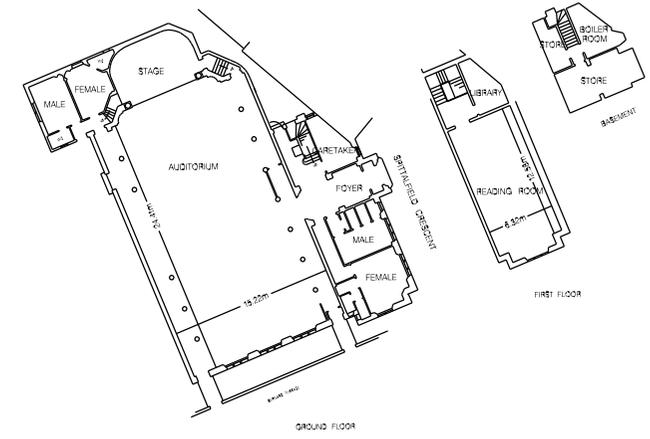
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11. Appendices

Appendix 1 - Location Plan and Layout of Nelson Hall

"APPENDIX 1"
 NELSON HALL
 5 SPITTALFIELD CRESCENT
 EDINBURGH



LOCATION PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE

FLOOR PLAN

• EDINBURGH • THE CITY OF EDINBURGH COUNCIL	
PROPERTY AND FACILITIES MANAGEMENT RESOURCES	
NELSON HALL 5 SPITTALFIELD CRESCENT EDINBURGH	
DATE	21/8/17
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:500 @ A3 SIZE
NEG. NO.	A3/647a

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