CABINET

OBA Millennium Cultural Centre

Joint report of the Assistant Chief Executive, Executive Director (Economy, Place & Skills) and Executive Director (Performance, Capacity & Services)

Portfolio Holder: Cllr Rod Blyth, Cabinet Member Community Safety & Public Protection

Cabinet  23 March, 2011

Officer Contact: Bruce Penhale, Head of Community Cohesion Support Ext. 4196

Purpose of Report
This report has been brought to Cabinet as an item of urgent business because of issues relating to governance and financial management which have emerged relating to the Council’s relationship with the OBA Millennium Cultural Centre. These have come to light through the budget process and enquiries from councillors.

The report identifies the areas of concern, and recommends the involvement of the Performance & Value for Money Overview & Scrutiny Commission in urgently reviewing the governance arrangements of the Centre, and identifying ways to avoid similar problems in the future.

Executive Summary
The report sets out the background around the development and use of the OBA Millennium Cultural Centre, including the role of the Council and Oldham Bangladeshi Association (OBA). The land and premises are owned by the Council, but leased to Oldham Bangladeshi Association. The Centre is managed by a Management Board jointly appointed by the two organisations.

The reports in particular sets out four areas of concern, which relate to:

- the governance arrangements of the Centre;
- the management of the financial relationships between the Council and the Centre.
• Project management arrangements when building the Centre;
• the process by which the Learning Disability Service occupied a floor of the Centre between January 2007 to April 2009.

Recommendations
It is recommended that:

• the governance arrangements of the Centre, and the Council’s relationship with the management of the Centre, should be reviewed by the Performance & Value for Money (PVFM) Overview & Scrutiny Commission;
• that this review should also consider the lessons learnt for the future involvement of the Council in the management of community organisations, including issues of both governance and financial management; and the Council’s use of community buildings, in particular the corporate process and procedures necessary to rent or lease space in such facilities; and
• that their recommendations should be brought back for consideration to Cabinet.
1. Purpose of the report

1.1 This report has been brought to Cabinet as an item of urgent business because of issues about governance and financial management which have emerged relating to the Council's relationship with the OBA Millennium Cultural Centre. These have come to light through the budget process and enquiries from councillors.

1.2 The report identifies the areas of concern, and recommends the involvement of the Performance & Value for Money Overview & Scrutiny Commission in urgently reviewing the governance arrangements of the Centre, and identifying ways to avoid similar problems in the future.

2. Executive summary

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2.2 The reports in particular sets out four areas of concern, which relate to:

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3. Recommendations

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the corporate process and procedures necessary to rent or lease space in such facilities; and
• that their recommendations should be brought back for consideration to Cabinet.

4 Background

4.1 The OBA Millennium Centre was opened in mid 2002. It was funded through a mix of Millennium Lottery, European Regional Development Fund, Single Regeneration Budget and Neighbourhood Renewal funding.

4.2 The Millennium Lottery Commission paid a grant of £1.3m to Oldham Bangladeshi Association (OBA) towards the total cost of around £3.7m to build the Centre.

4.3 The Council owns the land and premises, and leased these to Oldham Bangladeshi Association (OBA) for 125 years commencing September 2002.

4.4 As a condition of the Lottery funding the management arrangements cannot be changed without the prior consent of the Big Lottery (as the successor body to the Millennium Lottery Commission). The agreement would also be breached if the building were no longer used as a community facility. There is no time limit on this condition in the funding agreement. Failure to secure the support of the Big Lottery could result in claw back of grant from the Council as the accountable body for the project.

Management arrangements

4.5 The Centre is managed by a Board of Directors appointed by OBA Millennium Cultural Centre Management Company Limited (the Management Company). The two members of the company are OBA and the Council. On any decision of the company OBA has two votes and the Council has one vote (though OBA cannot alter the Memorandum and Articles of Association of the Company without the Council's consent).

4.6 The Management Company appoints the Board of Directors. When the initial Board was appointed these comprised:

• OBA - 4 representatives
• Oldham Council – 2 representatives
• Westwood & Coldhurst Womens Association – 2 representatives
• Oldham Bangladeshi Youth Association (now Voice) – 2 representatives
• Oldham Voice (now Voluntary Action Oldham) – 2 representatives

4.7 The constitution of the Board has not changed since it was appointed, though the Council has appointed new representatives each year. The Council's representatives over the last 7 years have been:
2004/05  Councillors Abdul Jabbar and Sue Dean
2005/06  Councillors Abdul Jabbar and Dylsy Fletcher
2006/07  Councillors Abdul Jabbar and Jean Stretton
2007/08  Councillors Abdul Jabbar and Jean Stretton
2008/09  Councillors Mohib Uddin and Jilad Miah
2009/10  Councillors Mohib Uddin and Jilad Miah
2010/11  Councillors Jilad Miah and Abdul Jabbar

4.8 Appendix 1 summarises the governance arrangements of the Centre.

4.9 The Centre is self financing through income from Centre users, and is not grant funded by the Council.

4.10 Some Council services have used the Centre as a venue for service delivery and, in particular, the Learning Disability Service occupied the first floor of the Centre under a licence agreement from January 2007 to April 2009. Issues relating to this are discussed below.

5. Issues relating to the Council’s relationship with the Centre

5.1 There are a number of areas of concern which have impacted on the management of the Centre and the Council’s relationship with the organisation:

Governance

5.2 The governance arrangements of the Centre involving Oldham Bangladeshi Association and various other organisations have been in place since the Centre was established. These are unduly complex, and this has become a barrier to the efficient operation of the Centre.

5.3 Also, most members of the Management Board are appointed on the basis of their membership of different organisations, rather than ensuring a team of people working together with the right mix of skills and experience needed to manage and develop the Centre’s activities.

5.4 The arrangements are therefore no longer fit for purpose, and need to be reviewed. The Council’s role in the management of the Centre needs to be considered as part of this.

5.5 The lessons learnt from reviewing such arrangements should be considered in any future decision relating to the Council’s role supporting similar community organisations.

Financial management

5.6 The financial arrangements between the Council and the Centre are complex. These include the arrangements for rent, service and insurance costs, and a loan to the organisation to provide working capital in the period in which it built
up revenue to a sustainable level. Considerable work has been required to clarify the financial position, and to resolve a number of issues.

5.7 There are significant lessons for the Council in relation to the need for clear, transparent, and properly documented and managed financial arrangements.

5.8 Cabinet has recently agreed a policy for the transfer of Council assets to communities. The creation of the OBA Millennium Cultural Centre was an earlier example of this, since it established long-term community based management arrangements for a Council asset. It will be important to ensure that future transfers to third sector, independent or community organisations, draw upon the lessons learnt in relation to the OBA Millennium Cultural Centre.

Project management of the building process

5.9 An Access Audit of the building was undertaken in 2004, and significant works had to be undertaken to make the building compliant with the requirements of Building Regulations in relation to access for disabled people. Since the Centre was purpose built and had only been completed two years earlier, it should not have failed to comply with requirements in respect of access for disabled people. These issues should have been identified and resolved as part of the process for completing the building.

Use of the building by the Learning Disability Service

5.10 The Learning Disability Service within the then Adult & Community Services Directorate occupied the first floor of the building under licence for a period from January 2007 to April 2009.

5.11 As part of the Council’s recent budget preparation, it has become apparent that a number of significant issues relating to the Council’s procurement, financial standing orders and property protocols were not adhered to by officers. This has resulted in poor corporate governance arrangements being put in place when the service occupied space within the building. The Chief Executive has commissioned an investigation by Internal Audit into the process by which the Council entered into this agreement, and whether this complied with the Council’s policies and procedures. The lessons from this investigation should be considered by PVFM in order to learn the lessons for any similar future arrangement.

6. Consultation

6.1 These matters have been the subject of correspondence and discussion with the chair of the Centre’s Management Board and with members of Oldham Bangladeshi Association.
7. **Financial Implications**

7.1 The investigation by internal audit noted above will determine the financial implications of the issues noted in the report.

7.2 The audit will be complete shortly and will pick up the financial implications as part of that report (Steven Mair).

8 **Legal Services Comments**

8.1 The property and company structure issues are highlighted within the body of the report. (Paul Entwistle).

9 **Human Resources Comments**

9.1 Not applicable.

10 **Risk Assessments**

10.1 The issues to resolve around the Council’s management of the Centre are set out in paragraph 5. (Mark Stenson)

11 **IT Implications**

11.1 None

12 **Property Implications**

12.1 Whilst consultation at a very late stage has prevented detailed consideration, the issues raised in this case clearly highlight the importance of robust Land and Property Protocols which are widely understood and complied with across the organisation. (Cath Conroy)

13 **Procurement Implications**

13.1 None, as seen as a Council management issue (Ian Claydon-Butler)

14 **Environmental and Health & Safety Implications**

14.1 None

15 **Equality, community cohesion and crime implications**

15.1 The Centre is open to residents from throughout the Borough, but is a particular resource for residents of Westwood and the adjoining neighbourhoods. A large proportion of the population of this area are of Bangladeshi heritage. It is important that the revised governance arrangements continue to support the operation of a Centre which meets the needs of men and women of all ages and backgrounds from throughout the
area, and which positively contributes to building good community relations (Bruce Penhale).

16  **Equality Impact Assessment Completed?**

16.1 An initial screening has been undertaken, and a further impact assessment is not required at this stage.

17  **Key Decision**

17.1 No

18  **Forward Plan Reference**

18.1 Not applicable

19  **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

Name of File: OBA Millennium Cultural Centre  
Records held in Community Cohesion Support Team, Room 314, Civic Centre  
Officer Name: Bruce Penhale  
Contact No: 0161 770 4196

File Ref : 54049059D  
Name of File: Oldham Bangladeshi Association  
Records held in Legal Services , Civic Centre  
Officer Name: Bill Balmer  
Contact No: 0161 770 4825

20  **Appendices**

20.1 Appendix 1 Management arrangements for OBA Millennium Cultural Centre
APPENDIX 1 Management arrangements for OBA Millennium Cultural Centre

Oldham Council

- Pay rent and service charges

Oldham Bangladeshi Association

- Shareholders

OBA Millennium Cultural Centre Management Company Ltd

- Appoint Directors

Board of Directors (Centre Management Board)

- Manage staff

- Set and oversee policy and budget for the Centre

Centre staff

- Run Centre on a day-to-day basis

OBA Millennium Cultural Centre

- Pay money to cover costs of paying rent and service charges to Oldham Council