



Cllr Lib Peck
Leader of the Council
London Borough of Lambeth

19th June, 2016.

Dear Lib

As you will know, the Council is shortly to hold a public exhibition on the future of the Carnegie Library. Also, the Carnegie Community Trust (CCT) has now received a letter from Sue Foster setting out your requirements with regard to us pursuing our application for a Community Asset Transfer (CAT) of the Carnegie Library building.

Accordingly, this is an appropriate time to set out the challenges that lie ahead and the burdens and constraints you are in danger of imposing on the CCT through your continued pursuit of separate, parallel and unequal negotiations with Greenwich Leisure Ltd (GLL) and us. The CCT is of the strong view that it would be much better for all concerned if these negotiations were pursued in a tripartite manner. Notwithstanding this, following our meeting with you and your colleagues, we did immediately approach GLL seeking a meeting. We said we wanted to scope the issues and agree how best to address them within a timetable and then get back to you; hopefully with an agreed view. GLL said they would meet us when they had revised their plans and we still await contact from them.

While we are relieved that the Council and GLL have agreed to our proposal to locate the gym in the basement, so leaving the building substantially as it is for later transfer, we are still concerned that what we know of GLL's proposals will cause problems for the Trust's plans later on. For example, we need access to toilets in the basement for users from the rest of the building. There is no obvious place upstairs to place new facilities and with a café and public events for several hundreds of people these will be needed. We also need to agree secure access arrangements for users of the gym separate from upstairs. This has design implications for our proposed work at the rear of the building. These matters are not insurmountable but we should be talking about them now with all three parties involved.

We are now in a position where GLL and Lambeth will shortly be exhibiting to our community plans that we have not seen in detail and that will likely conflict with our long-term vision for the building after transfer. Unnecessary work will then have to be unpicked at expense that is avoidable to all three parties if we act together now. Accordingly, we are not in a position to promote the plans that will be the subject of your consultation. Indeed, the Trust may end up opposing some elements once we see them.

But the CCT's greatest concern, which we articulated when we met, relates to the lease terms you propose for GLL's occupation of the building that we will inherit and have to honour when we take on a head lease through the CAT. You will know from our consultation during the development of our options for the Community Hub that we considered and discounted the idea of a gym in the building. It was the least favoured (after residential) option. But, given the Council's insistence,

and subject to agreement on the above design matters, we are resigned to accepting a gym in the basement for the reasons we set out to you about encouraging wider use of the Carnegie.

It is evident, though, that the terms on which GLL occupy the building are critical and could scupper the CAT before it happens if those terms are wrong.

We are happy with Sue Foster's statement that GLL will be an 'anchor' tenant. But, the key characteristic that makes a tenant an 'anchor' is that they provide long-term sustainable revenue through a rent to underpin the running costs of the building, the operation of the Trust and provision of services to the local community. This does not appear to be GLL's understanding of the situation. They are expecting a 25-year lease at a peppercorn rent in exchange for looking after the building and maintaining a room for your Library service to operate a staff-free library.

Further, they seem to be expecting free use of the basement and other parts of the building **after** the CAT. Even if this proposal passes Value for Money scrutiny for Lambeth and is compliant with State Aid Rules it makes no financial sense at all for anyone contemplating taking on the management of the whole building through a CAT. At the very least, before we can conclude our business planning for the CAT, we will need sight of the full draft lease you intend with GLL so that we can quantify and include its impact in that business planning.

Present indications are that it would cost around £5million to make the building fully fit for purpose for the next 100 years. It is simply not financially workable for Lambeth to transfer the building to us while withholding some of its value from us by leaving us with a sitting tenant that will pay no rent for 25 years. This would remove a substantial amount of income-generating space. We also do not believe funding bodies will look kindly on the provision of such a substantial amount of subsidised space to an essentially commercial body.

In addition, there is the considerable space to be provided free for the library itself. After the CAT GLL will not be providing that space, CCT will. Therefore, this removes, as we understand it, the rationale for remitting GLL's rent in the first place. Whatever space the library uses will not be available for rental either. The combined effect of having to provide a library for residents and a gym for GLL with no revenue from either source is to make financial planning unviable for any prospective new owner of the building. At the very least, the lease you grant GLL should specify that once they cease to have responsibility for the building and to provide and service the free library space (i.e. when we complete the CAT and take on the head lease) they should then have to pay a rent for the space they use in the basement for their gym.

We further understand that there will be capital investment in the basement. If that were made by GLL then there is a professional formula for discounting the market rent for the space occupied over the period of any lease. In addition GLL would pay its share of services and utilities costs (which the lease should specify will be re-chargeable by the Trust back to GLL on a pound for pound basis). But, if the capital is from Lambeth, then the Trust and the community will need to know what benefit there is to the Borough in subsidising GLL to that extent.

Just as we, in order to secure the CAT, will have to provide a statement of the social, economic, and environmental benefits of transferring the asset to us, so we believe the Council should have to publish its own social value statement that underpins your choice to provide such investment in GLL and their operations. Such capital, if it is available, we believe should more properly benefit

the CCT to be used in the context of the overall renovation of the building and as match-funding for the much larger investment we will need to secure from other sources to complete the renovation.

In summary, we are very concerned that the deal, once struck between yourselves and GLL in the absence of our full participation in those negotiations, will fatally undercut the entire financial basis of the CAT and our on-going management of the asset after that transfer. Just as you will rightly want to see from us a convincing and deliverable business case before agreeing to the CAT, we, as responsible Trustees, will need to be convinced by that same business case before we could contemplate seeking to take a lease from you.

We look forward to hearing back from you at the earliest possible date on these fundamental points.

Yours sincerely

Carol

Carol Boucher
Chair
Carnegie Community Trust CIO

cc: Cllr Paul McGlone
Cllr Jim Dickson
Helen Hayes MP

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