

Name of meeting: Cabinet
Date: 20 February 2017
Title of report: Freehold Asset Transfer of Slaithwaite Civic Hall, New Street, Slaithwaite, Huddersfield, HD7 5AB

Purpose of report: This report sets out the proposal for the freehold transfer of land and buildings which currently makes up Slaithwaite Civic Hall, New Street, Slaithwaite, Huddersfield HD7 5AB, to Slaithwaite Civic Hall Trust. The terms of the freehold transfer will include covenants to ensure that Slaithwaite Civic Hall is used principally for community use.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Key Decision - No Private Report/Private Appendix - No
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by Strategic <u>Director</u> & name	Karl Battersby - 06.02.18
Is it also signed off by the Service Director - Finance, IT and Transactional?	Debbie Hogg - 12.02.18
Is it also signed off by the Service Director (Legal Governance and Commissioning)?	Julie Muscroft - 05.02.18
Cabinet member portfolio	Cllr Graham Turner and Cllr Musarrat Khan - Corporate

Electoral wards affected: Colne Valley

Ward councillors consulted: Cllr Rob Walker, Cllr Donna Bellamy, Cllr Nicola Turner

Public or private: Public

1. Summary

- 1.1 Cabinet made the decision in February 2015 to close the Public Halls due to budget reductions. Slaithwaite Civic Hall (the Hall) was one of the Halls affected. Local Councillors were invited to discuss the potential for Asset Transfers within their communities.
- 1.2 Slaithwaite Civic Hall Trust (the Trust) put forward proposals for an asset transfer of the Hall and surrounding land shown edged red on plan reference 16-0459(attached at Appendix 9.1). This paper sets out the background to the Trusts application and the Councils proposed response to the transfer.

2. Information required to take a decision

Background

- 2.1 Slaithwaite Civic Hall is located at New Street, Slaithwaite, Huddersfield. The Hall is a venue that has been managed by Kirklees and used by the local community for a number of years. The community supports the proposed asset transfer of Slaithwaite Civic Hall to Slaithwaite Civic Hall Trust.
- 2.2 The Trust is a newly formed group and although individual members of the Trust have a wealth of experience they have no previous direct experience of running a community hall. The Trust has however managed the Hall under two separate six month leases whilst the asset transfer application has been under consideration. The current lease will expire in March 2018.
- 2.3 The Trust has continued to increase the profile of the Hall during this time, maintaining and building on the existing customer base. They have undertaken extensive community consultation and have clearly shown within their business case knowledge of their competitors and how they intend to work in partnership with these organisations to ensure the viability of the Hall. The Trust has also identified opportunities to develop the services delivered from the Hall to further meet the needs of the community.
- 2.4 The Trust intends to create a Management Group which will be responsible for the day to day running of the Hall.
- 2.5 In line with the requirements of the 2017 Community Asset Transfer Policy, the Trust has submitted a robust application and business case. This includes the development of policies and capacity building which has been assessed by the Community and Engagement Team. The Trusts financial planning and risk management has been assessed by Locality, a partner organisation that assists the Council in supporting groups through an Asset Transfer. The Council has assessed and provided the Trust with information relating to the condition and costs associated with the running of the Hall.

The application form and business case is assessed using the Asset Transfer Assessment Tool which assesses 5 main areas: financial, community impact, risk, organisational strength and the asset. This has been designed in line with the Hallmarks of an Effective Charity which was written and supported by the Charity Commission. All assessments were satisfactory.

- 2.6 The Trust applied for and secured Area Committee funding of £12,000 to assist with the start-up costs of the project enabling it to take over full responsibility for the Hall whilst the asset transfer request was processed.
- 2.7 Following transfer the Trust intends to undertake a programme of refurbishment and improvements to the Hall which will include:
 - Refurbishment of the concert hall and performance space
 - Boiler replacement
 - Window replacement and insulation
 - Relocation of passenger lift within the building to improve access
 - Lower ground floor extension to provide a community café/restaurant.

The Trust has formed a funding committee and preliminary discussions have been held with the following potential funders:

- Power to Change
- Sport England Community Asset Fund
- The Architectural Heritage Fund
- Historic England.

The Trust has requested a match funding loan of £100,000 from the Council in accordance with the 2017 Community Asset Transfer Policy. The Trust is proposing that the loan is repaid over a term of 20 years.

Asset Transfer

- 2.8 The Council's Community Asset Transfer Policy was revised in April 2017. The new Policy provides for additional financial support for groups requesting an asset transfer, including the availability of a match funded loan of up to £100,000 for capital works. The Policy continues to support groups to transfer assets from the Council at nil consideration in order to further local, social, economic and environmental objectives.
- 2.9 The Policy allows for assets to be transferred either through a long term lease or a freehold transfer. Both options will normally be subject to covenants that restrict the use of the asset to community use. The policy allows an element of commercial use if this is considered necessary for a successful business model. Commercial use of the asset will normally be restricted to a maximum of 30%.

The Council has the following options in determining the application:

- 2.9.1 Refuse the request for Asset Transfer and a match funding loan. The Trust will cease to manage the Hall from April 2018 and the Hall will be closed to the community.

Officers are of the opinion that this should not be the recommended option on the grounds that the local community and users of Slaithwaite Civic Hall would lose a valuable community asset.

- 2.9.2 Transfer the asset either freehold or leasehold with restrictive covenants for community use with an exception of up to 30% permitted commercial use in line with other Community Asset Transfers but decline the request for a match funding loan.

Officers are of the opinion that this should not be the recommended option on the grounds that although the local community will retain the Hall for the benefit of the local area, the Trust will not be able to improve the facility for all users.

- 2.9.3 Transfer the asset either freehold or leasehold with restrictive covenants for community use with an exception of up to 30% commercial use in line with other Community Asset Transfers and confirm that a match funding loan of up to £100,000 can be offered to the group, in line with the 2017 Community Asset Transfer Policy.

Officers are of the opinion that a freehold transfer with restrictive covenants for community use, with up to 30% permitted commercial use and the offer of a match funding loan in accordance with the 2017 Community Asset Transfer Policy should be the recommended option on the basis that the Hall will be retained for the local community and the Trust will have the financial ability to improve the facility for all users.

- 2.9.4 Transfer the asset without restrictive covenants in place. Whilst this approach has not been adopted previously by the Council, it is recognised that, subject to Cabinet approval, the Community Asset Transfer Policy does allow the transfer of assets without restrictive covenants. There is however risk that the Hall could be lost as a community facility were covenants not included in the transfer.

Officers are of the opinion that this should not be the recommended option on the grounds that the future use of the Hall as a community facility could be lost to the local community.

Costs

- 2.10 The building is in an acceptable state of repair, however a 2009 Condition Survey identifies works totalling an estimated £133,466. This figure includes mechanical services of £83,175, electrical services £49,208 and roofing works of £948. The Trust has made provision within its business plan for the works required to the boiler, heating and lighting systems. In transferring the asset, the Council would avoid financing costs of £7,396 per annum (based on current borrowing rates) associated with the capital works.
- 2.11 The transfer will provide a revenue saving to the Council of the running costs of the building. Based on 2016/17 expenditure the saving would be £15,691.
- 2.12 In accordance with the 2017 Community Asset Transfer Policy, the Trust has requested payment equivalent to 15% of the average of the previous 2 years running costs for the facility. This will have a one off revenue implication to the Council of £2,626.
- 2.13 The Trust has requested a match funding loan of £100,000 from the Council in line with the 2017 Community Asset Transfer Policy to part fund a programme of refurbishment and improvements. The Trust will be required to confirm the approval of match funding before the loan is released. The requested term for the loan is 20 years. Information relating to the indicative loan rates and repayment terms are attached in Appendix 9.2.

2.14 Valuation

Unrestricted Value

The unrestricted value is the best price reasonably obtainable for the property and should be expressed in capital terms. It is the market value of the land as currently defined by the RICS Red Book (Practice Statement 3.2), except that it should take into account any additional amount which is or might reasonably be expected to be available from a purchaser with a special interest (a "special purchaser"). When assessing unrestricted value, the valuer must ignore the reduction in value caused by any voluntary condition imposed by the authority. In other words, unrestricted value is the amount that would be paid for the property if the voluntary condition were not imposed (or it is the value of the property subject to a lease without the restriction).

The unrestricted value of the Asset is: £130,000

Restricted Value

The restricted value is the market value of the property having regard to the terms of the proposed transaction. It is defined in the same way as unrestricted value except that it should take into account the effect on value of any voluntary condition(s).

The restricted value of the Asset is: £ Nil

Voluntary Conditions

A voluntary condition is any term or condition of the proposed transaction which the authority chooses to impose. It does not include any term or condition which the authority is obliged to impose, (for example, as a matter of statute), or which runs with the land. Nor does it include any term or condition relating to a matter which is a discretionary rather than a statutory duty of the authority.

The value of voluntary conditions in the proposed transaction is: £ Nil

Amount of discount given by the Council

The difference between the unrestricted value of the land to be disposed of and the consideration accepted (the restricted value plus value of any voluntary conditions).

The amount of discount in the proposed transaction is: £130,000

The Local Government Act 1972 General Disposal Consent (2003) means that the specific consent of the Secretary of State is not required for the disposal of any interest in land/buildings at less than best consideration which an Authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area. Following their assessment, the Council are confident that the transfer of the Slaithwaite Civic Hall to Slaithwaite Civic Hall Trust will be likely to promote social well-being in the Colne Valley area.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

The Hall is being utilised as a community and arts venue and offers a wide range of facilities including healthy eating sessions, dance classes, arts and crafts, orchestral rehearsals, music lessons and ad hoc family parties and meetings.

3.2 Economic Resilience (ER)

The transfer of the hall will support the community and recognises the benefit of community organisations in sustaining the economic, health and wellbeing of the local community.

3.3 Improving Outcomes for Children

There are a number of sessions available within the Hall that assist in the outcomes for children.

3.4 Reducing Demand of Services

There will be no impact.

3.5 Legal/Financial or Human Resources

The running costs for the facility in 2016/17 were £15,691. The freehold transfer will provide an equivalent annual revenue saving to the Council.

There will be a one off financial implication to the Council of £2,626 representing payment to the Trust of 15% of the average of the previous two years running costs for the Hall.

Transferring the Hall will avoid future Capital investment of £133,466 and the annual repayment costs of £7,396. However in transferring the Hall the Council is forgoing a potential capital receipt of £130,000 were the building to be disposed of on the open market, without restrictive covenants.

The group have requested a match funding loan of £100,000 over a period of 20 years. Information relating to the indicative loan rates and repayments terms is attached in Appendix 9.2.

The Local Government Act 1972 General Disposal Consent (2003) means that the specific consent of the Secretary of State is not required for the disposal of any interest in land/buildings at less than best consideration which an Authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area. Following their assessment, the Council are confident that the transfer of the Slaithwaite Civic Hall to Slaithwaite Civic Hall Trust will be likely to promote social well-being in the Colne Valley area.

4. Consultees and their opinions

Slaithwaite Civic Hall Trust was consulted and has provided the statement attached at Appendix 9.3 which sets out information on the board of trustees, the current financial position since the Trust took over responsibility for the hall in 2017 and future proposals for the asset.

The Local Ward Councillors were consulted and the following comments were received:

Cllr Nicola Turner responded *"I am wholeheartedly in favour of this community asset transfer and the officer recommendation of 2.9.3. The trustees are a dedicated group of people from the local community who have already proven that they can make this transfer work in practice for the benefit of the community, achieving a financial surplus up to 30th Nov 2017. They have exciting plans for renovation and enhancing the hall and are committed to pursuing all options for matched funding to support the £100K KMC loan, should it be granted. I hope that Cabinet will support the officer recommendations."*

Cllr Donna Bellamy responded *"I fully support the application for the asset transfer of Slaithwaite civic hall, to the trust, and I am sure they will be successful in the running and upkeep of the building and its future will be a sustainable asset, the building is a historic and community asset to the Colne valley and also a home for the Slaithwaite philharmonic orchestra and needs to continue to be used for the community"*.

Cllr Rob Walker responded *"The Slaithwaite Civic Hall Trust is a strong and cohesive group who are well placed to deliver a successful asset transfer. They are strongly embedded in the local community with a range of interests and skills. Currently there is some further recruitment of trustees taking place though a thorough recruitment process. The majority of Trustees have lengthy experience of leading successful businesses and community organisations. There is a good deal of knowledge around business planning and managing organisational finance"*.

The Trustees are well supported by an equally strong "Friends Of" organisation that brings an even wider set of skills, knowledge and enthusiasms. There has been extensive community consultation. The Civic trustees work collaboratively with other community organisations in Slaithwaite and beyond.

The objectives of the trust to support the local community, the local economy and the arts is widely understood and supported. Since taking on management of the hall they have already significantly expanded the community usage of the hall whilst securing "anchor" tenant to underpin the financial viability of the asset transfer.

5. Next steps

- 5.1 Subject to the decision made by Cabinet, Officers from Economy Regeneration and Culture will complete negotiations and agree terms of the transfer and the match funding loan.

6. Officer recommendations and reasons

- 6.1 Members are requested to authorise the freehold transfer of Slaithwaite Civic Hall to Slaithwaite Civic Hall Trust at nil consideration and to include covenants for community use with the exception of up to 30% commercial use (as set out at 2.9.3 above).
- 6.2 Members are requested to authorise payment of £2,626 to Slaithwaite Civic Hall Trust on completion of the transfer being 15% of the average of the previous 2 years running costs in line with the 2017 Community Asset Transfer Policy.
- 6.3 Members are requested to authorise an offer of a match funding, secured loan to Slaithwaite Civic Hall Trust for £100,000 over a term of 20 years to be released only when The Trust has demonstrated that match funding has been secured.
- 6.4 Members are requested to approve the Service Director of Economy Regeneration and Culture negotiating and agreeing the terms of the transfer for Slaithwaite Civic Hall (including the extent of the land transferred) and the match funding loan agreement to Slaithwaite Civic Hall Trust and the Service Director Legal, Governance and Commissioning entering into and executing all documents necessary to effect the transfer and loan agreement.

7. Cabinet portfolio holder's recommendations

7.1 Portfolio holders Cllr Musarrat Khan and Cllr Graham Turner recommend:

- i. the freehold transfer of Slaithwaite Civic Hall to the Trustees of Slaithwaite Civic Hall Trust under the 2017 Community Asset Transfer Policy for nil consideration subject to the restrictive covenants set out in paragraph 2.9.3 which states the proposed asset transfer route, subject to approval, is *to transfer the asset either freehold or leasehold with restrictive covenants for community use with an exception for up to 30% commercial use in line with previous Community Asset Transfers*.
- ii. approval of a match funding loan of £100,000 in line with the 2017 Community Asset Transfer Policy to be repaid over a term of 20 years, the loan to be released only when the Trust has demonstrated that match funding has been secured.
- iii. payment of £2,626 to Slaithwaite Civic Hall Trust on completion of the transfer being 15% of the average of the previous 2 years running costs in line with the 2017 Community Asset Transfer Policy.
- iv. approval of the Service Director for Economy Regeneration and Culture negotiating and agreeing the terms of the transfer for Slaithwaite Civic Hall (including the extent of the land transferred) and the match funding loan agreement to Slaithwaite Civic Hall Trust and the Service Director Legal, Governance and Commissioning entering into and executing all documents necessary to effect the transfer and loan agreement.

8. Contact officer

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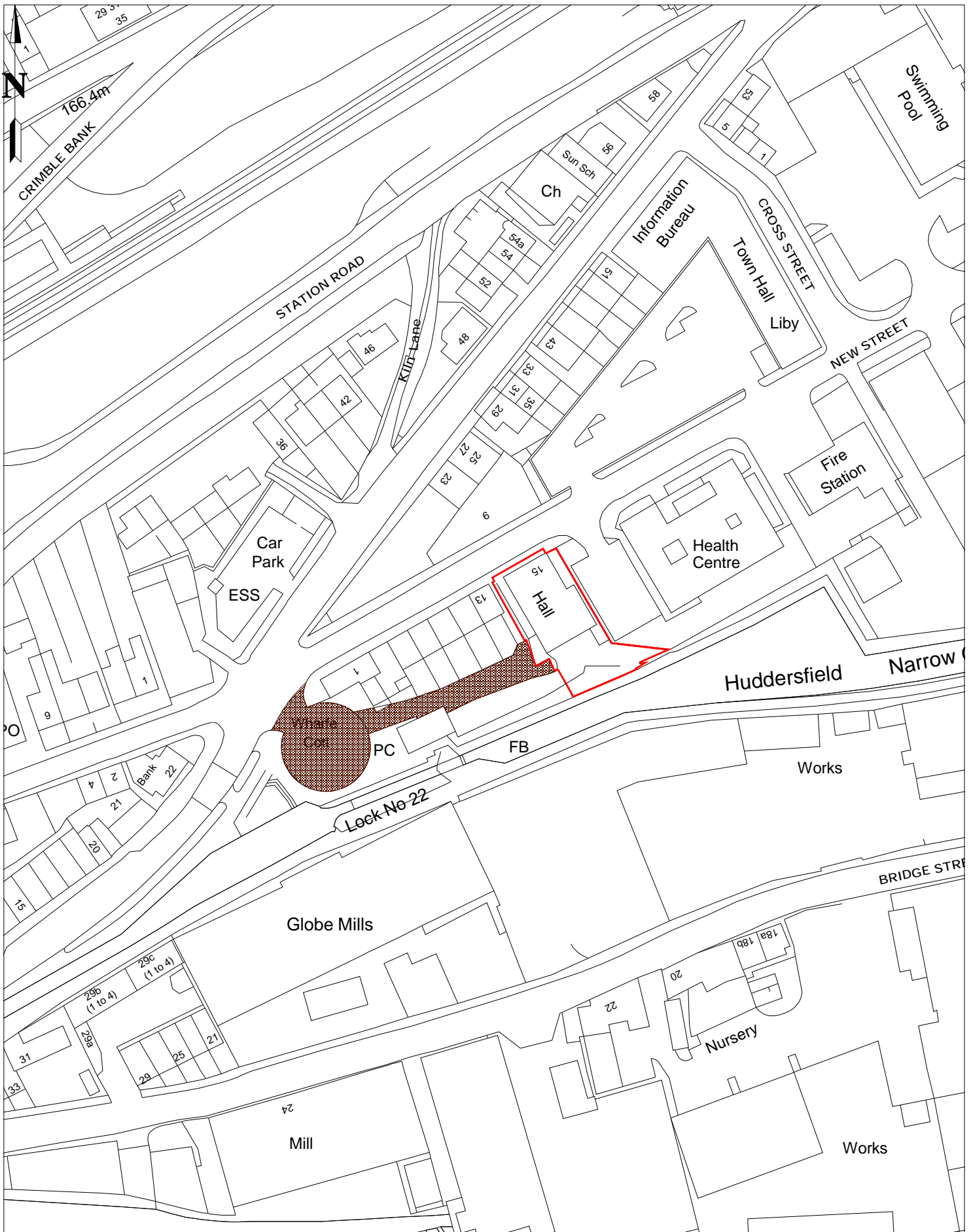
9. Background Papers and History of Decisions

The following are the Appendices included with the report:-

- 9.1 Slaithwaite Civic Hall Red Line Boundary
- 9.2 Indicative Match Funding Loan Rates
- 9.3 Slaithwaite Civic Hall Trust consultation statement

10. Service Director Responsible

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**PHYSICAL RESOURCES
& PROCUREMENT**
 Plan No: 16-0459
 Scale: 1250
 Required by:

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Repayment Schedule - Interest Paid

		<u>Interest</u>	<u>principal</u>	<u>reducing</u> <u>balance</u>	Year	Total payment
Loan	£100,000	£1,500	£4,325	£95,675	1	£5,825
Interest Rate	1.50%	£1,435	£4,389	£91,286	2	£5,825
Years	20	£1,369	£4,455	£86,831	3	£5,825
Annuity payment	£5,825	£1,302	£4,522	£82,309	4	£5,825
Total Repayment	£0	£1,235	£4,590	£77,719	5	£5,825
		£1,166	£4,659	£73,060	6	£5,825
		£1,096	£4,729	£68,331	7	£5,825
		£1,025	£4,800	£63,532	8	£5,825
		£953	£4,872	£58,660	9	£5,825
		£880	£4,945	£53,715	10	£5,825
		£806	£5,019	£48,696	11	£5,825
		£730	£5,094	£43,602	12	£5,825
		£654	£5,171	£38,432	13	£5,825
		£576	£5,248	£33,184	14	£5,825
		£498	£5,327	£27,857	15	£5,825
		£418	£5,407	£22,450	16	£5,825
		£337	£5,488	£16,962	17	£5,825
		£254	£5,570	£11,392	18	£5,825
		£171	£5,654	£5,738	19	£5,825
		£86	£5,738	£0	20	£5,825

SLAITHWAITE CIVIC HALL TRUST

Comments to Cabinet concerning Asset Transfer

The Trust was formed in January 2017 and Trustees were appointed following a well-attended public meeting.

An indicative business plan was adopted for the three year period 2017-2020.

1. The Trustees are as follows:

Chris Woodhead (Chair). Managing Director Shaw Timber Ltd, one of the largest private sector employers in Colne Valley.

Gordon Beever MA, FCA. Practicing Chartered Accountant advising many small and medium-sized businesses, Former Cabinet Member Kirklees MBC and Chair of West Yorkshire Fire & Rescue Authority.

Ian Buchanan. Wide experience in the maintenance business of premises, workshops and equipment which he brings to the benefit of the Trust.

Margaret Fearnley. Former Nursing Sister at HRI and former Mayor of Kirklees.

Craig Grimes. Director Experience Community Ltd, providing outdoor services for disabled people.

Victoria Minton. Activist and local campaigner with a keen interest supporting local communities to thrive.

As can be understood from this brief resume, the Trustees have a very wide range of experience in all manner of business and community activity and considerable financial skills at all levels.

2. The Trust took over the running of the Hall on 1 April 2017.

Two anchor tenants have been secured providing a regular income of £16,000 towards the anticipated outgoings of approximately £20,000 for 2017-18 and subsequent years.

In addition there are four regular Community Groups using the Hall contributing approximately £950 per month and numerous other community organisations renting the premises on an ad hoc basis.

There have also been a number of events organized by the Trustees and Friends of Slaithwaite Civic Hall which have contributed both to the use of the building and made a financial contribution to the running costs.

As at 30 November 2017 (the most recent date for which figures are available) the Trust had already achieved a healthy financial surplus, although this may decline somewhat due to winter pressures and expenses.

3. The Future

The Trustees have obtained Architects drawings for a number of schemes both for the renovation and advancement of the Hall although these will be dependent on funding being obtained.

A subcommittee has been established to pursue funding sources and this will go towards meeting the matched funding requirement to support the requested £100,000 Kirklees Council loan.

The letter of commitment is essential to unlocking funding sources since without security of tenure funders are unlikely to make definite commitments.