

<b>Bath &amp; North East Somerset Council</b>		
DECISION MAKER:	<b>Councillor Charles Gerrish, Cabinet Member for Finance and Efficiency</b>	
DECISION DATE:	<b>On or after 4 September 2018</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3050
TITLE:	Proposed Community Asset Transfer of Abbey Chambers to the Abbey Parochial Church Council	
WARD:	Bath, Abbey Ward	
<b>AN OPEN PUBLIC ITEM</b>		
<p><b>List of attachments to this report:</b></p> <p>Appendix 1: RICS – Local Authority Asset Management Best Practice – 07: Disposal of Land at less than Best Consideration</p> <p>Appendix 2: Heads of Terms for Community Asset Transfer</p> <p>Appendix 3: Asset Transfer Benefit Analysis</p> <p>Appendix 4: Letter of Intent</p>		

## **1 THE ISSUE**

- 1.1 This report seeks approval to the transfer of a Council owned asset to the Abbey Parochial Church Council as a Community Asset Transfer. The report covers the background to the proposed transfer, identifies the community benefits arising from it and addresses key financial, legal and other considerations.

## **2 RECOMMENDATION**

The Cabinet Member for Finance & Efficiency is asked to;

- 2.1 Delegate to the Head of Property / Corporate Property Officer authority for the completion of the disposal of the asset set out in the report into a final agreement for sale in line with the Heads of Terms attached.
- 2.2 Note that the transfer of the asset will be in accordance with Heads of Terms approved by the Head of Property in compliance with statutory responsibilities under s123 Local Government Act 1972, in pursuance of the recommendations in paragraphs 2.1 above

### **3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE).**

- 3.1 In the light of the General Consent and RICS Guidance (set out in more detail below), it is necessary to identify the value of the economic, social and environmental wellbeing benefits that will be generated as a direct result of this disposal at less than best consideration. For this package of assets, the “undervalue” sum of £500,000 has been annualised to £57,129 using a 2.5% discount over a 10 year period in the light of the overage conditions, in order to facilitate comparison against the annual value of these economic, social and environmental benefits.
- 3.2 The discount rate adopted represents the opportunity cost of the value of the foregone capital receipt and is based on current rates of borrowing using a 10 year loan.
- 3.3 The commensurate benefits are summarised in the body of the report and the detailed Asset Transfer Benefit Analysis upon which this is based is set out in the Appendix.
- 3.4 The disposal will result in a capital receipt to the Council of £2.5million

### **4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL**

- 4.1 Property Considerations: under s123 of the Local Government Act 1972, any disposal by the Council of an asset in excess of 7 years (including leasehold interests) must obtain “best consideration”, unless the General Disposal Consent (England) 2003 can be applied or a specific consent is obtained.
- 4.2 The General Consent allows specified circumstances where the consent can be applied, as below:
- a) the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects in respect of the whole or any part of its area, or of all or any persons resident or present in its area;
    - i) the promotion or improvement of economic well-being;
    - ii) the promotion or improvement of social well-being;
    - iii) the promotion or improvement of environmental well-being;
  - b) the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000 (two million pounds).
- 4.3 The Royal Institution of Chartered Surveyors (RICS) is the governing body for Chartered Surveyors and they have set out guidance specifically to deal with this issue which should be followed unless there are particular circumstances that mean that it is not appropriate. It puts in place an audit trail so that the decision to dispose at less than best consideration is demonstrably robust. It is, therefore, considered that this is an appropriate model for sign off of the individual transactions which should be undertaken in liaison with the Section

151 Officer. The Guidance is attached in full at Appendix 1 and in summary requires:

- a full valuation exercise is undertaken which identifies the maximum theoretical Market Value for the asset to be transferred.
- calculation of the reduced values that apply because of any restrictions that the Council applies relating to things such as use, alienation, clawback, etc.
- the value added to the Council through the outcomes of the transfer has been assessed and found to be not less than the difference between market value and the actual price to be paid.

4.4 There are no current delegations or resolutions to allow these transfers to take place at less than best consideration; best consideration being based on market values. This report, therefore, seeks to give such authorisation to the Head of Property / Corporate Property Officer, who otherwise has the delegated powers to enter into property transactions on behalf of the Council, based on the proposal set out in this report, applying the General Consent and RICS Guidance to this particular asset transfer proposal.

4.5 Public Health and Inequalities: the Council has a statutory duty to promote the health and wellbeing of the inhabitants of its area and reduce inequalities amongst its population.

4.6 The disposal is not considered to constitute State Aid.

## **5 THE REPORT**

5.1 Full Council at its Budget meeting in 2013 received a report identifying that the challenging financial situation increasingly requires the Council to use to the full the assets available to help communities tackle issues of importance to them locally. The document noted that since the publication of the Quirk Report in 2007, councils and central government have seen greater community involvement in community assets and buildings as potentially delivering:

- Better community outcomes, empowering communities and working in partnership with a range of public, private and voluntary organisations.
- Better Value for Money – cutting costs through new, localised ways of working and involvement of volunteers as well as drawing in more resources, for example from parish councils.
- Greater support for our voluntary and community sector- with opportunities for long-term planning by the community organisation involved in buildings, including the ability to draw down external investment as well as greater freedom to tailor services to need

5.2 Council also noted that a programme of transferring Council community-based assets would be progressed. Subsequently, in 2016, the Council granted a 150 – year lease to Bath Abbey for the basement of Abbey Chambers and the vaults adjacent to the Abbey, for the Abbey’s use as a heritage centre. The lease was

to be at a market rent, but abated to nil in the light of community benefits generated. This arrangement was put in place to help facilitate the Abbey's "Footprint" project a major redevelopment programme. The project, which has significant funding from the Heritage Lottery Fund (HLF), is a transformative programme of capital works, interpretation, collections care and sustainable energy, provoked by the urgent need to repair and renew its collapsing historic floor. Footprint is planned to provide:

- Cloister style gathering and retail space
- A repaired Abbey floor and environmentally friendly heating and lighting
- Flexible furniture in the Abbey and other spaces
- Rehearsal spaces for choirs & the schools' singing programme
- Interpretation & learning facilities
- Modern kitchens and catering facilities
- Meeting rooms, new vestries and an administrative hub
- Toilets, cloakrooms and baby changing facilities
- Storage spaces
- Landscaped public space

5.3 The basement of Abbey Chambers is a key requirement for the successful delivery of the Footprint project as it provides the space required for the interpretation and learning facilities. However, the Footprint project is only part of wider strategy to diversify Bath Abbey's funding streams and activities to safeguard and sustain its mission in the longer term and enable it to deliver even further community benefits into the future. Central to this strategy is the full acquisition by the Abbey of Abbey Chambers and a complete renovation and remodelling of the site and its "offer", including a new refectory, space for volunteers and meeting space for local groups, with an investment of £500,000. This transformation of a building currently used for offices (and previously the base for Bath Tourism Plus) would provide significant community benefits as well as adding to the vibrancy of this area in the heart of the City.

5.4 It is therefore proposed that Bath & North East Somerset Council dispose of its current freehold interest in the Abbey Chambers to the Parochial Church Council at a sum of £2.5m, approximately £500,000 below "best consideration" (which has been assessed to be in the region of £3,000,000) in order both to sustain the contribution of the Abbey to our local community and to secure further benefits from the Bath Abbey for the local community.

5.5 The final agreement will also include the following terms

- An overage payment will be made by the buyer to the seller in the event of a sale of the Property during the period of 10 years from the completion of its purchase which generates a "profit" for the Buyer. The details of the overage payment is set out within the Heads of Terms in the Appendix 2

- The Abbey have also provided a formal letter of intent to the effect that they intend to use this building in pursuance of the objects of the Abbey and the Abbey Parochial church Council, as set out in Appendix 4.

5.6 Bath Abbey is a key and historic anchor institution for the City of Bath and for the wider area. The Abbey has been in its current home in the heart of the City for more than 600 years, during which it has been a place of worship and local service, welcoming over 450,000 visitors each year. The Abbey serves as a place for physical and emotional renewal in the heart of the City by

- contributing to local community cohesion, civic pride and celebration
- contributing to the overall visitor offer for the area – it is currently attracting the second largest number of visitors of sites in Bath
- acting as a significant local employer, currently employing over 30 people

5.7 In addition, the Abbey has a wide local community reach, such as through the Bath Abbey School Singing Programme, which runs school choirs and provides support at music lessons. These local choirs contribute their singing both at Bath Abbey and at events such as the Bath Christmas Market. In addition, the Abbey provides direct financial support to groups and schools currently valued at over £58,000 per year. The proposed asset transfer ensures the future continuation of these activities

5.8 The Abbey has worked with the Council to identify the additional community benefits from the proposed transfer in order that B&NES Council can comply with the requirements of the General Disposal Consent and ensure that the disposal generates improved social, economic and environmental wellbeing for the local area. The Asset Transfer Benefit Analysis in Appendix 3 sets out in detail the key benefits arising from the transfer and are summarised below:

- The Abbey will invest over £500,000 on the refurbishment and improvement of Abbey Chambers and relieve the burden of maintenance on the Council. In doing so it will build on its track record of effective stewardship of its unique heritage assets and their distinct setting within the World Heritage Site.
- As set out above, the Abbey through charitable and other donations currently invests a significant sum into projects of local community benefit. The Abbey has identified that as a result of the proposed asset transfer, the level of this financial support will grow by at least £60,000 per year to £118,000 by 2020, with this growth sustained and increased to £166,000 to 2026.
- The establishment of an “Abbey Refectory” at Abbey Chambers would complement the local visitor and city centre, create 25 jobs and enable work with Bath City College to develop apprenticeship roles. A social enterprise model would be explored for this new business.
- In addition to the facilities provided through the Footprint programme, a further meeting facility will be established at Abbey Chambers which would be available to local businesses, charities and organisations in the voluntary sector at substantial discounts to market rates.
- In addition to the 171 volunteers currently involved in the work of the Abbey, the Footprint project will generate substantial new volunteering roles to enhance

interpretation, education and heritage opportunities. The asset transfer will provide for new training and support facilities for volunteering at Abbey Chambers, providing initially for 100 new volunteers rising to 137 volunteers by 2020. This, translated into the total number of volunteer time, can be given a value of £129,000 by 2020.

5.9 The RICS Guidance suggests that wherever possible monetary values should be put to benefits “ which might otherwise only be expressed descriptively”, so that the difference between best consideration and the consideration assessed as payable or offered, is matched by the value, expressed in financial terms of the well-being benefits. At least an annualised “benefit” of £57,129 is required for this package of asset transfers using the RICS Guidance approach. These benefits can be “in kind” (i.e., social, economic and environmental benefits) but it is important that the process used for identifying these is robust and justifiable.

5.10 The Table set out in Appendix 3 identifies that the Asset Transfer will generate a minimum of £60,000 in direct annual cash benefits to the local community, primarily by allowing the Abbey to grow its investment in local charitable and other groups. In addition, a monetised figure for additional volunteer hours generated by the scheme is identified as £129,000 and a figure of £5000 has been identified as the benefit for local community groups of meeting facilities offered at below-market rates. When read alongside other benefits such as increased employment, it is considered that the benefits of the transfer are commensurate with the reductions arising from less than best consideration.

## **6 RATIONALE**

6.1 This option has been chosen as it enables the Council to secure significant investment into a local asset whilst securing its future to deliver clear and sustainable social, economic and environmental benefits to local communities. It therefore helps to deliver the Council Corporate Strategy aim of supporting community asset transfers “where this can be achieved without excessive cost to the Council and where community benefits clearly arise”.

## **7 OTHER OPTIONS CONSIDERED**

7.1 A disposal at best consideration would result in the Abbey being unable to deliver the various activities of community benefit, identified in this report

## **8 CONSULTATION**

8.1 Cabinet members; Section 151 Finance Officer; Chief Executive; Monitoring Officer

## **9 RISK MANAGEMENT**

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

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<b>Background papers</b>	<p>COMMUNITY ASSETS TRANSFER PROGRAMME- February 2013 <a href="https://democracy.bathnes.gov.uk/documents/s24273/">https://democracy.bathnes.gov.uk/documents/s24273/</a></p> <p>RICS Guidance Disposal of Land at less than best Consideration</p> <p><a href="https://democracy.bathnes.gov.uk/documents/s34180/Appx%201%20RICS%20Local%20Authority%20Asset%20Management%20Best%20Practice%2007%20Disposal%20of%20Land%20at%20less%20than%20Bes.pdf">https://democracy.bathnes.gov.uk/documents/s34180/Appx%201%20RICS%20Local%20Authority%20Asset%20Management%20Best%20Practice%2007%20Disposal%20of%20Land%20at%20less%20than%20Bes.pdf</a></p> <p><a href="#">Abbey Chambers Lease Agreement</a></p>
<p><b>Please contact the report author if you need to access this report in an alternative format</b></p>	