

Meeting EXECUTIVE
Portfolio Area RESOURCES & COMMUNITY
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THE FUTURE OF FAIRLANDS VALLEY FARMHOUSE

<KEY DECISION>

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1 PURPOSE

- 1.1 To report on the community bid process for the Fairlands Valley Farmhouse (FVF) following its listing as an Asset of Community Value (ACV).
- 1.2 To make recommendations for the future of FVF following evaluation of the two community bids received.

2 RECOMMENDATIONS

- 2.1 That neither of the community bids be accepted for securing the future of FVF on the basis of the reasons stated in this report (see Section 4).
- 2.2 That the Strategic Director (TP) be authorised to progress the negotiations for the freehold sale of FVF to a third party commercial interest which had commenced prior to the ACV process.

- 2.3 That the Strategic Director (TP) be authorised, having consulted the Portfolio Holders for Resources; Communities, Community Safety & Equalities and for Neighbourhoods and Co-operative Working to finalise the terms of the sale of the freehold of FVF to that third party commercial interest.
- 2.4 That should the negotiations referred to in 2.2 above fail to result in a sale, the Strategic Director (TP) be authorised to re-market FVF.

3 BACKGROUND

- 3.1 Set in Fairlands Valley Park, FVF and associated land was acquired by the Development Corporation during the early stages of land assembly for the new town.
- 3.2 FVF was leased by the Council to Digswell Arts Trust (DAT) between 1993 and 2016.
- 3.3 The Council's Executive considered options for the future of FVF in December 2007 and approved its marketing and sale for use as a public house/restaurant. Following formal marketing exercises in 2008 and 2011, no formal offers for FVF were received. The future use of FVF has since attracted a lot of interest from the local community.
- 3.4 From 2008 to 2016 DAT were able to remain in occupation throughout this period of uncertainty. A good working relationship was maintained with DAT which helped keep the building secure. However, in more recent years the building suffered increasing vandalism and security issues and became unmanageable for DAT to the extent that they decided to vacate in December 2016.
- 3.5 FVF has been vacant since December 2016. Since then, it has been broken into and suffered further vandalism. The Council has provided additional security measures including CCTV and regular security patrols.
- 3.6 In September 2017, the Council carried out a Condition Survey Report of FVF which identified costs of c £630,000 to restore the building to a reasonable standard (excluding any measure for fitting out or change of use).
- 3.7 Any disposal of FVF has to be for an acceptable planning use commensurate with an understanding of public sensitivities around its setting, history and the Council's freehold title.
- 3.8 The Council's decision to dispose in 2007 resulted in a third party submitting an application for FVF to be protected resulting in it being listed as a Grade 2 building of special architectural or historical interest in January 2009.
- 3.9 In July 2013, Executive reiterated the Council's intention to dispose of FVF by including it in a list of assets for disposal.
- 3.10 An expression of interest from a pub restaurant operator for the FVF site progressed with serious negotiations being pursued and a formal offer was submitted to the Council. However, this offer was subsequently withdrawn in June 2016.
- 3.11 Following the withdrawal of this offer, the Council decided to undertake a soft marketing exercise to explore if there was any other interest from similar

pub/restaurant operators. Particulars were sent to 9 selected companies. This resulted in an expression of interest from one pub/restaurant operator and discussions were commenced.

- 3.12 Under the Localism Act 2011, the Council is required to maintain a list of Assets of Community Value ("ACV"). Once land or a building is listed as an ACV, the landowner must notify the Council if they wish to dispose of it. There is then a 6 week "initial moratorium period" during which a community group can give notice to the Council that they wish to be given the opportunity to bid for the ACV. If such a notice is received there is a 6 month moratorium period during which the landowner can only dispose of the ACV to a community group. This gives community groups more time to make a bid and raise funds.
- 3.13 Stevenage World Forum nominated FVF as an ACV and the Council registered FVF as an ACV in September 2017.
- 3.14 The Council as landowner gave notice of its intention to dispose of FVF, and a community group gave notice in the "initial moratorium period" that it wished to be treated as a potential bidder, triggering the full 6 month moratorium period.
- 3.15 The Localism Act does not require the owner of an ACV to dispose of the ACV to a community interest group or even to negotiate with such groups. The Council however indicated that it would consider bids for the freehold of FVF from such groups which it received during the 6 month moratorium period. In order to assist bidders, guidance notes were issued (attached in the Appendix) and accompanied viewings were arranged. The Council also shared its Condition Survey of FVF and community groups were encouraged to discuss their proposals with the Council's Planning Department and to consult WENTA to assist in the formulation of their bid. The Council wanted to ensure community groups had adequate access to local business planning support but it is understood bidders did not subsequently consult WENTA.
- 3.16 Two bids were received which have been assessed by Council Officers.
- 3.17 Both bids preferred the grant of a long lease as opposed to freehold sale.
- 3.18 Bid One proposed use of FVF "for development as a community resource for healthy living and arts, heritage, cultural and environmental activities".
- 3.19 Bid Two proposed use of FVF as a farm "to operate the site as a living heritage asset to enhance the well-being of residents and visitors to Stevenage."
- 3.20 The two bids included commentary on the community group's current status and/or proposed status, fund raising, financial and timescale requirements for delivery of their proposal for this purpose.
- 3.21 Negotiations with the potential commercial purchaser have been "on hold" since the commencement of the ACV process but the pub/restaurant operator has confirmed that it remains interested in purchasing the freehold of FVF.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 Officers recognised and appreciated the passion and aspiration behind the content of both bids but having fully considered each of them have determined that the risk to the Council in accepting either bid is too high for the reasons outlined below (see 5).
- 4.2 The proposed use for FVF in both bids does not adequately address evidenced community demands. Bid One provides a list of user groups, with an interest in utilising FVF, but it is unclear whether this is as a result of limited capacity at other community venues in the area or would lead to the displacement of groups from other community venues. Whilst there is strong reference to the council's cultural and health and wellbeing strategies in this bid it is unclear how the proposal will specifically address some of those objectives. Bid Two identifies online support and the potential for day care provision to be provided from the site, but does not address the suitability of the building for this purpose.
- 4.3 Both bids seek a long lease of FVF rather than its freehold transfer. One states that if SBC requires the transfer of the freehold interest it would offer £1 for it and the other that it is willing to take on a long lease with a view to buying FVF at a later date for a nominal sum. The Council's preferred disposal is of the freehold interest in order to remove any residual liability for the building having regard to the complex issues associated with Grade 2 listing.
- 4.4 The Council acknowledges the capital cost of renovating this Grade II listed building suitable for public use and the obvious uncertainty that bid funding would entail for a community group; however neither bid provided a robust financial strategy and both are uncertain regarding the outcome of securing the necessary funding.
- 4.5 The bids did not provide details on holding costs pending transfer of the Asset. The Council has provided CCTV and security patrols to mitigate the risk of further vandalism.
- 4.6 Analysis of the financial elements of the bids is included in the Financial Implications section below
- 4.7 The Council is a co-operative council and as such is committed to co-operative working and to meeting its priorities, including financial security within the Future Town Future Council (FTFC) programme. The Council needs to ensure that it can fund its priorities and accepting either bid would mean foregoing a significant capital receipt and retaining a high level of risk.

5. IMPLICATIONS

Financial Implications

- 5.1 Capital and Revenue Resources and the Capital Programme

- 5.1.1 The Council's ability to fund its General Fund capital programme has been difficult over the last few years as need has outstripped available resources, capital works have had to be bid for and limited to capital resources or receipts available. This is despite the General Fund making a significant revenue contribution to capital works circa £500K per year. The recommendation to dispose of the farmhouse was to generate a capital receipt to support the Council's ability to do the limited higher priority capital works to its assets.
- 5.1.2 FVF is also having an impact on the Council's revenue resources. In the last two years an additional £23,600 of revenue spend has been incurred, which does not include the cost of officer time required in securing the building. The driver for disposal of the asset is also to reduce the revenue financial liability to the Council of the building by transferring the restoration of the building with its protected listed status to a third party.
- 5.2 Bid one
- 5.2.1 The first bid considered was from a collective of local groups which was not yet formed as a legal entity. The Council in carrying out its fiduciary duty on behalf of the taxpayer would want to be clear about the status of the organisation, its trustees and its rules regarding any surpluses or how the building was to be operated.
- 5.2.2 The submitted bid preferred the grant of a lease rather than freehold sale which would mean the financial liability for the building would remain with the freehold owner, i.e. the Council. This would include any financial liability and damage to persons in the event the condition of the building deteriorates further. Part of the rationale for disposing of the building was to transfer on-going liability and cost of renovation of the building to a third party. Although the bid does suggest that if the Council required a freehold sale then a price of £1 could be given, it goes on to state that 'some of the covenants may impair our ability to raise the funds from major heritage funders if they were included in a freehold arrangement. Any future agreements must take this possibility into account and no agreement could be signed before having undertaken due diligence and sought confirmation from potential funders that the proposed agreement does not preclude any application for funding'.
- 5.2.3 The bid requires an initial £1.5Million to be raised plus a further £400,000 for the second phase of the bid, in total £1.9Million. These monies need to be fund raised and the bid identifies a period of three years to acquire all the necessary funding. The bid includes a fund raising strategy. The risk to the Council is that under a lease arrangement the liability for the building is retained by the Council (as freehold owner). The question remains as to how does the bid prevent the building deteriorating any further or mitigate the cost to the council of security or preventive works in the intervening uncertain period.

5.2.4 Bid one does include an indicative operational budget which is based on a 50% occupancy rate but this still assumes 550 individuals per week, giving a surplus of £16,800 per year. However it is likely in the earlier years there would be more costs incurred and only £2,000 is included for general building maintenance. Should the income for courses be 15% less than estimated, on a pro-rata basis this would mean an annual deficit.

5.2.5 Taking into account the following points, the S151 Officer considers that the risks of approving bid one outweigh the benefit of disposing of the building by a freehold sale.

- The length of time to raise the funding and the amount of funding required and the level of funding to date
- The bid is from an unincorporated body
- It is not clear from the bid how any holding costs will be funded prior to improvements being completed.
- The liabilities that remain with the Council during that three year period, including risk to persons gaining entry to the property
- The indicative operational budget which only includes minimal maintenance costs for a listed building
- No contribution to the Capital Strategy

5.3 Bid Two

5.3.1 The second bid considered was from an organisation which was incorporated as a charity by 21 April 2018. The Council in carrying out its fiduciary duty on behalf of the taxpayer would want to do any due diligence on its trustees and its rules regarding any surplus. Unlike bid one, this bid was far briefer in detail and did not include a business plan for FVF but a cash flow for another property as an indication of the methodology, this does not indicate how the financials would be sustainable for FVF specifically. The building example given in the bid relied on ticket income of 10,000-12,000 paying visitors, which for FVF and its location does not seem realistic. This business plan also required significant fund raising to be used in the early years of the plan to make it financially viable.

5.3.2 As with bid one, the second bidder recommended initially a lease rather than a freehold sale (with a view to buy at a later date for a nominal sum) which would mean the financial liability for the building (for at least the initial years) would remain with the Council as freehold owner. This would include any financial liability and damage to persons in the event the condition of the building deteriorates further.

5.3.3 The bid did not identify the amount of funding required to bring the property into operation. A number of fundraising events are planned and a funding page on a funding platform indicated that the amount of monies required are £707,026, which is slightly more than the condition survey costs of c£630,000 identified by the Council. However this did not include for any conversion use

(into a farm as a living heritage asset) or other adaptations. These monies need to be fund raised and the bid does not identify a time period for this, other than the 'summer months' and to date only £740 has been raised on the platform. The risk to the Council is that under a lease arrangement the liability for the building is retained by the Council and the question remains how does the bid prevent the building deteriorating any further or mitigate the cost to the council of security or preventive works in the intervening period. None of these issues are addressed in the bid or a timetable for fundraising or indeed is there a fund raising strategy set out in the bid.

- 5.3.4 Bid two does not include an operational budget relating to the farmhouse or how holding costs of the building will be funded prior to any improvement works. Given that there is no business plan pertaining to the property it means no assessment can be made of its viability.
- 5.3.5 Taking into account the following points, the S151 Officer considers that the risks of approving bid two outweigh the benefit of disposing of the building by a freehold sale:
- The timetable for fundraising is not clear and the minimal level of funding to date
 - The liabilities that remain with the Council during that three year period, including risk to persons gaining entry to the property.
 - It is not clear from the bid how any holding costs will be funded prior to improvements being completed.
 - There is no business plan to assess for future sustainability, the plan submitted relate to a different building.
 - The cost of improvement (identified from a fundraising platform and not included in the bid) of circa £700,000 is only £70,000 more than the works assessment by the Council to restore the building into a reasonable standard for potential occupancy (excluding any measure of fitting out).
 - No contribution to the Capital Strategy

5.4 Legal Implications

- 5.4.1 Now that the 6 month moratorium period (during which the Council could only dispose of FVF to a community interest group) has ended, the Council is free to dispose of FVF to any purchaser within the "protected period" of 1 year from the end of the moratorium period. This protected period will end on 25 March 2019.
- 5.4.2 If the Council decides to sell FVF and does so by 25 March 2019 then FVF will be removed from the ACV list. If it does not sell FVF by 25 March 2019 then the Council as landowner will have to serve a fresh notice of its intention to sell the ACV, triggering a new moratorium period .

5.5 Risk Implications

- 5.5.1 The recommendation not to proceed with either of the two community bids centres on the risks this would leave to the Council. The more favourable of the two bids sought the grant of a long lease which would leave the Council as landlord with residual liability associated with the Grade 2 listing.
- 5.5.2 Both bidders have said they would take the freehold either immediately or in the future if required. If the Council proceeded with a transfer of the freehold, there would be a risk that a bidder then owns the freehold but may not be in a position to deliver the building into the standard commensurate with its grade II listing or maintain the building given its lack of financial backing and the uncertainty of fundraising.

5.6 Policy Implications

- 5.6.1 The recommendation not to proceed with either community bid has been considered in relation to the General Fund Asset Management Strategy and does not conflict with the council's proposed approach to community involvement in asset management.
- 5.6.2 Both bids seek to protect a heritage asset reflecting the council's cultural ambitions to celebrate the heritage of Stevenage. The recommendation does not disregard this ambition. The architectural heritage of the asset remains protected for any future use through the Grade 2 listing status.
- 5.6.3 Bid One also seeks to deliver the ambitions of the Healthy Stevenage Strategy by providing space for health and wellbeing activities, although it is unclear whether there is a shortage of community venues in the local area to provide these activities from. The recommendation not to proceed with the bid does not conflict with this strategy but further consideration should be given to other ways in which the council can support the delivery of these activities if they are successfully addressing local health and wellbeing ambitions.

BACKGROUND DOCUMENTS

All documents that have been used in compiling this report, that may be available to the public, i.e. they do not contain exempt information, should be listed here:

BD1 Localism Act 2011, sections 95 – 98

<http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted>

BD2 The Assets of Community Value (England) Regulations 2012

<http://www.legislation.gov.uk/ukdsi/2012/9780111525791/contents>

APPENDIX

ACV Nomination Guidance to Community Groups wishing to make a bid