

Asset Transfer of Castle Cary Market House

Executive Portfolio Holder: Henry Hobhouse, Property & Climate Change
Ward Members Cllr Henry Hobhouse & Cllr Nick Weeks
Strategic Director: Vega Sturgess, Strategic Director Operations & Customer Focus
Assistant Director: Laurence Willis, Assistant Director (Environment)
Service Manager: Laurence Willis, Assistant Director (Environment)
Lead Officer: Laurence Willis, Assistant Director (Environment)
Contact Details: laurence.willis@southsomerset.gov.uk or 01935 462428

Purpose of the Report

To seek approval for transferring Castle Cary Market House to Castle Cary Town Council (CCTC) under the SSDC Asset Transfer Policy and to agree a lump sum payment, in lieu of a programme of repairs and maintenance to the building.

Forward Plan

This report appeared on the District Executive Forward Plan with an initial anticipated Committee date of March 2016. This was moved forward a month to allow time for the business plan and a valuation of the premises to be completed

Public Interest

- SSDC has an Asset Transfer Policy that allows community groups and Parish & Town Councils to request the transfer of an SSDC asset to the community
- SSDC and CCTC have spent 10 years achieving a substantial renovation programme on key aspects of this Grade 2* listed building, which is the civic centre for the town
- The conclusion of this work is to transfer the asset back to community ownership now that conditions are right for this to be maintained sustainably within the community

Recommendations

It is recommended that District Executive:

- (1) Agrees to the transfer of Castle Cary Market House to Castle Cary Town Council on a 999-year peppercorn lease
- (2) That, subject to finalising terms, a capital dowry of £45,000 is transferred to the Town Council in respect of an outstanding programme of refurbishment that is required in the short and medium term
- (3) Note that current income streams from existing tenants will also be transferred to Castle Cary Town Council along with the management of the property
- (4) That £7,350, being the difference between the income from existing tenants and budget allocated to the property be added to the Medium Term Financial Plan

Background

The Market House is historically significant, built in 1855 to replace a former market building of 1616. It was constructed by Castle Cary Market House Company in expectation of an increase in trade to be brought by the railway. It is a high quality, prominent feature in the centre of Castle Cary and is now familiar and recognisable as part of the identity of the town. Pevsner Architectural Guide describes it as 'an excellent centrepiece'.

This and the fact that it was designed by F C Penrose, a major architect of the C19th, gold medallist and president of the RIBA, gives it Grade 2* listing. It is therefore considered within the most important 10% of buildings nationally.

This status means that alterations come under extensive scrutiny from Historic England and the National Amenity Society which place considerable obligations for careful upkeep on an owner. With a building over 150 years old, inevitably there are on-going repair obligations. It was this burden which led to the building being passed to the District Council by the Market House Company in 1991; the Company had insufficient resources and was failing to maintain it. Having taken on the building in a state of disrepair the District Council implemented a programme of improvements

The building is now held by the District Council as a commercial asset. The historic nature of the building and its configuration mean that the rental yields are lower than that of conventional a unit. Currently income is as follows:

| Space | Annual Income | Rent review |
|--------------|-----------------------------|---|
| Ground floor | £2,250 + 11% service charge | April 2017 – this will take account of enhanced use of the space |
| First Floor | £2,700 | Done in 2014 – staged rise to be implemented from Oct 2015 |
| Second Floor | £3,600 | Completed November 2011 – there are no rent reviews between now and the end of the term in March 2020 |

Following consultations on the Town's Community Plan in 2005-06, the Market House project emerged from a household survey as the highest priority for local residents and on this basis the Town Council approached SSDC with a view to making further improvements to the building. A jointly commissioned feasibility study, completed in October 2006, resulted in a preferred option. Following two unsuccessful funding bids and with costs for the preferred scheme approaching £1million, in a climate of retracting grant funds, it meant that this scheme was undeliverable.

A more modest phased project has been undertaken in the last 5 years. Phase 1 involved improved access to the front of the building creating an accessible toilet and the creation of small office/meeting room. Phase 2 involved enclosing The Shambles area to become an inside multi-user space suitable for exhibitions, events, etc. and hireable for a wide range of community activities. Other improvements included a platform lift, due to the level changes across the ground floor and weather screening to the north-east end of the Undercroft and other conservation work.

The total project costs have been in the region of £429,000 with SSDC contributing 40% of this cost through its Capital Programme, with the balance being secured by the Town Council through precept, fundraising, grant applications, etc.

Since Phase 2 was completed and the building re-opened in February 2014, it has been actively promoted as a community facility and has hosted a wide range of community events. Usage has exceeded predictions and the building has once again has become a real focal point for the town.

An explicit part of the Partnership Agreement with Castle Cary Town Council over the last 10 years has been to return the building to community ownership in due course. This was also referred to in the Corporate Capital bid for funding the improvement works. Over the last year detailed work has been undertaken to update the building maintenance schedules and planned repairs for this building and to identify acceptable terms on which it can be transferred back to community ownership, with a good prospect of being sustained in the long-term.

Asset Transfer – Policy Context

The Council's Asset Transfer policy makes provision for the transfer of land/property at less than best consideration on a leasehold basis, where:

- the disposal is likely to contribute to the promotion or improvement of the economic, social or environmental wellbeing of its area
- the local body, group or association is properly constituted and managed and is prepared to enter into an appropriate agreement with the Council
- the group provide a business plan that is acceptable to the Head of Finance; *the business plan must be realistic and include no future expectation/request for funding from SSDC. Where the business plan is a radical change from before the transfer, the group need to demonstrate their ability to raise the revenue. Evidence will be needed to reflect future maintenance and ability to fund repairs.*
- there is evidence that both the future management of the building and the services delivered would improve/respond better to local needs

The policy includes a checklist of qualifying criteria (attached at Appendix 1). As part of this process the District Council undertakes to assess the building's condition/ future maintenance liabilities and is clear that there should be 'no future expectation/request for funding from SSDC'.

Process for the Market House

As part of the lead in work on the asset transfer, reports by Philip Hughes Associates (jointly commissioned with the Town Council) and Kirkham Board have revealed desirable repairs and maintenance work costing an estimated £193,000 however, further refinement has been undertaken to pin down the works that are needed over the next 10 years and these amount to £104,500. This figure excludes £80,000 of desirable fire resistance works in several parts of the building which are not currently required by fire safety legislation. There is a risk to whichever party has the building going forward that these fire resistance works may be necessary to meet requirements in the future. A summary of the ten year works programme with indicative costings is attached at Appendix 2.

The proposed transfer was discussed at a meeting of the Strategic Asset Steering Group. They asked officers to carry out further work on the terms and costs associated with the disposal of Castle Cary Market House to the Town Council, to liaise over the detail of this with the Town Council, to refine and agree the way forward. This work has now been concluded and resulted in the following options for consideration:

1. To retain the building in SSDC ownership, continue to lease out the 3 levels to the 3 current tenants and to meet our obligations to keep the building in good heart

2. To undertake an asset transfer, on a leasehold basis to Castle Cary Town Council with an appropriate payment (to CCTC) in lieu of necessary repairs to the building in the short to medium term.
3. To undertake an asset transfer, on a freehold basis to Castle Cary Town Council with an appropriate payment (to CCTC) in lieu of necessary repairs to the building in the short to medium term.
4. To offer the freehold of the building up for sale and dispose of it with sitting tenants to the highest bidder

The Officer Working Group has considered all of the above options and has discussed the way forward with Castle Cary Town Council, who have made a major contribution to the building and use it as their town base. Subject to agreeing terms it was felt that Option 2 above was likely to be the most acceptable option for both parties.

There is a long track record of partnership working with Castle Cary Town Council on this and other projects, throughout which they have demonstrated sound planning and strong financial management. As a precepting body in their own right and as a competent organisation, with an income pattern established, the Town Council now feels that they are able to consider a transfer.

Bearing in mind the historic nature of the building and the more onerous maintenance obligations (compared to more modern premises) the Officer view is that we should proceed with a disposal under the Asset Transfer Policy and that a sum of £45,000 should be granted to the Town Council in lieu of the necessary repairs. This would be a one-off contribution to the Town Council and would release the District Council of its onward obligation to the remaining £59,500 of repairs which would need to be budgeted for over the next ten years. The Town Council has been made fully aware that, in line with our Asset Transfer Policy, there should be 'no future expectation/request for funding from SSDC' in relation to this building.

The Town Council's preference is for this to be on the basis of a long lease as it is considered that this affords the maximum protection of the building as a community facility into the future. In the long term it is impossible to predict what practices and policies would be adopted by either organisation and therefore it is felt the long lease offers the best opportunity for preserving the building as a civic focal point for future generations.

Heads of Terms

1. 999-year peppercorn lease
2. £45,000 contribution towards outstanding programme of repairs and maintenance that is required in the short and medium term
3. No future contribution by SSDC to future maintenance/repairs in line with Asset Transfer policy
4. Funding to be ring-fenced for maintenance/repairs in line with programme of works, and a 'claw back' condition should the monies not be spent on proposed purpose.
5. Meet own legal and professional costs
6. Alienation clause not to assign or sub let part or all of the lease, unless to another approved public or third sector body.

Financial Implications

The Financial services team has checked the Business Plan presented by the Town Council and confirm that it is sound.

With a programme of maintenance amounting to £104,500 over the next ten years (at today's prices), which would otherwise, wholly fall to the District Council, a £45,000 contribution represents a cost effective proposal. If fire safety requirements change and further resistance works are required in the future, the cost could increase to £184,500.

Annual income currently equates to £8,550 this would not be sufficient to cover the maintenance programme going forward based on today's cost for work. The loss of this income will need to be added to the MTFP, less the existing budget for the Market House of £1,200, making a total of £7,350 as indicated in the recommendations.

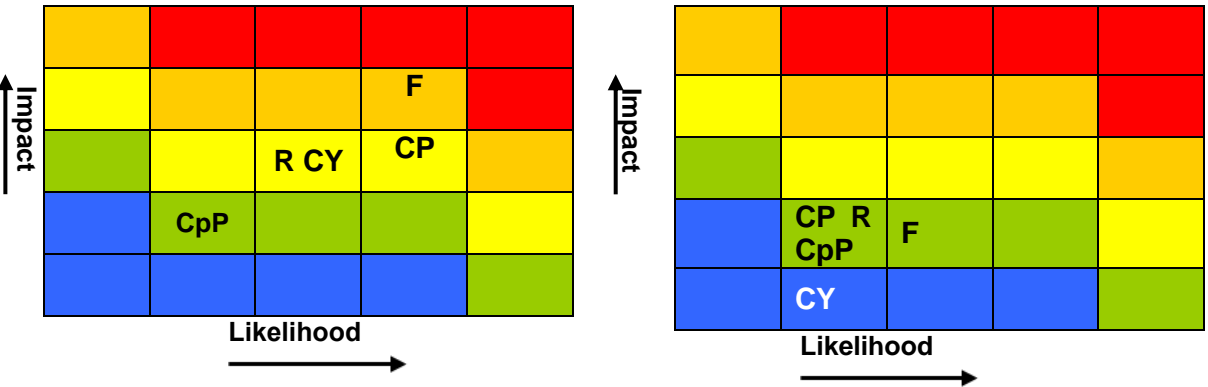
It is therefore proposed that a once off contribution of £45,000 is made from Capital resources to the Town Council in lieu of the necessary repairs. The revenue cost of this in loss of interest is £1,420 per annum.

Given the internal configuration, limited access and listed status of the building, the view of the District Valuer is that the loss of revenue is only measurable if the lease is not on a full repairing basis as it is unlikely that the rents will cover future planned and unplanned maintenance on this listed building.

Risk Matrix

Risk Profile before officer recommendations

Risk Profile after officer recommendations



Key

| Categories | Colours (for further detail please refer to Risk management strategy) |
|---------------------------------|---|
| R = Reputation | Red = High impact and high probability |
| CpP = Corporate Plan Priorities | Orange = Major impact and major probability |
| CP = Community Priorities | Yellow = Moderate impact and moderate probability |
| CY = Capacity | Green = Minor impact and minor probability |
| F = Financial | Blue = Insignificant impact and insignificant probability |

Council Plan Implications

This project supports the following:

- communities that are healthy, self-reliant, and have individuals who are willing to help each other

- The overall requirements of the Government's 'Localism' legislation and working with communities to develop plans for their community.

Carbon Emissions and Climate Change Implications

Carbon emissions from the building will remain the same under different ownership, so no implications.

Equality and Diversity Implications

No changes proposed. It should be noted that the town council has a strong programme of inclusive activities offered from this building. as well as a Local Information Centre staffed by volunteers. This offer will be maintained and developed under their supervision

Privacy Impact Assessment

No personal data has been used in the compilation of this report.

Background Papers

- Asset Transfer Policy 2012
- Area East Committee, Agenda & Minutes March 2013 – confidential item
- District Executive, Agenda & Minutes April 2013 – confidential item

Asset Transfer Policy Qualifying Criteria

| Criteria | Score |
|--|------------------------------|
| Is there already a strong partnership between the local authority and the relevant third sector organisation? <i>NB. It is important that there is historically a strong partnership which shows a good track record of service delivery, governance and financial management</i> | Yes |
| Does the local authority currently own the asset? <i>The asset must be held under powers which permit disposal under the 1972 Act and is compatible with the General Disposal Consent 2003</i> | Yes |
| Does the transfer comply with state aid rules? <i>The local authority must ensure that the nature of the "subsidy" complies with state aid rules, particularly if there is no element of competition in the disposal process</i> | Yes |
| Is the transfer to one 3rd sector partner only? <i>NB. Assets will only be considered for transfer to one party/accountable body</i> | Yes |
| Is the 3 rd sector partner one of the following <ul style="list-style-type: none"> • a Registered (Incorporated) Charity? • Town or Parish Council <i>NB. Evidence of the legal status of the organisation must be provided. We can advise on this. Town & Parish Councils may be considered in exceptional circumstances</i> | Yes Town Council |
| Has initial feasibility work with the area NDO been undertaken? <ul style="list-style-type: none"> ○ Is the asset the most appropriate to meet the needs of the 3rd sector and wider community? ○ Will the asset offer real opportunities for successful and independent 3rd sector organisation to become more sustainable in the longer term? ○ Will the asset provide opportunities for improved service delivery? | Yes |
| Does the 3 rd sector organisation have the capacity to manage the asset effectively? <i>A detailed Business Plan is required as set out in the policy above</i> | Yes checked by Finance |
| Will the asset be made fully available to a wide range of local groups/people, especially those working with disadvantaged communities? <i>As set out in the business plan and constitution of the managing group</i> | Yes |
| Will the asset be maintained/refurbished appropriately. Is there a future maintenance plan and the ability to fund repairs? <ul style="list-style-type: none"> ○ to reflect the needs of users ○ to reflect sustainability eg. use of materials, waste reduction, minimise energy use <i>Evidence must be provided</i> | Yes |
| Is there adequate insurance cover? <i>Evidence must be provided</i> | Yes |
| Have all the suitable transfer arrangements been explored (eg. length of lease etc) | Yes |
| Do the objectives of the 3 rd sector organisation meet with the Council's Corporate Aims & Objectives, and fit with SSDC policies on Community Grants? | Yes |
| Has the Council covenanted where land or buildings may have future development value, to safeguard its long-term interests? | N/A |
| Has SSDC assessed the building's condition and future maintenance liabilities? | Yes |
| Are the relevant legal agreements in place to ensure the asset(s) are not sold on or privately appropriated, except with the Council's consent and have relevant financial clawback provisions been agreed? | Heads of Term tbc |
| Do both parties agree to pay their own legal costs involved in the transfer? | Yes |

Ten Year Works Programme

Castle Cary Market House - Remedial Works Considered for 10 Year Programme

| Description | Location | Element | Indicative Costing from Surveyors/ Quotes £ (excl) VAT | Included in Programme | Excluded from Programme |
|---|--|---|--|-----------------------|-------------------------|
| Scaffolding and works to eaves level and at height to undertake works to 2 no. chimney stacks | Rear elevation and north elevation to West wing | chimney stacks 4,827 r.w.goods 1,000 r.w goods 1,000 chimney lead 2,330 | 9,157 | 9,157 | |
| Scaffolding and works to eaves level and at height to undertake works to 1 no. chimney stacks. Small area of roof repair | The 'Pitchings' elevation and rear elevation to West Wing. Rear elevation to main roof (southern end) | painting bargeboards etc 7,000 chimney stack 1,000 stonework 2,330 stonework 34,808 alter r.w.goods 9,323 | 54,461 | 54,461 | |
| General | Gable end-North elevation | remove ivy 953 stonework 2,330 | 3,283 | 3,283 | |
| General | Front elevation | painting gutter, etc. 868 800 | 1,668 | 1,668 | |
| Cast iron internal columns | Undercroft | treat and redecorate | 2,383 | 2,383 | |
| Front railings | Undercroft | | 1,318 | 1,318 | |
| Improve road surface | Rear of building | | 1,191 | | 1,191 |
| General works to windows | | | 8,715 | 8,715 | |
| Works to stone columns-front elev. | | | 6,000 | 6,000 | |

| | | | | | |
|---|-------------------------------------|---------------------|---------|---------|--------|
| Door bolt problems | Main entrance door | | 2,383 | | 2,383 |
| Veneer damaged | Door of the Shambles | | 238 | 238 | |
| Cleaning of roofspace | Roof to West wing | | 1,500 | 1,500 | |
| Ceiling condition | Dance studio | | 1,211 | 1,211 | |
| Ceiling condition | Room S2 | | 1,211 | 1,211 | |
| Ceiling | Room S4 | | 1,787 | 1,787 | |
| Ceiling-improve fire resistance, etc | Rooms F1, F5, F11, Lobby G8 | | 20,000 | | 20,000 |
| Improve underside of stairs | Stone staircase | | 3,574 | 3,574 | |
| Ceiling-improve condition | Room F10 | | 606 | 606 | |
| Ceiling-improve condition | Offices G9 & G10 | | 238 | 238 | |
| Walls-improve fire resistance, etc. | Room S2-walls to south & east walls | | 20,000 | | 20,000 |
| Walls-improve fire resistance, etc. | Stair S3-south & west walls | | 20,000 | | 20,000 |
| Walls-improve fire resistance, etc. | S4-north & south wall, etc | | 3,574 | 3,574 | |
| Walls-improve fire resistance, etc. | F3, F4, F5, F6, F7, F9 | | 20,000 | | 20,000 |
| Walling-improve | G2 | | 611 | | 611 |
| Walling-improve | G4, G6, G7 | | 2,127 | | 2,127 |
| Walling-improve | G8-south wall | | 2,500 | 2,500 | |
| Carpet | Stairs-F11 | | 450 | | 450 |
| Flooring improvements Blue Lias stone flags | Room G12 | | 2,500 | | 2,500 |
| Handrail improvements | S2, S4 | | 1,000 | 1,000 | |
| | | Column Total | 193,686 | 104,424 | 89,262 |