

**STROUD DISTRICT COUNCIL**  
**STRATEGY AND RESOURCES**

**AGENDA  
ITEM NO**

**12 APRIL 2018**

**10**

<b>Report Title</b>	<b>SUBSCRIPTION ROOMS, STROUD TASK &amp; FINISH GROUP: FINAL REPORT</b>
<b>Purpose of Report</b>	To set out the Task & Finish Group's recommendations to the Strategy & Resources Committee on the offers received for a c30 year lease of the Subscription Rooms
<b>Decision(s)</b>	<b>The Task &amp; Finish Group recommends that the Committee RESOLVES to:</b> a) note that no offers were received for a circa 30 year lease of the Subscription Rooms as marketed b) note that a proposal, for a process leading to a 39 year lease, was received from Stroud Town Council and c) to delegate authority to the Head of Property Services in consultation with the Director of Customer Services and Group Leaders to agree terms for a transfer of the Subscription Rooms and forecourt to Stroud Town Council subject to a report back to Strategy and Resources Committee for approval.
<b>Consultation and Feedback</b>	Stroud Town Council's proposal was published on the council's website on 7 <sup>th</sup> March and the public were invited to submit comments by 19 <sup>th</sup> March. Task and finish group members met with the Sub Rooms staff on 12 <sup>th</sup> March. A Members information evening was held on 14 <sup>th</sup> March and a public consultation event was held on 17 <sup>th</sup> March. Further information regarding feedback can be found at paragraph 5.0 of this report.
<b>Financial Implications and Risk Assessment</b>	This report sets out the proposed process and timetable for the transfer of the Subscription Rooms. As set out within the report, no offers were received by the Council that met the criteria as marketed.  Therefore, the Subscription Rooms will effectively remain a Council-run service for the current financial year (2018/19) with a controllable budget allocation of £227k (as shown in the General Fund Estimates report to Council in January 2018; <a href="https://www.stroud.gov.uk/media/558315/item-5b-recommendation-from-sr-committee-18-january-2018-general-fund-revenue-estimates-revised-2017-18-and-original-2018-19.pdf">https://www.stroud.gov.uk/media/558315/item-5b-recommendation-from-sr-committee-18-january-2018-general-fund-revenue-estimates-revised-2017-18-and-original-2018-19.pdf</a> )

<p><b>Financial Implications and Risk Assessment – Cont'd</b></p>	<p>Whilst the financial performance of the Subscription Rooms has improved during 2017/18, it is recommended this is kept under review to determine whether the current financial performance is likely to continue or represents a deviation from the longer-term historic trend.</p> <p>In approving delegated authority to agree the terms for a transfer of the Subscription Rooms, the original criteria for the transfer (council cost is significantly reduced), and the financial position of the Council (as set out in the Medium Term Financial Plan) must be taken into account.</p> <p>David Stanley – Accountancy Manager (s151 Officer)  Tel: 01453 754100  Email <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a></p>
<p><b>Legal Implications</b></p>	<p>The legal advice referred to in the report of the last task and finish group remains; a transfer to the Town Council will only be lawful if (i) it is in compliance with S123 Local Government Act 1972 and (ii) that the transfer is completed by 31 August 2018 (given the site is a registered asset of community value (ACV) and from September 2018 further advertisement of the intention to dispose will be required). It should be noted that the town council will also need to satisfy the ACV requirements for any subsequent disposal.</p> <p>Therefore to enable the disposal to the town council to lawfully proceed as proposed, the following actions are key:</p> <ol style="list-style-type: none"> <li>1. To avoid the transfer being contrary to S123 LGA 1972, before the transfer is completed a specific consent will need to be obtained from the Secretary of State or, the committee will need to be reasonably satisfied that the disposal is in the interests of the economic, social or environmental wellbeing of the area; AND</li> <li>2. The Council will need to successfully conclude negotiations (as opposed to simply agree heads of terms), ideally establish the charity and resolve the details (which are only currently programmed for completion by end of September), by early August at the very latest to ensure the actual transfer may be completed by 31 August 2018 (assuming always that criterion 1 is met in any event).</li> </ol> <p>(Ref: rc29.3.18d29.3.18)</p> <p>Karen Trickey, Head of Legal Services &amp; Monitoring Officer  Tel: 01453 754364  Email: <a href="mailto:karen.trickey@stroud.gov.uk">karen.trickey@stroud.gov.uk</a></p>

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<b>Options</b>	<ol style="list-style-type: none"> <li>1. Agree terms for a transfer of the Subscription Rooms and forecourt to Stroud Town Council subject to approval by Strategy &amp; Resources Committee as recommended</li> <li>2. Run the Sub Rooms with limited opening to reduce costs</li> <li>3. Close the building</li> <li>4. Remarket the premises for an alternative use</li> </ol>
<b>Performance Management Follow Up</b>	<ol style="list-style-type: none"> <li>1. Listed Building Application submitted by STC by end May 2018</li> <li>2. Heads of terms for a transfer agreed by end June 2018</li> <li>3. Conditions precedents met by end September 2018</li> </ol>
<b>Background Papers/ Appendices</b>	All background documents are available at: <a href="https://www.stroud.gov.uk/subroomsreview">https://www.stroud.gov.uk/subroomsreview</a> <a href="#">Appendix A</a> Stroud Town Council's proposal <a href="#">Appendix B</a> Assessment against SDC's requirements

## 1. Background

1.1 At its meeting on 5<sup>th</sup> December 2017 an amended motion was approved by the Strategy & Resources Committee. Committee agreed not to accept the recommendation of the task & finish group but, to enable the Subscription Rooms:

- (i) freehold to be retained in public ownership,
- (ii) ensure the level of council cost is significantly reduced; and
- (iii) to promote and enhance the availability to the public as a venue for public arts, community use and education

members agreed to advertise the lease (excluding the forecourt) for a circa 30 year full repairing and insuring lease. Bids for the lease were ideally to:

- (i) illustrate how the bidder had engaged the local community
- (ii) set out the implications for exiting council employees and
- (iii) show how they would promote and enhance the availability of the venue for public arts; community use; and education.

Group leaders set up a Task & Finish group to guide the process and report to this meeting on any offers received as a result of any marketing, and, if possible with a recommendation for the future of the Subscription Rooms service. The full minutes are available on the council's [website](#).

## **2. Progress**

- 2.1 Following the committee meeting BK (Bruton Knowles) were instructed to advertise the Subscription Rooms for a circa 30 year lease for use as a public art, community use, and education venue. The property was advertised on the agents' website and in the local press. Previous bidders were also contacted. Supporting documents including a draft lease and offer form clearly indicating which terms were flexible and which were non negotiable were provided to interested parties. The closing date for offers was 5<sup>th</sup> March 2018.
- 2.2 The task and finish group has met ten times, this has included hosting a question and answer sessions for potential bidders before the offer deadline, and afterwards for clarification of any offers received and consulted with staff and the public.
- 2.3 No offers were received by the closing date accepting the council's draft lease and other requirements. However, a proposal was received from Stroud Town Council which is shown in Appendix A. In summary, it is based on partnership working with the district council to establish a charitable trust to run the premises as an arts and entertainment venue, commencing in April 2019.

## **3. Stroud Town Council's Proposal**

- 3.1 The proposal includes a 12 month transition period to allow time for discussion and negotiation with this council. This would enable a charitable trust to be established and a business plan to be developed, including an operational plan, community use strategy and pricing policy with a view to entering into a lease on 31<sup>st</sup> March 2019.
- 3.2 The district council is asked to grant a 39 year full repairing and insuring lease to Stroud Town Council for £1 per annum. It will then grant a sublease to the trust. The town council is asking for a grant or subsidy of £230,000 after the transition period in year 1 (2019/20) from Stroud District Council to the independent charity. The town council is also requesting that structural repairs identified in their structural survey are carried out to the sum of £156,000.
- 3.3 An assessment of the proposal is shown in Appendix B.

## **4 Summary**

- 4.1 Whilst members welcome the offer of working in partnership and the proposal to take a lease of the property, the town council's proposal, is not a firm offer to proceed with a lease of the Sub Rooms.

- 4.2 Amongst other matters, it is dependent on a trust being set up and its business plan is dependent on significant funding from this council as well as works being undertaken to the building which will require Listed Building Consent. The proposal varies from the lease terms offered and doesn't meet the criteria set out by the committee as it is currently framed.
- 4.3 The timescales proposed by the town council continue the uncertainty for staff and users of the Subscription Rooms, as well as continuing the Council's financial subsidy to the Subscription Rooms until a lease is completed.

## **5.0 Recommendation**

However, whilst the task and finish group has concerns over the timescales and financial robustness of the proposal it recognises its merits as a way to potentially meet the objectives set out in the committee's December decision. It also notes the support shown from the recent public consultation, which 71 people attended. In total 159 comments have been received. The majority support Stroud Town Council's proposal, several questioned the proposed increase in income that would be required to sustain the business and some were concerned about the potential closure of the Tourist Information Centre. All comments received are available to view on the council's website at [www.stroud.gov.uk/subsconsultation](http://www.stroud.gov.uk/subsconsultation).

- 5.1 The task and finish group therefore recommends that officers open negotiations with Stroud Town Council for the transfer of the Subscription Rooms, including the forecourt and that any agreed terms are reported back to the July meeting of this committee for approval.
- 5.2 It is not recommended that a new task and finish group is set up, as suggested by the town council. Members will be aware that a task and finish group has no decision making powers and would be an unwieldy and time consuming way to progress any discussions (e.g. adding 3 months in to the start of the town council's outline programme for the transitional period). It is, therefore, proposed that negotiations with the town council are delegated to officers in consultation with group leaders and then brought back to a future meeting of the Strategy and Resources Committee for final approval.
- 5.3 The following programme is also recommended in order to ensure that significant progress is made as quickly as possible and the council can be satisfied that any disposal will promote the economic and/or social well-being of the district.

#### 5.4 Programme:

Date		Event	Responsibility
End 2018	May	Listed Building application submitted for internal works (critical to STC's business plan)	STC
End 2018	June	Heads of Terms agreed for a transfer of the property and Trustees appointed	SDC and STC
End 2018	Sept	Business Plan completed Revised cash flow forecasts Strategies produced Pricing policy set Staffing structure set Trust documents completed Application to register new Trust submitted to Charities Commission (est. 6 months to register)	STC
		Property transfers	STC & SDC

### Assessment against SDC's requirements

The task and finish group agreed assessment criteria for any offers received in line with this committee's decision in December. The full criteria, offer form and lease terms and how the town council's proposal compares to them is summarised and commented on below.

Essential criteria:

- i. The freehold is retained in public ownership - this is achieved through the offer of a lease.
- ii. Ensure that the level of council cost is significantly reduced - the town council has requested that repairs are undertaken estimated at £156k in 2017, and a one-off grant of £230k is given towards working capital for the Sub Rooms in Year 1 (2019/20). The town council has subsequently confirmed that it is willing to underwrite any deficit above that shown in its current cash-flow forecast and no further funding would be required of or requested from SDC.

Because of the suggested timescale for completion of a lease in 12 months time, it should also be noted that the council would have to continue its current subsidy of the Sub Rooms for the next financial year (budgeted £227k). The town council will contribute working capital of £50k and meet the insurance premium for the property. Any delays to the process would lead to continuing costs for this council.

On this basis the council is being requested for £64k less than in the town council's previous bid (£450k) next year's subsidy is ignored, but expenditure on the Sub Rooms would be capped and cease at the end of next financial year (2019/20)

- iii. To promote and enhance the availability to the public as avenue for public arts, community use and education – the town council's proposal states that it is 'committed to maintaining and developing the Sub Rooms into a leading public arts and cultural venue with affordability, accessibility, community and education at its heart. This includes interior remodelling of the building to improve visitor experience and maximise income potential.' It envisages establishing a charitable trust and working with it to develop a detailed community use strategy, arts and education strategy and pricing policy.

The town council provided further information on its intended programming when it met with the T&F group on the 13<sup>th</sup> March,

As with its previous bid it intends a significant shift to more live events and screenings

These strategies, pricing policy and the programme are important to the council's consideration of the proposal in terms of establishing that the grant of a lease to the town council at less than best consideration will be in the social and/or economic interests of the district.

Desirable Criteria:

- iv. Illustrate how the bidder had engaged the local community – the town council has provided information and evidence of its engagement with key partners, local stakeholders, community groups, a survey (667 respondents) and drop-in session at the Sub Rooms. It also attended the council's drop-in session on the 17<sup>th</sup> March.
- v. Set out the implications for exiting council employees – the town council anticipates all staff on qualifying contracts (and not TIC staff) will transfer under TUPE, but pension arrangements will alter, by agreement, as staff would have to transfer to a non-local Government Pension Scheme.
- vi. Show how they will develop the venue for public arts, community use and education including a community use strategy and pricing policy – see comments at iii. above

The offer form also required details of timescales proposed, financial information: and provision for the Tourist Information Centre

- a) Timescales - as the lease was drafted with few terms that were negotiable, it was envisaged that a lease could be entered into by June 2018. The town council proposes to enter into a lease at the end of March 2019, some 9 months later, due to its wish to set up a charitable trust, refine the business plan, develop and promote programming and various strategies, obtain planning permission for internal re-structuring, develop the pricing policy and fund raise during this 'transition period'. There are no guarantees that the town council will be able to meet these timescales.
- b) Financial information – a 5 year cash-flow forecast, capital information and funding sources have been provided. The Accountancy Manager and Principal Accountant provided the following commentary to the task and finish group in March 2018, before the group met with the town council:



## 5-year cashflow

- TOTAL Income projection increases from £390,800 to £744,042 over 5 year period
- Main component of income is Live Events – income increases threefold over this period (£130,000 to £387,850). Is this supportable? - no evidence or assumptions provided that validate this increase. Live Events income is around 52% of TOTAL income in Year 5. Year 1 income projections are higher than 2016/17 actual or 2017/18 outturn forecasts
- TOTAL Income also dependent on funding from external bodies, fund raising, donations. £56,800 in Year 1 increasing to £98,492 in Year 5. Approximately 13% of total income in Year 5.
- Direct expenditure margins seem reasonable but linked to Income projections
- Overheads for certain areas seem low – Premises repairs and maintenance (below actual expenditure), Legal and Professional support (£1,000 for Legal/Finance/HR?)
- Staffing costs assume high level of volunteer hours for live events, box office etc.
- Business Rates – cashflow assumes 80% mandatory relief is gained

## Other points

- Capital works of £350,000 have not been included in the 5 year cashflow. It is assumed in the bid document that this would be met from external bodies, grants etc. How is the long-term viability of the bid impacted by this? If the funding cannot be gained, what is the impact?
- Included in the £350,000 figure is around £40,000 of works that the cashflow forecast assumes will have been completed – no funding identified. What is the impact on the cashflow model if these works are not completed?
- The cost of the Porte-cochere at £150,000 is not included in the £350,000 Capital works estimates.

The task and finish group sought further information and clarification when it met the town council on the 13<sup>th</sup> March, with the view that the income projections remain ambitious and some expenditure low. The town council has taken advice from Locality (Locality describes itself as ‘the national network of ambitious and enterprising community-led organisations, working together to help neighbourhoods thrive’) and is confident that it has been realistic in its income projections. It is also willing to amend the expenditure figures on further information from this council. Clearly further refinement of the cash-flow forecasts may be required.

The town council is confident in its own and any trust's ability to fund raise and secure grant funding from various sources. The notes from this meeting are available on the council's website at [www.stroud.gov.uk/subsconsultation](http://www.stroud.gov.uk/subsconsultation).

c) Tourist Information Centre (TiC)

The town council's proposal does not provide accommodation for the TIC and it would have to relocate from the building, subject to Community Services and Licensing's decision on the future of the service.

**Lease terms.**

The following paragraphs set out the significant changes to the council's draft lease terms as proposed by the town council and the task and finish groups view of them:

Term	Comment	T&F's view
Rent: - £1 per annum.	this would be a disposal at less than best consideration. To legitimately transfer the Sub Rooms to the town council, the council must be satisfied that the disposal will promote the economic and/or social well-being of the district. In the absence of a robust case establishing such, the disposal is certainly open to challenge.	Acceptable
Term - 39 years	a longer term is required in order to secure grant funding (35yrs+)	Acceptable
Demise: Subscription Rooms <u>and</u> Forecourt	the forecourt is included in the proposal but was specifically excluded in this committee's recent decision in December (due to concerns that the public's access across and use of it could be restricted). However, officers would recommend the inclusion of the forecourt with any lease (for practical management reasons)	Acceptable

<p>Repair and Decoration: Structural repairs undertaken and funded by SDC. Schedule of condition required</p>	<p>a schedule of condition limits a tenants requirement to keep the property in a good state of repair and decoration to the condition at the date it is let. It was specifically excluded in the terms to ensure that the property is put and kept in good repair and decoration. Officer's advice is that it should not be conceded.</p>	<p>Undertaking structural repairs (£156k) – acceptable  Schedule of condition – no view expressed.</p>
<p>Use clause – the Town council wants the references to the community forum deleted from the clause although it is in agreement for a forum to operate as outlined in the S&amp;R motion</p>	<p>this Clause includes as to how any tenant will engage with the community forum: the town council's solicitor raised concerns as to the impact on the management of the venue if it remains . Officers advice is that these clauses protect the council's objectives should the lease be assigned or sublet and should remain.</p>	<p>No consensus</p>
<p>Other conditions The town council has asked for an indemnity for the restrictive covenant on the property's title or consent to it being lifted by any successors in title</p>	<p>this is not possible and it is difficult to see why the town council or any assignees or sub-tenants would be in breach of the covenant, if they comply with the use clause and delivers the programme of events it is proposing</p>	<p>Not discussed</p>