

STRATEGY AND RESOURCES COMMITTEE
17 NOVEMBER 2015

HORTON CHAPEL

<u>Report of the:</u>	Head of Legal & Democratic Services
<u>Contact:</u>	Simon Young
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	Annexe 1: Background to acquisition and action to date Annexe 2 (considered exempt from publication): Financial background
<u>Other available papers (not attached):</u>	Previous reports to committee Title Documents, and associated documents Agreements under which funding was provided. Project papers.

REPORT SUMMARY

A report summarising the position in relation to Horton Chapel and seeking agreement to a way forward to result in the disposal of the Chapel by the Council, either to an organisation for provision of a community facility, or on the open market.

RECOMMENDATION (S)

It is recommended that the Committee:

- (1) Notes the position to date.**
- (2) Authorises officers to engage an agent to market the property for freehold disposal.**
- (3) Authorises officers to agree allocation of funds, for the purposes of the marketing exercise.**
- (4) Agrees that the period for submission of bids be 4 months.**
- (5) Makes such other recommendations as they consider appropriate.**

Notes

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1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 Resolving the long running issue of what to do with Horton Chapel is relevant to the Council's key priority of Managing Resources – utilising the Council's limited resources in the most efficient and effective way. Depending on what is ultimately achieved, the project could contribute in some way to each of the other key priorities.

2 Background

- 2.1 A note setting out the background to how the Council acquired Horton Chapel and what it has done since that date is set out at Annexe 1.
- 2.2 Most recently, members will note that the Council sought to progress a project which would have led to the redevelopment of the Chapel to provide office space for a medical enterprise, together with provision of a community hall. Unfortunately the development partner decided not to proceed, and the project therefore failed to complete, leaving the Council once again to consider its options for the Chapel.
- 2.3 The project had reached a fairly advanced stage of planning. An architect was engaged to prepare a preliminary development scheme, and consult on this with the Council's planning team. The proposed scheme was costed and, although it must be acknowledged that the costs are far from certain, the scheme as it stood when the project stalled was costed at £2.4million.
- 2.4 The Council sought to obtain an independent professional valuation from the District Valuer Service of the property in its current condition, and valuation if the project had proceeded as planned. The precise valuations are set out in Annexe 2, as these are considered to be exempt from publication in light of the possibility that the Chapel may be sold. However, it is fair to note that the Chapel in its current condition is considered to have a low value, and even after redevelopment would have a value below the estimated cost of the works required to bring it back into use.
- 2.5 Since the failure of the most recent project, due to withdrawal of the prospective development partner, the Council has received expressions of interest from a number of different "community" groups, as well as occasional speculative interest from public sector (health and local authority) and commercial organisations potentially interested in developing the Chapel for uses related to their business.
- 2.6 In relation to the community groups, none has yet been able to produce a costed plan, and this has been in large part due to lack of clarity on their part as to the funds which would be available to support redevelopment of the Chapel. If the proposals in this report are agreed, then a way forward to assist those groups, along with anyone else interested in the property, would be in place.

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- 2.7 On 29 October 2015, the Council's Social Committee considered a report entitled "Scrutiny Review of the Social Centres", which was exempt from publication. That report included provisions which could impact on any proposals agreed by this committee in relation to Horton Chapel. Officers will be conducting further work as instructed by the Social Committee. Any recommendation agreed by this committee will be subject to any decision taken by full Council following that work, and a final decision on the Chapel's future will not, in any event, be possible until after that issue has been determined. It is not considered that this should prevent the marketing exercise from proceeding.

3 Asset Management Plan

- 3.1 Appendix 4 to the Plan deals with acquisitions and disposals.
- 3.2 In summary, the disposal criteria are set out below, with a comment as to the position in this case:

Criteria	Comment
Compliance with section 123 (best consideration), including consideration of non-financial benefits	This has been considered as part of this report, and will form the basis of the assessment of bids received if the marketing exercise is approved.
Land declared surplus to requirements	Land has always been considered surplus to the Council's requirements.
Community Asset Transfer/share	This is what has been tried in numerous different ways, and is part of the proposed marketing strategy.
S&R agree best means of disposal	This and previous reports have considered the best means of disposal.
Consider overage	Not applicable in this instance, as the use of the property is restricted and the benefit of those restrictions lies with others.
S & R Final approval to the deal	This will come forward at a later date

4 Proposals

- 4.1 It is proposed that the committee authorise officers to engage a property agent to market Horton Chapel for a freehold sale.
- 4.2 It is further proposed that officers will work with all those community groups and other organisations to ensure that they are given the opportunity to submit bids for the acquisition of the property, in addition to any purely commercial bids.

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- 4.3 In order to give everyone ample opportunity to prepare any financial or business plans to support their bids, it is proposed that we first fix a period for the invitation of bids, allowing 4 months for bids to be received. At the end of that period, all bids will be evaluated and members will be invited to decide which bid, if any to accept.
- 4.4 If no bids are received, or no bids are considered acceptable, then a further report will be brought to committee in which it is likely that disposal by way of open marketing or, more likely, by auction will be recommended.
- 4.5 Officers will seek to organise an “open day” to give any interested parties the opportunity to view the building.
- 4.6 In light of the restrictions applying to some of the available funds (as detailed in Annexe 2), officers will seek to include provision of certain funds as part of the marketing exercise. Ultimately, full Council will need to determine what is to be done in respect of any significant changes to the allocation of funds.

5 Other Options

- 5.1 The other realistic options available would seem to be:
 - 5.1.1 That the Council itself develops the Chapel for community use, whether it subsequently manages the building or not. This is not considered to be viable given the financial costs involved, and the Council’s clear decisions that it does not wish to create an additional “venue” which would require ongoing revenue support.
 - 5.1.2 The property is simply placed in auction. This could be contemplated, but on balance it is considered that there should be a final opportunity for community bids to be made, in addition to seeing what commercial interest there may be.

6 Financial and Manpower Implications

- 6.1 The funds held and information about their source and use are set out in Annexe 2, as these are considered to be exempt information. Members will be aware from other reports regarding the Council’s financial position, including in relation to capital expenditure that the Council’s resources are stretched. It is therefore not considered that any further funds could or should be allocated to be spent on Horton Chapel, given the other competing demands on the Council’s finances, unless a strong business case would show a net financial gain.
- 6.2 It is important that proper consideration is given to the use of the funds set out in Annexe 2 (considered exempt from publication), however members are minded to proceed in relation to the Chapel.

7 Legal Implications (including implications for matters relating to equality)

- 7.1 Under section 123 of the Local Government Act 1972, the Council can dispose of land in any manner it wishes, subject to certain constraints. A Council shall not, without the consent of the Secretary of State, dispose of land for a consideration less than the best which can reasonably be obtained
- 7.2 The Secretary of State has issued the General Disposal Consent (England) 2003. This is Annexed to Circular 06/03, which contains further relevant guidance. The General Disposal Consent permits Councils to dispose of land for less than best consideration, provided that:
- 7.2.1 The Council considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of one or more of the following objects in respect of the whole or any part of the Borough, or of all or any persons resident or present in the Borough:
- The promotion or improvement of economic well-being;
 - The promotion or improvement of social well-being; and
 - The promotion or improvement of environmental well-being; and
 - The undervalue (the difference between the unrestricted value – the market value - and the terms for the disposal), does not exceed £2million.
- 7.3 Under the terms of the General Consent, the unrestricted value is to be assessed in accordance with a Technical Appendix. This in turn effectively requires that a report be obtained from a qualified valuer (a member of the Royal Institution of Chartered Surveyors). This is emphasised in the Circular, which states that an authority “should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue.”
- 7.4 We have already obtained a professional independent valuation of the property, and are proposing to instigate an open marketing exercise. It is considered that the “best consideration” duty will therefore clearly be met if the highest bid is accepted.
- 7.5 If a community bid comes forward, which is not the best cash price, this can still be assessed against the criteria above, most likely the improvement of social well-being. It is highly unlikely, having regard to the information in Annexe 2, that any such “undervalue” would exceed the £2million limit in the General Disposal Consent.
- 7.6 ***Monitoring Officer’s comments:*** *It is important that the Council complies with its statutory duties in respect of the disposal of property, and the proposals in this report are compliant.*

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8 Sustainability Policy and Community Safety Implications

8.1 There are no implications arising directly from this report.

9 Partnerships

9.1 The Council has sought to work with a number of partners in relation to the Chapel, and will continue to work with interested parties, but this report has no implications for existing formal partnership arrangements.

10 Risk Assessment

10.1 The main risks associated with this issue are, firstly, in relation to the continued deterioration of Horton Chapel, a Grade II listed building. Secondly, in relation to the Council's reputation whilst the matter remains unresolved. The transfer of the Chapel to the Council was agreed in 1998, and took place in 2004.

10.2 In relation to each of these risks it is considered that the best mitigation is to resolve the issue of the Chapel by disposing of it, as has been the intention for many years. If this can be a disposal to facilitate a community use, that would clearly be preferable, but the balance is in favour of bringing the matter to a close, whether for a community use or not.

11 Conclusion and Recommendations

11.1 On balance it is considered that the property should now be marketed, so that all interested parties will have the same opportunity to bid for the property. Such bids can be assessed and members will be able to decide which represents the best option. This will bring the matter to a close so that the Council can focus on other key priorities.

WARD(S) AFFECTED: Court, Stamford & Ruxley