



Committee and Date

Cabinet

21<sup>st</sup> March 2018

## **Ludlow Assembly Rooms – Lease Review, Community Asset Transfer and Improvement Works**

**Responsible Officer** Chris Edwards, Head of Infrastructure and Communities  
e-mail: Chris.edwards@shropshire.gov.uk Tel: 01743 255478 Fax:

### **1. Summary**

- 1.1. As part of the Council's core objective to strengthen our local towns and villages, the Strategic Asset Management team are working with town and parish councils, as well as the voluntary sector, to enable the transfer of suitable land and buildings to community groups and organisations. The Community Asset Transfer (CAT) policy provides a framework and guidance to assess which transfers are viable and implement their transfer.
- 1.2. The policy contributes to the Council's objectives as set out in the Asset Management Strategy Section 5: Commission and work in partnership to empower communities. Release where appropriate through freehold transfer or leasehold transfer, properties to communities reducing revenue or maintenance burdens for non-core assets.
- 1.3. A report summarising the assessment of an application made by Ludlow and District Community Association Limited (LAR) in respect of Ludlow Assembly Rooms, 1 Mill Street, Ludlow, SY8 1AZ has been considered by the Director of Place and Enterprise and the recommendation is to progress to transfer by way of a two part 125 - year lease which, in accordance with the CAT policy, is subject to Cabinet approval.

### **2. Recommendations**

- 2.1. That LAR are granted a 30 – year lease (Lease1) as explained in 4.3, of the whole building on terms which as far as possible mirror the existing 1992 lease in terms of user restrictions and repairing obligations, with delegated authority to the Head of Business

Enterprise and Commercial Services to agree final terms of the lease and to complete the transaction.

- 2.2. That the Landlord and Tenant will, within 3 months of satisfactory completion of the said three projects highlighted within the report, enter into a 123 year CAT lease (Lease 2) on full repairing and insuring terms, with the Head of Business Enterprise and Commercial Services to agree final terms of the lease and to complete the transaction.

## **REPORT**

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1. There has been the desire to transfer the Ludlow Assembly Rooms to LAR for many years. Two issues have previously prevented the transfer to date, namely modernising/putting the building into a good state of repair and secondly the lack of capital funding to redevelop the ground floor section of the building which fronts onto Castle Square to include a new box office and café/restaurant.
- 3.2. An ERDF grant funded project of £1.34m has been awarded to the Council for the modernisation of the mechanical and electrical equipment within the building and this project is programmed for completion by June 2019.
- 3.3. In addition to the ERDF project, Shropshire Council as Landlord is contributing up to £250k to undertake necessary structural repairs to the roof, drains and walls etc.
- 3.4. Additionally, LAR have also been awarded £350k from Arts Council England as part of a £615k project to create a new café and box office on the ground floor.
- 3.5. The coming together of various funding streams and projects have provided the opportunity to consider the transfer of the asset to a local community organisation in accordance with the CAT process, which can then develop a range of arts, community and commercial activities which can sustain and make the building viable and sustainable for the future.
- 3.6. Full project and risk management governance/processes are in place to oversee the delivery of these projects.
- 3.7. The continuation of the use of the building and its availability for local groups will mean its accessibility continues into the future for the whole community.

#### **4. Current and Proposed Leases**

- 4.1 The upper floors and part of the ground floor amounting, to 74% of the building, is currently leased to LAR ("the 1992 lease"). The 1992 lease runs from 1<sup>st</sup> October 1992 to 1<sup>st</sup> October 2042, for a term of 50 years. The 1992 lease was subsequently varied to remove the rent payments over the term by way of a one-off capital payment of £120,000 to the Council. Under the terms of the 1992 lease (for 74% of the building), Shropshire Council remains responsible for the external/structural repairs and maintenance, but the Council is entitled to recharge 74% of the building repair/maintenance and insurance cost to the tenant.
- 4.2 In order to facilitate the two significant capital refurbishment projects funded by ERDF and Arts Council England, a new 25 year lease, granted in two stages, is proposed for the whole building.
- 4.3 Initially this report recommends that LAR are granted a 30 year lease (Lease 1) of the whole building (100%) on terms which as far as possible mirror the existing 1992 lease in terms of user restrictions and repairing obligations. The 1992 lease would be surrendered. Lease 1 will enable LAR to secure £350,000 Arts Council England funding to create the new box office and café on the ground floor of the building.
- 4.4 The Council as Landlord will prepare a schedule of significant existing structural defects (which does not include routine repairs to render, plasterwork, redecoration etc.) and any repairs carried out to these defects during the first two years will be paid for by the Landlord and not recharged to the tenant. The cost of such repairs (and surveys) will not in any event exceed a combined sum of £250,000. Any spending on existing significant structural defects in excess of £250,000 would be agreed with the tenant and be subject to the recharging conditions contained within Lease 1.
- 4.5 Any Landlord spending on repairs which are not covered by the schedule mentioned in 4.4 above would be agreed with the tenant and be subject to the recharging conditions contained within Lease 1 but any works which are funded by ERDF grants will not be subject to any recharges.
- 4.6 During the first two years of Lease 1, the Landlord will complete the proposed ERDF funded project and the Tenant, working alongside the landlord, will complete the ACE funded project. Upon satisfactory completion of these two projects plus any repairs as referred in 4.4, it is proposed that the Landlord and Tenant will, within 3 months of completion of the projects, enter into a 123 year CAT lease (Lease 2) on Full Repairing and Insuring terms.

4.7 Lease1 will be at a peppercorn rent for the first two years to reflect the community nature of the user restrictions but LAR will still be permitted to have a commercial sub-letting of the proposed new café area. At the end of two years, if the Landlord and Tenant do not enter into the CAT lease, Lease 2, then the rent under Lease1 will be reviewed as follows:-

- Until 2042, there will be no charge for the accommodation included in the 1992 lease as this has already been covered by a commuted payment. Any accommodation not included in the 1992 lease will be subject to a market rent reflecting the condition of the property excluding any works completed as part of the Arts Council England funded project. This rent can be subsequently reviewed in accordance with the provisions of the lease.
- From 2042 to the end of the lease, the entire premises will be subject to a market rent.

## 5. Financial Implications

5.1 The ERDF funded project to modernise the mechanical and electrical equipment within the building is made up of the following elements:-

ERDF Approved Funding	£ 803,704
LAR Match Funding Contribution	£ 50,000
Shropshire Council Match Funding	£ 485,802
<b>TOTAL</b>	<b>£1,339,506</b>

5.2 Shropshire Council as Landlord is contributing up to £250,000 in order to undertake necessary structural repairs to the roof etc. in order to put the fabric of the building in good order. See paragraph 4.4 above.

5.3 Shropshire Council is not funding any of the works to create the new café and box office on the ground floor of the building. This project is being funded by LAR and is made up of the following elements:-

Arts Council England Grant	£350,000
LAR Reserves	£100,000
Fundraising Activities	£135,000
Donation	£ 30,000
<b>TOTAL</b>	<b>£615,000</b>

- 5.4 Since 2009 Shropshire Council has provided a revenue grant to LAR in order to support the delivery of arts and community programmes. The current level of grant is £73,810 per annum. The development of the new café on the ground floor will generate new revenue income streams for LAR and as part of the Community Asset Transfer Process, it has been agreed that Shropshire Council will only make one more revenue grant of up to £73,810 available to LAR.
- 5.5 Rent from LAR in respect of the new 123 years lease, Lease2, is proposed below market value at a rent of £1 if demanded, as LAR will not be operating the facility on a commercial basis. (Any commercial returns from running productions, cinema, room hire, café etc. will be reinvested back into the repair and maintenance of the building and arts/community activities)

## **6. Additional Information**

- 6.1. The proposed transfer complies with State Aid. LAR will provide services for the local community and as such are not the subject of competition across Europe.
- 6.2 The proposed grant of the CAT lease, Lease 2, for a £1 is a sum that is less than market value for a lease of the building. The disposal by way of the grant of the lease at a nominal rent is covered by Circular 6/03 under the Local Government Act 1972 General Disposal Consent 2003. This consent allows for the disposal of a property at less than best consideration where the disposal contributes to the promotion or improvement of one or more of economic, social and environmental wellbeing in the Council's area and where the difference in value is less than £2 million.
- 6.3 The CAT lease, Lease 2, will be on a full repairing and insuring basis.

## **7. In Summary:**

- 7.1 LAR states that its mission is to be a 'leading rural arts, entertainment and community centre, offering high quality, diverse and stimulating programmes, friending atmosphere and accessibility to all'.
- 7.2 LAR have many years' experience in running their organisation and of maintaining the building.
- 7.3 LAR are a charitable trust and a company limited by guarantee, with more than 500 members and approximately 150 active volunteers. It is governed by a strong and experienced Board of Trustees and has a highly skilled and dedicated staff team.

- 7.4 LAR has finished the last three financial years with cash surpluses and for the first time has accumulated modest reserves.
- 7.5 A report summarising the assessment of an application made by Ludlow and District Community Association in respect of Ludlow Assembly Rooms, has been considered by the Director of Place and Enterprise and the recommendation is to progress to transfer by way of a two part 125 -year lease, in accordance with the CAT policy. LAR has identified running costs and proposed income streams in their CAT application. LAR state that any surplus will be used to further the aims of the Charitable Trust operating from the Assembly Rooms, to include repairs and maintenance of the building. As part of the policy LAR meets the criteria as a qualifying organisation.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Shropshire Council Community Asset Transfer Policy

Formal Expression of Interest from LAR plus supporting correspondence

**Cabinet Member (Portfolio Holder)**

Cllr Steve Charmley – Portfolio Holder for Corporate Support

**Local Members**

Cllr Andy Boddington

Cllr Tracey Huffer

Cllr Vivienne Parry

**Appendices**