

## MID SUFFOLK DISTRICT COUNCIL

<b>From: Cabinet Member for Communities</b>	<b>Report Number: MCa/17/45</b>
<b>To: MSDC Cabinet</b>	<b>Date of meeting: 5 February 2018</b>

### WINGFIELD BARNES COMMUNITY INTEREST COMPANY (WBCIC) UPDATE REPORT

This report has two parts: Part One addresses the support provided by MSDC to WBCIC; Part Two addresses the role of MSDC as the owner of the Wingfield Barns site and as landlord to WBCIC.

#### 1. Purpose of Report

- 1.1 To provide an update on the activity of the Wingfield Barns Community Interest Company (WBCIC).
- 1.2 To provide a summary of the external review carried out on the social and economic value of the WBCIC on the local community and local economy.
- 1.3 To outline the business plan of the WBCIC for 2018.
- 1.4 To determine the future support arrangement that MSDC will provide to the WBCIC.
- 1.5 To determine the property management arrangements for Wingfield Barns.

#### 2. Recommendations

##### Part One – Support for the WBCIC

- 2.1 That the current revenue budget of £6,000 (which provides support for the WBCIC) is transferred to the Communities Grant budget.
- 2.2 That an initial grant payment of £6000 is made to WBCIC for 2018/19
- 2.3 That a further £12,000 of grant funding is available for WBCIC to apply for during the next two years - to apply for this additional grant WBCIC will need to include a business case as part of the application which outlines how the organisation will achieve sustainability.
- 2.4 That this total of £18,000 will be the final revenue grant support made available by MSDC to WBCIC.

##### Part Two – Landlord Responsibilities for the Wingfield Barns site

- 2.5 That the rental charge for 2018/19 is waived in keeping with the terms of the WBCIC lease.

2.6	That an annual revenue budget of £15,000 is established to meet landlord obligations at the Wingfield Barns site and that this budget is administered by Property Services.
2.7	That further work is carried out to explore: the potential for a new cost effective and efficient heating system for the site and a review of the lease to enable subletting of some of the parts of the site by the WBCIC.

### **3. Financial Implications**

- 3.1 The transfer of the £6,000 from the Communities Service revenue budget to the Communities Grant budget has no direct financial impact.
- 3.2 The immediate financial implication is an increase of £15,000 in the Property Service budget.
- 3.3 The rent waiver is equivalent to approximately £12,000 p.a. but current income levels of the WBCIC do not trigger a rental charge under the terms of the lease.
- 3.4 The NNDR value of the site is £24,500. WBCIC benefits from the statutory discount of 80% (£19,600) and a discretionary discount of 20% (£4,900). These discounts are reflected in current budget arrangements.
- 3.5 Recommendation 2.7 may have further financial implications but the detail will be worked up at a later date.

### **4. Legal Implications**

- 4.1 Section 1 of the Localism Act 2011 provides the powers for this report.
- 4.2 The Community Interest Company concept was introduced as a legal form under the Companies Act 2006 and must operate subject to that Act and company law generally.
- 4.3 The primary core features of any company holding CIC status are twofold:
  - 4.3.1 Assets owned by the company are held in an asset lock which secures those assets to applications for the good use of the community; and
  - 4.3.2 Limitations are applied to dividend and interest payments capable of being made to shareholders and the primary focus remains on achieving benefit for the community.
- 4.4 Section 19 of the Local Government Miscellaneous Provisions Act 1976 empowers Councils to provide such recreational facilities as it thinks fit, including powers to provide buildings, equipment, supplies and assistance of any kind
- 4.5 This report meets the lease requirements regarding the rent arrangement with the WBCIC.

### **5. Risk Management**

- 5.1 This report is most closely related to two risks in the Council's Corporate / Significant Risk Register:

- Risk 4c - If we do not manage our asset portfolio effectively it may result in: lost opportunity; loss of capital value; increased revenue costs and loss of public confidence.
- Risk 5i - If we do not maintain the trust of our stakeholders and promote our public image and reputation, then this may prevent us from entering into positive partnerships, secure funding and ultimately may affect our ability to work with partners, businesses and key stakeholders in achieving the strategic priorities.

5.2 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
The WBCIC is currently dependant on financial support from MSDC. If this support stops at this point the WBCIC is likely to fail	Highly Probable	Serious	Continuation of funding from MSDC (subject to agreement of recommendation 2.2)  Landlord costs and support costs are separated  Additional support to access external funding is provided by Council officers.  Annual WBCIC monitoring reports/visits

## 6. Consultations

6.1 This report has been produced following discussion between the Assistant Director Communities and Public Realm with the WBCIC Chair of Trustees and Operations Manger and with the Director of E.G. Consulting (author of the external review of the Socio-Economic Impact Assessment report of WBCIC).

## 7. Equality Analysis

7.1 At this point there is no apparent equality impact as a result of this report and an Equality Impact Assessment has not been completed.

## 8. Shared Service / Partnership Implications

8.1 The recommendations in this report propose to continue the partnership with WBCIC but to change this to a revenue grant based relationship, with a clear distinction between the council's landlord function and the relationship with the WBCIC as a community enterprise supported by the council. This support is proposed for a minimum of one year and a maximum of three years. To access the full three years of support WBCIC will need to provide a business case to deliver a sustainable business model.

## 9. Links to Joint Strategic Plan

9.1 Targeted Grants & Funding to Support Community Capacity Building.

9.2 Community Led Solutions to Deliver Services & Manage Assets.

9.3 Community Volunteers Are Skilled & Able.

## **10. Key Information**

### **PART ONE – SUPPORT FOR THE WBCIC**

- 10.1 Since the establishment of the WBCIC in 2011 the aspirations of both WBCIC and the Council has been for the WBCIC to achieve a sustainable business. To date this has not been achieved although the levels of financial support provided by the council to the WBCIC have significantly decreased. The current support provided by MSDC is: a 100% business rate subsidy; a full rent waiver; and a budget of £6,000 to support the WBCIC with utility costs.
- 10.2 Since 2011 the WBCIC has tried a number of different business approaches to achieve financial independence and a sustainable business model. These include: significant cost reduction in the operation of the organisation; the addition of greater commercial activity within the WBCIC offer (specifically the establishment of a wedding service offer); and over the last year a general increase in the core business of the site (exhibitions, conference lettings, performances and private hire) with a revised charging structure.
- 10.3 During the six years since the formation of the WBCIC, the site has been managed by five different site managers and the Trustee Board has seen a number of changes, including 3 different Chairmen within the last three years.
- 10.4 In part, these changes reflect the challenge faced by the organisation to generate sufficient activity and income in a rural location with a low local population base, whilst operating in a building with high running costs and on a site subject to a number of restrictive regulatory conditions (including noise and times of operation).
- 10.5 The activity summary of the WBCIC for the calendar year 2017 is attached as Appendix A. This shows the increase in activity levels of the WBCIC over the last twelve months and the switch from a wedding focused offer to a wider arts, performance, exhibition, rental and community use offer. This approach has reduced the complaint issues associated with the wedding functions.
- 10.6 Appendix B sets out the WBCIC Business Plan for 2018. This brief plan continues with the current approach and is reliant on continued financial support from the council. The plan reflects the current capacity of the WBCIC and ongoing constraints of the site with the associated planning and licensing conditions.
- 10.7 Whilst overall revenue levels are lower than the previous year, income associated with the general community and arts use is up and most significantly footfall has substantially increased.
- 10.8 Confidential Paper X/07/17 presented to MSDC Executive on the 9<sup>th</sup> January 2017 established revenue support to the WBCIC with a budget of £6,000 for 2017/18. A commitment was made to review this arrangement during 2017/18 and to carry out a socio-economic assessment of the WBCIC activity to inform this review and to shape a proposal for the future relationship between MSDC and the WBCIC.

- 10.9 To deliver this review two reports have been commissioned. The first is part of a wider piece of work to review the general fund property assets of the council. Ark Consultancy assessed Wingfield Barns during the summer of 2017. The key findings of this review is that there are two options for the site: one is to sell the site (this is complicated by the lease held by the WBCIC); and the second is for the council to support the WBCIC in a continued attempt to become sustainable.
- 10.10 The Ark Consultancy report points out that the planning conditions associated with the site make this a significant challenge. The report encourages WBCIC to seek other funding sources (external grants) in order to improve the site and increase the offer provided. The report also suggests that consideration should be given to reviewing the planning conditions and to varying the lease to enable WBCIC to sublet some parts of the site. The report concludes that if WBCIC is to have a realistic chance of achieving financial sustainability that continued financial support from MSDC is required in the medium term. A further two years of support is suggested to allow the WBCIC Operations Manager and Trustee Board sufficient time to achieve a sustainable operation.
- 10.11 The second report is an investigation into the socio-economic value of WBCIC to the local and wider economy and to the local and wider community. EG Consultancy were commissioned to complete this work during December 2017. The full report is provided in Appendix C.
- 10.12 The key findings of this is: WBCIC is a small scale social enterprise. The level of total investment in the organisation is critical but in general terms modest. The trading history of the WBCIC is patchy reflecting the changes in the WBCIC and the challenges of the building, the running costs, the planning and licensing conditions and the location.
- 10.13 The level of activity and the social value of the WBCIC to the local community has significantly improved over the last 12 months. Visits to the site are up (circa 6,200 during the year) and the number of arts, performance and community activities on site has significantly increased.
- 10.14 For every £1 of revenue support provided by MSDC, WBCIC is currently generating £3 in income. Based on general Arts Council research: for every £1 invested in this type of arts facility this is doubled in terms of a return to the local economy. Therefore it is suggested that for £1 invested by MSDC in the WBCIC there is an estimated £6 return to the local economy.
- 10.15 With these improvements in use there is still considerable scope to increase the social and economic impact of the WBCIC. At present there is no external grants programme in the WBCIC business plan. Many arts based social enterprises target grant support to build capacity, improve marketing and promotion and deliver arts based projects which engage vulnerable or disadvantaged people/communities.
- 10.16 The current offer from WBCIC is accessible with a pricing structure which makes its programmes affordable in a relatively low wage area. There is better connectivity with the local community but improved marketing, a better web presence and social media campaigns could further improve this.

- 10.17 The social impact of WBCIC is very positive but hard to precisely quantify. The introduction of *social accounting* by WBCIC could improve this and so provide the evidence to inform and support future external funding applications.
- 10.18 The potential of the WBCIC is significant but it is also restricted by the current capacity of the CIC itself, by the planning conditions of the site, by the poor broadband service of the location and the high running costs of the site.
- 10.19 Taking the findings of these two separate reports into account: It is proposed that support for the WBCIC should continue but that the direct revenue budget for the WBCIC is removed from the Communities 2018/19 budget.
- 10.20 It is recommended that the value of this budget (£6,000) is added to the MSDC revenue grants budget and the future of the relationship with the WBCIC is changed to that of core funded grant recipient.
- 10.21 The current specific WBCIC budget reflects the history of the site and that it was originally operated direct by MSDC as an in-house service. This change will bring the funding of WBCIC in line with the recent grants review and it will simplify the relationship between MSDC and WBCIC.
- 10.22 Whilst WBCIC operates an effective cohort of volunteers, there is potential to increase the social value to the activities on site. Local community use and participation is increasing but the WBCIC business plan does not target external funding programmes or projects which would either build capacity within the WBCIC or increase the social value and impact of the WBCIC within the local community.
- 10.23 MSDC has respected the independence of the WBCIC and has supported the different approaches of the WBCIC to try and achieve sustainability. WBCIC is requesting continued financial support from MSDC. Previously, this support has been provided without specific conditions.
- 10.24 The revenue subsidy of the WBCIC is modest and this level of support, in relationship to the level of activity delivered, is not unreasonable. However, the current business plan is unlikely to achieve financial independence for WBCIC and it is also unlikely that MSDC will receive any direct financial return in terms of rental income.
- 10.25 To change this and help create the conditions in which this may be possible, there are a number of possible approaches:
- i. Continue to support the WBCIC at the same or similar financial level – this is likely to result in the same or similar outcomes (a modest arts and community offer and a modest benefit to the wider community economy).
  - ii. Continue at the same or similar level of financial support but on a grant basis and with conditions which require a business plan aimed at achieving financial sustainability.
  - iii. Actively encourage WBCIC to achieve sustainability by setting a maximum period during which revenue support will be provided and encourage and support WBCIC to apply to other external funding sources.

10.26 Given the potential to increase community benefit, to improve the economic impact and to encourage financial independence of the WBCIC, a combination of grant for 2018/19 and potential further grant support during 2019/20 and 2020/21 linked to a business case to achieve a sustainable business model is justifiable. This is reflected in the Part One recommendations above.

## **PART TWO – LANDLORD RESPONSIBILITIES FOR THE WINGFIELD BARNES SITE**

10.27 MSDC owns the Wingfield Barns site. The site is leased to the WBCIC. The lease is a 30 year lease and has 23 years to run. Under the terms of the lease MSDC is responsible for the maintenance of the wider site and the main fabric of the buildings.

10.28 In the presentation of confidential report X/07/17 to the Executive in January 2017 there was an error in the information provided. It was reported that the landlord costs associated with maintaining the fabric of the building were charged to a separate budget in the Property Management Service. This was incorrect, as a consequence, recommendation 2.5 in this report seeks to establish this budget within the Property Management Service.

10.29 The lease with WBCIC includes a provision for a rent waiver. This is based on the operating profit levels of the WBCIC. WBCIC profits are below this threshold so it is proposed to continue with this rent waiver for 2018/19.

10.30 The Ark Consultancy report indicates that the operating conditions for the WBCIC are challenging and suggest that further work is carried out to see if some of these conditions can be improved. These include:

- Potential investment in a more cost effective and efficient heating system (the current annual heating costs are higher than the total revenue support provided by the council to the WBCIC);
- Revision of the lease to enable subletting of some of the parts of the site by the WBCIC.

10.31 These options require more detailed consideration to accurately assess cost and benefits. Any investment future in the site would need to take account of the emerging asset management strategy.

## **11. Appendices**

Title	Location
(a) WBCIC Activity Report 2017	Attached
(b) WBCIC Business Plan 2018	Attached
(c) EG Consulting Socio – Economic Assessment	Attached

Authorship:

Jonathan Free

Assistant Director - Communities and Public  
Realm

01449 724859

[jonathan.free@babberghmidsuffolk.gov.uk](mailto:jonathan.free@babberghmidsuffolk.gov.uk)

