

BABERGH DISTRICT COUNCIL

From: Leader of the Council	Report Number: BCa/17/50
To: BDC Cabinet	Date of meeting: 8 February 2018
Part 1	

GAINSBOROUGH'S CHAMBERS – TRANSFER OF OWNERSHIP

1.	Recommendation
1.1	To endorse commitment to “ <i>Reviving an Artist’s Birthplace – a National Centre for Gainsborough</i> ” by gifting Gainsborough’s Chambers to the Gainsborough’s House Society ie Option 3 in this report

The reason for this report is to establish whether Cabinet wishes to endorse the “minded to” letter from the Council or to consider alternative options in relation to Gainsborough’s Chambers.

2. Financial Implications

2.1 The financial implications of the preferred option and alternative options are set out in Section 10 of this report.

3. Legal Implications

3.1 The current lease contains an option for the lessee to purchase the freehold of the Property, at any time during the term of the lease ie until April 2019; the sale price is already fixed at £235,000.

3.2 Shared Legal Services have identified capacity to process this conveyance if instructed and assuming no unexpected complications would expect to exchange contracts five weeks from instruction.

4. Risk Management

4.1 This report is most closely linked with the Council’s Corporate / Significant Business Risk No. 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. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
For Option 2 only: If a large proportion of the Capital Grant	3 – Probable	3 – Bad	Gift Gainsborough’s chamber to the charity for use as part of the

<p>Funding budget is allocated to support this project, grant funding for other projects across BDC will be limited.</p>			<p><i>“Reviving an artist’s birthplace”</i> project.</p>
<p>For Options 1 & 2 only: If BDC seeks payment for the transfer of the asset, Gainsborough’s House Society will be required to raise an additional £235,000 by 14 March 2018 potentially resulting in the lost opportunity of £7.7m investment in Sudbury.</p>	<p>4 - Highly Probable</p>	<p>4 – Disaster</p>	<p>Cabinet resolves to transfer the asset at no cost before 14 March 2018.</p>

5. Consultations

- 5.1 BDC has not carried out any formal consultations regarding the transfer of this asset, however, extensive consultations have been carried out by the Gainsborough’s House Society regarding the “Reviving an Artist’s Birthplace” project and details were submitted as part of its Heritage Lottery Fund (HLF) first stage bid. Colleagues in Economic Development, Tourism, Finance, Legal, Public Realm and Communities have also been consulted and contributed to the content of this report.

6. Equality Analysis

- 6.1 BDC has not conducted any equality analysis regarding the transfer of this asset, however the Gainsborough’s House Society has assessed the equality impact of the project and submitted it as part of the HLF bid.

7. Shared Service / Partnership Implications

- 7.1 BDC has worked in partnership with the Gainsborough’s House Society charity to bring the project to this stage and to continue to do so will contribute further to achievement of Joint Strategic Plan outcomes, bringing both tangible and reputational benefits for BDC.

8. Links to Joint Strategic Plan

- 8.1 The content of this report links most closely to two Joint Strategic Plan outcomes - Improved achievement of strategic priorities and greater income generation through use of new and existing assets, and All communities are thriving, growing, healthy, active and self-sufficient. *It also impacts on the strategic priorities to further develop the local economy and market towns to thrive and to develop and implement our Suffolk Tourism Strategy.*

9. Key Information

- 9.1 Gainsborough's Chambers (the old Labour Exchange adjacent to Gainsborough's House), Weavers Lane, Sudbury CO10 2EZ was purchased by BDC for £235,000 in March 2014 in order to support the ambition to extend the existing facility in Sudbury.
- 9.2 The purchase was considered and supported by the Political Leader Group at that time and the decision was made through an urgent action by the Chief Executive under delegated powers.
- 9.3 The site has been leased to the Gainsborough's House Society since April 2014 for use as a museum. The lease expires on 22 April 2019.
- 9.4 Annual rental income is £12,000.
- 9.5 BDC is responsible for the repairs and maintenance of the building.
- 9.6 The Gainsborough's House Society charity has embarked on an ambitious project – *"Reviving an Artist's Birthplace – A National Centre for Gainsborough"*, which aims to further develop the existing Gainsborough's House site and neighbouring Gainsborough's Chambers site to create a visitor centre and art gallery. More detail can be seen at Appendix (a) – Project position statement; and Confidential Appendix (d) – *"Reviving an Artist's Birthplace" – A National Centre for Gainsborough* - Project financial position.
- 9.7 The charity anticipates that this project will deliver significant benefits to the local area in terms of jobs, increased tourism and additional community facilities.
- 9.8 Predictions are for an additional 60 temporary FTE jobs, 9 permanent FTE jobs and 20 indirect FTE jobs. The overall economic impact is predicted to be an additional £2.9m per annum i.e. a 72% increase on 2015/16 once the project is completed. A detailed breakdown is shown at Appendix (b) – Economic impact assessment.
- 9.9 The total value of funding required for investment in the project is £7.7m.
- 9.10 The Gainsborough's House Society has the opportunity to lever in significant funding which is reliant upon it owning the Gainsborough's Chambers building by 14 March 2018.
- 9.11 The HLF is the key funding organisation and following a successful first round funding bid from the Gainsborough's House Society, has pledged £4,733,800. on the condition that the Society can raise the remainder of the £7.7m total project costs and own the freehold of Gainsborough's Chambers in time for the second round submission by 14th March 2018.

- 9.12 The HLF has confirmed that exchange of contracts between BDC and the Society by 14 March would satisfy the condition of ownership.
- 9.13 The Society has confirmation of £7,049,800 funding raised through pledges and donations and is awaiting results of applications to trusts, foundations and other sources in order to raise the remaining £689,799.
- 9.14 The project plan is for work to start in Autumn 2018 and for the new centre to be open by Autumn 2020.
- 9.15 Discussions between the charity and members and officers of BDC have been on going and although the original lease made provision for the charity to purchase Gainsborough's Chambers from BDC at a fixed price, the position now, is that the council is being asked to consider gifting the asset to the charity in support of the overall £7.7m investment in the regeneration of this central part of Sudbury. A letter of support indicating that BDC was minded to consider gifting the asset is attached at Appendix (c) – BDC "minded to" letter of support.
- 9.16 A decision is now required regarding the transfer of the legal title of Gainsborough's Chambers to the Gainsborough's House Society. Options are set out below.

Options

- 9.17 Option 1. Continue with existing lease arrangements until such time as the Gainsborough's House Society exercises its right to purchase the asset at the price agreed in the original lease.
- 9.18 This could happen immediately as the leasee has the option to purchase the landlord's interest for £235,000 at any time until the end of the current lease in April 2019.
- 9.19 The book value of the asset as listed in the council's accounts is £240,000. i.e. £5,000 more than the £235,000 that BDC is obliged to sell to the lessee for.
- 9.20 BDC has a minimum revenue provision (MRP) charge to the income and expenditure account in relation to this acquisition. Any sale proceeds can be used to offset the MRP charge.
- 9.21 BDC would either receive continued rental income of £12,000 per annum for the duration of the lease or a capital receipt of £235,000 upon sale of the asset.
- 9.22 Upon disposal of the asset BDC would be released from the associated liability of on-going maintenance of the building.
- 9.23 The associated risk would be the failure of the £7.7m investment and regeneration programme in the centre of BDC's largest market town, failure to achieve joint strategic outcomes and reputational risk.
- 9.24 Option 2. As above, sell the Chambers to the Gainsborough's House Society for £235,000 and commit to providing a level of grant funding to the Society for other activities in future years, which would allow the Society to restructure its finances to support its immediate requirements.

- 9.25 Unallocated Capital Grant funding remaining in the 2017/18 budget stands at £75,000. The base budget for 2018/19 and 2019/20 is £117,000 of which none has yet been allocated.
- 9.26 The key risk associated with this option is that capital grant funding to other organisations across Babergh would be either nil throughout 2018/19 and restricted in 2019/20; or less restricted but spread over a longer period.
- 9.27 Option 3. Gift the Chambers to the Society immediately in support of the wider £7.7m investment in the regeneration of the centre of Sudbury.
- 9.28 Following transfer of the asset, the council would continue to spread the MRP charge to the income and expenditure account. This would enable the council to distribute the cost of its contribution to this project over a number of years.
- 9.29 BDC would no longer receive £12,000 per annum rental income nor the potential one off capital receipt of £235,000.
- 9.30 Option three is officers' preferred option because it allows BDC to demonstrate its commitment to investing in Sudbury and to help secure significant external funding from the HLF.

10. Appendices

Title	Location
(a) Reviving an Artist's Birthplace – A National Centre for Gainsborough. Project position statement December 2017.	Attached
(b) Economic Impact report (Appendix 9 of first round HLF bid submitted by the Society)	Attached
(c) BDC "minded to" Letter of support	Attached

Authorship:
 Jill Pearmain
 Corporate Manager –
 Strategic Asset Management

07714 498377
Jill.pearmain@baberghmidsuffolk.gov.uk