

Cabinet



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Guildhall Project, Bury St Edmunds	
Report No:	CAB/SE/16/028	
Report to and date/s:	Cabinet	14 June 2016
	Council	28 June 2016
Portfolio holder:	John Griffiths Leader of the Council Tel: (01284) 757136 Email: john.griffiths@stedsbc.gov.uk	
Lead officer:	Alex Wilson Director Tel: 01284 757695 Email: alex.wilson@westsuffolk.gov.uk	
Purpose of report:	To update Cabinet on progress with the Guildhall Project and changes needed to the 2013 Memorandum of Understanding and to offer assistance, if needed, in terms of guaranteeing funding deadlines are met by way of a bridging loan facility.	
Recommendations:	It is <u>RECOMMENDED</u> that: (1) the content of Report No: CAB/SE/16/028 be noted; (2) the Director be authorised to update the 2013 Memorandum of Understanding for the Guildhall Project on the basis outlined in paragraphs 1.5 and 1.8 of Report No: CAB/SE/16/028; (3) subject to the approval of Council, the principle of making a bridging loan in autumn 2016 to enable progression of the conservation works at the Guildhall be approved; and (4) again subject to the approval of Council, if the loan is required, the Head of Resources and Performance, in consultation with the	

		<p>Leader, the Portfolio Holder for Resources and Performance and the Services Manager (Legal), be authorised to negotiate and agree the terms of such a loan with the Bury St Edmunds Heritage Trust Ltd and/or the Guildhall Feoffment Trust and to issue the funding and necessary legal agreements, taking into consideration the Council's loans policy and subject to the value of the loan not exceeding a professional valuation of 79 Whiting Street, Bury St Edmunds (against which it will be secured).</p>	
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>		<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p> <p>As the majority of the decisions are decisions of Council.</p>	
<p>Consultation:</p>		<ul style="list-style-type: none"> • Cabinet Members, project stakeholders and partners. 	
<p>Alternative option(s):</p>		<ul style="list-style-type: none"> • To not support the proposal for a bridging loan (see risks) 	
<p>Implications:</p>			
<p><i>Are there any financial implications? If yes, please give details</i></p>		<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> • Potentially a bridging loan of over £400,000, secured and interest bearing 	
<p><i>Are there any staffing implications? If yes, please give details</i></p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> • 	
<p><i>Are there any ICT implications? If yes, please give details</i></p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> • 	
<p><i>Are there any legal and/or policy implications? If yes, please give details</i></p>		<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> • Change to the agreed Memorandum of Understanding (MOU) • Consideration of the Council's Loans Policy 	
<p><i>Are there any equality implications? If yes, please give details</i></p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	
<p>Risk/opportunity assessment:</p>		<p><i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>	
<p>Risk area</p>	<p>Inherent level of risk (before controls)</p>	<p>Controls</p>	<p>Residual risk (after controls)</p>
<p>The project cannot achieve the HLF's match-funding deadline and does not proceed</p>	<p>High</p>	<p>Create option of bridging loan to overcome any delay in funding being achieved by the HLF deadline as part of wider fundraising strategy</p>	<p>Medium</p>

Any bridging loan offered by the Council is not repaid	Low	Loan to be fully secured offering protection over loan sum and interest due	Low
Ward(s) affected:		Abbeygate Ward specifically	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		Report D333, Cabinet, 27 March 2013	
Documents attached:		None	

1. Key issues and reasons for recommendations

- 1.1 In March 2013, the Council joined a consortium with the Guildhall Feoffment Trust and the Bury St Edmunds Heritage Trust Limited to pursue a major refurbishment project for the Guildhall, with the additional long-term aim of making the Guildhall an independent and sustainable community enterprise. This joint venture was defined by a Memorandum of Understanding (MOU) which was approved and signed in 2013 between the three parties, and contained provisions for the asset management of the Guildhall and 79 Whiting Street for the duration of the project. [Paper D333](#) referred to in the background papers to this report contains the relevant detail, and this is not repeated here.
- 1.2 In May 2016, the project was awarded a grant of £669,000 from the Heritage Lottery Fund (HLF) for the refurbishment. Conservation work will include repairing the rear roof, the front roof having just been completed as a separate project, and strengthening and restoring some of the ancient fabric. There will be alterations to improve access and safety. The main rooms will be prepared as galleries which will tell the history of the building as part of the history of the town, while at the same time being capable of hosting a variety of events and activities. There will be a series of exhibitions which will be enhanced by live re-enactor performances and digital technology. The galleries will also be available for public and private functions, and a new kitchen will be installed to support both these functions and a separate small cafeteria. On the first floor the former 19th Century Council Chamber will be presented in the form of the Second World War Operations Room which it became in 1939. The outside spaces will also be sensitively developed.
- 1.3 A condition of the HLF grant is that the necessary match-funding must be assembled by October 2016 and, if it is, works can start at that time, with a targeted completion date of summer 2018. The Heritage Trust is now seeking the balance of that match-funding, from a variety of sources.
- 1.4 The Guildhall, and its companion property 79 Whiting Street, are owned by the Guildhall Feoffment Trust but managed by the Council as the managing trustee under an 1894 agreement. The 2013 MOU provides that the Council will retain this role for both properties until such time as the refurbishment is complete and the new management vehicle is up and running. After this point, they will be managed entirely independently of the Borough Council (in keeping with the Council's policy of supporting community asset transfers) and it will be for the new managing trustee(s) to determine who uses and/or occupies them, and on what terms.
- 1.5 The project has obviously evolved considerably since 2013 and it would be good practice to update the MOU. This updating would adjust the envisaged project timetable, now that there is more certainty over HLF funding, and would also provide greater flexibility over how and when the Council's own role in managing 79 Whiting Street would end, based on what is in the best interests of delivering the overall project. The fundamental principles of the MOU would otherwise remain the same.
- 1.6 The Borough Council entered into the project with the partners in 2013 on the basis that the taxpayer would not be required to provide direct capital support.

However, a potential short-term scenario has been identified whereby committed sources of match-funding assembled in the coming months are not technically available to the Trustees to spend by the HLF funding deadline in autumn 2016 (for instance if committed from a 2017/18 budget). The Trustees have therefore requested that, if there was reasonable certainty the match-funding would be achieved, the Council would, as a fall-back option, consider offering them a bridging loan if required this autumn to guarantee the project would go ahead. This would achieve the objectives of the MOU and address the largest project risk, which is the loss of the HLF grant. Another recommendation in this report (requiring Council approval) is therefore that the Council approves the principle of such a bridging loan. This is consistent with similar recent loans offered for an artificial pitch in Haverhill and to the Samaritans in Bury St Edmunds.

- 1.7 Any such loan would be drafted and negotiated taking into consideration the Council's loans policy, in accordance with the report recommendations. Members should note that the Trust would not be likely to be able to consider a loan facility from an alternative source due to the nature of the project and the very limited time available to secure the HLF funding. The sum offered would be *up to* a maximum level determined by a professional valuation of 79 Whiting Street (likely to be in excess of £400,000) because the loan would be secured against this asset. A rate of interest would be agreed in consultation with the Leader and Portfolio Holder for Resources and Performance, along the same lines of the existing community loans referred to above (the most recent of which was offered at 2.5% above base rate). Obviously, the Trust would also only take out the loan if it was absolutely needed and it had the means of repayment.
- 1.8 Although the MOU does not require the Council to make any direct capital contribution to the project, the Council will need to continue to carry out urgent and essential repairs to the two buildings prior to any transfer of responsibility. These are funded from the rents from the two properties. Given that some non-essential works have, naturally, been deferred pending the restoration, a small surplus from the rents from 79 Whiting Street and the Guildhall has been carried forward into 2016/17. The updated MOU can also clarify that, if a surplus still remains at the time of any final transfer of responsibility, the Council would pass this to the new management vehicle in accordance with the established charitable principles for the two properties and the spirit of the existing MOU.