
A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to the identity, financial and business affairs of an organisation and the amount of expenditure proposed to be incurred by the Council under a particular contract for the supply of goods or services.

Cabinet
Council

28th November 2017
5th December 2017

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration – Councillor O’Boyle
Cabinet Member for Community Development – Councillor Bigham

Director Approving Submission of the report:

Deputy Chief Executive(Place)

Ward(s) affected:

St Michael’s

Title:

Heritage Framework Agreement

Is this a key decision?

Yes – the proposals within the report have financial implications in excess of £1million

Executive Summary:

The report is seeking approval for the Council to enter into a Strategic Partnership with the Historic Coventry Trust (HCT) for the transfer of the Councils historical properties.

The Framework Agreement will establish an exclusivity period of five years for HCT to acquire the properties. To activate the transfer, the HCT will have to submit a robust business case on a case by case basis to the Council for approval, satisfying set criteria illustrating how the properties can be managed and maintained for the long term benefit of the people of Coventry.

The aims of the HCT (a registered charity) are to raise funds for the historic properties for their restoration and reuse, thereby securing the assets for future generations whilst improving and building upon the City Centre offer as a cultural and tourist destination.

The Strategic Partnership will guarantee and secure the long term future for the properties to be restored and reused. The properties selected are the Council owned properties within the proposed Burges Townscape Heritage Scheme, Charterhouse Heritage Park, Drapers Hall, Anglican and Non-Conformist Chapels located in London Road Cemetery, Lychgate Cottages (3-5 Priory Row), Swanswell & Cook St Gatehouses, Whitefriars Gatehouse and adjoining land & Whitefriars Monastery and adjoining land.

Recommendations:

Cabinet is requested to recommend that the Council:

- (1) Approve that the Council enter into the Framework Agreement with the Historic Coventry Trust (HCT) for a period of five years.
- (2) Delegate authority to the Deputy Chief Executive (Place) in consultation with the Cabinet Member for Jobs and Regeneration to transfer identified assets to HCT subject to receipt of a satisfactory business case and secured funding satisfying the set criteria
- (3) Appoint the Cabinet Member for Community Development to the Board of Trustees for the Historic Coventry Trust.
- (4) Delegate authority to Legal Services Manager to execute all the necessary documentation to give effect to all the subsequent transfers.
- (5) Approve the set criteria that the HCT must satisfy in their business case before the historic asset transfer can be completed as set out in paragraph 2.1.14
- (6) Delegate authority to the Deputy Chief Executive (Place) in consultation with the Cabinet Member for Jobs and Regeneration, to make any subsequent variation in relation to the terms of the proposals in this report.

Council is requested to:

- (1) Approve that the Council enter into the Framework Agreement with the Historic Coventry Trust (HCT) for a period of five years.
- (2) Delegate authority to the Deputy Chief Executive (Place) in consultation with the Cabinet Member for Jobs and Regeneration to transfer identified assets to HCT subject to receipt of a satisfactory business case and secured funding satisfying the set criteria.
- (3) Appoint the Cabinet Member for Community Development to the Board of Trustees for the Historic Coventry Trust.
- (4) Delegate authority to Legal Services Manager to execute all the necessary documentation to give effect to all the subsequent transfers.
- (5) Approve the set criteria that the HCT must satisfy in their business case before the historic asset transfer can be completed as set out in `paragraph 2.1.14
- (6) Delegate authority to the Deputy Chief Executive (Place) in consultation with the Cabinet Member for Jobs and Regeneration and Community Development, to make any subsequent variation in relation to the terms of the proposals in this report.

List of Appendices included:

Location Plan

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes – 5th December 2017

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Report title: Heritage Framework Agreement

1. Context (or background)

1.1 The Council own a number of historically important heritage assets that are under used and require significant capital investment. The Council neither has the funds or the expertise to restore the properties and at present, the condition of these buildings is deteriorating. It has been estimated that capital expenditure in excess of £3million would be required to ensure that they would be put into a state of reasonable order.

1.2 To save and protect these assets for future generations, it has been proposed to transfer identified heritage assets to the Historic Coventry Trust (HCT) to refurbish, maintain and manage. The HCT will be able to secure grant funding to enable them to refurbish and bring these properties back into use.

1.3 Subject to the proposed transfer being approved, the operation and management of the Historic Assets will be maintained and sustained by the Historic Coventry Trust.

1.4 The properties selected are the:-

- Council owned properties in Burges
- Charterhouse Heritage Park
- Drapers Hall
- Anglican & Non-Conformist Chapels in London Road Cemetery
- Lychgate Cottages (3-5 Priory Row)
- Swanswell & Cook St Gatehouses
- Whitefriars Gatehouse and adjoining land
- Whitefriars Monastery and adjoining land.

All the identified properties are in the City Centre and it is envisaged that they will be accessible to the general public thereby complimenting and improving on the current heritage offer as destinations for tourists in the City to visit.

1.5 The properties identified in paragraph 1.4 are recommended to be included into an overarching Framework Agreement. The properties will be transferred by the Council to the HCT on a case by case basis subject to a business case approved by the Cabinet Member for Jobs and Regeneration.

1.6 It is assumed that the properties will be transferred on a long leasehold basis however in exceptional circumstances it may be appropriate to consider the transfer of the freehold interest. This would be determined at business case stage.

1.7 The business case submitted by the HCT to the Cabinet Member for Jobs and Regeneration for approval must satisfy the criteria set out in paragraph 2.1.14

1.8 The Historic Coventry Trust (HCT) was formed in 2011 previously known as the Charterhouse Coventry Preservation Trust to take ownership of The Charterhouse, which they acquired from City College in 2012. In 2015, the organisation amended their name from Charterhouse Preservation Trust to the Historic Coventry Trust with a remit to protect the wider City Heritage Assets. The Board member of the Trust currently includes:-

- Chairman: Ian Harrabin has over 30 years' experience in major regeneration projects working in partnership with local and central government and the community.
- Secretary: John Ruddick is a Coventry solicitor and is responsible for all legal, financial and compliance matters
- Trustee: Alan Durham is a retired former employee of Coventry & Warwickshire Chamber of Commerce
- Trustee: Stuart Daniel is a practising solicitor, specialising in family law.
- Trustee: Jamie Magraw is a Finance Director
- Trustee: Sonia Kullar is a business woman and trustee of a range of groups representing BAME projects.
- Trustee: Dr Geoff Willcox is Director of Arts and Culture at Coventry University
- Trustee: Mark Webb is Development and Fund Raising Manager for the Princes Regeneration Trust

It has been agreed with the Historic Coventry Trust that the Cabinet Member for Community Development will become a Trustee and Board Member in order to represent the Council and ensure the long term protection of the assets.

1.9 For the HCT to be successful with future funding bids with the Heritage Lottery Fund (HLF) & Historic England (HE), the Councils commitment to transferring these assets to HCT is essential.

1.10 The proposal is for the Framework Agreement to be for a fixed period of five years for which the Trust must work up a business case on an individual basis for each heritage asset.

2. Options considered and recommended proposal

2.1 Option 1 - Proceed with the Framework Agreement to the Historic Coventry Trust

2.1.1 There is a prime opportunity to preserve and bring back into use Coventry's heritage assets for future generations through a partnership with the HCT. Subject to individual business case approval, capital expenditure secured through grant aid and other sources for each property will lead to the renewal and reuse of the building.

2.1.2 The investment into the heritage assets will enhance the visitor offer for the City as a future cultural and tourist destination in addition to supporting the City of Culture bid.

2.1.3 The proposals from HCT for the identified heritage assets can be categorised into three areas:-

- Phase 1(a) Charterhouse Heritage Park
- Phase 1(b) Burges/Hales Street Townscape Heritage Scheme
- Phase 1(c) Unique Visitor Accommodation and Future Projects.

2.1.4 **Phase 1(a) Charterhouse Heritage Park** will seek the lease of the Coach House and Charterhouse Fields (The Charterhouse is already owned by HCT) and the Grade 2 Listed Anglican and Grade 2* Listed Non-Conformist Chapels situated in London Road Cemetery. The proposal is to develop The Charterhouse and surrounding land as a multi-use facility seeking to develop the land and buildings as a visitor and conference centre, wedding venue, café/restaurant and community heritage park. The proposals will seek to open up access to The Charterhouse and seek to provide a connection with London Road Cemetery and reunite the interests in the Charterhouse, most of which is already under the control of HCT.

- 2.1.5 **Phase 1(b) Burges/Hales Street Townscape Heritage Scheme** is an area in need of investment and requires a comprehensive restoration similar to the regeneration of Far Gosford Street. The project includes the restoration of buildings, shopfront improvements, the infilling of small gap sites and the opening up of the River Sherbourne as a new public square. It is proposed to transfer Council income producing assets of properties in Hales St and The Burges, on a long leasehold. The revenue from Hales St and The Burges will initially provide core income for HCT who will take over the management of the properties and will be used to fund the groups operational costs
- 2.1.6 If match funding is required for the restoration of the properties, the income will allow HCT the opportunity to borrow money against these assets to secure the restoration. HCT has stated that it is committed that it will never borrow more than 50% of the value of any individual asset so not to put the Trust at risk.
- 2.1.7 **Phase 1(c) Unique Visitor Accommodation** is considering converting heritage properties into unique bespoke places to stay in the City Centre. The properties that are targeted to be converted into visitor accommodation are the following:-
- Lychgate Cottages at 3-5 Priory Row
 - Whitefriars Gate (previously Toy Museum)
 - Swanswell Gate
 - Cook Street Gate.
- There are no funding bids currently associated with these properties and HCT will seek funding from Historic England and Heritage Lottery Fund to enable the refurbishment of these buildings.
- 2.1.8 It is proposed by the Trust to convert the Lychgate Cottages at 3-5 Priory Row into short term lettings for visitors to the city and the transfer will be subject to funding for conversion works being secured.
- 2.1.9 Whitefriars Gate and adjoining land, the Trust propose to convert the Gatehouse into two visitor cottages and the side annex into office units for possible creative/digital use. The Trust also requires the land adjoining to create a small residential development to cross subsidise the restoration. The long-leasehold will be transferred once funding has been secured.
- 2.1.10 Swanswell & Cook St Gates will be converted to visitor accommodation and it is proposed that they will be transferred on a 250year lease upon completion of fund raising.
- 2.1.11 Drapers- The scheme is to restore the buildings for the education and performance of classical music, possibly with an ancillary restaurant. Designs for the building are currently being undertaken.
- 2.1.12 Whitefriars Monastery – The building is currently being leased by Culture Coventry and being used as store. This is a lost opportunity for such a prominent and important building. Initial proposals for the reuse of the former Whitefriars Monastery include a possible café/restaurant at ground floor level in the former cloisters with the first floor space as future exhibition/event space.

- 2.1.13 The majority of the properties currently do not receive an income apart from the assets at The Burges and Hale Street. They will only be transferred to the HCT on an individual basis subject to strict criteria and imperative that funding has been secured for the proposed works. Only when the criteria has been satisfied and subject to approval from the Deputy Chief Executive (Place) in consultation with the Cabinet Member for Jobs and Regeneration can the transfer occur. It will be a condition of any transfer, that any income derived from the properties is reinvested solely for the charitable aims of the Trust.
- 2.1.14 A business case needs to be submitted for consideration by the Cabinet Member for Jobs and Regeneration and the following criteria will need to be satisfied for the transfer to be approved. The Business Case may be completed on a two stage process: (1) Outline business case to obtain an in principle agreement to allow schemes to be progressed (2) Full Business case considering and satisfying all the 16 set criteria below:-

	Criteria
1	Independent Market Valuation of the Asset
2	Fully designed and costs scheme for restoration
3	Planning approval in place
4	Listed Building Consent (where applicable)
5	Agreed end use
6	Project funding secured
7	Restriction that no more than 50% of the property asset can be borrowed against
8	Agreed programme for implementation
9	Agree public access and use (Asset Lock)
10	Demonstrate Historic Coventry Trust Cash flow
11	Insurance to cover assets
12	Maintenance and Inspection plan
13	Pending restoration- measures to protect form further deterioration, vandalism & theft
14	Any surplus is used solely to further the aims of the charity and/or reinvested in the restoration and ongoing maintenance of the historic assets transferred.
15	Prioritise against the Historic England at risk Register
16	Illustration of how the transfer of the asset contributes to the securing of grant match funding.

(numbering does not reflect any criteria weighting and additional criteria may be added on a case by case basis as required)

- 2.1.15 The governance of the HCT is of paramount importance if the Council is to transfer its assets. It is proposed to appoint the Cabinet Member for Community Development to be a Trustee on the Board.

2.2 **Option 2 - Council to undertake works and obtain funding**

- 2.2.1 Whilst the Council are the lead applicant in the funding bids for London Road Cemetery and the Burges/Hale St, the Council does not have the resources to undertake the refurbishment and conversion of the identified properties. In the scenario the Council would retain its existing income but would need to attract external grant monies and use corporate capital resources to fund any heritage regeneration projects for these assets. Additionally, the ongoing maintenance and liability for the assets would be retained by the Council.

2.3 **Option 3 - Council Dispose of Individual assets**

2.3.1 The Council could dispose of the assets individually on a long-leasehold and where possible receive a capital receipt/premium. However the Council may lose the potential for these assets to be accessible for the general public in the future and would go against the aim of using the heritage assets for the purposes of cultural and tourist destinations.

2.3.2 It should be noted that an individual purchaser may not be eligible for grants to restore the properties and will require sufficient resources to bring the properties back into reuse.

2.4 **Option 4 - Do nothing**

2.4.1 This is not an option as the properties will continue to deteriorate and the Council will still have the burden and liability for the maintenance of these properties.

2.5 Option 1 is the recommended option for the reasons identified.

3. **Results of consultation undertaken**

3.1 It is anticipated that the works the Trust seek to undertaken will require Listed Building Consent and the Trust will have to undertake consultation with stakeholders.

4. **Timetable for implementing this decision**

4.1 If approved, HCT will submit individual business cases for the transfer of the historic assets over a five year period.

5. **Comments from Director of Finance and Corporate Services**

5.1 Financial implications

Some of the assets proposed to be potentially transferred to HCT generate income for the Council. If the properties along with their rental income do transfer to HCT, this is broadly equivalent to circa £1m of capital investment value. As previously stated however, there is an estimated condition backlog in excess of £3m and in return, the Council would be free of all future repair liabilities.

Commercial Property income targets are under significant pressure as a result of wider developments in the City Centre and cannot therefore absorb further potential pressures should these assets transfer. The pressure will need funding either within the ongoing budget setting process or through alternative income generating opportunities identified and secured via the existing asset acquisition plans.

The transfer of the properties will be subject to approval of individual business cases providing the criteria is achieved. In return for the loss of income, the assets will have a defined funding strategy to return the assets into use and the Council will be free of all future repair liabilities. If the Council were to retain the assets, we may not be able to access certain funding streams to assist in the refurbishment of these units.

5.2 Legal implications

Disposal of land

The Council is under a legal obligation to ensure that any consideration it receives will represent “Best Value” in accordance with the Councils requirements to obtain the best consideration reasonably obtainable pursuant to the provisions of Section 123 of the Local Government Act 1972.

It is recognised and expressed in the report that the value of the Councils interest is proposed to be foregone in return for the benefits of securing the return of the assets into use as well as relieving the Council of all future repair liabilities. Under the General Disposal Consent 2003, specific consent is not required for the disposal of any interest in land which the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area provided the undervalue does not exceed £2million pounds.

Officers in Legal services will complete the necessary legal documents to reflect the negotiated and agreed terms in respect of each property. Officers will also look to protect the Councils position within the long leases by including restrictive user and alienation provisions as is deemed appropriate.

State Aid

State Aid can arise in the sale or transfer of land (including buildings) especially where the owner of the land (being 'the Council') does not get full market value for it. In this way the purchaser of the land is getting a benefit that could, at least potentially, distort competition. It is not anticipated that state aid will apply in this case as there is a general heritage exemption.

However, on a case by case basis and as full business cases are being determined which trigger the transfer of the leasehold interest, a state aid analysis will need to be undertaken to ensure that any state aid implications which are identified are properly managed and (where necessary) that the adequate exemptions under the State Aid regulations are applied. To this end, Legal Services have been kept involved and will be continue to be involved throughout the proposal.

6. Other implications

Any other specific implications

6.1 How will this contribute to achievement of the Council's Plan?

The delivery of the assets to the Trust will ensure that they will be refurbished and will deliver vibrant, economic and social benefits to the local community. In additional, the cultural and tourism offer will be improved and therefore showcase Coventry's heritage.

6.2 How is risk being managed?

The risks have been identified earlier in the report because if the Council fail to transfer the properties they will continue to deteriorate. It should be noted that the properties will continue to be the responsibility of the Council until a business case has been approved for each property.

6.3 What is the impact on the organisation?

The project proposals include the upgrading and restoration of Council owned land and property which will be positive.

The impact on the organisation will be minimum, apart from the resources from Legal Services to complete the legal documentation.

6.4 Equalities / EIA

The proposal does not require an EIA because the position will remain unchanged in the short term however any longer term proposals may require an EIA as they may impact upon the groups using the local facilities and the local community.

6.5 Implications for (or impact on) the environment

The Project will bring about positive environmental impacts:-

- Restoration of buildings
- Development of brownfield land
- River Sherbourne Improvements
- Reusing reclaimed materials

6.6 Implications for partner organisations?

The impact will be positive for the Heritage Coventry Trust as they will bring these assets back into use and safeguard their future.

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