

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Asset Exchange between Huntingdonshire District Council and Huntingdon Town Council
Meeting/Date:	Cabinet – 17 th November 2016
Executive Portfolio:	Deputy Executive Leader and Executive Member for Strategic Resources
Report by:	Head of Resources
Ward(s) affected:	All

Executive Summary:

Currently Huntingdon Leisure Centre (One Leisure Huntingdon, OLH) is owned by Huntingdon Town Council (HTC) but leased to, and operated by the Council (HDC); whereas the Medway is owned by HDC but leased to, and operated by HTC. This arrangement is currently thwarting the development of each site and therefore the provision of effective services to its customers and residents. Consequently, over a period of time both the Council and HTC have been seeking a mutually acceptable solution to transfer the freehold of the respective assets.

Following a meeting held on the 7th November 2016, and based on an independent, jointly procured valuation report (provided by the Valuation Office Agency) which valued the Leisure Centre at £1.4m and the Medway Centre at £665k; agreement was reached whereby the respective properties would be exchanged along with a £300k cash contribution by the Council to HTC to reflect the agreed total exchange value. Also the Council would provide to HTC an £800k loan facility (at either nil or very low interest) repayable over a period of up to 5 years in order to enable the enhancement of current community hall provision.

This report has not been considered by Overview and Scrutiny but is to be considered as a Key Decision, the appropriate exception has been granted.

Consequently, Cabinet is asked to consider this transfer (property and cash) and the loan facility.

Recommendation (s):

1. to transfer the freehold title of the Medway Centre, Medway Road, Huntingdon to Huntingdon Town Council at £1 (if requested).
2. to accept the freehold title of One Leisure Huntingdon, St Peters Road, Huntingdon upon transfer from Huntingdon Town Council at £1 (if requested).
3. to make a contribution of £300,000 to Huntingdon Town Council, which is to be restricted to use on capital expenditure. Payment being at the point of asset transfer.

4. to finance the £300k contribution (3 above) from the current 2016/17 forecast underspend. If this is not available at the year-end, then from the Special Earmarked Reserve.
5. subject to relevant and appropriate security, to grant a concessionary (soft) loan to Huntingdonshire Town Council of £800k for a period of up to 5 years at 0.25% or less (whatever the minimum interest is legally allowed).
6. to finance the £800k loan by way of external finance from the Public Works Loan Board.
7. to charge, over the life of the loan in 6 above, the interest to One Leisure (estimated cost over 5 years being £24.2k).

1. PURPOSE OF THE REPORT

- 1.1 To seek approval for the transfer of assets (namely, Huntingdon Leisure Centre, otherwise known as One Leisure Huntingdon (OLH) and the Medway Centre) between Huntingdonshire District Council (HDC) and Huntingdon Town Council (HTC), including a £300k contribution to equalise the property valuation difference and the provision of an “interest free loan” to HTC by HDC.

2. BACKGROUND

- 2.1 Both HDC and HTC have been in discussion for some time with the aim of:

- helping to improve effective service delivery and accessibility arrangements for both Councils.
- enable a mutually acceptable and financially efficient situation for the council tax payer overall (a whole public purse ethos).

- 2.2 The principles that are important to each respective Council are as follows.

- 2.2.1 For HDC; it:

- was eager to refresh the OLH offer, including a circa £800k capital investment in the building, expansion of the gym provision and equipment and the implementation of an energy efficiency programme.
- was reluctant to commit investment without security over tenure of ongoing leisure offer, either renewed long lease or ideally freehold. Additionally external grants such as Sport England would routinely require a 21 year secure tenure.
- could not support a commercial lease due to negative impact upon viability of One Leisure group overall.

- 2.2.2 For HTC; it:

- has had OLH and Medway valued and has expectations of realising value of OLH future lease and Medway redevelopment to allow investment in community facilities re-provision.
- does not expect ongoing community centre provision at Medway site and recognises the need for clear community engagement around relocation. Any investment in current building would be interim mend and make do.
- believes it has a viable financial offer for site reuse.

3. ANALYSIS

- 3.1 A meeting between both Councils was held in June 2016 and the following points of agreement were reached

- HDC & HTC accept that ideally both Councils should expect to be masters of own destiny through mutual concurrent arrangements to achieve respective freeholds of each site.
- OLH has limited redevelopment potential given restricted footprint and likely Sport England requirement for facility re-provision as a statutory consultee on planning matters.

- Whilst technically HTC could seek an alternate leisure operator for the OLH site, this had significant uncertainties on longevity and sustainability and in the public interest, both HDC and HTC were committed to a Council led One Leisure group offer from the site, recognising that this secures continuity locally and reinforces the viability of the Districtwide OL leisure offer.
- 3.2 It was concluded that an independent valuation report would be jointly procured (from the Valuation Office Agency (VOA) **Appendix 1**) to enable a common understanding of the value of each respective asset and to determine any valuation gap.
- 3.3 The conclusions of the report were that One Leisure Huntingdon (dry side) was valued at £1.4m and the Medway Centre was valued at £0.665m.
- 3.4 Following a further meeting on Monday 8th November 2016, based on the VOA valuation report, the following solution was tabled by HTC and agreed by HDC:
- HDC to transfer freehold title of the Medway Centre, Medway Road, Huntingdon to HTC at £1 (if requested).
 - HTC to transfer the freehold title of One Leisure Huntingdon, St Peters Road, Huntingdon to HDC at £1 (if requested).
 - HDC to make a capital contribution of £300,000 to HTC for the construction of a new Community Centre. Payment is at the point of asset transfer.
 - subject to relevant and appropriate security, HDC to grant a concessionary (soft) loan of £800,000 for a period of up to 5 years at 0.25% or less (whatever the minimum interest is legally allowed).
- 3.5 Both Councils have agreed that this would enable:
- HDC to put in place a sustainable and, in due course, an enhanced leisure offer, and for
 - HTC to facilitate the effective provision of community facilities to the Town.
- 3.6 This will ensure that there is access to the right facilities in the right locations for Huntingdon and wider residents and users.

4. KEY IMPACTS

- 4.1 Taking into account both the land and cash transfer and the provision of a loan, the financial impact of this transfer to the Council is limited. It is considered that the opportunity that the acquisition of the freehold of One Leisure Huntingdon will award over the long-term will outweigh the small cost of the loan facility.

5. TIMETABLE FOR IMPLEMENTATION

- 5.1 It is understood that HTC is formally considering agreement to this arrangement concurrently on 17 November 2016.
- 5.2 Once both Councils have agreed to this arrangement, it is planned that the transfer of assets and the provision of the loan facility will happen as soon as possible after each Council has agreed.

6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

6.1 It is considered that the asset transfer and the loan facility will meet a number the Councils strategic priorities and objectives; including:

- Enabling Communities
 - Support people to improve their health and well-being.
- Delivering Sustainable Growth
 - Remove infrastructure barriers to growth
 - Improve the supply of new and affordable housing, jobs and community facilities to meet future need.
- Becoming a More Efficient and Effective Council
 - Become a customer focused organisation.

7. CONSULTATION

7.1 There has been extensive consultation between both HDC and HTC; this is seen by both Councils as value for money approach and an effective way to meet both Councils current and future community needs.

8. LEGAL IMPLICATIONS

8.1 In accordance with the Council's Constitution, Cabinet is asked to make a decision on whether or not to approve the transfer of assets (with additional cash contribution by HDC to HTC to reflect the agreed total exchange value as confirmed through the use of an independent valuation) together with a grant by HDC to HTC of a concessionary (soft) loan of £800,000 for a period of up to 5 years, due to the significant sums involved and the fact that this is currently not provisioned as part of the Council's budget.

9. RESOURCE IMPLICATIONS

9.1 The detailed financial analysis of the asset exchange deal between HDC and HTC is shown in **Appendix 2** and is summarised below:

Asset Exchange

9.2 HDC will transfer total assets of £965k (property of £665k; cash of £300k) and acquires an asset of £1.4m; a capital gain of £435k. This shows that there is a clear "capital" benefit to HDC in accepting this deal.

9.3 As per the Quarter 2 financial monitoring, the Council is currently forecasting a service underspend of £851k; it is proposed that £300k of this is used to finance the cash advance to HTC. If at the year-end it transpires that there is insufficient underspend to meet the £300k commitment, then an allocation will be made from the "Special" Earmarked Reserve.

Loan Facility

9.4 It is not unusual for Councils to provide interest free loan facilities to other public bodies. Based on a 5-year £800k "Equal Instalments of Principle" (EIP) loan from the Public Works Loan Board, at 1.3%, the total cost will be £24.2k. The loan will only "go-ahead" if there is relevant and appropriate security; however at the time of drafting this report there has been insufficient time to identify such security. The loan profile is shown below:

	Balance bf	Interest	Total Payment Interest + Prin	Balance cf
1	800,000	4,400	84,400	720,000
2	720,000	3,960	83,960	640,000
3	640,000	3,520	83,520	560,000
4	560,000	3,080	83,080	480,000
5	480,000	2,640	82,640	400,000
6	400,000	2,200	82,200	320,000
7	320,000	1,760	81,760	240,000
8	240,000	1,320	81,320	160,000
9	160,000	880	80,880	80,000
10	80,000	440	80,440	0
		24,200	824,200	

9.5 As the purpose of this loan is to facilitate the acquisition of the freehold of One Leisure Huntingdon, it is proposed that One Leisure should meet the cost of interest.

10. REASONS FOR THE RECOMMENDED DECISIONS

10.1 To support the sustainable development of assets for both the local and wider Huntingdonshire community.

11. LIST OF APPENDICES INCLUDED

Appendix 1 – Independent Valuation Report, Valuation Office Agency

Appendix 2 – Financial Analysis of Exchange Transfer of Assets between Huntingdonshire District Council and Huntingdon Town Council

BACKGROUND PAPERS

All included.

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