

## **CABINET – 17 JULY 2018**

### **Cogges Manor Farm**

#### **Report by Director for Capital Investment & Delivery**

#### **Introduction**

1. Cogges Heritage Trust (the Trust) have been successful in reaching the second round of Heritage Lottery Funding (HLF) to secure circa £1.0m to undertake work (in support of increased activities to aid audience development) to the Cogges Manor Farm buildings which are owned by the County Council and leased to the Trust.
2. The current lease terms do not align with HLF policy and consequently the HLF have asked the Council to vary the lease terms, including the removal of break clauses, which would put the Council at risk in terms of ongoing repairing liability.
3. The HLF requirement to make changes to the lease has brought an opportunity to reconsider the future of Cogges Farm and negotiate other changes. An alternative proposal for a freehold transfer has been put to the Trust, the principles of which were outlined in a Memorandum of Understanding between the parties and this was submitted by the Trust to the HLF Board on 26 June 2018. Cabinet approval is required to enable the Council to proceed if agreement on terms can be reached.

#### **Background**

4. Cogges Manor Farm is a Scheduled Ancient Monument consisting of a 13th century manor house and 17th century farm buildings which are Grade 2 Listed. The site includes approx. 12 acres of grazing land and a car park. The property was purchased from the local Mawle family in 1974.
5. Oxfordshire County Council operated a rural farm museum from the site since the 1970s followed by a short period when the property was leased to West Oxfordshire District Council for the same purpose. With operating losses of around £0.3m it closed in 2009.
6. In July 2011 Cogges Heritage Trust formally took over the running of Cogges Manor Farm Museum from the County Council, occupying the site under a lease for a term of 30 years ending on 4 July 2041. The Trust has an option to renew the lease for a further 20 years from 2041.
7. The tenant is responsible for internal repairs and repairs to the grounds, including paths / roads, boundaries, trees, water courses, ditches, car park, ancient monuments and gardens, etc. The County Council holds the responsibility for structural repairs to this property, including maintenance of the roof.

8. In July 2015 the uses to which the buildings could be used were extended to include any reasonably required ancillary commercial uses, e.g. weddings but the remaining terms were unaltered.
9. The last significant remedial work to the barns was undertaken in the late 1970's early 1980's and considerable weathering has taken place to both the internal and external envelope. In recent years minor alterations and additions, together with patch repairs have been carried out, but these have added limited long-term benefit to the external fabric.
10. Due to concerns raised by the Trust regarding the roof over two of the Grade 2 Listed barns a building surveyor's report was commissioned and received in December 2015 which recommended further investment.
11. In light of the additional costs foreseen a provision of £0.4m was made in the Capital Programme. Some further temporary works were arranged in February 2018 to maintain continuous use of the barns.
12. The design and specification work is now complete but no works have been carried out to date as planning permission has not yet been granted.
13. The Trust relies upon income generated from letting the barns, predominantly weddings. They believe that without the commercial utilisation of the barns the Trust would not survive.
14. In April 2016 the Trust approached the Director of Environment and Economy to discuss the remedial work. They also discussed the potential for the Trust to submit an HLF bid. The Council emphasised that it was unlikely to have funds going forward and that transfer of liabilities to the Trust was logical. It was noted that the terms of transfer would need to comply with statutory requirements.

### **Cost of Repair Work**

15. It was recognised that the value of works necessary to the barns would likely exceed the current capital programme allocation of £0.4m. A further survey has now been undertaken and the cost plan produced by the Council's design team (and verified by independent professional consultants) has increased the required level of investment to be in the region of £1m.
16. The work in respect of the Wheat Barn and Barley Barn comprises stripping of tiles and substantial repair of roof trusses together with re-instatement of limestone slates to the roof.
17. In addition to the costed works to the barns it has been identified that work is also required to the fabric of the manor house and remainder of the estate. The Council's design team have assessed that over the next 10 years the Council would need to incur ongoing Planned Maintenance Programme costs of at least £0.14m pa, but more probably nearer £0.22m pa, excluding any Mechanical,

Electrical and Plumbing services, inflation and time delays in relation to obtaining the relevant planning consents.

## **Heritage Lottery Funding**

18. The Trust have been successful in reaching the second round of Heritage Lottery Funding (HLF) to secure circa £1.0m to undertake works in support of increased activities to aid audience development. The works will also include the construction of visitor toilets on the disabled car park located on adjoining land leased in by the County Council from Mrs Mawle - the intention is for the Council to step away from that lease enabling the Trust to lease directly from Mrs Mawle.
19. In line with policy HLF have asked for variations to the lease from the Council in order that HLF can protect its investment. HLF do not accept leases with break clauses where the landlord has the right to end the lease if the tenant becomes insolvent, or where any rent is in arrears, or there is a breach of any of covenants or the conditions. They also demand that the tenant must be able to sell on, sublet and mortgage the lease.
20. The terms of the HLF grant will restrict the use of the money for the purpose specified in the application which will prevent it from being used for repair and maintenance.

## **Proposal**

21. The proposal is to transfer the freehold of the property for the sum of £1 (one pound). In addition, it is proposed that the Council provides the Trust with £1m in full and final settlement of all its liabilities and obligations under the lease.
22. In order to further protect the Council's position, and the requirement to obtain best value, the proposal outlined to the Trust includes the following terms:
  - The use of the property is restricted to a Heritage Centre with public access for educational / cultural activities and ancillary commercial use.
  - The Council has the ability to buy back the property for £1 (one pound) in the event that the Buyer wishes to dispose of a significant interest in the property or the property ceases to be open to the members of the public in accordance with the user restriction.
23. It should be noted that the HLF will require the Council to become a joint grant holder with the Trust due to the Council retaining the ability to buy back the property. This will be on the proviso that the Council will not be liable under any of the provisions of the HLF grant agreement unless and until it re-acquires the whole of the property. The Council will then, and in those circumstances only, be liable for clawback until expiry of the 20 year heritage grant liability period.

## **Financial Implications**

24. The value of Cogges Manor Farm (buildings and land) has been estimated by the Council's professional valuers as circa £0.95mk as an investment, subject to the existing lease and assuming that the repair work to the barns has been undertaken by the Council at point of sale. This capital receipt will not be realised. The current capital programme funding does not assume any capital receipt from this site.
25. The Council will benefit from future revenue savings in respect of ongoing repair liabilities, which have been assessed as £0.14m pa to £0.22m pa over the next 10 years.
26. It should be further noted that the lease expiry date is 2041 and the Trust has an option to renew the lease for a further 20 years at that point, therefore the Council's liabilities will continue if the status quo is allowed to continue.
27. The Council currently has provision of £0.4mk in the Capital Programme. An additional amount will need to be made available in order to transfer £1m to the Trust to enable the delivery of the roof works to the barns.
28. By enabling the Trust to undertake the works the Council will not have to dedicate resources to manage procurement and monitoring of the capital project.

## **Legal Issues**

29. The Council has an obligation under Section 123 of the Local Government Act 1972 to achieve the best consideration reasonably obtainable. On the basis that the Council will benefit from future revenue savings in respect of ongoing repair liabilities (assessed as £140k pa as a minimum over the next 10 years), these have been taken into account when assessing best consideration in terms of the proposed transaction.
30. In the event that a disposal on the above terms cannot be agreed an alternative way forward would be the surrender of the existing lease and grant of a new lease upon terms that satisfy both the Council and HLF requirements. As the Council would retain the reversionary freehold interest this would satisfy Section 123.
31. The property was acquired from the Mawle family in 1974. The general obligation to offer back under Crichel Down may apply to this property given that it comprises, in part, of agricultural land. It is the Council's intention to formally notify Mrs Mawle in writing of the Council's proposal to transfer the property to the Trust. Although in any event Director's discretionary powers could be applied where the land becomes surplus and available for disposal more than 25 years after the date of acquisition.

## **Risks**

32. If the Trust does not agree to these terms, or the terms are not acceptable to the HLF there is risk that the HLF grant will be lost and the existing lease will continue with the Council remaining liable for the ongoing repairs. This has reputational risk.

33. That any consequential negotiated terms to comply with HLF / Trust requirements fail to deliver best consideration to the authority. However, when disposing of land at less than best consideration the authority is in effect providing a subsidy to the buyer and in this case where the Trust is undertaking commercial activities in a competitive market in particular for wedding venues this is likely to result in unlawful state aid. Although the state aid rules do contain an exemption for “cultural and heritage conservation”, the Trust have rejected the use and other restrictions which are required under that exemption.
34. The presence of unlawful state aid would prevent the Council from using the General Disposal Consent 2003 to dispose of land for less than best consideration (where the undervalue does not exceed £2,000,000 and the authority considers the disposal will help to secure the promotion or improvement of the economic, social or environmental wellbeing of its area).

## **RECOMMENDATION**

The Cabinet is **RECOMMENDED** to:

- (a) To declare the property surplus to requirements.
- (b) To approve the principle of transferring Cogges Manor Farm to the Cogges Heritage Trust, as a named purchaser, for £1 (one pound) on terms that accord with the Council’s statutory obligations or if terms cannot be agreed, to grant a new lease upon terms that satisfy the Council’s and HLF requirements.
- (c) Subject to the transfer of Cogges Manor Farm, as noted in 2 above, to approve the transfer of £1m to Cogges Heritage Trust in full and final settlement of all the Council’s liabilities and obligations under the lease.
- (d) Approve the £0.6m increase to the capital programme budget to make £1m available to Cogges Heritage Trust in full and final settlement of all the Council’s liabilities and obligations under the lease, funded from the Capital Programme Contingency.
- (e) Delegate authority to the Director of Capital and Investment Delivery and Director of Law and Governance to agree appropriate terms.

ALEXANDRA BAILEY

Director for Capital Investment & Delivery

Background papers: Nil

Contact Officer: Karen Lister, Head of Estates

July 2018