

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE
5 DECEMBER 2017

Report Title	Subscription Rooms Task & Finish Group: Final Report
Purpose of Report	To set out the Task & Finish Group's recommendations to the Strategy & Resources Committee.
Decision(s)	<p>The Task and Finish Group recommends on a majority basis that the Strategy and Resources Committee RESOLVES:</p> <ol style="list-style-type: none"> 1. The Subscription Rooms be transferred to Ecotricity Group Ltd in accordance with its bid submission subject to such terms and conditions which the Director of Customer Services (in consultation with the Chair of the Strategy and Resources Committee) considers appropriate and: <ol style="list-style-type: none"> (a) The imposition of restrictions on the use of the premises and management covenants to secure the provision of cultural facilities for public benefit on the premises and to protect existing public access and use of the forecourt; (b) The imposition of overage provisions to cover the possibility of any alternative uses (beyond those set out in the bid); and (c) The transfer of the premises is completed no later than four months from the date of this resolution or such other longer period as the Director of Customer Services considers appropriate. 2. If it is not possible to complete the transfer of the asset in accordance with paragraph 1, the matter be referred back to the Committee for reconsideration. 3. The Community Services and Licensing Committee considers the future of the Tourist Information Centre currently provided within the Subscription Rooms in view of the Committee's decision.

Consultation	As outlined in the report section 2 and background papers - see https://www.stroud.gov.uk/sport-leisure-parks/events-and-things-to-do/subscription-rooms/subrooms-review ¹																										
Financial Implications	<p>The financial assessment of the proposals has been undertaken in the context of the Core Deficit identified in the Council's Medium Term Financial Plan (MTFP) published in January 2017, and the decision made by Strategy and Resources Committee on 26 January 2017. Consequently, in reaching a decision on the future of the Subscription Rooms consideration should be given to the impact on the Council's finances by reducing the level of subsidy required to provide public cultural use (improving the cost effectiveness for the public). The measurement is primarily a comparison against the historic level of subsidy required to operate the Subscription Rooms on a revenue basis, with an additional criterion of the capital expenditure/capital receipt that forms part of each submission. For clarity, the net revenue subsidy required in 2016/17 (the last complete financial year available) is shown in the table below:</p> <table border="1" data-bbox="470 922 1125 1615"> <thead> <tr> <th data-bbox="470 922 933 1003">Subscription Rooms</th> <th data-bbox="933 922 1125 1003">2016/17 Outturn (£)</th> </tr> </thead> <tbody> <tr> <td data-bbox="470 1003 933 1084">Income</td> <td data-bbox="933 1003 1125 1084"></td> </tr> <tr> <td data-bbox="470 1084 933 1126">Fees and Charges</td> <td data-bbox="933 1084 1125 1126">(360,814)</td> </tr> <tr> <td data-bbox="470 1126 933 1169">Grants and Contributions</td> <td data-bbox="933 1126 1125 1169">(3,659)</td> </tr> <tr> <td data-bbox="470 1169 933 1211">Subtotal</td> <td data-bbox="933 1169 1125 1211">(364,472)</td> </tr> <tr> <td data-bbox="470 1211 933 1292">Expenditure</td> <td data-bbox="933 1211 1125 1292"></td> </tr> <tr> <td data-bbox="470 1292 933 1335">Employee & Employee Related</td> <td data-bbox="933 1292 1125 1335">274,063</td> </tr> <tr> <td data-bbox="470 1335 933 1377">Premises Related</td> <td data-bbox="933 1335 1125 1377">76,128</td> </tr> <tr> <td data-bbox="470 1377 933 1420">Transport Related</td> <td data-bbox="933 1377 1125 1420">64</td> </tr> <tr> <td data-bbox="470 1420 933 1462">Supplies and Services</td> <td data-bbox="933 1420 1125 1462">289,879</td> </tr> <tr> <td data-bbox="470 1462 933 1505">Support Service charges</td> <td data-bbox="933 1462 1125 1505">97,635</td> </tr> <tr> <td data-bbox="470 1505 933 1547">Subtotal</td> <td data-bbox="933 1505 1125 1547">737,770</td> </tr> <tr> <td data-bbox="470 1547 933 1615">Net Level of Subsidy</td> <td data-bbox="933 1547 1125 1615">373,298</td> </tr> </tbody> </table> <p>The financial aspects of the two external bids submitted have been appraised against the need for the Council to improve the cost effectiveness of the Subscription Rooms. An element of the costs referred to as the net level of subsidy above (and in paragraph 1.1 of the Report) includes the Subscriptions Rooms share of support service charges which totalled £98,000 in 2016/17. The assumption made with regard to the support charges is that if the service is not continued by the Council, in the short-term there would be a reallocation of the charges to other services across the Council. Over the medium-term, service managers with</p>	Subscription Rooms	2016/17 Outturn (£)	Income		Fees and Charges	(360,814)	Grants and Contributions	(3,659)	Subtotal	(364,472)	Expenditure		Employee & Employee Related	274,063	Premises Related	76,128	Transport Related	64	Supplies and Services	289,879	Support Service charges	97,635	Subtotal	737,770	Net Level of Subsidy	373,298
Subscription Rooms	2016/17 Outturn (£)																										
Income																											
Fees and Charges	(360,814)																										
Grants and Contributions	(3,659)																										
Subtotal	(364,472)																										
Expenditure																											
Employee & Employee Related	274,063																										
Premises Related	76,128																										
Transport Related	64																										
Supplies and Services	289,879																										
Support Service charges	97,635																										
Subtotal	737,770																										
Net Level of Subsidy	373,298																										

	<p>responsibility for support services are expected to review the level of resources required, with an expectation that savings will be delivered as the overall size and scale of the Council's operations changes. Therefore, no assumption has been made in this report of any cost reduction in support services charges to the Council arising from the external bids.</p> <p>The Council's MTFP, published in January 2017 (revised in February 2017 to reflect updated funding from Business Rates), highlighted an unfunded core deficit on the General Fund revenue budget of £3.4m per annum from 2019/20. The Council is required to set a balanced budget each year. The MTFP showed the Council needs to make significant savings or generate additional income to be able to achieve this over the medium term. The MTFP was reliant upon the use of reserves to balance the budget and this is not a sustainable financial position.</p> <p>David Stanley, Accountancy Manager (Section 151 Officer)</p>
<p>Legal Implications</p>	<p>Any decision should also be made in view of the strategic risks associated with the Council's budget for the medium term (e.g. CCR1).</p> <p>If the Committee proposes a disposal of the freehold or a lease (in excess of seven years) of the premises for a value below the best consideration that can reasonably be secured, it needs to be satisfied that the disposal is in the economic, environmental or social wellbeing of the area. (It should be noted that the price at which the property has been marketed is a guide price only. The actual disposal is subject to its use for cultural purposes and even with its existing title restrictions, this will adversely affect the market value). Both Bids A and B will be subject to this legal requirement although disposal at a lower capital receipt than is possible following the marketing of the property will require the Committee to carefully consider this requirement.</p> <p>Both of the external bids are made on the basis that there would be a transfer of the freehold of the whole site (as opposed to a long lease of say 125 years of the whole or part of the site which is a potential alternative to a freehold transfer). In any case, if it is resolved to dispose of the site to either of the external bidders, existing restrictions on the use of the site will remain and additional covenants would be required in the transfer deed (or long lease) to secure the provision of cultural facilities for public benefit on the premises and to protect existing public access and use of the forecourt; further the imposition of overage provisions to cover the possibility of any alternative uses (beyond those set out in the bid) would be appropriate.</p>

	<p>If the Committee does not consider either of the external bids should be pursued, it may wish to remarket the property for sale ASAP. In view of the restrictions on the disposal of the building which is registered as an Asset of Community Value, a further moratorium period potentially preventing a sale of the freehold or a long lease (of 25 years plus) will apply from 1st September 2018.</p> <p>K Trickey, Head of Legal Services and Monitoring Officer</p>
Report Author	<p>Head of Legal Services on behalf of the Task and Finish Group which has undertaken the review. The Group members have included Cllr Cornell, Cllr Baxendale, Cllr Butcher, Cllr Craig, Cllr Edmunds, Cllr Pearson, Cllr Pickering Cllr Studdert-Kennedy and Cllr Townley.</p>
Alternative Options	<p>(1) Accept the other external bid; (2) Approach both bidders and renegotiate terms of their bids; (3) Continue to subsidise the current use of the premises; (4) Close the building; (5) Re-market the premises.</p>
Background Papers	<p>In-house retention option; Bids A and B to which the report refers; Summary financial account for the Subscription Rooms; Bruton Knowles: Sales Particulars for Subscription Rooms; Consultation Feedback: summary report on event on 18th February 2017. All documents are available at: https://www.stroud.gov.uk/subroomsreviewⁱ</p>

1. **Background**

- 1.1 This is the final report of the cross-party member Task and Finish Group. The Group was established by the Committee in October 2016 to investigate how the Subscription Rooms could best serve the community; specifically bearing in mind that the current net level of subsidy (£373,298 in 2016/17) by the Council to keep the Subscription Rooms open to the public for its current cultural uses, was considered unsustainable within the medium term without cuts to services being made elsewhere. The relevant minutes and committee report are available at:
<https://www.stroud.gov.uk/media/208522/minutes-13-october-2016.pdf>ⁱ
and
<https://www.stroud.gov.uk/council-and-democracy/meetings/strategy-and-resources-committee/strategy-and-resources-committee-26-january-2017>ⁱ

Tourist Information Centre

- 1.2 In undertaking its review, the Group has recognised that whilst it was not tasked with reviewing the future of the Tourist Information Centre which currently operates from the Subscription Rooms ('the TIC'), any decision regarding the premises beyond continuation of the existing arrangements will have implications for the TIC. Consequently, this report includes commentary on the impact of each of the proposed options on the TIC.

Options

- 1.3 Following the Group's preliminary report to this Committee on 26th January 2017, the Committee resolved that three principal options be considered by the Group with a view to reducing the level of subsidy; with a preference to seek to retain its availability to the public for cultural use. In summary these are as follows:

- **No change in terms of ownership of the premises:** This includes retaining the service in house; identifying and delivering further efficiency measures; investment for income generation; co-location of public and/or commercial services; contracting out the management of all or part of the Sub Rooms service operations; OR cessation of service and mothballing of the building.
- **Dispose of the freehold or grant a leasehold interest in the property for use as a public arts and cultural facility:** It was always anticipated that this might still have some financial implications for the Council in view of the restrictions on the services which could be operated from the premises. Relevant transferees would include a Community Interest Group, trust, public sector body or commercial organisation.
- **Cease delivery of the service and dispose of the Council's freehold (or grant a leasehold) interest in the property for an alternative use:** Whilst the use of the building for arts and culture would be lost, alternative uses involving a material change of use could be secured with planning permission. An application for such uses would be expected to meet various local plan policy requirements of the Council as local planning authority. Such requirements include proving there is no prospect of a continued community use; and the existence of similar facilities nearby which cater for the needs of the local population.

Resume of progress on the review to date

- 1.4 There have been several updates to both the Strategy and Resources Committee and the Community Services and Licensing Committee since January 2017 and on the Council's website as to progress being made in investigating the above options. It is confirmed that in line with the timetable

approved by the Committee, bids to acquire the premises were sought and consideration was also given to the costs of retaining the asset. General information on the review (including costs) has been publicly available on the Council's website since February 2017. A full bid pack has also been available to those that expressed an interest in acquiring the premises. Despite expressions of interests being received from several organisations direct by the Council or indirectly via the agents used to market the site, only two bids were received. Neither of these two bids were in response to the marketing of the site for any use. Consequently, it is simply these two bids and the 'no change' option outlined above, which have been considered by the Task and Finish Group. Details of the bids and the 'no change' option are outlined below in Section 3 to 5 of this report, along with the Group's assessment of each. Copies of all three submissions are available to the public.

The description of the premises

- 1.5 The Group is aware that concerns have been raised about the inclusion of the forecourt in the description of the Subscription Rooms. The legal title to the property known as the Subscription Rooms includes the forecourt and the property was marketed to include this. Both the forecourt and the building are subject to the same restrictions which are set out in the registered title to the property which is publicly available from the Land Registry.
- 1.6 For the avoidance of doubt, there is no intention on the part of the Council to remove any current restrictions or indeed any existing rights applicable to the site. Nevertheless, it is still possible to divide the site. (This would be achievable by (i) not disposing of the forecourt; or (ii) granting a long lease of the forecourt and transferring the freehold of the building which would assist in the Council in securing control over the use of the forecourt whilst still disposing of the asset. If the Committee wanted the Council to retain 'ownership' and as such control of the forecourt, the latter option would be preferred by the Head of Property Services from a Council management perspective).
- 1.7 Whilst the bids centre around the use of the building, neither of the bids comment on the use of the forecourt; both bids being made on the basis that the building is transferred from the Council to them solely or primarily for public arts and cultural purposes albeit for different amounts as detailed below.
- 1.8 The Subscription Rooms (including the forecourt) were registered in September 2015 by the District Council as an asset of community value following application by Stroud Town Council in August 2015. The impact of such is that the property may not be sold (either freehold or 25 year leasehold interest) without providing for example, community interest groups (including the Town Council) an opportunity to bid to purchase the site. To progress the review and in line with the options resolved by the Strategy and Resources Committee, the Task and Finish Group has proceeded with its review in a manner consistent with the timetable applicable to the disposal of assets of community value.

2 **Public Engagement and Consultation**

- 2.1 The Council's last annual budget consultation survey (November 2016) available at <https://www.stroud.gov.uk/media/240743/stroud-district-council-budget-consultation-report-2016.pdf>¹, included a question relevant to the Subscription Rooms. As the survey results noted "*residents were asked to what extent they valued a list of services...The least valued services were Stroud subscription rooms (10% high [importance], tourist information centre (10% high) and dog warden animal welfare (12% high)*". This is consistent with the annual survey results since 2013 in which the Subscription Rooms have been the least, highly valued Council service, by residents surveyed.
- 2.2 To inform the review, the Task and Finish Group has also ensured that the Council has consulted with various organisations and the public. The review has also been publicised on the website, in local press and by councillors.
- 2.3 In response, members of the public have expressed their views, most notably in the petition which was received by the Council on 10 April 2017 (and subsequently reported to the Committee) calling upon district councillors "*to do everything in their power*" to keep the Subscription Rooms "*as the vibrant publicly owned community venue it is and to work with the community to secure its future*". A copy of the petition and details of additional comments made have been available on the Council's website since then - see <https://www.stroud.gov.uk/council-and-democracy/about-the-council/have-your-say/petitions/current-petitions>.[‡]
- 2.4 The Council formally notified and publicised 'its intention to dispose' and sought expressions of interest from a range of bodies. During this period, nine organisations expressed their interest, and were sent a property information bid pack – see <https://www.stroud.gov.uk/subroomsreview>.¹ Question & Answer sessions and several hosted visits were also held during July, August and September.
- 2.5 The Council instructed Bruton Knowles, a commercial agent with local knowledge and experience to advertise the Subscription Rooms on the open market. The property was advertised on the agent's website and in the local press for an eight week period with three viewing days. Particulars were circulated to all of the agent's active applicants; all agents in Gloucestershire, Swindon and Worcester; publicans; public house companies; and restaurant operators; all of which accounts for approximately 300 bodies. The agent has described the levels of interest as being modest although points out that the interest expressed was from both owner occupiers and investors. Further feedback from the agent explained that a number of factors affected the general level of interest including the fact that the majority of the marketing was carried out during the summer months; there was negative PR during the marketing campaign; and commercial bidders generally prefer private treaty rather than a tender process.
- 2.6 In addition to this report being available on the Council's website, arrangements have been made for an open event at the Subscription Rooms

on 18 November. Responses to that event will be reported to the Committee when it considers the report as will comments on this report from other Members of Council who are not members of the Committee.

3 No change in ownership / management

In house provision

- 3.1 Consideration has been given over the last few months to the potential for outsourcing management of the services provided by the Council from the Subscription Rooms. Twelve potential providers were identified on the Procurement Portal. Of these, two requested further details and attended a hosted visit; however, neither wished to progress to the bid stage.
- 3.2 The co-location of public and commercial services has been considered including for example a Business Hub, Taxi Office and Travel Agent. Unfortunately, no interest was generated.
- 3.3 Consequently, other than closing the premises (see paragraph 3.8 below), consideration in respect to this option has largely centred around improving the in-house management of the Council's services (i.e. management of the building and events; and provision of other associated services such as the cafe and bar facilities etc). The background papers include details of the Council's anticipated costs and income for retaining the services in-house. This financial information is based upon improvements being made to the management of the building, development of new business and further changes to performance management.
- 3.4 The proposal does not include continuation of the TIC in the longer term as it is considered that the space it currently occupies in the Subscription Rooms could be more effectively utilised as part of the reorganisation of the cultural services to be provided from the premises. Currently, the TIC costs the Council over £75,000 per year to run. The TIC provides a box office service to the Subscription Rooms, although there are cheaper and more efficient ways of doing this as the in-house proposal outlines. The TIC is the only tourist information service in the district which is managed and staffed by the Council. Others are managed by volunteers and/ or funded by town and parish councils.
- 3.5 In brief, it is anticipated that continuing to operate the Subscription Rooms in-house will require an ongoing subsidy from the Council. The total subsidy anticipated for five years would be between £787,290 (excluding redundancy costs and capital costs which would need to improve the efficiency of the operation) and £1,685,014. These costs exclude any significant repairs to the building, for which the cost of repairing the roof within the next ten years, has been estimated to be in the region of £100,000. Furthermore, there is no guarantee that further subsidies will not be required beyond this five-year period.

- 3.6 Having considered the anticipated subsidy which will be required for this option, the Task and Finish Group is mindful of the Accountancy Manager's advice in respect to the implications for the Council's MTFP. In particular it notes:
- (a) The in-house proposal contains two financial projections for the Subscription Rooms – “High Expectation” and “Low Expectation”.
 - (b) The Low Expectation bid replicates the costs and income from the current operating model, with some cost containment and modest income growth. Overall, the net level of subsidy within the proposal reduces from £350,000 to £326,158 over the 5-year period. Whilst this can be viewed as a lower-risk strategy, it does not fulfil the requirement to improve cost effectiveness.
 - (c) The High Expectation bid reduces the operating costs (over the 5-year period) by 42%, with income improving over the 5-year period by 13% (with an initial reduction in income levels in years 1 and 2). The High Expectation bid focuses the programme on profitable events, thereby reducing both costs and income initially. However, income is projected to double from Year 1 to Year 5 (from £267,265 to £564,426) with costs being controlled and increasing by 47% over the same period (Year 1 to Year 5). This can be seen as a high-risk strategy, given the financial performance of the Subscriptions Rooms over the prior 5-year period. The strategy is dependent on an increased level of income from ticket sales and other income sources year-on-year, with costs tightly controlled particularly in relation to staffing levels.
 - (d) In addition to the revenue element of the proposal, an element of capital expenditure was highlighted that would be required over the 5-year period. Whilst not fully costed, additional capital expenditure in the region of £60,000 to £80,000 future investment was included. Detailed business cases were not included in the proposal.
 - (e) *Accountancy Manager's Opinion: Given historic financial performance, it is considered that the in-house proposal poses too much financial risk to the authority over the 5-year period and it is probable that cost effectiveness would not be improved as a result.*
- 3.7 The Task and Finish Group Members which considered this option, concluded that whilst the retention of the premises by the Council in terms of controlling the use of the building was welcome and the continuation of cultural facilities could therefore be protected, the level of Council subsidy would not meet the underlying need for the Council to secure any or any significant level of savings within the medium term. Consequently, this option is not recommended to the Committee.

Closure

- 3.8 Finally, closure of the Subscription Rooms by the Council was considered by the Task and Finish Group. Clearly, the cessation of service and closure of the venue would save day to day costs. The costs of simply maintaining the closure of the listed building would be at least £1,500 per month. Although the level of subsidy required by the Council would be significantly reduced and the

premises would be retained by the Council for future use, this option is not favoured by the Task and Finish Group. This option was viewed as one of 'last resort'. The Subscription Rooms is a prominent building in the centre of Stroud and its closure, particularly for an unknown period, would adversely affect the vibrancy and general amenity of the town.

4 **Bid A: Submitted by the Clerk of Stroud Town Council for and on behalf of Stroud Trust in conjunction with Stroud Town Council**

- 4.1 As will be noted from the background papers, this bid is the most detailed of the three choices. In summary, it is made in the name of a new trust specifically set to run the premises for public arts and cultural purposes. The Trust would seek the required registration with the Charity Commission if the bid was accepted. Whilst Stroud Town Council supports the bid and will undoubtedly be seeking to work with the Trust, the two bodies are distinct. The proposal is that the Council sells the freehold of the premises to the Town Council for £1 (one pound) which will then grant a full repairing lease of 30 years to the Trust. Whilst the indications are that the Trust or Town Council may be looking for the District Council to help it finalise the terms of the lease, ultimately the terms and conditions would be a matter solely for the Town Council as landlord and the Trust as lessee particularly following the transfer of the freehold to the Town Council.
- 4.2 As with any transfer of the freehold (or a long lease) to any organisation, the Council would want to ensure that existing public rights and title restrictions are not lost and as such would need to impose restrictions on the use of the premises and management covenants to secure the provision of cultural facilities for public benefit; and to protect existing public access and use of the forecourt. Similarly, it should seek to impose controls (for example, overage) to prevent any financial gain being secured by a new owner if the use of the premises were to change in the future (e.g. because the venture proved unsuccessful).
- 4.3 Assuming that the Trust's application to the Charity Commission is successful, the District Council would need to provide the Trust with a grant or subsidy of £450,000 (four hundred and fifty thousand pounds) which will be in addition to other fund raising and a grant of £50,000 (fifty thousand pounds) from the Town Council. This money will be used to "*deliver an arts and cultural experience for all, which will inspire, enrich and entertain*" thereby ensuring that "*Stroud will be recognised nationally for its dynamic approach and excellence in the provision of arts, culture and leisure.*" The Trust refers to enhancing and extending the current arts, culture and leisure offering, although no details are provided of future programming or other activities beyond a general reference to, for example, live events, workshops and the addition of a cinema and video streaming events.
- 4.4 The Council's £450,000 grant or subsidy could be made subject to various conditions for repayment of the funds, but given the absence of any assets (the property would be owned by the Town Council), recovery of the monies if the venture proved unsuccessful would be most unlikely. Action would need to be

taken against the individual trustees and they would need to be shown to have breached relevant legal duties as opposed to simply the venture not proving successful.

- 4.5 As noted above, the Trust is a new organisation which has yet to be registered with the Charity Commission. Whilst the experience, expertise and commitment of the current trust committee members which, for example, includes representatives of the Stroud Fringe community interest company, is encouraging, the Task and Finish Group noted that the Trust itself does not have any record of success or assets. Consequently, the viability of the bid can only be based upon the information submitted. The infancy of the Trust makes it difficult to assess the veracity of the income figures particularly when, albeit not surprisingly, it is not possible for events to be programmed.
- 4.6 The proposal anticipates closing the premises for between nine and twelve months to complete renovation works. The Project Manager who has assisted in managing the Subscription Rooms has confirmed that in practice this will mean that in the short term there would be a significant loss of existing business as opposed to a continuation or any improvement in existing business which might be expected if the premises remained open.
- 4.7 The bid specifically excludes provision for existing employee related costs. This is considered an optimistic view for the Trust (and / or the Town Council) at this stage. If this option is pursued, it is considered that there may well be some element of staff transfer although until a decision has been made by the Strategy and Resources Committee it will not be possible to resolve this unequivocally. The bid also refers to the possibility that the Town Council may be willing to take on the running of the TIC. However, in the absence of any details from the Town Council, the bid has to be considered on the basis that it does not include any provision for the TIC.
- 4.8 Having considered the business model and the actual and projected financial status of the Trust, the Task and Finish Group consider the bid raises some significant financial concerns. The Accountancy Manager has advised:
 - (a) The bid from Stroud Trust proposes a transfer of the freehold of the Subscription Rooms to Stroud Town Council for a nominal sum (£1), with a cash input from Stroud District Council to Stroud Trust of £450,000 (£250,000 for capital works and £200,000 as working capital to provide cash-flow support). In addition and regardless of the legal position regarding staffing costs, the Trust has indicated that the Council will need to fund any financial liabilities associated with employee transfers as well as redundancies. Therefore all relevant staff costs will be incurred by the District Council in practice.
 - (b) The 5-year cash-flow forecast included within the bid is considered ambitious when compared to the historic financial performance and therefore presents a potential financial risk to delivery.
 - (c) The bid requires income to increase by 92% over the 5-year period (from £490,070 to £872,155), with costs being controlled and increasing by 47% over the same period (£575,680 to £847,558). The cash-flow

forecast shows that the Trust does not expect the Subscriptions Rooms to make a surplus until Year 4, hence the requirement for £200,000 of working capital as part of the bid.

- (d) In terms of income projections, the bid is heavily dependent on Programme income (63% of all operating income in Year 5), with sponsorship, donations and other charitable income forming 12% of operating income in Year 5.
- (e) Stroud Trust has no substantial funding in place and indicates it will raise funds during the initial period of the Subscription Rooms closure through a crowd funding campaign and grants from trusts and foundations. In addition to the £450,000 cash input from Stroud District Council, the bid indicates that Stroud Town Council will provide a grant of £50,000 to fund the post of a fundraiser for the Stroud Trust and also provide working capital to the Trust.
- (f) In terms of Capital expenditure, additional supporting documents provided with the bid indicate a significant shortfall in capital financing of approximately £300,000 over the 5-year period. Given the relative importance of the investment to the Trust's operating model, this clearly represents a significant financial risk to the proposal.
- (g) *The Accountancy Manager's Opinion: Whilst the bid reduces and removes the on-going revenue cost to Stroud District Council, there are concerns about the financial viability of the bid given the unfunded capital investment and operating deficit within the cashflow forecast. The transfer of the freehold for a nominal £1 also means the Council would forego any capital receipt for the asset. Given the financial performance risks outlined above, it is considered high-risk given the bid requires significant financial support from Stroud District Council and Stroud Town Council from the outset (£500,000 would be required in Year 1). The forgone capital receipt is of concern, although mitigation could be put in place around any subsequent asset sale or transfer by Stroud Town Council.*

4.9 It should be noted also that the bid involves a sale of the property to the Town Council for less than the best consideration that can be obtained (as illustrated by the alternative bid received). To legitimately transfer the site to the Town Council, the Committee must be satisfied that the disposal will be in the economic and/or social interests of the district. In the absence of a robust case establishing such, the sale is certainly open to challenge. Unfortunately given the concerns about the financial robustness of the bid, the Task and Finish is not satisfied that such a requirement can be met.

4.10 In conclusion the Task and Finish Group recognises the advantages of this bid (namely, it seeks to promote arts and culture across the district; it seeks to retain public ownership of the premises; and provides a way in which the Council's subsidy can be reduced (i.e. from £350,000 each year to potentially a one-off payment (if all goes to plan) of £450,000)). Nevertheless, taking account of all relevant factors (including the legal requirements and the information provided with the bid), the Group has reached the decision that given the uncertainties and financial risks Bid A presents, it cannot recommend the bid is accepted.

5 **Bid B: Submitted by Ecotricity Group Ltd**

- 5.1 In summary, the proposal for the use of the building in this final bid, is that the upper floor of the Subscription Rooms is used Monday to Friday office hours for a facility for Ecotricity staff including large meetings and other staff events or rest and relaxation, for which the business does not currently have any scope to do within its existing premises. The bid refers to *“being committed to the continuation of the Subscription Rooms as a live entertainment venue as it is today, with the upper floor ballroom space [being] available for bookings typically on Friday, Saturday and Sunday evenings”*.
- 5.2 In respect to the TIC, this is the only option which includes provision for the TIC to remain within the Subscription Rooms; reference being made to “suitable ground floor space” being provided to accommodate the service if that is what the town (or it is assumed the District Council) wants and at no charge (this would be £1 rent in effect to make it enforceable). The remaining ground floor is proposed to be made available for public use in particular, exhibitions, classes, school events as well as other possible uses for which consideration will be given by the new owner.
- 5.3 The proposal involves the transfer of the freehold of the premises from the Council to this well established local company for £300,000 (three hundred thousand pounds) which includes fixtures and fittings. Unlike Bid A, no form of subsidy or grant is required from the Council and as such purely in terms of reducing the level of subsidy provided by the Council, this is the best option. Further, unlike the Trust bid, this bid is not made on the presumption that no employees will transfer to the transferee.
- 5.4 The company has experience of running conference / catering and public facilities at Forest Green Rovers in Nailsworth. However, as with Bid A, no detail on the future programme has been included in the bid.
- 5.5 From a purely financial perspective the Accountancy Manager has advised the Task and Finish Group:
- (a) The bid from Ecotricity proposes a transfer of the freehold of the Subscription Rooms for £300,000, with no further cash input from Stroud District Council. In addition, the bid recognises that TUPE applies and accepts the associated financial liabilities.
 - (b) The bid does not provide detailed cash-flow forecast or details of the operating model that would be followed. Therefore, it is not possible to provide any analysis of the financial risk posed by the bid. However, the operating model outlined in the bid does indicate that the public use of Subscription Rooms would be more limited (principally Friday, Saturday and Sunday evenings) and could be viewed as a reduced financial risk.
 - (c) *The Accountancy Manager’s Opinion: The bid removes the on-going revenue cost to Stroud District Council and proposes a capital receipt of £300,000 for the asset. Subject to further discussions, this would present the lowest financial risk of all bids to Stroud District Council.*

- 5.6 Although recognising the private bidder's clear commitment and links to Stroud, the Task and Finish Group expressed concern about such a prominent building being transferred into private ownership. Consideration was therefore given to relevant controls to ensure that the public use proposed is secured. In doing so, the Group concluded that it would be appropriate in the case of any transfer of the premises or simply the building (including not limited to the current proposal) for the transfer to be subject to restrictions on the use of the premises and management covenants to secure the provision of arts and cultural facilities for public benefit and to protect existing public access and use of the forecourt. In addition, as an additional precautionary measure (and one which is regularly used when land is sold subject to limits on its use which impair value), overage provisions should apply so that an additional payment would be made to the Council if the building's authorised uses were to change in the future. As previously noted in this report, these types of restrictions would be recommended for a transfer to anybody, whether private or public.
- 5.7 The Group concludes that out of all the options presented, the two key objectives (i.e. reduce the subsidy and to retain public arts and cultural facilities) set out in the Strategy and Resources resolution of January 2017 are most readily met by this bid because:
- It will not only reduce the level of public subsidy which the Council has to provide, but it will eliminate the subsidy altogether and bring a significant capital receipt to the Council to support its services to the public, at a time when savings need to be made.
 - Despite the understandable concerns about transferring the Subscription Rooms to private ownership, subject to the conditions outlined in the Decision Box being secured, it will be possible to ensure public access to arts and cultural facilities within this prominent building, continues for the foreseeable future.
 - The disposal of the premises on the terms set out in the bid is considered to bring with it sufficient social and economic benefits to the area to justify disposal at undervalue (bearing in mind without the arts and cultural uses preferred by the Committee, the value would potentially attract a higher market value).
 - It also provides an option of a tourist information service being provided in the building rent free.
- 5.8 Having conducted a 12 month review which has culminated in the receipt of three bids / options, the majority of the Task and Finish Group recognises the need to reach a conclusion on the basis of the bids received by the Council. Whilst the whole Group has been disappointed that it has not been possible to recommend an option which would also secure the continued public ownership of this asset, for all the reasons outlined and on the basis of a majority Group view, it is this bid which is recommended to the Strategy and Resources Committee.

6 Addendum

- 6.1 In undertaking its review, the Task and Finish Group has specifically borne in mind the strong views held by some members of the public that the Subscription Rooms should remain in public ownership. Given the Group's conclusion that there wasn't a viable option before it which would retain public ownership without significant risk of public subsidies being required in the medium or long term, consideration was given to the possibility of renegotiating the terms of the bids; and encouraging a joint bid. It was noted however that the bids submitted have followed an extensive period of public advertisement and opportunities to discuss options with the Project Manager. (In respect to the latter, the manager advised that the possibility of joint working between the two bidders (only) resulted in a reference in one relevant bid, namely that of Ecotricity Group Ltd which noted the company had "*liaised with and enlisted support for [its bid] from the Gloucestershire Arts Council and the Sub Community Association, the latter being the representative body of many of the current users and promoters of the Subscription Rooms*" and that if its bid is successful "*it would look to work with these and other interested groups (e.g. the Stroud Trust) in order to sustain and grow community use*"). Consequently, in the interests of fairness and bearing in mind the need to consider the Subscription Rooms as part of the pending budget setting process, final consideration was given to the submitted bids and the recommendations made.
- 6.2 As noted in the opening paragraphs of this report, whilst its terms of reference did not specifically include a review of the TIC, the Group's recommendation does provide the option for the TIC to remain in the Subscription Rooms. Nevertheless, as with all services provided by the Council consideration must still be given to the costs to the Council of providing such a service. The Group highlights the information set out in paragraph 3.4 of this report and recommends to the Strategy and Resources Committee that if it resolves to dispose of the site as recommended in paragraph 1 of the Decision Box, it should highlight the need for the Community Services and Licensing Committee to consider whether the Council should continue to finance that service. Whilst no specific proposals were made as part of the Stroud Trust bid, given the indication that the Town Council might be willing to take on such a service, this option should be investigated. As part of the budget review by the Director of Customer Services, a report on the matter to the Community Services and Licensing Committee is proposed later this financial year.
- 6.3 The Task and Finish Group's recommendation to the Strategy and Resources Committee is the result of several months of work. As planned, this report has been published ASAP and earlier than usual for committee reports, to provide the public and Members of the Council as much time as possible to consider the report.
- 6.4 Finally, out of courtesy, the recommendations have been relayed to the bidders and existing Subscription Rooms staff before the publication of the report which will be considered by the Strategy and Resources Committee at its meeting on 5th December. Their involvement, time and / or effort in preparing

the bids, as well as their patience in awaiting the outcome of the review, has been appreciated.

Task and Finish Group (Subscription Rooms)

09.11.17

Ref: LEGAL/CIV1/18

Foot note

ⁱ Please note background papers are included on the Council's website on the Subscription Rooms page at <https://www.stroud.gov.uk/sport-leisure-parks/events-and-things-to-do/subscription-rooms/subrooms-review>; other documents are available via the specified links; otherwise please copy the addresses into your web search box to access the relevant papers on the Council's website.