

Committee: Cabinet

Agenda Item

Date: 26th May 2016

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Title: Proposed grant of £80,000 to Fairycroft House Community Interest Company (CIC)

Portfolio Holder: Cllr. Howard Rolfe

Key decision: **Yes**

Summary

1. ECC acquired Fairycroft House, 37 Audley Road, Saffron Walden CB11 3HD in 1939. They stopped delivering services from the site and closed the building in September 2014.
2. Fairycroft House Community Interest Company (CIC) was formed in 2014 by a rock musician, Tim Atkinson, who was leading workshops in Fairycroft House prior to its closure. Its purpose is to purchase and manage Fairycroft House as a community asset, an Arts and Media Centre, providing access to state-of-the-art resources, meeting rooms and areas for rehearsal and performance as well as delivering various activities from the site themselves.
3. Fairycroft House CIC has raised a mortgage of £240,000 towards the purchase price of the property, which is £400,000. Essex County Council has agreed to grant £80,000 from their Assisted Purchase Scheme.
4. Fairycroft House CIC needs £80,000 to cover the full purchase price of the property.

Recommendations

5. To grant £80,000 from the Strategic Initiatives Fund to Fairycroft House CIC to assist in the purchase of Fairycroft House, subject to the conditions and restrictions referred to within this report.

Financial Implications

6. The cost of implementing the recommendation is £80,000, which will be funded from the Strategic Initiatives Fund.

Background Papers

7. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

None

Impact

8.

Communication/Consultation	None
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Situation

9. Essex County Council (ECC) acquired Fairycroft House at auction in 1939. It was the ARP Headquarters during the War and the Police Station for a short while after the War ended. In the early 1950s it served as the original Saffron Walden County High School.
10. It subsequently served as a youth centre, an Area Youth Office and a Careers Office and was the base for adult education. In September 2014 ECC re-provided its services in the adjacent Saffron Walden multicentre.
11. For much of the last ten years a rock musician has been leading a music workshop in Fairycroft House as part of the ECC Youth Service provision. Mr. Tim Atkinson was born and raised in Uttlesford and still lives in the district. Many of his music industry friends have visited the music workshop, teaching and inspiring local young people.
12. In response to the ECC decision to close the building Mr. Atkinson established Fairycroft House CIC in August 2014. Fairycroft House CIC's vision is to purchase and then manage Fairycroft House for the benefit of the local community.
13. The primary core features of any company holding CIC status are two-fold:
 - Assets owned by the company are held in an asset lock which secures those assets to applications for the good use of the community.
 - Limitations applied to dividend and interest payments made to shareholders and financiers ensure a profit can be made, but the primary focus remains on achieving benefit for the community.
14. In February 2015 ECC leased the building to Fairycroft House CIC. Since that time Mr. Atkinson and a group of volunteers have managed the property and promoted its use to local community groups, businesses and public sector agencies. The building houses two recording studios and a

video editing suite, two halls, one with a stage and numerous rooms for hire.

15. By March 2016 there were between 250 and 300 people per week visiting the building and participating in a wide range of activities including drama workshops, music lessons, choir and band rehearsals, art classes and homework clubs.
16. Fairycroft House is the home of the Saffron Walden Young Carers Group and stores costumes and props for the Saffron Walden Music Hall Society. It is the base for a local counselling service and a local marketing company. Waitrose use the building as a venue for team meetings and in the last year UDC, Job Centre Plus, Harlow College and the BEST Growth Hub have all used the venue.
17. Future plans include film-making workshops delivered by Saffron Screen and a programme of events delivered by Saffron Walden Arts Trust. A Music Academy will start on Sunday afternoons and it is hoped that a local luthier will move her business into the property in the autumn of 2016.

Strategic Initiatives Fund

18. The stated purposes of the Strategic Initiatives Fund are:
 - Support for the local economy
 - Partnership working with voluntary sector organisations
 - Community initiatives and services in rural locations
 - “Spend to save” projects to make the Council more efficient and more resilient to funding changes in future years
 - Putting some Council services onto a more commercial footing.
19. There are four key criteria that each project must meet to be considered for funding from the Strategic Initiatives Fund. These are:
 1. The project demonstrably supports the Council’s corporate priorities, as set out in the Corporate Plan
 2. The project fulfils at least one of the five suggested uses for the Fund, as set out above
 3. The project results in tangible financial benefit to the Council, either by reducing future cost pressures, efficiency savings, or income generation
 4. The project does not give the Council any additional ongoing revenue budget commitments beyond the 2016/17 financial year.
20. Any UDC grant would need to be linked to conditions that protect the investment, whilst allowing Fairycroft House CIC to generate sufficient income to pay the mortgage, running costs and for improvements to the building.
21. It is proposed that a review of the activities within Fairycroft House Arts and Media Centre would be completed, following the payment of the grant, after 3 years, 5 years and then every 5 years up to and including 2031. The first review would be in the summer of 2019.
22. The purpose of the review would be to identify that:

- The majority of activities within Fairycroft House Arts and Media Centre are of benefit to the local community, with people of all ages and abilities from Saffron Walden and the local area participating in a wide range of activities.
- Fairycroft House Arts and Media Centre is a centre of excellence for local community creativity, providing state-of-the-art resources to an increasing number of local community groups / businesses, and an increasing number of local individuals.
- Fairycroft House Arts and Media Centre is a base for diversionary activities for local young people.

23. The precise details of the expected outcomes for the majority of the centre's users and the performance management framework required to provide the council with evidence of the use of the building would need to be determined. However, it should not be overly bureaucratic for the centre to complete nor overly restrictive on them in terms of providing some commercial offer to help finance the centre's operations.

24. It is proposed that a charge be placed on the property to protect the council's investment until 2036. The charge would be index linked to the Retail Price Index which is good practice to protect the value of the initial grant. The UDC charge would be a third charge, following a first charge by the bank offering the mortgage, and a second charge from ECC. This amounts to a slightly higher risk to UDC as both the bank and ECC would receive funds from the disposal of the building prior to UDC.

25. It is also proposed that there would be a reducing scale of liabilities that would be repaid by Fairycroft House CIC in the event that the company was wound up for any reason, or that Fairycroft House was sold, transferred or leased (for more than 12 months). The following table sets out the reducing liabilities over time as follows:

26.

Time	Amount to be repaid
After 3 years	85%
After 5 years	75%
After 10 years	50%
After 15 years	25%
After 20 years	NIL

27. ECC have advised that a condition of their grant will give them the right to force a sale if the building is closed for more than 6 months, other than for repair or redecoration.

Risk Analysis

28.

Risk	Likelihood	Impact	Mitigating actions
Fairycroft House CIC is wound up	Level 1 – The CIC was established in 2014. Its governance arrangements are in place and its liabilities covered. There is a business plan in place and the business has been identified as eligible for a mortgage of £240,000.	Level 2 - UDC may not recover its investment. This may impact on the UDC reputation.	UDC will have a 3 rd charge on the property to protect its investment. The council will maintain regular contact with the CIC to provide advice and guidance as required, ahead of a full review of activities in the summer of 2019, 2021 and every five years after that time until 2036 to monitor activities and performance to protect UDC investment.
Fairycroft House Arts and Media Centre is closed	Level 1 – The CIC has been established to purchase and manage the Arts and Media Centre as a community asset.	Level 2 - ECC may force the sale of the property if it is closed for more than 6 months. UDC may not recover its investment if the property is sold and there may also be an impact on the UDC reputation.	UDC will have a 3 rd charge on the property to protect its investment. The council will maintain regular contact with the CIC to provide advice and guidance as required. Regular contact will be maintained with the CIC throughout the next 20 years to protect the investment.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.