

STOKE SUB HAMDON PARISH COUNCIL
EXTRAORDINARY MEETING

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Title: Purchase of Methodist Church, West Street

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Item: FOR DECISION

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1. INTRODUCTION: HOW WE GOT HERE

- 1.1 In May 2016 at an Extraordinary Meeting Stoke sub Hamdon Parish Council approved the submission of a Community Right to Bid for the purchase of the Methodist Church in West Street from the Crewkerne Circuit for the purpose of using the building as a new Youth & Family Centre. The Centre will provide structured recreational activities for toddlers, children and young people, encouraging the positive development of social, moral and community values, and enabling them to develop into well-balanced responsible young people who feel valued by their community and who in turn support that community now and as they grow up. The Centre will be the first permanent home for all the children's groups in the village now and for generations to come.

The building is a Grade II listed building and will be owned by the Parish Council and become a community asset for the village. Parish Councils have the power under the Local Government (Miscellaneous) Provisions 1976 s.19 to provide buildings for social and recreational use by groups, and under the Local Government Act 1972 s. 133 to provide funds for that purpose by equipping them. They also have power to borrow funds for statutory purposes under the Local Government Act 1972, Sch 13.

This Business Case follows on from the original Business Plan produced in 2016 and brings together not only the original vision and background information, but also facts and figures of what has been negotiated and how the project will be managed.

- 1.2 Identifying the Original Need. The decision followed the completion of a Feasibility Study and a long public consultation process (with the process approved by the legal team in SSDC). That consultation comprised detailed information flyers being hand delivered twice to all households; information on the village website; two Open Meetings at which full details of the financial implications and business plans were set out and discussed with the public attending, and numerous information articles placed in the monthly parish newsletters from 2016 to date. The second Open Meeting resulted in a public vote where was an overall majority of 90% on buying the Church in principle, and a 74% majority in favour even if it proved to be necessary to increase the parish precept.

The Feasibility Study identified that there were a number of children's groups in the village without sufficient provision to meet and grow in numbers, and that some groups had already closed or moved away from the village for that very reason. It identified that the Brownies, Guides, Little Fishes, Youth Group and the Youth Club would all benefit from the use of the building and had expressed an interest in being part of the Youth Centre. All groups had had to move premises from time to time around the village, none had provision to store their equipment and none could expand their numbers due to this restriction.

- 1.3 Current Need

Since the original Feasibility Study, the Parish Council has kept in close contact with those organisations. The Youth Club run by St Mary's Church for younger children has since amalgamated with the senior Youth Group, as their volunteer leaders were retiring. All groups have grown in number (or have new potential members on their waiting list) and all groups have continued to express an interest in using the building as their new permanent home. Informal contact has also taken place with other organisations outside the village who have expressed interest in using the Centre to bring new activities for children in Stoke. There is also the practical provision for the

Hamdon Playgroup, currently housed in the URC, to be relocated to the Youth Centre, should it become necessary. As the Centre has two halls, the permanent and exclusive use of the back hall by the Playgroup would be possible.

No other existing venues in the village – such as the Memorial Hall, All Saints Hall, and Stoke Working Mens Club - have been able since 2016 to offer additional facilities for the children's activities on a long-term basis. The Council are therefore confident that there is a continuing need to provide the building and that the Centre will continue to have a long term use.

1.4 Impact on other community venues in the village

It has always been the intention of the Parish Council to ensure that the setting up of the new Youth Centre does not impact on existing venues in the village like the Memorial Hall, All Saints Hall, Workings Mens Club or any other potential venue. It is clear that they all meet different needs, which do not compete with the Youth Centre.

Since the original Feasibility Study was carried out, one other potential project has come into being. During the course of 2017 the Synod of the URC church in North Street announced that the church which had closed for worship at the end of 2016, would potentially be put up for sale; however they were keen to work with the community to see if the church could continue to be a community venue. Currently it is occupied by the Hamdon Playgroup who use it five days a week; by the Stoke Band for rehearsals and their instruments; and the Charity Shop for storage.

A project has been set up called the Hamdon Community Arts Project, who are exploring the possibility of the building become an Arts Centre. Work is currently being carried out on project viability and discussions are being held with the URC Synod. The Parish Council has already expressed its support for the aims of the project and provided a letter of support for the Synod. The project is still in its early stages with negotiations with the church and detailed work still needs to be done we understand on a final business case. It is important to note that the aims of the two projects – the Youth Centre and the Arts Centre - are totally different, both in the users they attract and the logistics of the day to day operations. Both project groups have publicly acknowledged that it is not possible logistically to incorporate youth activities in the proposed Arts Centre, and that the two projects stand in their own right and on their own merits.

1.5 The Bid Process

The building was registered by the Parish Council onto the SSDC Community Asset Register in December 2015, which gave the Parish Council the right to make a bid under the Community Right to Bid legislation when the church was put up for sale. The guide price for the property was £150,000. We made the decision to offer £130,000 in June 2016 to the Crewkerne Circuit who were selling the church on the grounds that there was likely to be project work to get the building to meet our precise needs. Although this was accepted in July by the Circuit we were required by the Church's Head Office Custodian Trustees ("TMCP") in November 2106 to make a presentation to the Crewkerne Circuit members, as there were now competing bids for the property.

Just prior to this, by judicious Google searching we had discovered that the Methodist Church in 2009 had changed their Model Trust 20 policy. In this change, sales at "under the market value" were now allowable for four specific purposes, one of which

was for Youth Centre activities, and where there was the continuation of youth work in the building in line with Methodist purposes following a sale. Each case would be treated on its own merits. Little Fishes (a baby and toddler group) was a Methodist run group that had operated in the building for a number of years. It is now known as the Stoke Baby & Toddler Group and will be one of the new users of the facility.

The Crewkerne Circuit were not aware of the Model Trust 20 opportunity, although they wished to support community use. It also appeared later on that the church's Head Office Trustees ("TMCP") had never carried out such a transaction since the policy change was made. We therefore focused our presentation on this point of continuing youth work via a Youth Centre, and were successful against another higher bidder, The Plymouth Brethren Church. We then appointed Battens in Yeovil as our solicitors, who have useful experience in dealing with Parish Council and Trust matters.

During the long negotiation process, TMCP have now made it clear that they will be changing their Model Trust 20 provisions later this year, so that this sale to us will be an one-off exception agreed on its merits, and not be a precedent for the future.

1.6 Funding the purchase

This is covered under the section "3 Financial Considerations"

2. **MANAGEMENT OF THE BUILDING**

- 2.1 The new Centre will not be run by the Parish Council directly but by a village charity, as this is better governance and so that it is truly a community run venue. Trustees will be made up of service users (who will be in the majority) and three Parish Councillors.

A charity was set up in February this year, called the Hamdon Youth & Family Centre Trust (charity number 1177307) to manage the building and run services. This Trust is a Charitable Incorporated Organisation ("CIO") a sort of combination of company and charitable trust. Under its terms Trustees do not have personal financial responsibility as individuals. Having a charitable Trust run the building will enable the Centre to attract grants much more easily for any additional facilities and improvements in the future.

The Trust document is attached for information at Appendix D. The Trust document clarifies the specific uses of the building and any restrictions in line with the Methodist 'trust for sale' requirements. There is a maximum of 12 trustees, and a minimum of 3. As three of the Trustees will be Parish Councillors, the Trust cannot fail in its continuing management of the Centre at any time and therefore will avoid triggering an unwanted sale of the property under the trust conditions.

- 2.2 There will be a Service Management Agreement between the Parish Council and the Trust for the running of the Centre and the first draft of this has already been presented to councillors and will be taken forward for completion and approval. The Trust will be expected to produce regular reports on activities to the council.

Under the Agreement, the Parish Council as the freeholder will be responsible for insuring the building and grounds, and this cover will be included in the Council's comprehensive insurance policy for village assets. The Council will be responsible for any external repair work, and grass cutting will be taken into the Council's ground

maintenance contract. The Trust will be responsible for insuring their own contents, any additional public liability cover for their own activities and for internal decoration.

The property has been valued for insurance purposes taking into account its position as a Grade II listed building, and our RICS surveyor has valued the reinstatement costs at £1,013,000. The insurance premium will be in the region of £1,700 p.a. and the interest of the Methodist church must be noted on the policy. Although the building is a Grade II listed building, it is in fact a very plain building with very few architectural features of note. Its main feature is the exterior stonework which is sympathetic with the hamstone character of our village. It was listed back in the 1980s along with many other buildings in our village on an "interior unseen" basis. Its internal future maintenance is therefore not likely to be unduly expensive due to listing requirements. The insurance cover will be included in the Parish Council's existing specialist insurance policies.

3 FINANCIAL CONSIDERATIONS

3.1 The Loan

No funding was available from grant-making foundations for the purchase of the building as the project is not a new build. Councillors made the decision to approach the Public Works Loan Board ("PWLB") who lend money to county, district and Parish Councils at fixed competitive rates. The Project Team produced a formal Business Plan in 2016 setting out financial considerations as part of the PWLB loan approval process. Formal approval of a loan from the Public Works Loan Board was given in June 2016 for a 12 month period following the submission of a detailed Business Plan. Due to the delay in the overall process we have successfully applied for extensions of the approval period.

The Council applied for a 20 year loan of £150k, split into £130k for the purchase and the remaining £20k for professional fees and project works on the building. Repayments of the loan and interest are made half-yearly by the Parish Council and must be included in the council's annual budget for the precept. The current loan interest rate as at 14 August is 2.44% (i.e. £9,523.02 p.a.) and will be fixed for 20 years. The loan attracts an initial admin fee of 35p per £1k borrowed. Please note that the PWLB rate fluctuates mildly on a weekly basis (it has actually gone down 0.03% since last week) and we will be advised of the actual rate on the day we telephone the PWLB to draw down the loan. That rate will then be fixed for 20 years even if interest rates rise as they are expected to do long term.

3.2 Grants

Councillors were successful in obtaining grants totaling £4,200 from the Architectural Heritage Fund and Village SOS towards our legal fees and structural survey. Once completion has taken place, as agreed at our Extraordinary meeting in May 2016, we will apply for a Community Grant from South Somerset District Council for £10,000 towards improving accessibility for any disabled users.

3.3 Viability

The financials in the Business Plan have been updated in line with good practice and are attached for information on the opposite page. The Plan has been developed as a conservative estimate of future income against operating costs. All potential users on the updated schedule have indicated their continuing commitment to the Centre and all users will pay an hourly hire fee. The Parish Council will be responsible for loan

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repayments, basic insurance and maintaining reserve funds for long term maintenance and emergencies. The Trust will be responsible for running the Centre both practically and in operational financial terms. Estimated income totals £6,370 and estimated costs £5,700 leaving a small profit of £670 in the first year.

The Centre will be inviting other groups offering activities for children and young people both from within and outside the village to come and use the Centre as part of a marketing strategy. This will further improve its viability and enable our village to offer an even greater range of structured activities for our younger generation. As with the new policies operating at the Memorial Hall, groups based outside the village (or commercial organisations offering recreational activities for young people) will be charged higher hourly rates than Stoke-based groups, so effectively subsidizing the Centre for Stoke resident use.

Councillors are asked to note that the revised figures demonstrate that the project continues to be viable.

3.4 Parish Council Budget

In line with the support the Council provides for other community operations in the village, the Council agreed in May 2016 to provide (i) an annual grant to the Trust towards operating costs, (ii) pay for buildings insurance and (iii) put monies aside each year into reserves to provide for long term maintenance and emergencies.

These costs will be included in the Council's budget each year. The figures are set out below:-

Loan re-payment to PWLB p.a.	£9,523
Annual grant for operating costs	£2,000
Buildings Insurance	£1,700 (sum assured £1,013,000)
Reserves	<u>£2,400</u>
Total	£15,623

YOUTH CENTRE OPERATING COSTS

<u>Baseline/current</u>	Budget Item	Notes	Total	Profit/Loss	
INCOME	Parish Council		£ 2,000.00		
	Youth Club	A	£ 2,070.00		
	Brownies	B	£ 690.00		
	Guides	C	£ 690.00		
	Stoke Baby & Toddler Group	D	£ 920.00		
	Total			£ 6,370.00	
COSTS	Rates		£ 200.00		
	Utilities		£ 1,800.00		
	Maintenance		£ 1,900.00		
	Insurance		£ 800.00		
	Cleaning etc.		£ 1,000.00		
	Total			£ 5,700.00	£ 670.00

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A.	The Youth Club is expected to make use of the facilities, including storage, one night per week for 3 hours and a further night every other week for 3 hours. Average 4.5 hours per week, 46 weeks/year averaged over the year – total income £2,070.00
B.	The Brownies are expected to make use of the facilities, including storage, 1.5 hours/week, 46 weeks per year averaged over the year – total income £690.00.
C.	The Guides are expected to make use of the facilities, including storage, 1.5 hours/week, 46 weeks per year averaged over the year – total income £690.00.
D.	Stoke Baby & Toddler Group are expected to make use of the facilities, including storage, 2.0 hours/week, 46 weeks per year averaged over the year – total income £920.00.

3.5 Cost to taxpayers

In the original consultation with residents in 2016, councillors prudently assumed that they might have to raise the precept (council tax) in order to fund the loan repayments. Since then significant progress has been made in our financial procedures resulting in much better monitoring of our annual costs, planning for future projects and drilling down budget lines more accurately. During legal negotiations from 2016 to date, we continued to set aside within our budget each year an earmarked amount for the loan repayments and associated grants on the assumption that we were about to exchange contracts. Those unused amounts were then put into an earmarked reserve at the end of each financial year until they would be needed. This means that initial project works to the Centre are now fully funded to get the project up and running and can start straight away, once we have Listed Building Consent. To date, we have been able to absorb these new annual costs and still fund our usual services and grants without having to raise the Band D rate in our precept as originally assumed. This year by careful management we have been able to raise the Sports & Recreation Trust grant from £2k to £4k p.a. for management of the Recreation Grounds in addition to the £2,764 p.a. we provide for their insurance and the eventual replacement of the Pavilion. We have also been able to grant an extra £2,640 p.a. for a second Youth Worker to support the increased attendance at the two Youth Group sessions.

However a big word of caution, as in the light of further cost-cutting which both County and District have indicated they will need to make in the future, extra costs will inevitably cascade down to Parish Councils themselves. Councillors will almost certainly have to raise council tax in future years to support those extra commitments, together with any other new services/projects that residents decide they wish us to take on in the village. We know that we will be legally obliged to purchase further land to provide an additional site for St Mary’s churchyard, which will be full within the next two years. We have already started to put aside reserves towards those costs, and to look for possible sites. The District Council will put an extra levy on all our council tax to run the churchyard on our behalf (this is far less expensive than managing the churchyard ourselves with all the staffing and maintenance involved), and this in itself will raise council tax for all of us.

So to summarise again, it has been possible to include and absorb the new Centre purchase costs in our current precept level for the last two years through prudent

budget management, but other costs and projects in the future will mean a raising of council tax, and other Parish Councils will also be facing similar challenges in their budgets.

4. **PROPERTY CONSIDERATIONS**

4.1 Structural survey

A full structural survey on the property was carried out on our instructions in February 2017 which revealed that the building is basically in good condition and did not appear to have any major problems. There will of course be some expected minor repair work due to the building's age (it was built in 1909). The roof will require some minor tile repairs but is generally in very good condition. There is some evidence of wood beetle in the back hall which will need to be sprayed but basically the building just requires some tender loving care and redecoration as and when needed. Although a Grade II listed building, it has few historical features that are likely to be expensive to maintain or repair.

4.2 Accessibility Issues

A Disability Access Audit was carried out through the District Council by Access for All on 25 May 2017. Recommendations included improving the slope of the existing ramp at the front of the property if at all possible, the provision of a disabled toilet and the widening of some door frames, together with the usual signage and alarm systems.

4.3 Project work

The current format of the building is that it consists of the main church hall which has pews throughout; one back hall which is empty apart from a makeshift tea-making area; three side rooms and one toilet.

In order to bring the building up to current public building standards and provide sufficient facilities for groups to hire and events to take place, the main project work will be to create a kitchen, a disabled toilet and provide additional two unisex toilets. All of these will be created by using the existing side rooms. The pews in the main church area will be removed (and sold off to raise funds) to create a large hall space. The second hall at the back is already an open space with a makeshift kitchen area (which will be removed). Central heating will also need to be installed (gas has already been at the property), the usual electricity safety checks made, and the standard fire-fighting systems put in place. WiFi will also need to be installed. A useful site meeting was held with the District Council Conservation Officer and other SSDC officials on 6 June 2017 on the plans and all proposed changes agreed in principle.

These works will be funded by the Parish Council as the freeholder of the building using the £20k balance of the loan after payment of final professional fees and also by the monies set aside into reserves whilst legal negotiations were taking place, so in theory the project is fully funded for its initial stages. Any further funds required in future years for any additional facilities will be raised by the Trust organizing fund-raising events, or by the Trust seeking grants from grant-making foundations.

5 **LEGAL CONSIDERATIONS**

5.1 Overview

Since the acceptance of our bid extensive negotiations have taken place with both the Crewkerne Circuit (who are selling the church) and The Methodist Church Purposes

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("TMCP"). TMCP as the Custodian Trustees are the legal authority at the Methodist Headquarters in Manchester who need to approve all legal transactions. There have been good relations with the Crewkerne Circuit and their legal team and our negotiations have proved constructive, achieving better than expected results from the detailed contract terms. However TMCP have also been heavily involved in the minute details of the legal documents with significant delays in this process which has been extremely disappointing, and previously agreed clauses have had to be re-negotiated. We are finally now all in agreement with the legal documents drafted and presented to this meeting.

The usual searches have been carried out by our solicitors and have all proved clear. The legal side of the negotiations themselves has proved much more complicated than originally envisaged. Unlike the purchase of a residential property, where there is just a simple contract to purchase, the sale of a church is bound by the restrictions and obligations of charity law. This particular transaction has been particularly technically difficult as it is literally a first, not just in South Somerset but in the whole of the UK, because it is the very first time the Methodist Church has:-

- sold a church to a non-charity other than for residential development
- sold for community use under a D1 commercial classification
- has sold it 'under the open-market value' (which involves specific Charity Commission permission and agreed Trust provisions under s.117 of the Charities Act 2011 for any future sale)
- been involved with the Public Works Loan Board and local government organisations
- The Methodist Church took Counsel's Opinion on all the ramifications of the sale and its own Model Trust provisions

In addition, legal negotiations have been further complicated, because it has been necessary to have not just a contract to purchase the freehold land, but also a lease for a small part of it. This has arisen because it appears that some cremated ashes of the members of a local family have been placed to the left of the main door some years ago. (This is currently just grassed land).

Under church law, the church has an ultimate responsibility to maintain this area and cannot therefore sell this small piece of land to us as freehold land. The area concerned is probably only about four foot wide by ten foot long. This land is required to be the subject of a 999 year lease between the Methodist church and the parish council, and has resulted in an extremely detailed 22 page document. The negotiations and changes needed to make it workable within a piece of freehold land have been very considerable and not helped by TMCP regularly taking three to four months to respond to any correspondence! Reason, commonsense and refusal by us to be defeated have finally prevailed and our solicitors are happy with the final draft. There is only a 'peppercorn' rent payable (i.e. nil payment) by the Council to the church each year and we are legally obliged to agree that this particular piece of land will not be built on or dug up at any time. The church will have right of access to visit the piece of land as will any visitors who wish to pay their respects and the Council are proud to honour this as part of our village history.

The District Council have checked with us already on our future use of the property and have confirmed that no change will need to be made to the D1 commercial/community classification for the use as a Youth Centre.

5.2 Key Clauses

Note: All three legal documents are inter-linked together and therefore it is difficult to treat each one as a separate entity. The Lease, Transfer of Title and Contract are attached at Appendices F, G and H in the Supporting Documents Binder. In addition, some of the restrictions as to use are contained in the Methodist Standing Orders and Model Trusts referred to below and are not specifically contained in the three legal documents to be signed, although they are referred to in clauses. The restrictions however are binding on the Council and their documentation is attached at Appendices A, B and C for full information.

Overage clause

Under the original sale particulars issued back in 2016 by Greenslade Taylor Hunt (at Appendix E), any future sale by us would have been subject to a 70% Overage clause for 30 years i.e. 70% of our net profit would have had to go back to the Methodist Church if we then sold the property on for residential development (specifically) at a future date. We were uncomfortable with this.

Following hard negotiations by ourselves, this clause has now been deleted and new terms agreed in the Transfer of Title ("TP1"). The deletion of the punitive overage clause has been possible because of the "under market value" element of the sale. Under the Charities Act, all charities (and that includes churches) are obliged to sell their buildings and land (called "endowment") at the best possible price they can achieve. (This is why the "For Sale" sign has remained up all this time, because until contracts are exchanged, technically the church would be within its rights to accept another higher bid. Hence the pressure!). As the church are selling at 'under market value' their Model Trust conditions kick in, which would result (on a future sale by us) of repayment back to the church of the discount given to us when we bought the building together with an agreed level of profit. We argued that it would be inequitable for the Methodist Church to have charged us both elements from the net proceeds of sale and this has now been accepted.

Contract: Key clauses

- Confirms that we are buying the church and its land for £130,000, part freehold and part leasehold (the burial plot) title no. WS51392, completion to be four weeks after exchange of contracts.
- TMCP holds the property as Custodian Trustee upon the Model Trusts contained in Part III of Schedule 2 to the Methodist Church Act 1976 and the Managing Trustees referred to are the Crewkerne Circuit (who will deal with any queries on the lease of the burial plot in the future and to ensure we keep to the permitted use for the building).
- The property is held by TMCP in trust and the restrictions on disposal imposed by Sections 117 to 121 of the Charities Act 2011 apply. Specifically the property is one that falls within paragraph (c) sub-section (3) of section 117 of the Charities Act 2011.
- The property is sold with vacant possession.

5.3 **Transfer of Title:** Key clauses

- **Definitions: Permitted Use.**

In order that the church can be sold to us at under open market value, charity law requires that our use is consistent with Methodist church purposes, one of which is youth work. (Clause 18.1.1. applies). The Permitted Use is therefore defined as "use as a Youth Centre".

This means that no activities may take place for adult purposes where children are not principally involved. (So we could have a pantomime performance run by adults as this would be principally for children's entertainment but we could not have a craft fair unless this was run by the children's groups themselves and they made most of the products on sale. In other words it is not intended to be a second village hall. Adult organisations are not entitled to use the Centre. The Parish Council was keen right from the start that the purchase of this building would not impact on the use and viability of the Memorial Hall or other village venues). This restriction is also described under the church's Standing Orders and their Model Trust 13 clauses. If the property were to be sold on to a third party by us at some point in the future, this restriction dies as the Parish Council has an obligation to sell the property at not less than the open market value, which makes it an 'ordinary' sale, and therefore the trust obligations drop off.

- **Definitions: Model Trusts**

This refers to a series of trust documentation used by the Church. In these Model Trusts, specifically Model Trust 20 and 13, and in various Standing Orders, we are bound to keep to some Methodist principles.

In particular, the use of the property is subject to: no alcohol, no smoking and no gambling. As it will be a Youth Centre, none of these activities are welcomed anyway! Our solicitors have clarified that it does not prevent us from having raffles to fundraise (providing alcohol is not a prize) etc. If we were to sell the property in the future this restriction would not be imposed on a future residential buyer, as the Methodist Church changed their interpretation of their restrictive covenants back in 2009, realizing that they could potentially be challenged in law on trying to impose restrictions on a wholly unencumbered freehold buyer. We however have to conform to these covenants because our use has to accord with Methodist principles in an 'under market value' situation. In the final event not a problem for the Youth Centre.

- **Reverter provisions: not to sell without consent of TMCP**

Clause 18.1.2. prevents us from selling the property in the future without their consent which must not be unreasonably withheld. This is purely to ensure that all the sale processes required under the Charities Act are complied with and are transparent. A restriction on the title will be registered at the Land Registry (Clause 20.1). This is quite normal in trust situations.

- **Definitions: Permitted Disposal**

The building must continue to be used for its original purpose, and the Council may not dispose of it by way of lease or sell the property in the future without the knowledge and permission of the Managing Trustees, and any future sale must be at not less than the open market value (agreed by a jointly appointed RICS

surveyor). This is to ensure that the net proceeds of sale and the sale process itself conforms to the charity law restrictions.

There are two specific exceptions to this rule which we have negotiated into the Transfer of Title: the Parish Council may now grant a lease, licence or tenancy to a charitable organization to manage the building (i.e. the Hamdon Youth & Family Centre Trust). Such lease may not be for more than 7 years (avoiding the need to register with the Land Registry). Every 7 years we will issue a new lease, licence or tenancy to the Trust, and this short term means that we will not have to go back to the TMCP to ask for permission to do so. We may also take out a charge, mortgage or use the property as security (although we are not intending to do so). This right equates to the right of any freehold owner to have a charge put on their property.

Clause 18.1.5 requires that the freehold church may not be sold separately from the Lease of the burial site, which makes sense.

- Reverter provisions: cease of use as a Youth Centre
Clause 18.1.3 states that if the Centre ceases to operate as a Youth Centre for more than six consecutive months, than at the request of the TMCP acting reasonably the property must be sold by the Council at full open market value, and the Percentage set out in Clause 19.1 must be paid to TMCP out of the net proceeds of sale.
- Definitions: the Percentage
This refers to the process involved on any future sale of the property. As already explained, as we are buying the property at a discount on the open market value, under charity trust law we are required to repay this discount back to TMCP on a future sale. The original open market valuation was not disclosed to us, but we believe it to be in the region of £170,000. We also believe that the higher bid that we won against was £160,000. The original percentage put forward by TMCP was “30.67% or £40,000 whichever is the greater”. The £40k represents the difference between our bid of £130k and the market value of £170k. We managed during the negotiations to whittle this down to “23.5% or £40,000 whichever is the greater” (Clause 19.1). The question of how we deal with improvements we have paid for and which improve the market value of the building are set out in a separate clause (Clause 18.1.4).
- Clause 18.1.4 Improvements
This clause has undergone many versions over the past months. We were concerned that if the Parish Council paid for and made improvements to the property over a number of years that on a future sale the Methodist Church would profit unreasonably when calculating the amount to be paid to them out of the net proceeds. In the final event the clause states that works to the property must be agreed in advance with the church - not because we need to ask their permission, but because the percentage amount under Clause 19.1 may need to be adjusted to take account of the extra capital we have put into the building. In practice the clause would apply only to major works (such as an extension or a mezzanine floor). Minor works such as replacing a toilet, or kitchen are not likely to improve any potential sale value. We have given TMCP a worksheet of the immediate minor changes we propose to make following completion to avoid further delays. The Parish Council is required to give written notice to the church of what is

intended and a jointly appointed RICS surveyor gives a quick valuation before and if the improvements are made. Any change in value is then taken into account to see if the percentage does need changing and both parties need to agree the new figures. Work cannot commence until agreement has been reached. The clause works in practice in our favour financially, although its process is unduly complicated and will potentially involve extra surveyors' fees. It is not the Council's intention at this stage to undertake any major works, but it has been important to protect the Council if major works should be undertaken in the future..

- **Definitions: Retained Land**
This refers to the burial site of the cremated ashes. Under Clause 13.1 there is permanent right of way on the access path to visit the burial plot. Under Clause 13.2, the Council has negotiated the right to erect and maintain scaffolding over the land when repairing the roof/walls of the Centre, providing steps are taken not to damage or dig up the area.

5.4 **Lease:** key clauses

This is the document that regulates the plot of cremated ashes (burial ground) identified on the Plan. The Lease is between the church and the Parish Council, and the Lease will have the same date as the Transfer of Title but will take effect before it.

The Lease is a standard one which is normally issued for a churchyard where there are graves etc., so there are many clauses in it which are not relevant to our particular situation but which TMCP insisted on reviewing and negotiating in full. I am pleased to say that commonsense prevailed in the final result. Again this bit of land is held by TMCP as Custodian Trustee upon trust for a period of 999 years - until 3017, and the Parish Council are the Tenants. (Clause 1.1). The rent is a peppercorn rent (i.e. £0 per annum). The usual restriction on title on behalf of the church's interest as Landlord is to be registered at the Land Registry.

The Council is responsible for any taxes etc on that piece of land. We are also responsible for paying a fair proportion of any costs payable by the Landlord for the maintenance and repair to the access path up to the burial plot (Clause 8.1). We are responsible for third party liability risks for £5 million of cover and have to note the interests of the church on the policy document (Clause 9).

The Council is not allowed without consent (Clause 11.3) to service or re-route any service media over the Property (this is the burial plot, not the main freehold land we own). We may not at any time damage or move any remains or remove any topsoil, turf, stone or gravel from the plot (Clause 11.2). We are not allowed to apply for any planning permission which involves the burial site area without the church's consent.

The same terms apply to the Lease as in the TP1 in regard to Model Trusts, Permitted Disposal and Right of Way for the church across the pathway to the burial plot. The Permitted Use is "use as garden/bare land".

6. **RESOLUTIONS**

This report to full Council together with its supporting documents has been produced in line with our Financial Regulation 14.4. Councillors are now asked to give approval

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for the following Resolutions, taking into account the successful conclusion to the purchase negotiations:-

IT IS RESOLVED that the Contract, TP1 and Lease documents submitted to this meeting be signed by the Chair and Vice Chair on behalf of the Council in line with our Standing Order 22 and witnessed by the Parish Clerk as our legal officer.

IT IS RESOLVED that the appropriate CHAPS transfer forms be signed by three authorized bank signatories under Financial Regulation 6.9 in (1) the sum of £13,000 (10% of the purchase price) and (2) the subsequent completion monies of £117,000 together with professional fees to be subsequently advised, for transfer to the Council's solicitors; and that the Parish Clerk be instructed to action these in accordance with the Council's wishes on timing.

IT IS RESOLVED that the Parish Clerk be authorized to put appropriate buildings insurance cover in place with effect from the date of exchange of contracts and to pay the appropriate additional premium required; and that a cheque be signed at this meeting as authorized by Financial Regulation 5.5 (a) for that purpose.

IT IS RESOLVED that the Parish Clerk and Chair are authorized to sign form LC1 including the Direct Debit Mandate instruction and send it immediately to the Public Works Loan Board giving the required one week's notice that the Council intends to draw down the pre-approved loan under the reference SRP 5/23/05 Application 2018-2019 (025); such loan to be confirmed as a 20 year fixed interest loan for £150,000, to be repaid from the parish precept annually in accordance with required PWLB arrangements; and that the Parish Clerk and Chair are authorized to request the draw-down of the loan when appropriate.

IT IS RESOLVED that the Council now confirms its Resolution made in May 2106 that all the Parish Council's budgets during the course of the loan will make permanent and sufficient provision to ring-fence the amount of loan interest repayable to the PWLB and continue to offer financial support for the Centre where required; and that the Council accepts that this Resolution may not overturned during the course of the loan, in line with the Public Works Loan Board formal requirements.

IT IS RESOLVED that the Hamdon Youth & Family Centre Trust be authorized to manage the services in the new Centre for the benefit of the village under the terms in its Trust Deed and under the proposed Service Management Agreement between the Council and the Trust.

IT IS RESOLVED that the grant of £300 awarded to the Council by Battens Charitable Trust for the benefit of the Centre be passed on to the Hamdon Youth & Family Centre Trust so that a bank account can be set up, such payment to be made at the September Parish Council meeting.

IT IS RESOLVED that the first year's grant of £2,000 towards operating costs be given to the Hamdon Youth & Family Centre Trust, such payment to be made at the September Parish Council meeting.

IT IS RESOLVED that following completion an application for grant funding be completed and submitted to South Somerset District Council for a Community Grant

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for support towards implementing improved accessibility recommendations in the building.

IT IS RESOLVED that the Project Team to be formally re-convened and

- (i) to be known as the Youth Centre Working Group
- (ii) to work on behalf of and with the Council
- (iii) as a Working Group under Standing Order 4(d) be authorized to take forward the project, including obtaining quotations for Council approval in line with the Council's Procurement Policy
- (iv) to make recommendations to the Council on the project and
- (v) that the Working Group should include residents as well as Parish Councillors as part of the Council's wish to provide a community run project.

August 2018