



Burchatts Farm Barn

Assurance rating:



17 December 2020
Guildford Borough Council
Internal Audit 2019-20

Contents

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Distribution

To (for action):	CC (for information):
<ul style="list-style-type: none"> — James Whiteman – Managing Director — Joan Poole – Head of Internal Audit 	<ul style="list-style-type: none"> — Claire Morris – Director of Resources — Marieke van der Reijden – Head of Asset Management

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Section one

Executive summary

Context

In accordance with the Terms of Reference approved by the Council's Head of Internal Audit, we conducted a review of the design of controls and governance arrangements over decision making related to the disposals of community assets using Burchatts Farm Barn as a case study.

Having completed fieldwork and issued our draft report to management, it has become clear that there are significant inconsistencies across the Council about the asset classification of Burchatts Farm Barn. We identified officers with different views about whether Burchatts Farm Barn is classed as a community asset, an operational asset or an investment property. There are likely to be different rules, regulations, laws and internal processes that should be followed depending on how the asset being disposed of is categorised. As set out in our approved Terms of Reference for this review, we assessed Burchatts Farm Barn against the community asset processes in line with the agreed Terms of Reference.

The substance of our findings – that the asset disposal process needs to be codified, approved and subject to regular review and revision, and that the Council needs to maintain robust corporate records to evidence that activities and decision making complied with the process – stand regardless of the categorisation of the asset used for the case study. Our recommendations are focused on improving the design of the control environment to promote consistent, robust and evidenced decision making.

Conclusion

We reviewed the process followed in respect of the disposal of community assets, using Burchatts Farm Barn as a case study, and provide **'Partial assurance with improvements required'** (AMBER RED). This rating is lower than management's forecast and is driven by the lack of clear and comprehensive procedures and controls over the disposal of community assets.

Through discussions with the Property & Asset Manager, review of relevant documentation and further research, we determined the project timeline for the disposal of Burchatts Farm Barn and considered the lessons which can be learned by the Council going forward.

The Council put in place a robust Asset Management Strategy and Framework in 2014 that outlines that community value should be considered alongside financial viability when making decisions about the future of community assets, but the document has not been reviewed or updated since its creation and is not representative of current Council operations. We found there to be inconsistent procedures, policies and governance structures in place for the disposal of community assets. The Council recently introduced a new procedure for assessing less than best consideration disposals where a minimum of market rent has been offered, but in the case study of Burchatts Farm Barn, we found there to be a lack of consistency regarding how the Council was measuring the merit of potential lessees. There is a need to increase the transparency of the tender process to demonstrate robust governance in Council decision-making.

In the case of Burchatts Farm Barn, we identified areas to improve the consistency and effectiveness of governance arrangements. The Council was unable to provide sufficient documentation to evidence when key decisions were made and by whom, and there was no clear corporate record to evidence effective decision making. Although the business case was approved, some of the information it included was found to be inaccurate, and there is no evidence that alternatives to commercial leasing were considered until five years after the Council first commissioned a market report for leasing. There was no evidence that the Council monitored, assessed or reported of cost or benefits realised. The Council should formalise stages for considering and presenting alternatives as part of the decision making process and these alternatives should be reported appropriately in the governance structure.

The Council discharged its legal responsibility by notifying the community of the proposed disposal in an advert in the local newspaper. This occurred after a tenant had been already been selected. At the lessee's planning application stage 86 written objections were submitted. The Council should consider broadening the range of communication channels it uses to notify and engage with the public regarding proposed community asset disposals.

Section one

Executive summary (cont.)

Objectives

The objectives of our review were:

Objective	Description of work undertaken
Objective One Design of controls and associated governance	We reviewed the design of controls and governance around decision-making related to the use of community assets at the Council. This included: <ul style="list-style-type: none">• the preparation, scrutiny and approval of business cases;• consideration of alternative options;• mechanisms for stakeholder consultation and seeking agreement to proceed;• process to review, monitor and report on costs;• assessing, monitoring and reporting benefits realised; and• processes followed to market identified properties.
Objective Two Compliance	We reviewed the available information for Burchatts Farm Barn to assess the level of compliance with Council policy and procedures as identified through Objective One above. This included how change management controls operated when amendments relating to the use of the community asset were identified, reviewed and approved.
Objective Three Learning	Following our review of available documentation we considered whether there is learning for the Council which can be established and applied to other community assets going forward.

Areas of good practice

- ✓ A bid for funding was approved by the Budget Council that included relevant financial information and documented consideration of risks, legal requirements, local issues and the impact on the environment and community to disposing of Burchatts Farm Barn.
- ✓ The Council followed a process to appoint a commercial real estate agency with local market knowledge to produce a market report for Burchatts Farm Barn.
- ✓ The Council discharged its legal responsibility by notifying the community of the proposed disposal.

Areas for improvement

- There are significant inconsistencies across the Council about whether Burchatts Farm Barn should be classed as a community asset, an operational asset or an investment property (**Recommendation One**).
- There are no consistently applied policies, procedures, controls or governance structures in place for the disposal of community assets (**Recommendation Two**).
- The Council discharged its legal responsibility to inform residents of its intention to dispose of open space in the case of Burchatts Farm Barn by publishing an advertisement in a local newspaper for two issues and received no objections, yet at the lessee's planning application stage 86 written objections were submitted, suggesting that the advertisement did not reach the appropriate audience (**Recommendation Three**).
- The options note presented to Councillors about the future of Burchatts Farm Barn included inaccurate financial information as it included income and expenditure relating to Burchatts Farm Cottages, which are separate assets. The net position was presented as £7k or 20% erroneously adverse in 2016/17, and £4k or 5% erroneously favourable in 2015/16 (**Recommendation Four**).
- The Council was only able to provide evidence that alternatives to commercial leasing of Burchatts Farm Barn were considered after the lease had been offered to a tenant, meaning consideration of the alternatives included potential adverse consequences to the Council if it withdrew from the arrangement (**Recommendation Five**).
- Decision making around awarding leases is inconsistent and there is a lack of clarity about the extent to which community value is considered by the Council as a criteria (**Recommendation Six**).

Section one

Executive summary (cont.)

Areas for improvement (cont.)

- The Council has not been able to provide documentation from the Executive or the Property Review Group to evidence who and when key decisions were made throughout the process of disposing of Burchatts Farm Barn (**Recommendation Seven**).

We also raised two low priority recommendations relating to the reviewing and reissuing of the Asset Management Strategy and Framework, which is robust but is no longer representative of current Council operations, and considering how the Council can raise awareness in the community about formally nominating assets of community value.

Recommendations

We summarise below the recommendations raised as a result of our review:

	High	Medium	Low	Total
Made	2	5	2	9
Accepted	-	3	1	4
Partially accepted	2	2	1	5

Acknowledgement

We thank the staff involved in this review who helped us complete our work.

Section two

Recommendations

This section summarises the recommendations that we have identified as a result of this review. We have attached a risk rating to these recommendations as per the following table:

Risk rating for recommendations raised		
<p>1 High priority (one): A significant weakness in the system or process which is putting you at serious risk of not achieving your strategic aims and objectives. In particular: significant adverse impact on reputation; non-compliance with key statutory requirements; or substantially raising the likelihood that any of the Council's strategic risks will occur. Require immediate attention.</p>	<p>2 Medium priority (two): A potentially significant or medium level weakness in the system or process which could put you at risk of not achieving your strategic aims and objectives. In particular, having the potential for adverse impact on the Council's reputation or for raising the likelihood of the Council's strategic risks occurring.</p>	<p>3 Low priority (three): Recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the Council's strategic aims and objectives. These are generally issues of good practice that the auditors consider would achieve better outcomes.</p>

#	Risk	Recommendation	Action, owner and deadline
1	1	<p>Asset categorisation review</p> <p>There are significant inconsistencies across the Council about the asset classification of Burchatts Farm Barn. We identified officers with differing views about whether Burchatts Farm Barn should be classed as a community asset, an operational asset or an investment property. The Council received assurance from its external auditor that its categorisation of assets in its financial statements is in line with CIPFA guidance.</p> <p>There is a risk that the Council is inconsistent in its approach to categorising and subsequently managing assets, which could lead to a failure to comply with the required internal processes, rules, regulations and laws specific to different asset types.</p> <p>We recommend that the Council undertakes an urgent review of the categorisation of all assets to ensure that there is consistency across the organisation about asset classifications. The review should be prioritised on a risk basis, for example, with assets due to be disposed of soonest, or assets with the greatest value being reviewed first.</p>	<p>Partially agreed</p> <p>The classification of assets in the Council's asset register and therefore on its balance sheet is in accordance with CIPFA guidance and has been tested multiple times over the years as part of the External Audit of the Council's accounts. We are satisfied that the categories are correct. However, we accept that there is a misunderstanding within the council and within the community on the difference between the definition of a 'Community Asset', a 'Community Facility' and an 'Asset of Community Value' and which assets fall into which category and that this could be better communicated. In the case of Burchatts Barn the asset is an 'Operational Asset - Community Facility' not a 'Community Asset' within the Council's Asset Register which is its correct category.</p> <p>Action to be taken: When an asset is to be disposed of we will review the classification of the asset and consider whether the asset needs to move categories at that point. We will consider the objective of the disposal – i.e. as to whether the asset is to be disposed of for 'best consideration' or whether it is to be 'disposed of for less than best consideration for the environmental, social, or economic wellbeing of the area'. We will ensure that the relevant report and decision notice correctly references the category type of the asset and the purpose of the disposal.</p> <p>Director of Strategic Services</p> <p>Deadline: 31 January 2021</p>

Section two

Recommendations (cont.)

#	Risk	Recommendation	Action, owner and deadline
2	1	<p>Asset disposal policy and associated procedures</p> <p>There are no consistently-applied policies, procedures, controls or governance structures in place for the disposal of community assets, including prompts to consider legal, financial, social, cultural and historical factors when disposing of assets in its portfolio.</p> <p>There is a risk that the Council is inconsistent in its approach to disposing of assets and that staff are unclear about responsibilities and obligations. Procedures need to be standardised and approved to increase transparency.</p> <p>We recommend that the Council produces an asset disposal policy that details:</p> <ul style="list-style-type: none"> the circumstances where asset disposal will be proposed; the factors that will be considered; how the public will be notified or consulted; the procedures to be followed; and the responsible officers. <p>The policy should be approved and reviewed regularly at the appropriate point in the governance structure.</p>	<p>Partially Agreed</p> <p>Alongside the Asset Management framework which was adopted in 2014, the Council does have an internal asset disposal policy within the Asset Management team. However, this was last updated in 2011. Whilst it is accepted that policies need regular review the process of disposing of assets is materially similar to the stated policies. The Council does have a policy for disposing of assets at below market value but that policy did not apply in this case as the decision by CMT (having consulted with the Property Review Group and relevant Lead and Ward Councillors) was to seek a market rent for this asset – i.e. the purpose of the disposal was to seek best consideration under section 123 of the Local Government Act 1972. The purpose of the disposal was referenced in the Summary property report presented to PRG in January 2017. The published decision notice and officer delegated authority form references that the purpose of the disposal was income generation and that the disposal was for best consideration. In 2020 CIPFA issued an updated 'Guide to Local Authority and Public Sector Asset Management' which proposes that council's develop a strategic asset management framework including an updated process for asset reviews and challenges which includes proposals for an updated disposal process, including suggesting a community asset transfer policy.</p> <p>Action to be taken: The Council will work with CIPFA to develop and adopt a revised Strategic Asset Management Framework, disposal policy and community asset transfer policy. It is proposed that the new framework and policies are discussed and reviewed by the Executive Advisory Board prior to adoption by the Executive. Within the disposal policy we will set out the factors that are to be considered in determining whether an asset is to be disposed of for 'best consideration' or whether it is to be 'disposed of for less than best consideration for the environmental, social, or economic wellbeing of the area'. We will ensure that relevant reports and decision notices reference the objective of the disposal.</p> <p>Director of Strategic Services</p> <p>Deadline: 31 March 2022</p>

Section two

Recommendations (cont.)

#	Risk	Recommendation	Action, owner and deadline
3	2	<p>External communication</p> <p>The public was notified of the proposed disposal of Burchatts Farm Barn in an advert in the local newspaper after a tenant had been selected. No objections were received, yet at the lessee’s planning application stage, 86 written objections were submitted. Using limited channels of communication means that information may not reach a sufficiently wide or diverse audience.</p> <p>We recommend that the Council broadens the range of communication channels it uses to notify the public of proposed asset disposals in addition to using the local paper and Council website. The Council could consider options including social media, direct contact with regular users, immediate neighbours and leaders of residents’ associations and community groups and putting posters in community notice boards.</p>	<p>Partially agreed</p> <p>In addition to placing the statutory notice in the paper after a new tenant was selected, the Council issued a press release at the time of going to market in March 2017 advising the public that the Council was seeking to lease out the barn and inviting bids. This press release was picked up and reported by local media. It is now the Council’s practice to promote all press releases on our social media channels at the same time of issue however we cannot recall whether this was standard practice in 2017. It is acknowledged that at the same time as releasing the press release in March 2017 that a letter or other communication with users of the barn or local interest and residents groups could have been carried out.</p> <p>Action to be taken: When assets are to be disposed of that a press release and social media communication is issued prior to marketing the property along with communication to users of the asset and local residents groups. This requirement will be included within the updated disposal policy.</p> <p>Director of Strategic Services</p> <p>Deadline: 31 March 2022</p>

Section two

Recommendations (cont.)

#	Risk	Recommendation	Action, owner and deadline
4	2	<p>Review of accuracy of information</p> <p>A Summary Property Report regarding options for the future use of Burchatts Farm Barn was presented to Councillors in October 2019. The report included an income and expenditure summary for the three preceding years. The information included income and expenditure for Burchatts Farm Cottages, which are separate assets that should not have been considered in the decision on the future of the Barn. The net position was presented as £7k or 20% erroneously adverse in 2016/17, and £4k or 5% erroneously favourable in 2015/16.</p> <p>The figures in the Bid for Funding imply that £40-70k in annual running costs would be saved should the property be let, but as the figures include salary and administrative recharges this does not represent genuine savings. The Bid for Funding also contained administrative errors where the project start date was after the project end date. There is a risk that Councillors could make decisions about the future use of properties based on inaccurate information.</p> <p>We recommend that the Summary Property Reports and Bids for Funding are reviewed for accuracy before distribution.</p>	<p>Partially Agreed</p> <p>An earlier version of the Summary Property Report was reported to PRG in January 2017 with the correct figures on it for Burchatts Barn only. It is regrettable that as a result of human error inaccurate information was reported to Councillors in October 2019, however we consider that the inclusion of the small amount of net expenditure on the cottages in comparison to the larger expenditure on the barn did not materially effect the financial position shown in the report. The Summary Property Reports presented to PRG are internal briefing notes and as such are not checked by finance prior to reporting to PRG or CMT. It was the January 2017 report which was mainly used for the decision to go to market and which informed the Budget Bid presented to Budget Council as part of the savings proposal. It is worth noting that the Budget Bid was reviewed by Finance, CMT, the Joint EAB Budget Task group, the Joint EAB, the Executive and Council but the point about the project start date being after the end date was not picked up or corrected. The informal notes of the Joint EAB Budget Task group show it was supportive of the proposal to lease the barn and the Joint EAB minutes show no comments were made about that particular saving proposal. The direct annual running costs of the asset were £28,534 in 2016-17 of which only £7,803 related to salaries and support service recharges. In 2016-17 income generated from lettings was £10,595 meaning that the net cost of running the asset to the Council was around £17,000 to £18,000. The lease which the council has entered into is a full repairing and insuring lease and generates income of around £40,000 per annum therefore the overall total of the cost savings and income is around £50,000 (ie, Net cost of £17k less £8k salaries and recharges plus £40k income). As such officers consider that the overall saving target of between £40k to £70k has been achieved and that the bid for funding was materially correct.</p> <p>Action to be taken: Property reports to PRG to be checked by Finance in future</p> <p>Director of Strategic Services</p> <p>Deadline: 31 March 2021</p>

Section two

Recommendations (cont.)

#	Risk	Recommendation	Action, owner and deadline
5	2	<p>Sequence of decision making</p> <p>The first evidence that the Council considered and received alternatives to commercial leasing of Burchatts Farm Barn was in the Summary Property Report presented to Councillors in October 2019. As the lease had been offered to a potential tenant in 2018, consideration of the alternatives to commercial leasing included potential adverse consequences for the Council if it withdrew from the arrangement.</p> <p>We recommend that the Council formalises stages for considering and presenting alternatives as part of the decision making process. The alternatives should be formally presented at the appropriate point in the governance structure before any decision is made.</p>	<p>Partially agreed</p> <p>The summary property report presented to PRG and CMT in January 2017 did contain other options but were discounted and a decision was made to market the property for best consideration. In the period between 2014 and 2017 in the run up to the Jan 2017 report the Parks team had held multiple discussions with a particular Rugby Club which uses stoke park about potentially the club leasing the barn as club house. An update on these discussion was provided at intermittent intervals to the PRG and is documented briefly in PRG minutes. Other options such as leasing the barn to the Girl Guides were also considered in the Jan 2017 property report. However, it is accepted that discussions were held with specific users and groups with a view to finding a community tenant 'off market' rather than widely marketing the property to all community organisations and residents groups. The review carried out in October 2019 was after the May 2019 Election and was undertaken due to a change in political control at the Council. The Council has recently introduced a Project and Programme Governance Framework which includes a a requirement to review and document an options appraisal for each project.</p> <p>Action to be taken: That the Council uses its new Project and Governance Framework to help document decisions around disposal and leasing of assets. We will include this requirement in the new disposal policy.</p> <p>Director of Strategic Services</p> <p>Deadline: 31 March 2022</p>

Section two

Recommendations (cont.)

#	Risk	Recommendation	Action, owner and deadline
6	2	<p>Scorecard for selecting lessees</p> <p>In the case of Burchatts Barn Farm, bids were rejected in 2018 for reasons that were inconsistent with the selection of the doctor's surgery in 2017 (e.g. repurposing residential unit, high car parking needs, conditional FRI lease). There is confusion among residents and businesses who made unsuccessful bids for the lease about why it was awarded to the current tenant, and there is a lack of clarity about the extent to which community value was considered by the Council. There is a need to increase the transparency of the tender process to demonstrate robust governance in Council decision making.</p> <p>We recommend that the Council formalises a system for assessing bids against set criteria, for example through a scorecard system, to increase consistency, transparency and repeatability of decision making.</p>	<p>Agreed</p> <p>Action to be taken: Officer to introduce a balanced scorecard approach to evaluation of bids received when leasing properties. The balance scorecard will be presented to PRG which will discuss the evaluation before recommending a decision to the Officer / Lead Councillor responsible</p> <p>Director of Strategic Services</p> <p>Deadline: 31 March 2021</p>
7	2	<p>Completeness of meeting records</p> <p>We reviewed minutes of the Property Review Group and were unable to establish if, how and when key decisions were made in the case of Burchatts Farm Barn.</p> <p>We recommend that the Property Review Group minutes should include more detail when decisions are made, and that minutes are reviewed by the chair after the meeting for accuracy.</p>	<p>Agreed</p> <p>NOTE: PRG is not decision making. Its function is to recommend a course of action to the Executive, or Officer or Lead Councillor taking the decision. PRG minutes are already reviewed by the chair and also by the group at the following meeting.</p> <p>Action to be taken: PRG minutes to include clear recommendations to the relevant decision making person or body.</p> <p>Head of Asset Management</p> <p>Deadline: 31 March 2021</p>
8	3	<p>Asset Management Strategy and Framework</p> <p>The Council created an Asset Management Strategy and Framework in 2014 that was approved by the Executive in January 2015, but the document has not been formally reviewed or updated since.</p> <p>We recommend that the Council reviews and revises the policy, circulates it to relevant staff, and sets regular review dates for the future.</p>	<p>Agreed</p> <p>This work stream is already planned into the Asset Management Service Plan.</p> <p>Action to be taken: Review of Asset Management Framework to be undertaken.</p> <p>Head of Asset Management</p> <p>Deadline: 31 March 2022</p>

Section two

Recommendations (cont.)

#	Risk	Recommendation	Action, owner and deadline
9	3	<p>Awareness of process for nominating assets with community value</p> <p>Under the Assets of Community Value (England) Regulations 2012, local voluntary or community groups can nominate land or buildings as Asset of Community Value (ACV). The Council decides whether the nominated asset meets the requirements to be listed as an ACV. Disposals of ACVs are subject to Community Right to Bid rules which includes the duty to notify the voluntary or community group.</p> <p>We recommend that the Council creates a formal policy for the creation of ACVs and makes this available on the website to increase awareness of the process.</p>	<p>Partially agreed</p> <p>Guidance for the creation of ACV's and who can make nominations is already included on the Council's website under the 'Transparency' pages, however this could be better promoted and communicated to residents groups as in practice we have received very few nominations since the regulations were introduced. It is important to note that the Council cannot nominate its own assets as ACV's, the nomination has to come from a community group or organisation. The Council is responsible for determining whether nominations made are valid and will then make a designation.</p> <p>Action to be taken: Promotion of the ACV regs and guidance to be carried out and local community groups, residents organisations and parish councils to be made aware.</p> <p>Director of Strategic services</p> <p>Deadline: 31 March 2021</p>

Appendix one

Compliance

We held discussions with management to determine the processes and associated controls for the disposal of community assets. There are no consistent procedures, policies or governance structures in place (**Recommendation Two**). As such, we have been unable to test the design of such controls per Objective One of this review.

Through discussions with the Property & Asset Manager, a review of relevant documentation and further research, we have determined the project timeline for the disposal of Burchatts Farm Barn. We have evaluated the effectiveness of the Council's governance and operations with regards to the disposal of community assets, and provided commentary to inform our recommendations.

Project timeline	KPMG commentary
<p>January 2014</p> <ul style="list-style-type: none"> The Lead Councillor for Asset Management sets a strategic priority to improve the return of assets. The Property Review Group identifies assets that were not making a return. The Property & Asset Manager appoints commercial real estate agency Owen Shipp to quote for the work to market Burchatts Barn Farm and produce a preliminary market report. 	<ul style="list-style-type: none"> The Council has not been able to provide documentation from the Executive or the Property Review Group to evidence the original decision to approach the commercial real estate agency in 2014 (Recommendation Seven). ✓ The Council appointed a commercial real estate agency with local market knowledge to produce a market report for the asset.
<p>March 2017</p> <ul style="list-style-type: none"> Burchatts Farm Barn closes for public hire. The Council issues a press release announcing that expressions of interest for the lease are being invited to Owen Shipp. Owen Shipp markets Burchatts Farm Barn on their website for six weeks and formal written expressions of interest are invited. 	<ul style="list-style-type: none"> Almost three years passed between the market report and the marketing of the property, during which time market conditions changed. A new market report was not commissioned. The Council has not been able to provide documentation from the Executive or the Property Review Group to evidence the decisions to stop taking booking for public hire, and to instruct the commercial real estate agency to market the property in 2017 (Recommendation Seven).
<p>May / June 2017</p> <ul style="list-style-type: none"> Owen Shipp provide a Schedule of Expression of Interest detailing twelve interested parties. The Council decided that the preferred option is to proceed with the offer from the doctor's surgery. 	<ul style="list-style-type: none"> The Council notified the community that the asset was closing for public hire at the same time that the lease was marketed with the estate agency. There was no opportunity for the community to put forward non-commercial alternatives before the property was commercially marketed (Recommendation Three).
<p>August 2017</p> <p>The Council's Director of Environment and the Parks & Landscape Manager submit a Bid for Funding to the Chief Finance Officer.</p>	<ul style="list-style-type: none"> The Council did not offer an information pack, criteria or guidance to businesses submitting expressions of interest detailing factors that would be considered in determining selection of the lessee (Recommendation Six). ✓ The Bid for Funding included relevant financial information and consideration of risks, legal requirements, local issues and the impact on the environment and community, and was approved by the Budget Council before an Agreement to Lease was signed.
<p>November 2017</p> <p>The Executive recommend that the Council approves the growth and savings bids including the Bid for Funding for the leasing of Burchatts Farm Barn.</p>	<ul style="list-style-type: none"> The income and cost information in the Bid for Funding includes recharges and allocated costs (Recommendation Four).
<p>February 2018</p> <p>The Budget Council approve the budget which includes the Bid for Funding for the leasing of Burchatts Farm Barn.</p>	

Compliance (cont.)

Project timeline (cont.)

September 2018

- The doctor's surgery renege on their offer due to NHS funding complications.
- Owen Shipp markets Burchatts Farm Barn for six weeks on their website and formal written expressions of interest are invited again.

October/November 2018

- Owen Shipp provide a Schedule of Expression of Interest detailing another nine interested parties.
- The Property Review Group decide that the preferred option is to proceed with the offer from the chiropractor.

December 2018

The Property & Asset Manager produces a briefing note for the Executive explaining the decision to offer the lease of Burchatts Farm Barn to the chiropractor.

January 2019

- The Council posted an advert in local paper The Surrey Advertiser notifying the community that they intended to dispose of open space under Local Government Act 1972. The advert ran for two weeks, no objections were received.
- Guildford Chiropractic Centre submit a planning application to the Council to change the use from D2 (assembly and leisure) to D1 (non-residential institution) and internal alterations.

February 2019

In a meeting of the Council, a Councillor questions the Lead Councillor for Finance and Asset Management on the propriety of leasing Burchatts Farm Barn to Guildford Chiropractic Centre.

March 2019

Guildford Chiropractic Centre's planning application is refused following objections from 3 amenity groups/residents associations, 86 letters of objection and 44 letters in support.

KPMG commentary (cont.)

- The Council has not been able to provide documentation from the Property Review Group to evidence the decision to offer the lease to the doctors' surgery in 2017 (**Recommendation Seven**).
- Bids were rejected in 2018 for reasons that were inconsistent with the selection of the doctor's surgery in 2017 (e.g. repurposing residential unit, high car parking needs, conditional FRI lease (**Recommendation Six**)).
- The Council has not been able to provide documentation from the Property Review Group to evidence the decision to offer the lease to the chiropractic clinic (**Recommendation Seven**).
- The Council has not been able to provide documentation to evidence that Councillors discussed or responded to the briefing note (**Recommendation Seven**).
- ✓ The Council discharged its legal responsibility by notifying the community of the proposed disposal.
- The Council notified the community that they intended to dispose of an Open Space through a small advert via one channel. The notice was not posted on display boards or social media, and no contact was made with regular hirers, immediate neighbours, residents' associations or local groups. Only a small subset of the community had an opportunity to notify the Council of valid objections (**Recommendation Three**).
- We acknowledge that the members of the Council changed following the May 2019 election and that this may have had some bearing on the process.

Compliance (cont.)

Project timeline (cont.)

October 2019

The Property Surveyor and Property & Asset Manager produce a Summary Property Report options note on the future of Burchatts Farm Barn:

- Option 1 – proceed with 10-year lease to Guildford Chiropractic Centre
- Option 2 – offer the building as a private hire venue again
- Option 3 – investigate alternative management structures/ownership such as a charitable trust

The Property Review Group decide to proceed with Option 1 subject to a successful planning appeal.

January 2020

Guildford Chiropractic Centre's appeal of the original planning application refusal is successful.

June 2020

Agreement to Lease signed with Guildford Chiropractic Centre contingent on completion of Landlord's Works.

August 2020

Landlord Works completed and Guildford Chiropractic Centre sign lease.

KPMG commentary (cont.)

- The Summary Property Report included a income and expenditure summary for the three preceding years. It erroneously included income and expenditure for Burchatts Farm Cottages, which are separate assets that should not have been considered in the decision on the future of the Barn (**Recommendation Four**).
- The first evidence that the Council considered alternatives to commercial leasing of the property was in the Summary Property Report presented to Councillors in 2019. As the lease had already been offered to a potential tenant, potential reputational damage to the Council had to be considered if they withdrew from the arrangement in favour of an alternative to commercial leasing (**Recommendation Five**).
- The Council has not been able to provide documentation to evidence that Councillors discussed or responded to the options note (**Recommendation Seven**).
- The majority of objections to the chiropractic clinic's planning application took issue with the Council's selection of the lessee rather than the change to D1 use (**Recommendation Three**).
- ✓ The Council are confident that they received the best possible consideration for the lease.

Summary of KPMG findings

We identified a range of issues relating to the disposal of Burchatts Farm Barn:

- The options note was presented to Councillors after the lease had been offered to the chiropractic clinic, meaning potential reputational damage had to be considered if the Council withdrew from the arrangement in favour of an alternative to commercial leasing (**Recommendation Five**). The financial information included in key decision making documents was inaccurate (**Recommendation Four**), and the Council has not been able to provide documentation to evidence key decisions (**Recommendation Seven**).
- Residents raised objections about the choice of lessee at the planning application stage, when the lease had already been offered to the chiropractic clinic. If the Council had advertised the intention to dispose of the asset more widely, and had provided interested parties with the criteria for lessee selection, the process would have been more transparent and objections could have been addressed at a more appropriate time (**Recommendation Three**).
- The Council selected the bid that offered the highest consideration, but the Council did not offer an information pack, criteria or guidance to businesses submitting expressions of interest detailing factors that would be considered in determining selection of the lessee (**Recommendation Six**). We note that the Council have recently introduced a new procedure for assessing less than best consideration disposals where a minimum of market rent has been offered.

We have raised recommendations to improve the governance, accuracy and transparency of decisions relating to the disposal of assets.

Lessons learned

Below we set out the lessons which could be learned by the Council in advance of embarking on future change of use projects or disposals of community assets. We have grouped these into themes.

Governance

It was noted that the financial figures referred to in the publicly-available Bid For Funding included unexpectedly high annual costs of £40-70k for the running of Burchatts Farm Barn. The Bid for Funding was not sufficiently specific in showing what these costs relate to and substantiating the financial saving claims made. We have reviewed a breakdown of the annual running costs from 2015/16 to 2017/18 but the Council have been unable to provide further information to evidence what various line items relate to (**Recommendation Four**).

Residents provided other examples of local buildings that potential held community, historic or heritage value that had been proposed for closure or repurposing by the Council in the last five years. Residents are not clear on asset management strategies, and as such there is concern that there is a lack of consistency and transparency between the process and treatment of assets (**Recommendations One and Eight**).

Design

Local residents and community groups made suggestions about alternative management structures for Burchatts Farm Barn, including holding it in a charitable trust on a long lease. These alternatives were considered after the lease had been offered to a tenant, meaning the 'cons' list for this option included reputational damage to the Council for withdrawing from the current arrangement (**Recommendation Five**).

There was a bid by a number of local businesses and a community group at the advertised guide rent, and it appears that some of these groups were not clear that consideration was the primary factor to be considered by the Council. Some groups expected that value to the community or not needing to change the use of the building would be valued more in the selection process. Whilst we are aware that the Council has recently introduced a new procedure for assessing less than best consideration disposals where a minimum of market rent has been offered, there remains a need for the Council to show consistency and transparency and provide the criteria for selection to all interested parties (**Recommendation Five**).

Value for money

Per the Council's Asset Management Strategy and Framework that was approved by the Executive in January 2015, the Council should measure the benefit of continuing the current use of the community asset for its social value to the community and the current financial situation should be assessed against opportunity cost or market rent. This is a robust policy that, if brought back into operational practice, would address the concerns of many stakeholders who have recommended that the management of community and heritage assets should be separated from commercial assets so that they can be assessed for their community value as well as their ability to generate income (**Recommendations One and Eight**).

Residents and community groups did not feel consulted on the matter of Burchatts Farm Barn. The newspaper advert was not seen widely enough and as such residents felt there was no due process for them to suggest alternatives to commercial leasing or to object to the Council's plans. The lessee's planning application received 86 written objections, and it would be better if these objections could have been made directly to the Council at a more appropriate time and in a more appropriate forum. The Council should make use of more communication tools such as social media accounts and informing local residents' groups (**Recommendation Three**).

Appendix three

Staff involvement and documents reviewed

We were in contact with the following individuals as part of the review:

Name	Role
Councillor Maddy Redpath	Holy Trinity Ward Councillor – Guildford Borough Council
Councillor Nigel Manning	Ash Vale Ward Councillor – Guildford Borough Council
Joan Poole	Head of Internal Audit – Guildford Borough Council
Claire Morris	Director of Resources – Guildford Borough Council
Marieke van der Reijden	Head of Asset Management – Guildford Borough Council
Mark Appleton	Property & Asset Manager – Guildford Borough Council
Paul Stacey	Parks & Landscape Manager – Guildford Borough Council
Darren Burgess	Building Surveyor Manager – Guildford Borough Council
Gavin Morgan	Founder and Chair – Guildford Heritage Forum

We distributed a questionnaire to 11 individuals whose contact details we were given with the agreement of the Council's Head of Internal Audit. The group included members of the public, current and former councillors and community group leaders. Relevant insights from this questionnaire were used solely in Appendix Two.

We reviewed the following documentation during our testing:

- Minutes and papers from meetings relating to decision making around Burchatts Farm Barn;
- Bid for Funding to support letting of Burchatts Farm Barn;
- Spreadsheet of cost monitoring performed prior to letting; and
- Evidence of marketing of property;
- Schedules of expressions of interest;
- Press releases relevant to Burchatts Farm Barn; and
- Lease and licence for the letting of Burchatts Farm Barn to the Guildford Chiropractic Centre.



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