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**Report of:** Simon Green: Executive Director Place  
Laraine Manley: Executive Director Communities

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**Date:** June 2015

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**Subject:** **Walkley Library - Proposed Disposal**

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**Author of Report:** Dave Wood (2734095)

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**Summary:**

At its meeting on 19 February 2014, Cabinet approved a report around the review of library services (The Future of Library Services). Following this Cabinet approval, the Leader approved a further report (The Future of Sheffield's Library Services) on 3 July 2014 setting out delegated authorities to enable the review to be implemented - including property matters.

An innovative solution has been identified to secure library provision in Walkley following the review, which combines the two successful business plans from Walkley Carnegie Library Group and Forum Café Bars but which necessitates the sale of the library building to Forum Café Bars in order to secure significant investment for necessary building refurbishment and conversion.

As the previous reports anticipated that the Council would be granting leases of the library buildings and is now proposing to sell its freehold interest in the Walkley Library property, a further approval is now required.

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**Reasons for Recommendations:**

The disposal of the site to Forum Café Bars will:

- enable the conversion and complete refurbishment of the library building to provide a café bar and library as a joint facility
- secure a newly refurbished designated library space within the building in a cost-effective way (including maintenance costs for the first 21 years of the lease) for the benefit of local people to be run by a voluntary community group (Walkley Carnegie Library Group)
- help to stimulate the local economy through investment, cultural events and new employment opportunities

**Recommendations:**

It is recommended that the Leader:

- R1: Approves the disposal of the Walkley Library property to Forum Café Bars subject to an identified area of the refurbished building being leased back to the Council for 125 years at a peppercorn rent to enable a library to be run from the premises.

R2: Approves the Council granting a sub-lease of the designated library space to Walkley Carnegie Library Group to run as an Associate (independent) library.

R3: Authorises the Director of Capital and Major Projects to conclude negotiations with the the two parties in consultation with the Head of Libraries and Community Services, including the authority to agree a revised purchase price, should this be required as a result of the space being reconfigured, to agree the commuted sum for maintenance and utilities costs and to instruct the Director of Legal Services to complete the required legal documentation.

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**Background Papers:**

'The Future of Library Services' report to Cabinet (19<sup>th</sup> February 2014)

'The Future of Sheffield's Library Services' report to the Leader (3 July 2014)

**Category of Report: Closed**

Not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

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## Statutory and Council Policy Checklist

<b>Financial Implications</b>
YES: Paul Schofield
<b>Legal Implications</b>
YES: David Blackburn
<b>Equality of Opportunity Implications</b>
NO
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
NO
<b>Property implications</b>
YES: Dave Wood
<b>Area(s) affected</b>
Walkley
<b>Relevant Cabinet Portfolio Leader</b>
Cllr Isobel Bowler and Cllr Ben Curran
<b>Relevant Scrutiny Committee if decision called in</b>
Overview and Scrutiny Management Committee
<b>Is the item a matter which is reserved for approval by the City Council?</b>
No
<b>Press release</b>
Yes

## **WALKLEY LIBRARY**

### **1.0 MAIN BODY OF REPORT**

- 1.1 In February 2014 Cabinet made its decision on the Future of Sheffield's Library Service. Cabinet agreed the creation of eleven hub libraries, five co-delivered libraries and ten associate libraries plus Tinsley to become an associate library after the end of the existing lease March 2016. Walkley Library is one of the ten associate libraries that have been identified as opportunities to be run by the local community.
- 1.2 In July 2014 the Leader approved a further report which authorised the Executive Director of Communities to:
- (a) take all necessary steps, as described in this report, to implement the new operating model for community libraries agreed by Cabinet on 19<sup>th</sup> February 2014; and
  - (b) instruct the Director of Legal and Governance Services to complete the necessary documentation, this authority to be exercised in consultation with the Director of Capital and Major Projects in respect of property matters.
- 1.3 The existing Walkley Library building is in a poor condition and will require significant investment to put it into decent condition. The Council does not have funding available to undertake any repair works other than priority health and safety related works to its operational properties, and it is anticipated that anyone taking over responsibility for the property will have to identify significant external funding to undertake the necessary works. This was made clear to bidders interested in taking over the property from the outset.
- 1.4 Two parties put forward bids to the Council to take over Walkley Library - Forum Café Bars and Walkley Carnegie Library Group. Both parties presented business cases which exceeded the threshold requirement to run a library, although the proposition for each party was different.
- 1.5 Walkley Carnegie Library Group is a volunteer group which has come together with the specific objective of providing a library service from the property. It would take responsibility for the property and running a library service and would intend seeking external grant funding and undertake fund raising events to pay for the running and maintenance of the library.
- 1.6 Forum Café Bars is a commercial venture with a number of successful café bars and pub restaurants in Sheffield and further afield. The proposal from Forum Café Bars was to convert and fully refurbish the property into a café bar incorporating a library - with the library being staffed through Forum Café Bars and with the benefit of volunteers they would source.
- 1.7 As the business cases from both parties exceeded the threshold requirement to run a library, it was agreed to try and work with both parties to establish whether there was potential for a joint venture to take the best parts of each bid and combine them - and if so the form this should take. The idea was to attract significant commercial investment in the property to

secure and improve the physical fabric of the building, and provide a café bar combined with the provision of a voluntary group which would specialise in running the library service.

- 1.8 Property terms have now been provisionally agreed to dispose of the Council's freehold interest to Forum Café Bars to secure significant investment in the property (currently estimated in the region of £500k). The disposal will provide for the full refurbishment of the property and conversion to provide a café bar and library. The space will be configured to provide a dedicated library space and shared use of a further area to be used daytime as a library and evenings as a café bar, although there may be an opportunity to reconfigure the space to provide an extended dedicated library space (possibly with a mezzanine floor) to avoid the need to have a shared area. Library users will also be able to use the café bar facility during the daytime. The freehold disposal will include an option for the Council to have first refusal to buy the freehold back at the market value at that time if Forum Café Bars decide to sell its interest.
- 1.9 The dedicated library space (including the shared area as appropriate) will be leased back to the Council at a peppercorn rent for 125 years for use as a library. The lease will provide for the landlord (Forum Café Bars) to meet the full costs of all utilities and maintenance of the property for the first 21 years of the lease, thus freeing Walkley Carnegie Library Group from the task of raising future funds for this purpose. There will be provision for the lease to be surrendered to the landlord, in the event that there are no library groups willing and able to run a library service from the property. Upon such a surrender, Forum Cafe Bars, or the then current owner, would pay an additional amount to the Council to reflect the value to them of having beneficial use of the library space. If the surrender took place within the first 21 years of the lease, there would also be a pro-rata refund of the commuted sum referred to in paragraph 1.11 of this report, or if the sum was being paid by way of an annual payment, the liability for making payments would cease.
- 1.10 The Council will grant a sub-lease of the dedicated library space (including the shared area as appropriate) to Walkley Carnegie Library Group on terms which have yet to be finalised. However, they will be based on the generic terms that have been agreed with all the associate library groups which are for a lease of 5 years with an option for the group to take a lease for 25 years under certain pre-agreed conditions. It is likely that the Walkley Carnegie Library Group will present a 10 year business plan at the outset which will entitle them to proceed straight to a 25 year lease - giving them significant security from the outset.
- 1.11 The purchase price provisionally agreed with Forum Café Bars is based on an offer of ██████ for the whole of the property to which a pro rata reduction has been applied to take into account the space to be included within the 125 year lease back to the Council. The transfer value ascribed to the property excluding the area to be leased to the library is ██████, but this may vary if the space is reconfigured as there will no longer be any requirement for a shared area which has been taken into account when arriving at this figure. The Council will receive the sum of ██████ (or such revised figure as is appropriate) as a capital receipt. It will make a payment

of an amount to be agreed to Forum Café Bars either as a one off commuted sum or made up of annual payments over a period of 21 years in return for Forum Café Bars maintaining and covering the utility charges for the first 21 years of the 125 year lease. This figure has been assessed on the basis of the value of these obligations at today's prices. Any revised figure would be assessed on the same basis.

- 1.12 The proposed disposal will be subject to Forum Café Bars obtaining planning permission and listed building consent for the proposed change of use and development works and securing a premises licence.
- 1.13 As the previous reports anticipated that the Council would be granting leases of the library buildings and is now proposing to sell its freehold interest in the Walkley Library property, a further approval is now required.

## **2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE**

- 2.1 The proposed development will provide a fully refurbished property incorporating a café bar and library which will be secured for the benefit of the people of Walkley. It should also help to boost the local economy and will give access to exhibitions and library and cultural events.
- 2.2 Following public consultation, the Council has been made aware that there is a local element of opposition to the proposed café bar and its impact on the locality. These issues will be properly addressed as part of the determination of the planning application by the Council acting as Local Planning Authority.
- 2.3 Concern has also been expressed locally that the Council should not be selling the freehold interest in the property as it is claimed the Council would be losing control of the library and also that the property is held by the Council in trust on behalf of the people of Walkley. The agreed terms fully protect the Council's position with the 125 year lease protecting library provision for the term of the lease. The Council owns the freehold interest outright and not in trust.

## **3.0 OUTCOME AND SUSTAINABILITY**

- 3.1 The terms agreed with Forum Café Bars should provide for a sustainable future for a library service in Walkley.

## **4.0 LEGAL IMPLICATIONS**

Under section 123 of the Local Government Act 1972 the Council cannot dispose of property for less than the best price reasonably obtainable. Prior to reaching provisional agreement on the sale price with Forum Café Bars, the Council commissioned Swift & Co to provide an independent valuation of the property. The surveyor's opinion was that the current market value of the entire property would be in the region of [REDACTED] for residential use and in the region of [REDACTED] for A3 use (restaurant/café bar). This works out pro rata for the property excluding the area to be leased to the library as [REDACTED] for residential use and [REDACTED] for A3 use.

As Forum Café Bars will only have beneficial use of the part of the property that is not subject to the lease back to the Council, they will not be in a position to generate an income from the library space due to the terms of the lease back only providing for a peppercorn rent with no potential for increase. It is only the market value of the area excluding the library that is relevant in considering whether best consideration has been received.

If the Council should opt to bring the 125 year lease to an end at some time in the future as a result of not being able to identify a suitable provider for the library, it will receive an additional payment equivalent to the amount that Forum Café Bars would have paid for the library space if they had had beneficial use of it from the outset.

As the consideration of [REDACTED] exceeds even the figure given in the independent valuation for residential use for the smaller area, and the Council has secured its financial position should the whole site become usable by Forum Café Bars (or the then current owner) as a result of the Council not being able to identify a suitable provider for the library service, it can demonstrate that it has complied with the provisions of section 123 in relation to the proposed disposal. Any changes to this figure, as a result of the space being reconfigured, will not have any effect on this as any revised figure would be calculated on the same pro-rata basis.

As mentioned elsewhere in the report, there have been suggestions that the Council holds the library on trust. The Council's title to the library has been investigated and it is owned by the Council absolutely and there are no other provisions or restrictions that would prevent or limit the terms of the proposed freehold transfer to Forum Café Bars.

## **5.0 FINANCIAL IMPLICATIONS**

- 5.1 The sale of the building will give the Council a capital receipt to replenish the Corporate Resource Pool which is used to fund capital projects which are ineligible for external funding or direct government grants.
- 5.2 Subject to the outcome of the discussions in paragraph 1.12 above, any annual payment which is agreed to be paid will be met out of existing Revenue Budgets.

## **6.0 ALTERNATIVE OPTIONS CONSIDERED**

- 6.1 **Lease to Walkley Carnegie Library Group.**  
This option would give the group complete control of the whole of the building and enable them to raise funding independently. However, funding is not guaranteed and refurbishment of the building would inevitably be delayed. The option would not bring the wider benefits to the local economy anticipated from the creation of the café bar.
- 6.2 **Disposal to Forum Café Bars**  
This option would pass complete control to Forum Café Bars, who would be obliged to run a library from the property for a period of time. However,

the future of the library could not be guaranteed in the medium to longer term and the venture would not benefit from the skills and abilities of the local group.

### **6.3 Lease to Forum Café Bars**

Forum Café Bars has advised that this is not a viable option for it - the freehold interest is required to provide security for the considerable investment proposed for the property.

## **7.0 REASONS FOR RECOMMENDATIONS**

The disposal of the site to Forum Café Bars will:

- enable the conversion and complete refurbishment of the library building to provide a café bar and library as a joint facility
- secure a newly refurbished designated library space within the building in a cost-effective way (including maintenance costs for the first 21 years of the lease) for the benefit of local people to be run by a voluntary community group (Walkley Carnegie Library Group)
- help to stimulate the local economy through investment, cultural events and new employment opportunities

## **8.0 RECOMMENDATIONS**

It is recommended that the Leader:

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