

Burchatts Farm – reponse to KPMG report

Written by Gavin Morgan, Founder of the Guildford Heritage Forum

Date: 20th Nov 2020

Terms

Terms used: The Meeting = Corporate Governance and Standards Committee Meeting held 19 Nov

Introduction

This is a response to the draft KPMG report into the disposal of Burchatts Farm presented to the Corporate Governance and Standards Committee on Thursday, 19th November, 2020 7.00 pm (hereafter called “The Meeting”). The report can be found at the following link

<http://www2.guildford.gov.uk/councilmeetings/documents/s18736/Item%2004%20%20-%20Summary%20of%20Internal%20Audit%20Reports%20-%20App%20%20-%20KPMG%20Burchatts%20Farm%20Barn%20Internal%20Audit%20Re.pdf>

Nothing said below questions the legitimacy or value of the decision to leasing of Burchatts Farm Barn to the Guildford Chiropractic Centre which provides a well appreciated service to people involved in all sides of this discussion both on and off the Council. However, questions need to be asked about the process for coming to the decision because they possibly reveal the way the Council made decisions in other areas.

There appears to be little evidence provided in the report to back up the conclusions. Whilst the public do not need to see everything it is important that the Council is provided with the evidence. Councillors who made key decisions are now queuing up to provide “context” and some may wish to water down the report’s findings by claiming they are not based on evidence. It is important that report’s findings are backed up to ensure the recommendations are unquestionable. Likewise, if new evidence comes to light that proves the council conducted itself in a professional manner then that should also be included.

When the final report is published (hopefully in public) I shall be looking for answers to several questions. Basically I want to know if there was a proper process behind the decisions. All I can see at the moment are decisions and no process.

Background

Guildford Borough Council asked its auditors KPMG to review the “process followed in respect of the disposal of assets with community value, using Burchatts Farm Barn as a case study”

In a highly critical report they made 7 observations leading to recommendations for improvement

1. “There are no consistently applied policies, procedures, controls or governance structures in place for the disposal of Community Assets.”
2. “limited channels of communication” meaning “that information may not reach a sufficiently wide or diverse audience.”
3. “a risk that Councillors could make decisions about the future use of properties based on inaccurate information.”

4. Alternatives to commercial leasing not considered until after the lease was granted
5. Need for “a system for assessing bids against set criteria, for example through a scorecard system, to increase consistency, transparency and repeatability of decision making.”
6. Lack of detail over when decisions were made
7. “The Council put in place a robust Asset Management Strategy and Framework in 2014 that outlines that value to the community should be considered alongside financial viability when making decisions about the future of assets, but the document has not been reviewed or updated since its creation and is not representative of current Council operations.”

My Conclusions

In the following article I provide the evidence to support my conclusions on the disposal of Burchatts Farm Barn. These are

- There was no process – just decisions
- The decision to close Burchatts Farm Barn was purely financial
- The financial arguments did not make sense and as result the decision was flawed
- There was no attempt to consider community value despite a robust Asset Management Strategy and Framework in 2014 stating that value to the community should be considered
- The process of deciding who should be awarded the lease was inconsistent and flawed

Structure of Document

My conclusions stem from three questions.

- Why did the Council even consider the closure and disposal of Burchatts Farm Barn?
- Was the decision on financial grounds justified?
- Was the process for awarding the lease sound?

Why did the Council even consider the closure and disposal of Burchatts Farm Barn.

Lets start at the beginning. Why did the Council even consider the closure and disposal of Burchatts Farm Barn. It appears that the decision was purely financial

There were many reasons for retaining the barn for public use. Diana Pollock, resident writing in the Guildford Dragon on 19th December 2019 put it very well “Guildford is losing a beautiful community hall. At a time when people are trying to reshape and support town centres and looking to enhance heritage, creative and social hubs, we are disposing of ours.”¹

The background to the disposal seems to stem from a decision in January 2014 by the Lead Councillor for Asset Management to improve the return on assets, as described in the KPMG report. The Property Review Group then identified assets that were not making a return.

This policy probably stems from a decision by the Conservative Party. Sallie Barker chair of the Guildford Conservative Association, told the Guildford Dragon (27th Nov 2020) that “Strong fiscal planning from successive Conservative administrations at Guildford Borough Council has meant that the Council was left in a good financial state in May 2019 with significant reserves and strong plans for investing into residents and services”²

I am not criticising a desire for strong fiscal planning but as a public service the Council should also have considered community value. Interestingly, in the same year (2014) that the Council decided to improve its return on assets a “robust Asset Management Strategy and Framework in 2014 that outlines that value to the community should be considered alongside financial viability when making decisions about the future of assets.” I wonder why no one made the connection and failed to use the framework for the KPMG report says it is “not representative of current Council operations”

The direct decision to close the barn was explained by Councillor Davis in December 2017 when he told the Guildford Dragon, “Burchatts Barn has been used for event hire for private functions and has supported some major events on the park such as National Armed Forces Day. More recently, however, these bookings have reduced, affecting the economic viability of the building for the council.”³

Was the decision on financial grounds justified?

So was the decision on financial grounds justified. One problem with finding out, according to the KPMG report is that “The Council has not been able to provide documentation from the Executive or the Property Review Group to evidence the decisions to stop taking bookings for public hire, and to instruct the commercial real estate agency to market the property in 2017”.

The Council’s argument that bookings fell has been questioned. Some have claimed that the reason bookings fell was because the prices were deliberately increased to a level that made the barn unviable. As Gordon Bridger states Burchatts Farm Barn “rentals were trebled so that it lay unused for years”⁴ John Redpath says they were raised to £145 an hour making the barn unaffordable to its traditional user base of weddings and parties⁵. This should be investigated as it is fundamental to the argument to close the barn. However the report says “historic booking data has been deleted due to data protection.” Surely someone must be able to provide evidence for the truth behind this.

The closest I can get to understanding the Council’s economic argument for closing Burchatts Farm Barn is statement in Council meeting on 26 Feb 2019 from Councillor Manning in answer to a question from Councillor Rooth. He seems to have been quoting a press statement issued by Councillor Davis in March 2017. “Prior to the press release issued in March 2017, we recognised that the property was creating a growing financial burden at a time of increasing financial constraint. For a number of years was showing an annual deficit of between £30 and £70,000. This meant finding a use that achieved a rental income and removed the liability of maintaining the building”

I first heard of this £70,000 figure in a conversation and wondered if I had misheard so I looked on the Council website and came across the General Fund Outline Budget (issued in 2017)⁶ which had an appendix all about proposals for savings. (Footnote 6 and image 4). This stated that the option to “keep the venue for public hire... has been rejected as it costs between £40,000 - £70,000 per annum to run”. This seemed an awful lot to spend on a closed building. I rang round a few parish councils and discovered that busy village halls across the borough cost between £20,000 and £40,000 to run. Some cost less.⁷ John Redpath explained in an article in the Guildford Dragon, “The Spike, for instance, a much bigger and more complex Grade II-listed Guildford building, costs typically £35-40K a year to run and thrives by being run independently and therefore able to offer affordable hire charges.”⁸

The document also stated that “the parks service has a limited capacity to run it as a public hire venue” which is obviously another point but as John Redpath points out above, Burchatts Farm Barn

could have been run independently. Indeed whilst closing Burchatts Farm the Council was negotiating a long term lease with local residents managing Wanborough Barn.⁹

The General Fund Outline Budget (issued in 2017)¹⁰ document which presents the Council's financial case is full of inconsistencies. (see image at bottom of document). It presents a forecast of running costs for coming years that are between £60 and £76,000 but these include between £20,000 and £36,000 income. I cannot see how potential income can be regarded as a cost. The savings from "leasing" the barn are then put at from £70,000 to £100,000. This suggests the Council could save more than it actually spent. Obviously there might be more information in other documents but this document appears to exaggerate the costs and claim that the Council can save more than it spent which is illogical.

Mr Davis (former Councillor for Asset Management) has now helpfully said in the Guildford Dragon "discussion also confirmed (as we had for some time suspected) that the running costs of Burchatts Barn were significantly overestimated, giving a false basis for consideration of the future of the Barn. How that could have occurred should form an ingredient in the final KPMG report."¹¹

It is good of him to admit this because it confirms my conclusions. And it is a very important point. The financial argument was fundamental to the case for closing Burchatts Farm Barn. If the financial case was fundamentally flawed then the process for making the decision was fundamentally flawed. In fact it is beginning to appear that there was no process – just a decision.

Was the decision over awarding the lease sound?

Having made the decision, the KPMG report says process for awarding the lease was "inconsistent and there is a lack of clarity about the extent to which community value is considered by the Council as a criteria". It is notable that most of the objections to the closure of Burchatts Farm Barn occurred after it was announced that the bid from Guildford Shakespeare was rejected. This is important because that bid would have allowed regular use of the building for the public. It could still have been a facility for events in the park. The building could have continued to have been part of the life of the Stoke Park. But the report says the "the Council selected the bid that offered the highest consideration". Mr Davis points out that "The majority view of the Executive was that we were obliged under the council standing instructions to go for "best value" within that definition." Possibly there was a genuine misunderstanding of correct procedures because, as said above there was the 2014 strategy stating that community value should have been considered¹².

Conclusion

I was pleased to see that the KPMG picks up on the same questions that I asked and goes into a lot more detail around processes. On the questions I raised

- Why did the Council even consider the closure and disposal of Burchatts Farm Barn?
- Was the decision on financial grounds justified?
- Was the decision over awarding the lease sound?

The report is not able to answer why the Council considered closure and disposal but does say the decision was flawed because "The Council put in place a robust Asset Management Strategy and Framework in 2014 that outlines that value to the community should be considered alongside financial viability when making decisions about the future of assets, but the document has not been reviewed or updated since its creation and is not representative of current Council operations."

On the question of whether the financial argument was justified the report struggles to find an answer particularly around why bookings fell because “historic booking data has been deleted due to data protection.” It goes on to say “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”

On the broader question of the financial arguments the report says “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. There is a risk that Councillors could make decisions about the future use of properties based on inaccurate information.”

Finally on the issue of whether the process for awarding the lease sound the report says it was, “inconsistent and there is a lack of clarity about the extent to which community value is considered by the Council as a criteria”.

My hope is that the Council will heed these lessons and put in place strategies that ensure the community value is put at the heart of management of heritage properties in the future.

Image 1: Advert for lease of Burchatts Farm Barn



Image 2: Burchatts Farm Barn is an attractive asset



Image 3: it is situated in Stoke Park on the edge of open fields



Image 4: CAPTION: Image taken from the General Fund Outline Budget for 2019-20 (published in 2017) section on Proposals for Savings

	As a listed building agreeing a tenancy may be difficult in regard of repairs and maintenance.
Assumptions:	That a tenant can be found to occupy the premises on a full repairing lease.
Changes / Effects:	Reduced cost for GBC.
Measures for Success:	Building let for an appropriate alternative use.
Viable Options and Rejection Reasons:	Keep the venue for public hire - this has been rejected as it costs between £40,000 - £70,000 per annum to run, the parks service has a limited capacity to run it as a public hire venue. If run by a third party operator the expressions of interest confirmed that additional temporary structures would be required to make it viable.

Costs					
Year	Description	Capital Value (£)	Revenue Code	Revenue Code Name	Revenue Value (£)
2018/19	Income	0	A1810	Burchatts Farm Barn	
			K6972	General Rents	-20,000
2018/19	Property running costs	0	A1810	Burchatts Farm Barn	
			N/A	N/A	-40,000
2019/20	Income	0	A1810	Burchatts Farm Barn	
			K6972	General Rents	-36,000
2019/20	Property running costs	0	A1810	Burchatts Farm Barn	
			N/A	N/A	-40,000
Costs Totals					
Year	Capital Total (£)	Revenue Total (£)			
2018/19	£0	-£60,000			
2019/20	£0	-£76,000			

Financial Benefits			
Year	Description	Capital Value (£)	Revenue Value (£)
2018/19	Savings	0	-60,000
2019/20		0	-76,000

Fundamental Themes

Our Economy:	2 - Low	May provide a suitable premises for a local business or service.
Our Borough:	4 - Low to Medium	Will help to maintain a key building and asset on Stoke Park.
Our Infrastructure:	2 - Low	Will ensure building is put to an appropriate use complimentary to the uses on Stoke Park.
Our Environment:	4 - Low to Medium	Will contribute to the overall management of Stoke Park.
Our Society:	2 - Low	A new tenant may support a community use or benefit.
Your Council:	10 - Very High	Contributes to improving the value of the Council's assets.
Fundamental Themes Total	24	

Other Category Themes

Asset Management:	8 - Medium to High	Will see building leased and reduced cost to GBC.
Business Case:	8 - Medium to High	Should derive a saving of £70,000 - £100,000
Health and Safety / Statutory Requirement:	0 - None	

References

¹ (Source: <https://www.guildford-dragon.com/2019/12/19/chiropractic-centre-appeal-victory-over-grade-ii-burchatts-farm-barn/>)

² <https://www.guildford-dragon.com/2020/11/27/as-council-cuts-loom-residents-to-be-consulted-for-their-views/>

³ (Source : <https://www.guildford-dragon.com/2017/03/16/council-market-test-future-use-burchatts-barn/>)

⁴ (source: Gordon Bridger's letter in the Guildford Dragon <https://www.guildford-dragon.com/2020/04/13/letter-council-has-appointed-kpmg-to-review-burchatts-barn-decision-process/>)

⁵ (source: I have taken this information from an article by John Redpath <https://www.guildford-dragon.com/2019/07/19/glimmer-of-hope-for-chiropractor-in-battle-for-burchatts-barn/>)

⁶ Link to Proposals for Savings from the Outline Budget: (search for Burchatts -it is on p29 and p30) <http://www2.guildford.gov.uk/councilmeetings/documents/s9050/Item%2010%204%20-%20General%20Fund%20Outline%20Budget%202018-19%20-%20summary%20of%20growth%20bids%20and%20proposals%20for%20savings.pdf> This is the Outline Budget: <http://www2.guildford.gov.uk/councilmeetings/documents/s9046/Item%2010%20-%20General%20Fund%20Outline%20Budget%202018-19.pdf>

⁷ (Source: John Redparth says in Dragon that Spike costs £35-40K, - see <https://www.guildford-dragon.com/2019/07/19/glimmer-of-hope-for-chiropractor-in-battle-for-burchatts-barn/>
Worplesdon village hall costs about £20,000pa (verbal evidence only from Parish Council)

⁸ (Source: John Redparth says in Dragon that Spike costs £35-40K, - see <https://www.guildford-dragon.com/2019/07/19/glimmer-of-hope-for-chiropractor-in-battle-for-burchatts-barn/>
Worplesdon village hall costs about £20,000pa (verbal evidence only from Parish Council)

⁹ <https://www.guildford-dragon.com/2020/11/26/letter-a-guildford-14th-century-heritage-site-saved-for-the-use-of-the-people/#comment-247049>

¹⁰ Link to Proposals for Savings from the Outline Budget: (search for Burchatts -it is on p29 and p30)
<http://www2.guildford.gov.uk/councilmeetings/documents/s9050/Item%2010%204%20-%20General%20Fund%20Outline%20Budget%202018-19%20-%20summary%20of%20growth%20bids%20and%20proposals%20for%20savings.pdf> This is the Outline Budget: <http://www2.guildford.gov.uk/councilmeetings/documents/s9046/Item%2010%20-%20General%20Fund%20Outline%20Budget%202018-19.pdf>

¹¹ <https://www.guildford-dragon.com/2020/11/20/letter-kpmg-should-interview-all-relevant-councillors-on-burchatts-barn-including-me/>

¹² <https://www.guildford-dragon.com/2020/11/20/letter-kpmg-should-interview-all-relevant-councillors-on-burchatts-barn-including-me/>