

REPORT TITLE: HANDLEBAR CAFÉ UPDATE

WINCHESTER TOWN FORUM

16 NOVEMBER 2016

CABINET

7 DECEMBER 2016

PORTFOLIO HOLDER: CLLR JAMES BYRNES, PORTFOLIO HOLDER FOR
TRANSPORT AND PROFESSIONAL SERVICES

REPORT OF ASSISTANT DIRECTOR (ECONOMY & COMMUNITIES)

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PURPOSE

Winchester Town Forum has actively encouraged the development of a 'cycle café' over the last two years. This would be sited along the Viaduct Way, which links the city centre to the East Park and Ride Car Park and forms part of National Cycle Network Route 23. The original proposal came from SPUD, a creative practice specialising in innovative public realm projects, through its local programme of SPUD Youth workshops.

Mark Drury of SPUD will be giving a presentation at the November meeting of Winchester Town Forum to update Members on the encouraging progress of this project. The purpose of this Report is to provide a summary of progress for Cabinet, and to seek Member clarification around the funding options for the project from this point set out at section 2.

RECOMMENDATIONS:

To Winchester Town Forum:

1. That the progress of the project be acknowledged by Members, and that their wish to see this project brought forward to construction be confirmed;
2. That the funding options set out in section 2 of the Report be considered and, should option (a) be preferred, Cabinet be requested to allocate a sum of £25,000 in the Capital Programme for 2017/18 as a Town Account scheme, to match fund a grant from the General Fund Capital Programme for the construction and delivery costs of The Handlebar Café.

To Cabinet:

1. That the progress of the project be acknowledged by Members, and that their wish to see this project brought forward to construction be confirmed;
2. That the three funding options set out in section 2 of the Report be considered, and, should option (a) be preferred, the sum of £50,000 already identified in the Capital Programme be confirmed as a grant towards the construction and delivery costs of The Handlebar Car in 2017/18 on the basis that the Council is funding a structure would could be used for other purposes if the café operation were not to prove successful. This grant would be subject to SPUD securing match funding at the same rate from the South Downs National Park Authority, and further match funding at 50% of the Capital Programme contribution from Winchester Town Account.
3. That, subject to the Recommendations of Town Forum above, a sum of £25,000 be allocated in the Capital Programme for 2017/18 as a Town Account scheme, to match fund the proposed General Fund grant at Recommendation (2) above;
4. That it be agreed that the first of the two conditions required for disposal at less than best consideration quoted at paragraph 5.6 of the report (a i, ii and iii) is met by the proposed lease to the Handlebar Café project.
5. That, subject to the final judgement of the Head of Legal and Democratic Services based on the various considerations outlined in section 5 of the report, the proposal to cap to £1,500 the recharge of fees for Legal and Estates time on the project be approved - as part of the Council's wider support for the project.

IMPLICATIONS:

1 COMMUNITY STRATEGY OUTCOME

1.1 The cycle café would support delivery of three community outcomes:

a) encouraging *active communities* by involving young people and volunteers in designing, creating and running the café, as well as making walking and cycling activities in Winchester more attractive;

b) promoting *economic wellbeing* by providing new skills for the young people through the ongoing SPUD Youth workshops, but also potentially 'entry level' training and development for paid employees working at the café once operational;

c) enhancing the *built and natural environment* by creating a new feature of interest along Viaduct Way, which at the same time celebrates the city's railway heritage.

2 FINANCIAL IMPLICATIONS

2.1 Following the identification of a potential lead contractor by SPUD in recent days, accurate costings for the construction of the café have now been received. These come to a total of £330,000 including professional fees. The figure takes into account in-kind contributions from sponsors, but is significantly higher than the very early costings when SPUD Youth first presented to Winchester Town Forum. The SPUD team is aware of this and has already been active in engaging with potential sponsors and grant funders, including Hampshire County Council and the South Downs National Park Authority.

2.2 The café will be run as a social enterprise by a third party operator (Bespoke Biking), who already have experience of working out of the YMCA café on Broadway. A percentage of the takings would be directed back into SPUD Youth to sustain this innovative youth development programme, which has already seen a number of Hampshire young people taking up careers in architecture and other public realm sectors. Given its size and charitable nature, there is no expectation that the café proceeds will cover the initial cost of constructing the building and none of the proceeds would go towards SPUD's core operational costs.

2.3 There is an additional issue around the charging of fees by the Council's Legal and Estates Teams in connection with the lease, referenced in section 5 below.

2.4 The fees include a management fee for SPUD which is a small charity and has already made a significant contribution to the project by developing the concepts to this stage on a largely pro-bono basis. SPUD have made it clear that they cannot continue to resource the development of the project on this basis, and that the decisions made by the Council and other funding partners

in the coming two to three months will collectively determine whether the café proceeds.

- 2.5 Winchester City Council has already allocated £50,000 as a grant to the project in the capital programme as programmed but not approved yet. This was proposed by officers as being a reasonable contribution to the overall costs, with the expectation that SPUD would generate the remaining budget through other fundraising.
- 2.6 With a higher figure for project costs now being confirmed, Members of the Town Forum and Cabinet collectively have a number of options to consider in relation to the Council's continued support for the Handlebar Café, as follows:
- a) Seek to provide a larger grant – drawing on the Town Forum's Community Infrastructure Levy allocation - to encourage other funders (e.g. South Downs National Park Authority and Hampshire County Council) to come forward with significant contributions which will expedite delivery of the project and to spread the financial risk.
 - b) Reconfirm the grant already identified in the Capital Programme of £50,000 and require the rest of the budget must be raised from other sources;
 - c) Discontinue support for the project, on the basis that there is some reputational risk attached if the café is unsuccessful and that there is no clear business case for the Council to invest even the £50,000 originally identified.
- 2.7 Should Members feel that option (a) above provides an opportunity for the Council to play a community leadership role in facilitating the delivery of an innovative and popular local scheme, it is proposed that the original figure of £50,000 be maintained in the Capital Programme and provided to SPUD, subject to
- a) An equal level of match funding by the South Downs National Park Authority (i.e. up to £50,000)
 - b) A further 25% of match funding on the Capital Programme allocation being provided by Winchester Town Forum.

This would see the Council making provision for a contribution of up to £75,000 in total, whilst encouraging the National Park to support the project at a commensurate level.

- 2.8 SPUD is already in conversation with both the South Downs National Park and Hampshire County Council about partnership funding for the project. The National Park has verbally indicated that the café would support its strategic objectives, but that the Authority would feel more comfortable in a three-way funding partnership with the City and County Councils. The County Council

has thus far proposed an application to one of its capital grants programmes, the outcome of which would not be known until March 2017.

- 2.9 The potential for crowdfunding for the Café has been discussed by officers. SPUD does have experience of this and thinks this approach is unlikely to generate the levels of funding required in a reasonable timescale for the proposed build programme. However, it is a potential source of funding for enhancements – e.g. to planting schemes, the décor, equipment – at a later stage.
- 2.10 Members are asked to look on any contribution as an investment in a community building, first and foremost, rather than a café. Feedback from artists, community groups and other interested parties such as the South Downs National Park Authority – for which it could be a key ‘gateway building’ - suggests that such a building would be occupied for other, sympathetic purposes in the event that the café fails. Winchester is short on space of all kinds for community gatherings, for creative industry sector workspace and so on. This would be an ingenious and attractive facility which officers believe could be re-let if the need arose.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Section 5 sets out the legal provisions which need to be considered as part of this transaction, in respect of the lease of the land and State Aid issues..
- 3.2 The Council is not procuring the café build or operation: its roles are facilitator, funder, planning authority and landlord.

4 WORKFORCE IMPLICATIONS

- 4.1 The project is being developed, managed and delivered externally to the Council, except insofar as there has been officer involvement through the planning process and on an *ad hoc* basis to support specific enquiries or produce update reports for Members.
- 4.2 Going forward, there is a continued need for a designated officer to provide liaison and ensure a joined up approach from the City Council whilst also supporting SPUD’s funding discussions with the National Park and County Council.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The Council owns the land near Garnier Road where the café is to be sited. Officers are currently considering a figure for the estimated land value and will provide this at the Town Forum meeting. The location is a strategic one for the South Downs National Park, as it lies adjacent to St Catherine’s Hill making the café/bike hub operation a potential ‘gateway’ to and information point for the Downs.

- 5.2 The Assistant Director (Estates and Regeneration) was consulted at an early stage in the project, and Estates colleagues have already drawn up draft Heads of Terms which currently include:
- an initial ground rent of £250 per annum, with five yearly rent reviews to be based on 1% of the annual turnover of the Handle Bar Café;
 - a bond or other security to provide for removal of the structure from the land should the venture fail, although early indications are that the building could easily be reused in a way that generated an income – for example, for community purposes, to provide distinctive space for an artist's studio, or as a distinctive premises for another creative or knowledge-based organisation whose operations would be sympathetic to the location;
 - a 15 year lease with break clause at the end of five year to give the café operator chance to withdraw if the café was not viable. Whilst the building would belong to SPUD, the Council's approval would be required for any change of use (including, potentially, planning permission) and there would be an option to determine whether the building should be removed or re-used as above;
- 5.3 An operational business plan has been requested from Bespoke Biking as part of the lease discussions, although this is being refined with some further footfall-counting taking place in the coming weeks to 'reality check' projections. The plan covers all applicable running costs, such as licensing, insurance, business rates etc. Members will hear about the business plan in more detail at the Town Forum meeting, as part of the presentation. However, the Council is not being asked to fund the café: a decision should be made on the basis of the funding the Council is providing for the building, given its good potential for re-use over time.
- 5.4 Initial estimates for legal costs for documentation such as this could be between £5,000 and £10,000, with a further cost from Estates of around £1,000. Whilst it is hoped that the café will return a surplus, officers feel that this is not a realistic sum to seek to recover. In view of the fact that it is an unusual lease, requiring a bespoke approach, fees should be charged but that the recharge to SPUD be capped at £1,500 in total.
- 5.5 This suggestion has been put to the Head of Legal and Democratic Services, who has advised that while it is normal practice to recover costs when granting a lease, there is no reason that this has to happen as long as the Council is still achieving 'best consideration' (i.e. that it is the best deal that could be expected in the market). For example, if another operator would have agreed to pay the Council's costs, then it is likely that not recharging them would not constitute best consideration. However, provided the rules on consent for disposal at less than best consideration are met (see below), it would still be possible to agree not to recover these charges.

- 5.6 Section 123 requires Secretary of State consent to a disposal of land for less than best consideration. However, the General Consent 2003 grants a deemed consent if the following conditions are met:-
- a) the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects in respect of the whole or any part of its area, or of all or any persons resident or present in its area;
 - i) the promotion or improvement of economic well-being;
 - ii) the promotion or improvement of social well-being;
 - iii) the promotion or improvement of environmental well-being; and
 - b) the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000 (two million pounds).
- 5.7 If Members consider that the first of these conditions is met – these being broadly the three outcomes of the Community Strategy with which the project aligns, as referenced in section 1 above then disposal at less than best consideration could potentially proceed.
- 5.8 However, if the disposal is at an undervalue, consideration must also be given to whether this is state aid. The *de minimis* exemption would probably be the most appropriate exemption to apply, but checks will need to be made by officers to ensure that SPUD has not had more than €200,000 over the past three years.
- 5.9 Members are asked to endorse the officer view that the first of the two conditions quoted at paragraph 5.6 of this report (a i, ii and iii) is met by the Handlebar Café project. They are furthermore asked to approve the proposal to cap any recharge of fees to SPUD for the project, subject to the Head of Legal and Democratic Services being satisfied that all other considerations have been taken into account as outlined above, to a maximum of £1,500.

6 CONSULTATION AND EQUALITY IMPACT ASSESSMENT

- 6.1 The project has been in development for two or more years now, and during this time has benefited from exposure through:
- Public presentations and reports at Council meetings
 - A consultation stand at the Winchester Cycle Fest in 2015
 - Extensive social media activity
 - Media releases and associated public feedback

- The active engagement of young people, commercial suppliers and Members in the development of the project

6.2 SPUD has an impressive record for creative engagement with communities and this is evident in the level of pro bono support and sponsorship already attracted by the Handlebar Café project.

6.3 The café has been designed to be fully accessible to customers with disabilities, and there would be no specific challenges for customers from other groups with protected characteristics named in Equalities Law. The creation of a café along the Viaduct Way would improve the experience of some of these groups by providing a resting place, a cycle repair point and toilets.

7 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<p><i>Property</i></p> <p>Café fails and building left empty/unused on Council land</p>	<p>Bond or other financial guarantee proposed under Heads of Terms to pay for complete removal of structure in event of failure</p>	<p>Potential for alternative use or different operator in event of failure – Council could work through economic development team to explore this if required but SPUD has already received interest (e.g. from local artists looking for studio space)</p>
<p><i>Community Support</i></p> <p>Community do not support the new facility once operational</p>	<p>Marketing/communications plan to be discussed with café operator at an early stage.</p> <p>Usual support from economic development offered to café operator to help build business.</p>	
<p><i>Timescales</i></p> <p>Project not delivered promptly because funding takes longer to secure than anticipated</p>	<p>This report seeks to help secure further funding, and WCC officers supporting approaches to other potential funding agencies</p>	<p>Further scope for sponsorship constantly considered by SPUD</p>

Risk	Mitigation	Opportunities
<p><i>Project capacity</i></p> <p>SPUD is a small organisation and may not have capacity to take project to completion, or to deliver in timely fashion</p>	<p>SPUD's track record in this area is good, and they work with a team of associates who could be called on in an emergency</p>	<p>The Council could choose to support the construction phase of the project if SPUD was unable to complete.</p>
<p><i>Financial / VfM</i></p> <p>Public dissatisfaction at the level of funding the Council is giving to the project</p>	<p>SPUD's extensive public engagement has helped to build local enthusiasm for the cafe</p>	
<p><i>Reputation</i></p> <p>If the café operation fails, it may reflect on the Council's encouragement of and investment in the project</p>	<p>Officers will ask to review the café's operational plans as part of preparation of the lease</p> <p>Support provided by economic development team to ensure sound business management, catering skills etc.</p>	<p>Given pressure on hireable space in Winchester, it would be possible to re-use the café for other purposes (eg artist's studios, community meetings) rather than dismantle it, if the Council wished to find an alternative use.</p>

8 SUPPORTING INFORMATION:

Background:

- 8.1 Over the last two years Winchester Town Forum has encouraged the development of a 'cycle café' sited along the Viaduct Way, which links the city centre to the East Park and Ride Car Park and forms part of National Cycle Network Route 23. The original proposal came from SPUD, a creative practice specialising in innovative public realm projects, through its local programme of SPUD Youth workshops.
- 8.2 This Report summarise some of the key aspects of a presentation being made to the Town Forum at its November meeting, and seeks clarification of the Council's funding intentions towards the project from this point.

Recent Developments:

- 8.3 The Handlebar Café has within the past month been granted planning consent. This is an important milestone for the project and – aligning as it does with the budgeting cycle for the Council – has been the trigger for this Report.

- 8.4 Recent months have also brought written commitments from commercial partners to help deliver the café, including James Latham Timber, who are supplying free of charge the sheet ply and decking, and Accsys Technologies who are supplying the timber cladding. Architecture PLB have assisted the project from the outset, including the compilation and submission of the planning application, and they continue to be actively involved. Consulting engineers Arup and building contractors Amiri are also making significant contributions, whilst Hargroves Cycles will be fitting out the cycle workshop area. More commercial partners continue to come forward, inspired not only by the concept of the café but also by its sensitive and intelligent execution.
- 8.5 SPUD has chosen – after a number of discussions with potential partners – to work with Bespoke Biking to provide the café and cycle workshop. Bespoke Biking is a Community Interest Company and is a ‘locally grown’ business, currently operating workshops and a bike hub out of the YMCA Café at St John’s House, and leading community rides around the Winchester area. It is also a registered Community Cycle Club with Cycling UK (formerly CTC). SPUD will be the leaseholder, in view of the organisation’s major investment in the project so far and the fact that it is SPUD’s intellectual property. The two organisations share a strong community focus and are both small enterprises with a track record of collaboration.

Proposed Timeline:

- 8.6 The proposed timeline now that planning consent has been secured is to complete raising the funds required for construction by the end of January 2017. The plan would be to sign contracts in February and begin work on site in March, with a 22 week build period. The café would not be operational until well into the summer, but Viaduct Way is well used throughout the year and the novel nature of the café would almost certainly attract its own footfall in the early days. The timeline will inevitably be affected by funding decisions such as those outlined in section 2 above.

9 OTHER OPTIONS CONSIDERED AND REJECTED

- 9.1 This is a one-off project which the Council – through leading members and Winchester Town Forum – has encouraged since it was first presented at an open evening by the members of SPUD Youth.
- 9.2 At the time, it was a theoretical project only, but it has developed as a result of the Council’s active support and interest. Widespread community and commercial engagement with the project from the outset has also shown it to be a popular concept.
- 9.3 Because of the ‘bespoke’ nature of the project, no other options have been considered.
- 9.4 However, this Report demonstrates that the project is now at a crossroads following the granting of planning permission. It offers Members three funding

options which will to a large degree determine the development of the project from here.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:

[CAB2811](#) – Capital Expenditure Outturn 2015/16, Appendix D, 6 July 2016

[Minutes of Winchester Town Forum](#) at which an Oral Report on Cycle Café was given to Members, 10 June 2015

[WTF214](#) – Proposal for a Cycle Café on Viaduct Way, 21 January 2015

[Minutes of Winchester Town Forum](#) at which an initial presentation on the Cycle Café was given by SPUD Youth, 24 September 2014

Other Background Documents:

More information on SPUD, SPUD Youth and The Handlebar Café can be found at www.spudgroup.org.uk/

APPENDICES:

Appendix 1 – Artist's Impression of Handlebar Café

