

Record of Executive Member Decision Taken Under the Scheme of Delegation	On
	Insert date here

Title	Report of
Cafe & Community Organisation Lets, Hurst Grange Coach House	Cabinet Member (Finance, Property and Assets)

Is this report confidential?	Yes – Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 applies.
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Purpose of the Report

1. This report puts forward proposals for the portfolio holder which details the three lettings/leases at Hurst Grange Coach House.

Recommendations

2. That the lease of the Café in Hurst Grange Coach House be granted to Ms. L & P Mallinson, subject to the receipt of satisfactory references for the sum of £14,050.00 per year over a period of 6 years with a 3 year break clause.
3. That the lease of two storerooms in Hurst Grange Coach House be granted to the Friends of Hurst Grange Park for the sum of a peppercorn per year over a period of 3 years.
4. That the lease of one storeroom in Hurst Grange Coach House be granted to Ms K Reynolds trading as Diggy Sticks for the sum of £250 per year over a period of 3 years.

Reasons for recommendations

5. Ms. L & P Mallinson submitted the highest rental offer for the Café in a recent marketing exercise conducted jointly by Estates and Parks.
6. The letting to the Friends of Hurst Grange Park will facilitate the enhancement and improvement of Hurst Grange Park at no cost to the Council.
7. The letting to Ms K Reynolds will facilitate community engagement in the Park.

Other options considered and rejected

8. Three lower rental offers were received for the Café.

Corporate outcomes

9. The report relates to the following corporate priorities: (tick all those applicable):

An exemplary council		Thriving communities	X
A fair local economy that works for everyone		Good homes, green spaces, healthy places	X

Background to the report

10. The Council secured National Lottery Heritage Funding to restore the former Coach House building within Hurst Grange Park to create a Visitor/Exhibition Space, toilets, storage for groups using the park and a café. As the building works were due to be completed at the end of June 2021, the South Ribble Estates Team were instructed to commence marketing the café in March 2021.
11. The marketing process generated over forty enquiries about the property, and interested parties were invited to submit Expressions of Interest by 30th April 2021. Fourteen were received and were assessed by Greg Clark, Senior Parks Technical Officer, and Andrew Scrivens, Temporary Estate Surveyor, on the basis of previous catering experience, the proposed menu, how and where the applicants intended to source ingredients and what the applicants would add to Hurst Grange Park. A short list of six applicants was prepared, and successful applicants were invited to submit rental bids for the Café.
12. The applicants were given set lease terms (as detailed in Appendix A) and asked to submit rental offers. The offers received are summarised in Table 1 below:

Table 1: Rental Bids for Hurst Grange Coach House Café

Offeror(s)	Proposed Rental (£ per annum)	Total Rent Payable in First Three Years (£)	Using Council Furniture?
Lisa & Paula Mallinson	14 050.00	42 150.00	No
Margaret Longmore	8 400.00	25 200.00	No
Claire Smith trading as 'Flying Pig Pizza Company'	6 550.00*	19 650.00*	Yes
Adam & Nicole Gardner trading as 'Jonah's Coffee'	Year 1 – rent free Year 2 - £5 000.00 plus 10% of profit Year 3 - £10 000.00 plus 10% of profit	15 000.00 plus 10% of profits in years 2 & 3.	No
Lucy Jackson trading as 'Coach House Café'	Withdrew without submitting a rental bid.		
Helen Morris trading as 'Conkers Coffee House'	Withdrew without submitting a rental bid.		

*The bid submitted was £7 050.00 per annum, but there is a £500 per annum charge for using the Council's furniture so the net figure is £6 550.00 per annum.

13. Lisa & Paula Mallinson have been the tenants of the Folly Café in Worden Park since March 2016 and have developed the business substantially since they signed the lease. Therefore, they meet the criteria of being tenants of known ability.
14. The Friends of Hurst Grange Park were originally formed in 2003 to work with the Council to carry out environmental improvements to Hurst Grange Park during monthly meetings. Over time the membership of the Group has grown and the Group established a regular programme of events throughout the year. In recent years the Group has worked with the Council to raise funds towards the restoration of the Park's Coach House by holding events, attracting grants and carrying out other fund-raising activities. To date the Friends Group has raised over £47 500 towards the scheme. The proposed terms of the letting to the Friends Group are detailed in Appendix B to this report.
15. Diggy Sticks Community Woodland CIC delivers sessions based around the ethos of forest school to work towards better health and well-being for a cross section of the community. The project focuses on developing participants' team working skills, self-esteem, confidence and practical skills which can then be transferred to day to day life, supporting physical and mental health in all ages and abilities. Diggy Sticks have assisted the Council with the restoration of the Coach House by supporting the bid to the National Lottery Heritage Fund and their work helps to demonstrate the community involvement and interpretation of the local natural environment listed as one of the project outcomes. The proposed terms of the letting to Ms. K Reynolds trading as Diggy Sticks are detailed in Appendix C to this report.

Financial Implications

16. The 'Income and Spending Forecast' submitted to National Lottery identified caretaking and cleaning costs of £6 000 per annum which the Council was expecting to fund. However, under the terms of the proposed lease, the tenants will be responsible for the cleaning and caretaking of the Coach House, which will be carried out at no cost to the Council.
17. There is also potential for further modest income generation if the café tenants use the Exhibition/Visitor Space for overflow seating when it is not in use for other events. However, the likely potential income cannot be quantified at the present time.
18. Building maintenance was further estimated at £6 700, but under the terms of the proposed lease, the tenants will pay a service charge to cover the cost of maintain the structure and exterior of the café. The café occupies 32.5% of the total floor area of the Coach House, so the tenants will be contributing £2 178 per annum towards the estimated maintenance costs of the Coach House.
19. Finally, as the tenants are intending to supply their own furniture, the Council will save the £3 000 included in the refurbishment budget for furnishing the café.
20. Therefore, in addition to the £14 050.00 rental income, the Council will incur costs of £6,700 offset by further income of £2, 178 which is an overall net income of £9,578.
21. Based on the rental offer submitted by the Mallinsons, the rental value of the storerooms to be occupied by the Friends Group would be £400 per annum. However, due to the fund raising activities of the group and the long term benefits of community

involvement and improvements to the park created by the group's activities, it is proposed to reduce the annual rental charge to a peppercorn. Further, it is proposed that the occupation will be granted without a service charge or contributions to the costs of providing services non-domestic rates (if the Coach House is deemed to be rateable by the Valuation Office Agency). Therefore, the Council is, in comparison with the café lease, subsidising the Friends of Hurst Grange Park by giving them the accommodation rent free, meeting the costs of maintaining the exterior and structure of the Coach House, paying the utility bills and paying the rates bills. The subsidy equates to £400 per annum in terms of rent, £288 in terms of anticipated building maintenance costs and 4.3% of the total bills for utilities and rates.

22. Based on the rental offer submitted by the Mallinsons for the café, the rental value of the storeroom to be occupied by Diggy Sticks is £250 per annum. However, it is proposed that occupation be granted without a service charge or contributions to the costs of providing services or non-domestic rates. Therefore, the Council is, in comparison with the proposed lease of the Café, subsidising Diggy Sticks by meeting the costs of maintaining the exterior and structure of the Coach House, paying the utility bills and paying the rates bill. The subsidy equates to £174 in terms of anticipated building maintenance costs, and 2.6% of the total bill for utilities and rates.

Comments of the Statutory Finance Officer

23. Financial implications are detailed above. There are no revenue budgets established yet so these will be created and reported through normal budget monitoring processes.

Comments of the Monitoring Officer

24. In this instance the council's estates team have carried out a marketing exercise in respect of the proposed lease for the Coach House Café – that should ensure that we are obtaining best value in this instance. Detailed Heads of Terms have been drawn up which will inform the drawing up of the formal legal documentation.

There are no background papers to this report.

Appendices

Appendix A - Lease Terms for the Coach House Café, Hurst Grange Park

Appendix B - Lease Terms for the Coach House storage accommodation, Hurst Grange Park (Friends Group)

Appendix C - Lease Terms for the Coach House storage accommodation, Hurst Grange Park (Diggy Sticks)

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Following careful consideration and assessment of the contents of this report, I approve the recommendation(s) contained within this report in accordance with my delegated power to make executive decisions.

Signed:	
	<i>Councillor Matthew Tomlinson (Finance, Assets & Resources)</i>
Date:	
Publication Date (DSO use only):	

This decision will come into force and may be implemented five working days after its publication date, subject to being called in in accordance with the Council's Constitution.

Appendix A

Lease Terms for the Coach House Café, Hurst Grange Park

Term	<p>Six years from a date to be agreed.</p> <p>It is intended that the lease will commence on 1st July 2021, but this is subject to the completion of the building works.</p>
Rent	£14 050 (fourteen thousand and fifty pounds) per annum.
Rent Review	At the end of the third year of the lease, to the higher of the passing rent or market rental value.
Rental Payment	Quarterly, in advance.
Use	As café and ancillary purposes only.
Repairs	<p>The Council will be responsible for repairing the exterior and structure of the Coach House. The tenant will be responsible for repairing the interior of the café.</p> <p>The Council will be responsible for maintaining the interior of the common parts, namely the Visitor/Exhibition Areas, the Lobby and the Toilets.</p>
Alterations	<p>The Tenant is not to make any alterations to the structure or exterior of the Coach House.</p> <p>Internal non-structural alterations will be permitted with the Council's permission (as landlord).</p>
Decoration	The Tenant will be responsible for decorating the interior of the café and the ancillary accommodation in the third and final years of the term.

Appendix A

Lease Terms for the Coach House Café, Hurst Grange Park,

Continued

<p>Insurance</p>	<p>The Council will insure the structure of the Coach House. The Tenant will be responsible for insuring the contents of the café.</p> <p>In addition, the Tenant will be required to obtain and maintain a public liability insurance policy in the sum of £5 000 000 for each and every claim, or such other sums as shall be stipulated by the Council during the term of the lease.</p>
<p>Service Charge</p>	<p>The Tenant will pay a service charge to the Council, reflecting the costs of repairing the exterior and structure of the Coach House and insuring the structure of the Coach House.</p>
<p>Outgoings</p>	<p>In addition to the rent and service charge, the tenant will be required to contribute towards the cost of providing utilities at the Coach House. The contributions will be as follows:</p> <p>Electricity: 75% of the total bill;</p> <p>Gas: There is no gas supply to the Coach House;</p> <p>Sewage: 50% of the total bill;</p> <p>Telephone: 50% of the total bill; and</p> <p>Water: 50% of the total bill.</p>
<p>Rates</p>	<p>If the Valuation Office Agency deems the Coach House to be rateable following the completion of the refurbishment, the Tenant will be responsible for paying 32.5% of the rates bill if the Coach House is assessed as one hereditament, or the rates bill for the café (if the café is assessed as a separate hereditament).</p>

Appendix A

Lease Terms for the Coach House Café, Hurst Grange Park,

Continued

Assignment & Subletting	The Tenant will not be permitted to assign or sub-let the café for periods exceeding twenty-four hours. However, sub-lettings for periods less than twenty-four hours of the whole or part of the café will be permitted without the Council's consent.
Access	The Tenant is to allow The Council and all persons authorised by the Council to enter the property at any time for the purposes of maintenance and ascertaining whether the terms of the Lease have been complied with.
Wood Burners	There will be one wood burning stove in the café and a second one located in the Visitor/Exhibition Space. It will be the responsibility of the Tenant to ensure that these stoves are used safely and in accordance with the manufacturers' recommendations (which will be supplied by the Council).
Health & Safety	The Tenant is to ensure compliance with all relevant Health & Safety legislation.
Costs	The tenant is to bear both parties costs in the preparation of the lease.
Minimum Opening Hours	The café will be required to open from 10am to 4pm on Thursdays, Fridays, Saturdays, Sundays (except Easter Sunday) and bank holidays (except Christmas Day). Extended opening hours or opening on additional days may be permitted, subject to agreement with the Council.

Appendix B

Heads of Terms for the lease of storage accommodation at Hurst Grange Coach House, Hurst Grange Park, off Hill Road, Penwortham, PR1 9XH

Friends Group

Lessor	South Ribble Borough Council of Civic Centre, West Paddock, Leyland, PR25 1DH.
Lessee	The Friends of Hurst Grange Park.
Premises	Two storerooms within the Coach House, Hurst Grange Park amounting to 103 square feet (9.57 square metres) or thereabouts.
Term	Three years from a date to be agreed.
Rent	One peppercorn per annum.
Rental Payment	Annually in advance.
Use	The premises are to be used for storage purposes in connection with activities taking place in Hurst Grange Park only.
Repairs	<p>The Council will be responsible for repairing the exterior and structure of the Coach House and the electrical and mechanical systems within the Premises. The tenant will be responsible for repairing the interior of the accommodation.</p> <p>The Council will be responsible for maintaining the interior of the common parts, namely the Visitor/Exhibition Areas, the Lobby and the Toilets.</p>
Alterations	<p>The Tenant is not to carry out any alterations to the structure of the premises.</p> <p>Non-structural alterations will only be permitted with the prior written consent of the Council. Any permitted alterations are to be reinstated by the Tenant at the termination of the lease or on vacation of the accommodation (whichever is sooner).</p>

Appendix B

Heads of Terms for the lease of storage accommodation at Hurst Grange Coach House, Hurst Grange Park, off Hill Road, Penwortham, PR1 9XH.

Friends Group
Continued

Insurance	<p>The Council will insure the structure of the Coach House. The Tenant will be responsible for insuring the contents of the accommodation.</p> <p>In addition the Tenant will be required to obtain and maintain a public liability insurance policy in the sum of £5 million for each and every claim, or such other sums as shall be stipulated by the Council during the term of the lease.</p>
Assignment and Subletting	<p>The Tenant will not be permitted to assign or sublet the whole or any part of the accommodation.</p>
Access	<p>The Tenant is to permit the Council and all persons authorised by the Council to enter the accommodation at any time for the purposes of maintenance and to ascertain whether the terms of the lease have been complied with.</p>
Health and Safety	<p>The Tenant is to ensure compliance with all relevant Health and Safety Legislation.</p>
Costs	<p>Each party is to bear their own costs in the preparation of the lease.</p>

Appendix C

Lease Terms for storage accommodation at Hurst Grange Coach House, Hurst Grange Park, off Hill Road, Penwortham, PR1 9XH:

Diggy Sticks

Lessor	South Ribble Borough Council of Civic Centre, West Paddock, Leyland, PR25 1DH.
Lessee	Krista Reynolds trading as Diggy Sticks.
Premises	A storeroom within the Coach House, Hurst Grange Park amounting to 63 square feet (5.85 square metres) or thereabouts.
Term	Three years from a date to be agreed.
Rent	£250 (two hundred and fifty pounds) per annum.
Rental Payment	Quarterly in advance.
Use	The premises are to be used for storage purposes in connection with activities taking place in Hurst Grange Park only.
Repairs	<p>The Council will be responsible for repairing the exterior and structure of the Coach House. The tenant will be responsible for repairing the interior of the accommodation.</p> <p>The Council will be responsible for maintaining the interior of the common parts, namely the Visitor/Exhibition Areas, the Lobby and the Toilets.</p>
Alterations	<p>The Tenant is not to carry out any alterations to the structure of the premises.</p> <p>Non-structural alterations will only be permitted with the prior written consent of the Council. Any permitted alterations are to be reinstated by the Tenant at the termination of the lease or on vacation of the accommodation (whichever is sooner).</p>

Appendix C

Lease terms for storage accommodation at Hurst Grange Coach House, Hurst Grange Park, off Hill Road, Penwortham, PR1 9XH:

Diggy Sticks
Continued

Insurance	<p>The Council will insure the structure of the Coach House. The Tenant will be responsible for insuring the contents of the accommodation.</p> <p>In addition the Tenant will be required to obtain and maintain a public liability insurance policy in the sum of £5 million for each and every claim, or such other sums as shall be stipulated by the Council during the term of the lease.</p>
Rates	<p>The Coach House will require assessment for rating purposes once the refurbishment has been completed. If the Coach House is assessed as being rateable, the Council will bear the rates for the accommodation to be occupied by Diggy Sticks.</p>
Assignment and Subletting	<p>The Tenant will not be permitted to assign or sublet the whole or any part of the accommodation.</p>
Access	<p>The Tenant is to permit the Council and all persons authorised by the Council to enter the accommodation at any time for the purposes of maintenance and to ascertain whether the terms of the lease have been complied with.</p>
Health and Safety	<p>The Tenant is to ensure compliance with all relevant Health and Safety Legislation.</p>
Costs	<p>Each party is to bear their own costs in the preparation of the lease.</p>