

REPORT TO	ON
CABINET	20 March 2019



TITLE	PORTFOLIO	REPORT OF
Worden Hall Market Investment Opportunity feedback	Corporate Support and Assets	Assistant Director Property & Housing

Is this report a KEY DECISION (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Yes
Is this report on the Statutory Cabinet Forward Plan?	Yes
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council? <i>This should only be in exceptional circumstances.</i>	No
Is this report confidential?	No

1. PURPOSE OF THE REPORT

- 1.1 To update Cabinet on progress with securing investors and/or occupiers to bring the Main Hall in Worden Park back into use.

2. PORTFOLIO RECOMMENDATIONS

- 2.1 It is recommended that Cabinet grant approval to permit officers to enter into negotiations with Bidder A in order to consider further and take forward their investment proposals for Worden Hall. Further update reports shall be provided to Cabinet for consideration.

3. REASONS FOR THE DECISION

- 3.1 The Council has advertised an investment property opportunity at Worden Hall and has sought proposals from potential investors and occupiers who would like to invest in the hall. The advert was placed on the Council's website and has been advertised through Linked In. A press release was also undertaken to highlight the opportunity to the market and to local media outlets.
- 3.2 Feedback from interested parties has been received and assessed against a number of criteria as outlined within the market investment opportunity documentation.

- 3.3** It is important to note that this is a property disposal/investment and not a procurement exercise and as such it sits outside procurement regulations. Property deals are solely assessed against market value/ best value considerations however clearly due the sensitive location in question it would be appropriate for the council to look at the type of activities being proposed. All conditions of any deal would be dealt with through the property lease structure. As Worden Hall is located within an area designated as green infrastructure any disposal would need to be in compliance with the usual rules for disposal of Public Open Space, this is a requirement of Section 123 (2A) Local Government Act 1972.
- 3.4** It is important that the Council develops viable plans to optimise the use of Worden Hall and reduce the ongoing liability and risk that the Council is exposed to.

4. CORPORATE PRIORITIES

- 4.1** The report relates to the following corporate priorities:

Excellence and Financial Sustainability	√
Health and Wellbeing	
Place	√

Projects relating to People in the Corporate Plan:

People	
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5. BACKGROUND TO THE REPORT

- 5.1** On the 28th January 2019 the Council advertised the above investment opportunity for Worden Park. An advert was placed on the Council's website, the opportunity was advertised on Linked In and a briefing was provided to a host of media outlets which resulted in the investment opportunity being highlighted by the Lancashire Post, Leyland Guardian and house and heritage website.
- 5.2** The Council received 6 initial enquiries regarding the investment opportunity from a range of organisations and individuals.
- 5.3** The closing date for proposals to be submitted was 5.00pm on Thursday 28th February 2019 and proposals were received from Bidders A and B using the prescribed survey monkey template to share their plans for the hall and provide details on their turnover and financial viability. One further proposal was received for the investment opportunity from an individual who recommended that the Hall be kept under the control of the council and used as a multi-purpose community asset combining its use for conferences, weddings, shows and community events. This proposal has been discounted as it was not submitted using the prescribed survey monkey template, there appeared to be a lack of experience on behalf of the proposer in running such an initiative and there was no financial information or evidence that the individual could lever in any financial or professional support to help deliver their vision for the Main Hall.
- 5.4** A multi-disciplinary team was established involving the Assistant Director for Property and Housing, Senior Legal Executive (Property and Contracts), Estates Surveyor and Technical Administrator to review the submissions and recommend a preferred bidder for the Council to

select in order to enter the next stage in its discussions to bring forward plans for investment into the Hall.

- 5.5 The submissions were assessed and scored against the 5 criteria outlined in the market investment opportunity. As noted earlier this is a property disposal/investment opportunity which is governed by market value/best value and is not a procurement exercise.
- 5.6 Further to receiving the market bids, it was necessary for the Council to seek further information and clarification regarding the financial values of each proposal and with regard to our duties as set out in Section 123 of the Local Government Act 1972 concerning best value and as part of an open and transparent market process, the opportunity was provided to both bidders to provide the further detail and clarification required which resulted in a short extension to the deadline until Friday 8th March 2019.
- 5.7 Having reviewed the two submissions from Bidder A and Bidder B it would appear that Bidder A have a significantly stronger financial position and their bid is more advantageous than Bidder B whom appear to want to utilise only part, rather than the whole of the Hall.
- 5.8 Bidder A have stated that they willing to allocate a budget to undertake internal adaption works to satisfy their operational needs and in line with the internal elements of the stock condition survey report [subject to Council and Conservation Officer approval].
- 5.9 With regard to the legal relationship sought by each bidder, Bidder A have stated that they would commit to a lease for a period of up to 25 years within the Landlord and Tenant Act 1954, but would look for some flexibility relative to break periods. They have confirmed that they are cognisant of the Council's requirements and that commercial terms have to be at market value pursuant to the agreed lease arrangements and legal obligations. Bidder B have stated that they would be looking for rental period of 3 years.
- 5.10 It is also of note that the vision for the use of the hall as outlined by Bidder A is much more closely aligned to the plans for the Hall as developed by the Council's consultants' Purcell and Amion whom have identified the potential for using Worden Hall as a venue for high value weddings and civil ceremonies as well as hosting business and social functions.

6.0 PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

- 6.1 Please note above report and recommendations.

7.0 CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

- 7.1 A consultation exercise is not required at this stage. Once detailed proposals have been developed this shall be subject to further reports and consultation as required.

8.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 8.1 The Council could choose not to develop the Main Hall. This is not recommended as the Hall has the potential, with investment, to become an attractive asset which is highly valued by the community and could help to improve the long term financial and risk position of the Council.
- 8.2 The market investment opportunity has demonstrated that there is limited, although credible interest from a potential investor in Worden Hall. The Council could choose to undertake a more expansive marketing and promotional exercise however there is no guarantee that if it did so that a better market position could be obtained.

9.0 FINANCIAL IMPLICATIONS

- 9.1** This report updates Members on proposals to seek an external investor or occupier for Worden Hall. The aim being to improve the overall financial position of the Council both in terms of reducing ongoing financial and risk liabilities associated with the property and provide for a potential future income generating opportunity. Further discussion with Bidder A and an update on due diligence shall be reported back to Cabinet.

10.0 LEGAL IMPLICATIONS

- 10.1** As this property is within an area designated as green infrastructure any disposal would need to be in compliance with the usual rules for disposal of Public Open Space, this is a requirement of Section 123 (2A) Local Government Act 1972.
- 10.2** By virtue of Section 123 (1) Local Government Act 1972 the Council may dispose of land held by them in any manner they wish - the further discussions required with Bidder A will produce agreement as to the manner in which Worden Hall is disposed of.
- 10.3** By virtue of Section 123 (2) Local Government Act 1972 the Council cannot dispose of land for a consideration less than the best that can reasonably be obtained, however the Council will obtain expert advice to ensure the best value element is complied with. Should a sale at undervalue be considered (which we do not believe will be the case here), the General Disposal Consent (England) 2003 provides Councils with Freedom to dispose of its land at an undervalue of £2 million or less.
- 10.4** In addition and dependent on what deal is agreed, Legal Services will advise on compliance with the European Commission's State aid rules (which we do not believe are applicable in this case).
- 10.5** Legal Services will provide ongoing advice, depending on the outcome of negotiations in respect of property disposal requirements.

11.0 HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS

- 11.1** Not applicable.

12.0 ICT/TECHNOLOGY IMPLICATIONS

- 12.1** Not applicable.

13.0 PROPERTY AND ASSET MANAGEMENT IMPLICATIONS

- 13.1** Please note comments above.

14.0 RISK MANAGEMENT

- 14.1** An initial review has been undertaken on the financial standing of each bidder and of their bids. A more detailed risk assessment and due diligence exercise shall be undertaken in order to ensure that any proposals are viable, deliverable and minimise the risks associated with the property disposal deal.

15.0 EQUALITY AND DIVERSITY IMPACT

- 15.1** Not applicable.

16.0 RELEVANT DIRECTORS RECOMMENDATIONS

- 16.1** It is recommended that Cabinet grant approval to permit officers to enter into negotiations with Bidder A in order to consider further and take forward their investment proposals for Worden Hall. Further update reports shall be provided to Cabinet for consideration.

17.0 COMMENTS OF THE STATUTORY FINANCE OFFICER

- 17.1** Worden Park is a key priority in the corporate plan. External investment will seek to enhance the facility whilst reducing the overall net liability and cost to the Council and bring forward potential income generation opportunities.

18.0 COMMENTS OF THE MONITORING OFFICER

- 18.1** What is contemplated here is a land disposal by way of a long lease. The crucial thing in this regard is that we have regard to our duties set out in Section 123 of the Local Government Act 1972 concerning best value.

19.0 BACKGROUND DOCUMENTS

- 19.1** A copy of the advert and questionnaire is attached for information.

20. APPENDICES

- 20.1** Overview of market bids from interested parties. – Appendix 1.

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