



Not for Publication: 10.4(3) under the Council's access to Information Procedure Rules Appendices 1 and 2. **Appendix 2 will be circulated at the meeting**

Report of the Director of City Development

Executive Board

Date: 17 October 2007

Subject: THE MANSION, ROUNDHAY PARK – OFFERS FOR THE REDEVELOPMENT OPPORTUNITY FOR CAFÉ / RESTAURANT / BAR / FUNCTION ROOMS (APPENDIX 1 ATTACHED & APPENDIX 2 TO BE CIRCULATED AT THE MEETING)

Electoral Wards Affected:

Roundhay

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

1. This report informs Members of Executive Board of the outcome of the marketing exercise of the Roundhay Mansion seeking a third party operator for the café/restaurant/bar/function rooms at the property.

The report details the marketing exercise that was undertaken, with a schedule of the offers received being circulated at the meeting and provides a number of options for the Executive Board to consider in order to take the letting of the commercial element of the property forward.

1.0 PURPOSE OF THIS REPORT

1.1 The purpose of the report is to:

- Inform Members of the outcome of the marketing exercise seeking a third party operator for the café/restaurant/bar/function rooms at the property.
- Outline the options now available to the Council and seek approval to proceed with one of the options.

2.0 BACKGROUND INFORMATION

2.1 In December 2005 the Council's Executive Board approved an injection of funds into the capital programme including £407,250 of Heritage Lottery Funding for the refurbishment of the Roundhay Mansion and the development of the Visitor and Education Centres, at a total cost of £1.9m. Buildings within the park – Park Cottages and the Stable block - are also being disposed of to meet the costs of the building work at the Mansion.

2.2 The above approval allowed the project to be tendered and the marketing exercise for the third party operator for the commercial café/restaurant/bar/function rooms facility to be undertaken with a closing date of April 2006.

The list of those organisations receiving the marketing information are attached at Appendix 1.

2.3 On 24th January 2006, the Heritage Lottery Fund approved the scheme described below in 2.4 and for the ground and first floor areas to the front of the Mansion to be left for use as a café/restaurant/bar/function room facility.

2.4 The design proposals included the partial internal refurbishment of the Mansion to provide a visitor centre and accommodation for the Roundhay Park rangers and site based Estates staff, the demolition of the single storey Phoenix Bar extension at the rear of the Mansion and rebuild as a new extension to accommodate an education centre and associate site works. Following receipt of tenders for the refurbishment/new build works, a further sum of £99,898 was injected into the Capital Programme in July 2006 funded through prudential borrowing from a future income flow from the commercial letting.

2.5 The design proposals outlined in 2.4 above excluded the internal refurbishment of those parts of the building to be let for use as a café/restaurant/bar/function room facility, that is, the ground and first floor areas to the front of the Mansion. The cost for this work was to be met by the third party commercial operator for the premises.

2.6 The Mansion which is a Grade II listed building, is vested in the former Learning and Leisure Department and was operated as a café/bar/restaurant by Craven Gilpin Caterers until 2002/2003. Craven Gilpin surrendered their interest in 2003.

2.7 Public consultation has been undertaken on the proposed uses for the Mansion (café/restaurant/bar/function rooms) for which there is positive support and the marketing exercise was based on these activities with an emphasis on catering and functions. Following consultation national marketing took place and interested parties were asked to indicate the level of commercial rent they would offer

together with the level of fit-out costs they would invest in the property as well as describes their proposed activities.

- 2.8 Following receipt of the offers further work was undertaken by Development and Leisure Services Officers to interview the companies that had been short-listed to operate the proposed Mansion facilities.

3.0 CONFIDENTIALITY OF APPENDICES 1 AND 2

- 3.1 The information contained in Appendices 1 and 2 (2 will be circulated at the meeting) relates to the financial or business affairs of a particular person, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information was obtained through inviting offers for the property/land then it is not in the public interest to disclose this information at this point in time as this could lead to random competing bids which would undermine this method of inviting bids and affect the integrity of disposing of property/land by this process. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties about the nature and level of offers which may prove acceptable to the Council. It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that these elements of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.

4.0 CURRENT POSITION

- 4.1 Officers have concluded the marketing and subsequent interviews and details of the financial offers and the operator's proposals will be circulated at the meeting.

5.0 CONSULTATIONS

- 5.1 As stated in 2.7 above, consultation took place with the local community, Friends of Roundhay Park, Ward Members and the Executive Member for Leisure.
- 5.2 The Executive Board report of 14 December 2005, provided information on the public consultation process, where 200 people responded in favour of the Visitor and Education Centre together with restaurant and café bar facilities as the preferred option for the development of the Mansion.
- 5.3 All of these groups were keen to ensure that the primary commercial activities in the Mansion were café/bar/restaurant and function rooms.
- 5.4 The Executive Member for Leisure has expressed concerns about any letting which would lead to it being primarily for pub and bar operations, even if food is supplied, rather than the primary focus being food, as this would be contrary to the views expressed by the public and Ward Members during the consultation.

6.0 OPTIONS CONSIDERED AND RISK IMPLICATIONS

6.1 In light of the offers received a range of options have been identified:

- **Option 1** – Do nothing -The risk with this option are that the HLF could require repayment of part, or the entire Roundhay Park Lottery Grant, up to a maximum of £6,100,000. Also, if the building remains empty for a considerable length of time, it may become subject to vandalism/arson and incur ongoing repair/security costs for the Council. This is not a feasible or realistic option.
- **Option 2** – Subject to agreement on the lease, accept an offer from one of the offerors. An evaluation has been undertaken and the outcome of this is set out in the confidential appendix 2 as a schedule of offers which will circulated at the meeting.
- **Option 3** – Repeat the marketing exercise for the third party operator for the commercial bar/restaurant facility on the same basis as the previous marketing exercise. The risk with this option is that further delays will be incurred, without the assurance that a suitable third party will be found, resulting in an abortive exercise, particularly as the original marketing exercise was on a national basis. Procurement Unit have confirmed that subsequent to a repeat marketing exercise, the original offers could not be accepted and any interested parties would have to make a new offer.

This remarketing exercise could be through a specialist external agent in leisure/café/restaurant premises and who is able to target the opportunity at suitable likely operators. In this respect there are a number of locally based agents the Council could consult and seek a fee quote from in order to decide whether re-marketing in this way would be appropriate. As stated earlier the property was advertised nationally previously, therefore, it still may not result in a suitable tenant and scheme

- **Option 4** – Expend further Council capital on stripping out and providing a shell for the commercial element of the development and then repeat the marketing exercise for the third party operator for the commercial facility. The risk with this option is that any stripping out and shell works could be abortive, as the requirements of any prospective third party operators are unknown at this stage, that is if a suitable operator can be found. The estimate is accounted for in the confidential appendix.
- **Option 5** – Consider and pursue alternative uses for the Mansion and instruct Council officers appropriately. The risk with this option is that alternative uses for the Mansion have previously been investigated and have not been supported by the public or local interest groups and Executive Board has supported the current scheme as the preferred option. Also, a third change request would need to be made to the HLF, which may not be well received and there would be no guarantee that such a request would be supported.
- **Option 6** – The considerable initial capital cost of works is putting off a wider range of potential tenants from putting a bid forward, as reported by prospective tenants. Therefore, the Council may wish to consider remarketing the opportunity on the basis that the Council will make a contribution towards

the cost of the initial capital fit out works. This could take the form of; either a reduced rent or; rent free contribution over a number of years to be offset against the Capital Costs or, prudential borrowing against the commercial rent to create a capital sum; or a capital contribution by the Council towards the fit-out costs which represent the shortfall in the commercial viability or; a combination of all of these. The Council would then work in partnership with the successful bidder in order to identify a mutually agreeable refurbishment scheme based on the criteria specified in the marketing exercise. This joint arrangement would minimise the inherent risk of abortive works which would be more likely if the Council decided to carry out refurbishment without a final occupier's input. At the same time this proposal would also allow the Council to take a more active part in steering the refurbishment to fit in with its own ideas and the aspirations / wishes of residents, members and local interest groups. The main criteria for the basis of assessing a suitable tenant could be:

- To be open all year round, opening times to be agreed with the Council.
- Primary uses to be licensed café/bar and restaurant with function rooms (subject to the necessary licence approvals). This should not be a pub and bar provision which serves food.
- The provision of quality food products.

The marketing exercise, which could be assisted by specialist agents, could ask interested parties to put forward proposals which fulfil the criteria and identify any funding gap to deliver their scheme.

A very initial estimate of the likely refurbishment costs will be circulated at the meeting as part of confidential Appendix 2. This information is confidential so as not to prejudice any negotiations regarding the Council's potential contribution with the parties bidding for the Mansion.

7.0 RESOURCE IMPLICATIONS

- 7.1 The Capital Programme currently includes a sum of £1,947,900 for the internal works at the Mansion, of which £ 407,250 is funded from the HLF, and £99,898 is funded from unsupported borrowing, resourced from income assumed, as a result of future letting of the Mansion to a third party operator. If works are not undertaken, the HLF could request repayment of part, or the entire Roundhay Park lottery grant, up to the maximum of £ 6,100,000.
- 7.2 The letting of the Mansion will minimize the inherent risk of vandalism and arson associated with empty buildings and the costs of repairing such damage, although the opening of the Education and Visitor Centres in the autumn should assist with security, as there will be a more marked presence on site. It will also create a revenue stream.
- 7.3 There is no provision within the capital programme for any capital contribution towards this refurbishment. Members agreed at the Executive Board in August 2007 that no further injections would be made to the capital programme without identifying a corresponding reduction or additional resources.

Should Members wish to pursue this option, unless any other sources of funding become available in the meantime, a reduction to the existing capital programme will be identified as part of the half year capital programme update due to be reported to Executive Board in November 2007.

8.0 LEGAL IMPLICATIONS

8.1 If it was decided to proceed on the basis of Option 6 (remarketing with a financial contribution by the Council), if the Council then offered a reduced rent or a rent free period to a potential tenant, it seems unlikely this could be construed as the Council disposing of this part of the property for less than the best consideration that could reasonably be obtained. This could only be the case if the Council were imposing obligations on the tenant to carry out works above and beyond those which a prudent landlord would require for a building of this nature, taking account of the internal refurbishment of other parts of the building via the Heritage Lottery Fund approved scheme. However, even if this were the case the General Disposal Consent (England) 2003 would permit the Council to dispose at less than best consideration if the Council was of the opinion that the disposal would be likely to contribute to the promotion or improvement of the economic, social or environmental well-being of its area or people living or working there, and the difference between the 'unrestricted value' and the actual consideration did not exceed £2m.

8.2 Again in relation to Option 6, if the Council considered a loan or grant towards the fit-out costs was appropriate, the Council could consider using the well-being powers for these purposes. Given the Council would be pursuing a competitive process, and would be considering a financial contribution in relation to all bidders, it seems highly unlikely that there would be any State aid implications.

9.0 IMPLICATIONS FOR COUNCIL POLICY AND GOVERNANCE

9.1 Provision of the café/restaurant/function rooms by an external provider will allow the following corporate objectives to be met.

Vision II

- Going Up A League – by preserving and enhancing the environment in which residents and visitors work and spend their leisure time
- Developing Leeds as a Regional Capital – by ensuring that its heritage of architecturally important buildings are preserved and used in ways which may be enjoyed by the widest range of the general public as possible.

Core Values 2005/2006

- Looking after Leeds – by ensuring that landmark buildings which the Council is responsible for are safeguarded for future generations to enjoy.
- Putting customers first – the residents of Leeds and outlying areas are the recipients of the Park service provided by the Council. The proposal to provide café/restaurant/bar services at the Mansion will thus offer a wider

range of services to those choosing to visit the Park and will lead to increased visitor numbers.

- Treating People Fairly – by ensuring that the services to be offered have as wide a ranging appeal as possible including price, range of food and drink and alternative uses for the function rooms which may be made available on the upper floors.

10. RECOMMENDATION

- 10.1 That the Executive Board approve the remarketing of the site on the basis of Option 6 set out in Section 6 of this report, following the further investigation of costs of refurbishment and receive a report back on offers received at the appropriate time.