

Agenda Item 10

Sale of South Cerney Outdoor Education Centre

AGENDA NO:

Cabinet Date	7 th March 2012
Cabinet Member for Finance and Change	Cllr Ray Theodoulou
Key Decision	YES
Background Documents	Cabinet Member Decision 'Future Delivery of Services for Young People in Gloucestershire' Published 28th February 2011 Cabinet Member Decision 'Future Use of GCC's Outdoor and Environmental Education Centres' Published 19th May 2011
Location/Contact for inspection of Background Documents	The above documents are available through the Glostext facility on the County Council website, through the links above.
Main Consultees	In the development of the previous decision to offer South Cerney as a going concern the following stakeholders were consulted: Young People; Staff and Trade Union representatives; Schools, Colleges and other partners and users of services.
Planned Dates	Cabinet decision 7 th March 2012
Divisional Councillor	Cllr Shaun Parsons
Officer	Andrew McCartney, Director of Programme Support
Purpose of Report	To agree a recommended bidder for the sale of South Cerney Outdoor Education Centre
Key Recommendations	That approval is given to proceed with the sale process with the recommended bidder, as outlined in this report
Resource Implications	The sale of the site will be at the agreed unconditional sum referred to in the exempt information (pink papers) subject to contract and due diligence The sale will generate a capital receipt

Exempt Information:

Please note that this report contains exempt information (which is printed on pink paper) and non-exempt information. If Cabinet wish to discuss exempt information, consideration should first be given to whether the public should be excluded from the meeting by passing the following resolution:

That in accordance with Section 100 A (4) of the Local Government Act 1972 the public be excluded from the meeting for the business specified in item no. 7 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12 A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

Background:

On the 28th February 2011 the Lead Cabinet Member for Community Safety and Economy took the decision to no longer directly provider outdoor and environmental education at the South Cerney site (along with four other GCC owned outdoor and environmental education sites). This was included in a package of decisions made on the 28th February 2011 regarding the future provision of services for young people in Gloucestershire. The elements of the decision relevant to South Cerney Outdoor Education Centre were:

“5. Agreement is given to the council no longer directly providing outdoor and environmental education at the GCC-owned facilities and sites at South Cerney, Wilderness, Buckstone, Plump Hill and Pwll Du.

6. Officers are requested to identify a range of options for the future use of the facilities and sites (at South Cerney, Wilderness, Buckstone, Plump Hill and Pwll Du), including their viability as centres for outdoor and environmental education businesses.

7. A further report is prepared on options for the future use of outdoor and environmental education sites by the end of March 2011.”

On the 19th May 2011 the Lead Cabinet Member for Communities took a further decision relating to these sites based on an Officers Report informed by an independent survey of the sites. The conclusion from the independent surveyor was that the South Cerney site is capable of operating as a going concern, and recommended that the site should be offered on the open market as such on a 125-year lease, clearly stipulating that the primary purpose of the site should be as an outdoor education centre (they also acknowledged attached TUPE requirements).

The alternative options presented in the Lead Cabinet Member Report for the 19th May 2011, were:

1. To seek an alternative provider of environmental and outdoor education provision on the existing sites
2. To offer the sites to community groups/interested parties/partnerships.

They key issue with both of these options would be the failure to release substantial assets for the Council, with the various scenarios implying continuing liabilities for the Council which would not be in its interests when it was looking to remove its liabilities associated with the sites.

The decision taken by the Lead Cabinet Member for Communities on the 19th May 2011 was:

“1. That South Cerney Outdoor Education Centre is offered as a going concern through a suitable leasehold arrangement and in accordance with Gloucestershire County Council’s Disposal Policy

2. That in determining who to lease the site to, due consideration is given within lawful constraints to existing users, the local community in addition to other relevant factors.”

Approach:

In line with GCC’s ‘Policy for the Disposal of Property’ (April 2007) agents were appointed to sell the site on the open market by private treaty. Given the level of market interest the sale was drawn to a conclusion by setting a closure date for the bids.

The marketing of the site proceeded as a ‘going concern’ with details of trading performance for the two previous financial years, costs in relation to the TUPE of staff and of the fixtures, fittings and equipment made available to interested bidders on a confidential basis.

A draft lease (125 years) was also available to interested parties which outlined various clauses on the use (restricted members club exclusions) and future development (could not use or permit residential or long term holiday lets).

Considerable interest was received and 28 parties signed confidentiality agreements for access to the further details outlined above. Upon reaching the closure date a total of only five bids had been received.

The five bids are outlined in Appendix A (exempt) and each of these was evaluated in terms of ‘risks to deliverability’ in relation to achieving the objectives of disposal as a ‘going concern’.

The risks to deliverability were considered to be:

- Availability of financing the purchase;
- Completion of sale in accordance with the desired timescales;
- Conditions presented prior to completion (bidders were indicated offers should be unconditional);
- Maximising proceeds (either capital receipt or net present value if structured by payments), particularly over the next 3 years to achieve the Meeting The Challenge capital receipts target, which underpins the Council’s Medium Term Financial Strategy.

The intent to ensure the disposal of the site as a going concern takes into account the identified risk to continuing ownership of the site by the Council as referred to in the Lead Cabinet Member Report of the 19th May 2011. The analysis and consideration of alternative options stated that offering the sites to community groups/interested parties/partnerships would “fail to release substantial assets for the Council and could imply continuing liabilities if ownership of the sites stayed with the Council.”

The assessment of the bids received can be summarised as follows:

Bidder 1 provided an offer which was conditional on there being a significant move on the price; however they were not in a position to complete within the specified timeframe.

Bidder 2 offered a payment schedule over 125 years, the structure of which limits the ability to achieve the aims of the disposal in terms of disposal value over the life of the MTFs, and into the foreseeable future, and therefore exposes the Council to a higher risk profile.

Bidder 3 made an offer which was conditional on obtaining planning permission, which risked causing a delay to the sale process and therefore it did not meet the aim of the sale being on an unconditional basis.

Bidder 4 made an offer to make payment for the site over a 5 year period, and accepted the ability for GCC to have a charge against the property.

Bidder 5 made an initial proposal of payments over 125 years which was then revised to a schedule of payments for the site over a period of 49 years. This payment structure would limit the ability to achieve the aims of the disposal in terms of disposal value over the life of the MTFs and into the foreseeable future and therefore exposes the Council to a higher risk profile.

Therefore, in order to achieve the overall objectives of the disposal the Council approached Bidder 4, who submitted a revised bid as a result of reviewing the forthcoming summer seasons' bookings. The revised bid proposed payment over a 9 year period, sought an investment loan of £150k from GCC, and did not intend any investment in development until year 3. This revised submission failed to meet the overall objectives of the disposal over the life of the MTFs.

Unfortunately, as none of the submitted bids achieved the overall objectives the formal tender process proved to be unsuccessful.

The Council was subsequently approached on the 13th January 2012 by an interested party, who of their own volition made an offer for the site, completely separate to the tender process.

Their proposal offered to:

- Ensure a significant capital receipt for the Council
- Remove an ongoing loss-making liability from the Council
- Create a better and wider facility for the use of young people in Gloucestershire
- Create a sustainable business of real benefit to the community
- Secure the welfare of staff through TUPE arrangements
- Create a centre to promote environmental learning and interest in the countryside and rural crafts among pupils

Further details of this offer are provided in Appendix B (exempt), and information relating to the interested party itself is at Appendix C (exempt).

The agency undertaking the disposal on behalf of the Council undertook a review of the parties who showed an initial interest in the site but did not submit a bid. As a result of the review they assessed the market approach to be highlighting:

- Concerns around buying a business/property that requires a high level of investment, but is currently loss making and has high staffing levels;
- Difficulties in what they saw as an onerous lease, in particular the restrictions placed on holiday homes making the site too expensive.

Officer Advice:

The interested party (recommended bidder), as outlined in the exempt Appendices B and C has offered an unconditional sum for the property, subject to contract and due diligence.

The benefits of accepting the offer from this bidder as seen to be:

- A Premium sum will be received
- There are no potential risks to the MTFS in terms of ongoing/future repayments
- Ceasing the Council's liability in terms of operating the site
- The Council will retain the necessary safeguards on the lease through conditions of usage and development, including a condition that there will be no housing development on the site
- This is an unconditional offer
- The offer will involve the full transfer of the staff and liabilities
- The bidder has also recognised the need to invest £0.5m in the site in order to generate income, and will invest at their own risk
- Staff will be transferred to a Limited Company with no share capital – meaning staff have an ability to have an interest in the company through shares: similar to that of John Lewis
- Acceptance of the offer from this bidder will mean that the site is maintained for future use for community and related activities.

The Council will also work with and support the successful bidder to develop a summer programme of activities at this facility for children and young people in Gloucestershire. This programme is to commence in 2012.

The bid concerned is considered to be the most economically advantageous in terms of the key objectives of the disposal of the South Cerney site, which are:

- To dispose of the site as a going concern
- To generate a capital receipt within the MTFS period
- To TUPE the staff
- To remove the council's revenue liability
- To attract a bidder who would invest in the site and agree an unconditional offer

This bid is also in line with the Council's emerging asset disposal policy, and a move towards a more flexible approach towards managing it's assets to ensure community and partner benefit where appropriate.

Recommendation: That approval is given to proceed with the sale process with the recommended bidder, as outlined in this report

Options:

There are two alternative options which have been considered in the development of this report:

1. Return to the open market with revised lease clauses

This option would result in continued liabilities for GCC, which was one of the elements considered in the initial decision made to offer the site as a going concern. These continuing liabilities could incur financial resources and capacity to manage and monitor the lease and activity of the successful bidder in this situation.

2. Delay the sale until there may be a more favourable approach from the market

This would result in continued running costs for the site being the responsibility of GCC. Over the last 3 years the net deficit has been between £131k and £135k. As this level of deficit was not expected in 2012/13, additional GCC budget funding would need to be identified. It would also be difficult to estimate at which point in the future the agents may feel the market would react more favourably to the site and its associated lease, i.e. the financial liability could continue beyond 2012/13.

Risk Assessment:

There is a risk that an unsuccessful bidder or other interested party may object to the disposal to the recommended bidder.

Consultation Feedback:

Previous consultation with young people, staff, trade unions and local communities is summarised in both the February and May Cabinet Reports referred to as background documentation.

Report Title	Sale of South Cerney Outdoor Education Centre
Statutory Authority	Gloucestershire County Council
Relevant County Council policy	Asset Disposal Policy 2007
Resource Implications	The sale of the site will be at the agreed unconditional sum referred to in the exempt information (pink papers) subject to contract and due diligence
Sustainability checklist:	
Partnerships	N/A
Decision Making and Involvement	N/A
Economy and Employment	The staff currently based at the centre will be transferred to a new employer under TUPE arrangements
Caring for people	The centre will be sold on the understanding that its continued use is for outdoor educational purposes
Built Environment	There will be no negative impact on the built environment due to the restrictions in the lease around conditions of use and development
Natural Environment' including Ecology (Biodiversity)	There will be a positive impact on the natural environment, due to the continued managed use of the site and the education of young people in the outdoors. There are also restrictions on development and use as part of the lease arrangement.
Education and Information	The continued use of the site will be positive for the education of young people in the County
Tackling Climate Change	Carbon Emissions Implications? Positive/ <u>Neutral</u> / Negative Vulnerable to climate change? Yes/ <u>No</u> / Maybe
Equality Impact Assessment (EIA)	Has an EIA been completed? Yes/ <u>No</u> <i>An EIA is available for the decision of the 28 Feb for GCC to no longer provide outdoor and environmental education services, and updated for the decision of the 19 May.</i> Was a differential impact identified? Yes/No Yes – copy of impact assessment attached. No - A copy of the full EIA can be accessed on GLOSTEXT via

	www.gloucestershire.gov.uk/index.cfm?articleid=4047 Alternatively a hard copy is available for inspection from Jane Cleaver, Democratic Services Unit
Human rights Implications	N/A
Consultation Arrangements	Consultation has previously been carried out