

TO: Executive 10th April 2018

EASTHAMPSTEAD PARK CONFERENCE CENTRE
Directors of Environment, Culture and Communities / Resources

1 Purpose of the report

- 1.1 To consider the sale of Easthampstead Park Conference Centre as a going business concern.

2. RECOMMENDATION

It is recommended that:

- 2.1 Easthampstead Park Conference Centre be sold to Purchaser C as detailed in the confidential annexe; and**
- 2.2 The Borough Solicitor and Chief Officer Property be given delegated authority to conclude the property transaction in an expeditious manner.**

3 REASONS FOR RECOMMENDATION

- 3.1 The sale of Easthampstead Park Conference Centre to a well-established and high quality conference operator will bring much needed investment in a unique heritage facility which will not only protect and secure EPCC's future as a listed building and local business but will also bring additional employment into the borough. Furthermore, the combined effect of the revenue savings and capital receipt will make a significant contribution to meeting the council's savings requirements.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 One alternative is not to dispose of the Centre and continue to manage the property directly but it is considered this would be damaging to the Council financial plans and transformation programme resulting in a continued annual revenue loss of circa £250,000 per annum and significant amounts per annum in capital maintenance costs. The condition of the listed building would unlikely to be improved by retention.
- 4.2 Another alternative is to establish a wholly owned council trading company which would allow the new operation to take advantage of the hotel market which the council, under direct management, is not lawfully able to do. However, based on the scale of investment proposed by all three companies to bring EPCC into a sustainable trading condition (circa £10m - £15m) it is considered too high a risk for the level of return that would need to be delivered for this to be achieved by a council influenced company with negligible expertise in the hotel market.
- 4.3 The soft market testing by external consultants has excluded previous parties for under bidding, lack of credibility and deliverability, especially for a continuing facility which also protects the listed building nature of the property.
- 4.4 Prior to the appointment of Christie and Co., Savills were appointed to consider the value of the property and the suitability as conversion either as a single dwelling or

multiple dwellings and for alternative uses such as education establishment or health complex. The conclusion of all of this analysis, whilst heavily caveated, was clear that none would be more viable and offer a sustainable future for the building than the disposal of the operation as a going concern. This was also supported by the Mazars report as referred to in this paper.

5 HISTORICAL BACKGROUND INFORMATION

- 5.1 Easthampstead Park Conference Centre (EPCC) was transferred to Bracknell Forest Borough Council (BFBC) in 1998 upon the dissolution of Berkshire County Council and the establishment of 6 unitary authorities. It was transferred under a “category two” legal agreement which essentially dictates that as long as BFBC (in this instance) continues to use EPCC broadly in line with the operation when it was transferred, it can maximise the use of the asset for its own benefit. The agreement runs for 20 years and ends on 31st March 2018 when the property is exclusively owned by BFC with no restrictions on use or disposal. Now that that restriction has passed it is appropriate to consider the future use of the facility. Officers have, therefore, been assembling information over recent months that will allow Members to consider the future options.

SUPPORTING INFORMATION

- 5.2 EPCC is a Grade II Victorian mansion originally built as a private residence. For many years it was owned and operated in a variety of guises by Berkshire County Council. These uses included a school, an education centre and a conference centre under external management. As with many publically owned estates, there was a history of under-investment and the conference centre was struggling financially to the extent that the operator withdrew from the lease in 1999, at which point the council became the operator of the facility.
- 5.3 Since that time there has been some limited investment that has improved the facility to its current level. However, in recent years, EPCC has been making a significant annual operating loss in the region of £250,000 per annum and projections are that this will be at a similar level, or more, this financial year. In addition, the repairs and maintenance requirements for a listed building of this age and scale is significant - adding a further burden to the Council’s financial challenges. This can amount to several hundreds of thousands of pounds for major repairs but in the past two years alone about £100,000 has been spent. Critically, this level of expenditure on repairs and maintenance, although significant, is only dealing with the most urgent works and is nowhere near sufficient to deal with the estimated £4m of back dated maintenance work that would be required to ensure this prestigious listed building is protected well into the future. Protecting this asset is therefore a major council objective.
- 5.4 Although the quality of the service offered at EPCC is considered high for a council owned facility and it is immensely popular for weddings, the council does not have the resources, expertise or complete trading freedoms to maximise the use of what is a unique heritage asset within the borough.
- 5.5 Given the scale of annual losses and no realistic prospect of reversing this trend, Christie and Co, a company recognised as being the leading property specialist with regards to conference centres, was appointed in May 2017 to undertake a market testing exercise to determine whether it was a reasonable prospect to sell EPCC as a

going concern with the objective if this were to prove possible to reduce BFC's revenue expenditure by about £250k per annum and equally importantly to remove the risk associated with the long term and expensive maintenance of a listed building.

- 5.6 Disposal as a going concern was essential as EPCC takes bookings many months in advance and wedding bookings can be 18 months in advance. Clearly it is essential that existing bookings are not compromised or future ones jeopardised. In these circumstances standard practice in the private sector for disposing of going concerns is to appoint specialist agents to test and then create a market that delivers the best possible price for a disposal that meets any conditions the vendor wishes to set. Using their extensive knowledge of the hotel and conference market, Christie and Co, stimulated a confidential market of 7 potential purchasers who expressed an interest in being involved in the market testing. A detailed data room was established and non-disclosure agreements implemented. Two subsequently pulled out and five intimated they would make initial proposals. Four outline bids were eventually received at round 1.
- 5.7 Three further bidding rounds were progressed with each round increasing the amount of due diligence and commitment required of the participants, culminating in a 4th bidding round of "best and final offers" from 3 highly regarded operators. At each stage the capital bids increased and the clarity of the proposals also crystallised with the final round also requiring an outline planning assessment of proposals. While this required a significant amount of work for the participants, EPCC is a unique heritage asset in the borough which the council has been proud custodians of for 20 years and it is therefore important that in addition to disposing of EPCC as a going concern and protecting those that have already booked weddings and events with the council, the council must also be as assured as it can be that the building will continue to be used, and indeed be more accessible, as an asset for the community to make use of in the future.
- 5.8 The approximate area to be sold is shown on the attached plan and in essence reflects the current operational use at EPCC plus an ancient woodland which will require maintenance in perpetuity. The exact site will be separated from the existing title which includes adjacent property such as part of the golf course, Mendeleev building and Easthampstead Park School. Prior to any soft market testing consultation with the planners was also conducted to identify alternative uses. The planners are sympathetic to alterations which ultimately support and protect the heritage and listing of the building. Housing options for the property are not considered viable and do not form part of the proposals made by any of the interested parties. Consideration of housing on any surplus land has been considered as part of the new local plan consultation process and rejected in order to protect the current status of adjacent land, which is "gap land", between Bracknell and Wokingham. The emerging local plan extends to 2034.
- 5.9 Although the site is well protected by the council's own planning policies, by its listed status and by the well-established modus-operandi of the hotel/conference operators displaying an interest in the property, the contract for sale will have what are termed as "anti-embarrassment" clauses within it. The first will prevent any onward sale (anti-flipping) for a minimum of 12 months and another will prevent any prospect of converting any part of the building into residential for a minimum period of 10 years.
- 5.10 The process has been robust and set out to identify whether it would be possible to assure a sustainable future for EPCC by sale to a third party since at the outset this was by no means certain. The market testing has shown that this is indeed possible and it is therefore recommended that a sale is agreed.

Unrestricted

- 5.11 The confidential annexe provides details of the bids received from the 3 participants that submitted a “best and final offers”. Members are asked to note that:
- All parties are well established high quality businesses with significant experience in the hotel and conference business
 - All plan to operate the facility as a 4 star hotel and conference centre which will increase community access beyond that currently available
 - All are committed to honouring existing bookings at EPCC on the same terms and conditions as originally agreed
 - All offer a substantial capital receipt and plan to invest sums in excess of £10m in the facility and would increase bedroom numbers as well as providing new facilities
 - All would bring additional employment to the site
 - All staff will transfer on existing terms and conditions under TUPE
 - Bids do differ in the scale of offer and ambition and all are considered acceptable in principle by the council’s planning officers
 - All offers are unconditional
 - No proposals involve the provision of any housing
- 5.12 In essence, all bidders would greatly enhance the existing main building and would provide more bedroom accommodation by extending and obviously upgrading the Whitfield Building.
- 5.13 Given the strength of the proposals, officers have assessed all bids and concluded that Bidder C provides best value to the council. Details of the bids are in the confidential annexe. Not only is this the highest capital bid made at the “best and final offer” stage but the development proposals are robust and ambitious. Christie and Co advise that the process has produced a very substantial capital receipt commensurate with the trading performance and condition of the building and that to undertake any more bidding rounds would simply not be credible and would not produce any significant increase in capital receipt. Consequently it is recommended that a sale to Bidder C is agreed.
- 5.14 Agreeing a sale will require the relocation from the site of the council’s Education Centre, IT Training Suite and the emergency back-up for the Forestcare IT data. Members should note that all parties are content for the Education Centre to be on a rolling 6 month lease at no additional cost to that currently which in practical terms equates to a minimum 9 month period of occupancy and the Director of Children, Young People and Learning is content with this timeframe. The council’s IT training suite will be accommodated in Bracknell Library and while an exact location for the Forestcare IT data back up has not yet been identified the requirements are so minimal that this is not considered to be problematic.
- 5.15 Berkshire Ballroom currently uses the gymnasium in the Whitfield building. While they will have to vacate at some stage, they will benefit from the same 6 month rolling lease offered to the Education Centre.
- 5.16 Finally, the sale of EPCC as a going concern is complex and the council will establish a corporate team to effect the transition which will be sponsored by the Director of Environment, Culture and Community, the Project Manager will be the Head of Performance and Resources in Environment, Culture and Communities, and involve significant input from legal, property, finance, HR, IT, communications, and staff representatives from EPCC.

Conclusion

- 5.16 Given all the information, it is felt that Bidder C's offer is the most aspirational and offers the highest price, the status of the partnership means that the council can be confident that a high quality conference and hotel facility will be delivered at EPCC for the benefit of local staff, local businesses and those from further afield. The recommendation therefore is that Bidder C should be given preferred bidder status with a view to finalising a sale as soon as practical.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The Borough Solicitor is satisfied that the process culminating in the identification of a preferred bidder has been transparent and that the council, in putting forward these recommendations will be achieving best consideration for the venue in accordance with its requirements and s123 of the Local Government Act 1972.

Subject to Executive approval appropriate legal documents to effect the transfer of land and business as a going concern will be drawn up and executed. These will also make provision for the transfer of staff under the provisions of TUPE.

Borough Treasurer

- 6.2 The relevant financial information is included in the confidential annexe. The combination of a capital receipt and the savings in revenue and capital receipt will result in a significant revenue benefit which will support council expenditure and in turn reduce the requirement to raise council tax levels

Chief Officer Property

- 6.3 At the heart of this disposal is the property and Councils' are obliged to obtain best consideration on asset disposals, S123 Local Government Act 1972, but the credibility of an offer goes to the heart as to its deliverability and therefore the robust testing of the parties to date has led to these final offers in the expectation that they will be delivered as will the continuation of the operation. This process has also included assessments on available information, site surveys and pre-app planning processes.

Other comments Incorporated into the report

Equalities Impact Assessment

- 6.4 Not applicable

Strategic Risk Management Issues

- 6.5 Detailed in the report but primarily pertaining to reputation of the council during the sale and transition phase where a third party will deliver contracts entered into by the council. The future protection and sustainability of a listed building is better ensured by the sale.

7 CONSULTATION

Principal Groups Consulted

- 7.1 Not as consultation, but EPCC staff have been regularly briefed during the market testing process

Contact for further information

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