

**South Lakeland District Council
Cabinet**

Wednesday, 9 March 2022

Ulverston Coronation Hall (lease agreement)

Portfolio: Economy, Culture and Leisure Portfolio Holder
Report from: Director of Customer and Commercial Services
Report Author: Sion Thomas – Operational Lead Delivery and Commercial Services
Wards: Furness Peninsula; Ulverston East; Ulverston West;
Forward Plan: Key Decision included in the Forward Plan as published on 09.02.22

Links to Council Plan Priorities:

Delivering a balanced community – For the economy and culture, work with our partners to deliver regional growth and creating opportunities for young people by:

- promoting unique selling points such as marine and cultural and creative industries
 - using culture and built heritage to support our unique offer
-

1.0 Expected Outcome and Measures of Success

1.1 To agree a new lease and under lease of Coronation Hall for up to 99 years.

2.0 Recommendation

2.1 It is recommended that Cabinet;

(1) Approves a 99 year lease for the Coronation Hall with the Ulverston Coronation Hall Charitable Incorporated Organisation (CIO) on the terms as attached in Part II Appendix 7 with the guarantee of Ulverston Community Enterprise and;

(2) Authority be delegated to the Director of Customer and Commercial Services in consultation with the Lead Specialist for Legal, Governance and Democracy, the Lead Specialist for Finance and the Portfolio Holders for Finance and Resources and Economy Culture and Leisure to agree terms and enter into the lease; and;

(3) Subject to completion of the lease agreement described in 2.1(1), approves that a procurement exercise be undertaken by the Council in accordance with its Contract Procedure Rules in respect of a Lift replacement for the Coronation Hall as per the approved Capital programme and;

(4) Subject to completion of the lease agreement described in 2.1(1) approves a grant award in the sum of £79k to Ulverston Coronation Hall Charitable Incorporated Organisation (CIO) for investment in the public spaces within the Coronation Hall as described at paragraph 3.9.3 of this report, and that authority be delegated to the Director of Customer and Commercial Services in consultation with the Lead Specialist for Legal, Governance and Democracy, the Lead Specialist for Finance and the Portfolio Holders for Finance and Resources

and Economy Culture and Leisure to agree terms and enter into the grant agreement; and;

(5) Subject to completion of the lease agreement described in 2.1(1), approves an additional grant award to the UCE of £150k to support the Coronation Hall and Ulverston Markets in acknowledgement of the time lost due to the pandemic and the support required to bring the assets to a point at which they are financially viable and that authority be delegated to the Director of Customer and Commercial Services in consultation with the Lead Specialist for Legal, Governance and Democracy, the Lead Specialist for Finance and the Portfolio Holders for Finance and Resources and Economy Culture and Leisure to agree terms and enter into the grant agreement.

3.0 Background and Proposals

Please note that in accordance with Section 100B(2) of the Local Government Act 1972, copies of Appendices 1 and 2 to this report are excluded from inspection by members of the public as they contain information as described in Schedule 12A of the Act, as amended by the Local Government (Access to Information) (Variation) Order 2006, as follows:-

- Information relating to the financial or business affairs of any particular person (including the authority holding that information). (Paragraph 3)

- 3.1 On 25th November 2015, it was resolved by Cabinet that agreement be given, in principle, to the transfer, by way of short term lease, the leasing of the Coronation Hall, and, by way of a management agreement, the management of the Ulverston markets to Ulverston Community Enterprises (UCE) for a period of 5 years in the hope that a longer term agreement would be entered into on the back of a successful 5 years. SLDC also supported the UCE in the form of a grant each year for a period of 5 years from the start of the agreement. Background documents regarding these agreements are accessible via the links in the background documents section.
- 3.2 The agreement was part of the Council's approach to rationalise the Ulverston assets of the Town Hall and the Coronation Hall. SLDC worked in local partnership to; 1. Enable local choice over which asset to maintain (the Coronation Hall or the Town Hall); 2. Secure the relocation of Town Council to Brogden Street; 3. Re shape the Coronation Hall service to reduce costs; 4. Develop proposals for transfer of Coronation Hall to community operation and 5. to enable redevelopment of the Town Hall for Affordable Housing. With regard to the Coro, SLDC did not undertake a transfer of the Coronation Hall service. In effect, SLDC ceased its service of providing the Coronation Hall and provided a leasehold opportunity for UCE to operate their business in the premises.
- 3.3 Ulverston Community Enterprises was formed in February 2014 as a Company Ltd by Guarantee without shares. It has established a new Charitable Incorporated Organisation through which the Coronation Hall will be managed, with the Company Ltd by Guarantee covenanting its trading income to the Charitable Incorporated Organisation. This structure provides a tax efficient method of operation maximising financial benefit to the operation of the Coronation Hall.
- 3.4 Discussions have been ongoing with UCE for the last 3 years to agree a longer term lease, however, progress was hampered because of the Covid pandemic. In March 2021, Cabinet approved a short term extension to the current lease for the Coronation Hall and underlease (for the Contract Centre) and management agreements for Ulverston Indoor and Street Markets with the Ulverston Coronation Hall CIO for up to a maximum of two years with a guarantee provided by Ulverston Community Enterprises. Cabinet also approved the use of an exemption /waiver to appoint UCE on a short term basis (maximum two years) to manage the Ulverston markets (indoor

and outdoor) without a formal tender process and to forego income as detailed in the report. It was the intention that a further report would be brought back to Cabinet for consideration regarding longer term options following completion of a business case from UCE regarding both the Coronation Hall and Ulverston Markets.

- 3.5 The UCE have now submitted their revised business plan for the Coronation Hall for 2021-26 (Part II Appendix 1) and proposition and proposal paper (Part II Appendix 2). Discussions have been ongoing with the UCE to get to a final agreed position. The Director for Customer and Commercial Services, the portfolio holder for Economy, Culture and Leisure and Specialist for Culture Arts and Events have been involved in these discussions.
- 3.6 It is proposed that with a successful transfer of assets and management, the Coronation Hall will be managed and developed locally through a social enterprise.
- 3.7 As set out in the Position and proposals document in Part II Appendix 2, the UCE are seeking:
 - a) a long term lease for the Coronation Hall to take effect from July 2022; and
 - b) an additional 'transition grant' of £194,000 from the Council in acknowledgement of the time lost due to the pandemic and the support required to bring the assets to a point at which they are financially viable. It is considered that a transition grant would assist with security as referenced in the Part II Appendix 2. The UCE are working with various funders, fund raising and working with various charities to bridge any deficit in the future; and
 - c) to continue to run the markets on behalf of SLDC in the short term, commissioning a new feasibility/ options appraisal for the market and to establish a sound business case for the markets before entering into negotiations for the long term running of the markets via a service agreement and back to back lease. UCE are also seeking investment by SLDC in the market hall consisting of heating upgrade and re-roofing works, and;
 - d) UCE are also seeking a commitment from SLDC to the replacement of the Coronation Hall lift; and
 - e) The Council commits to release the funds that have already been earmarked for capital development for the Coronation Hall to enable UCE to do much needed upgrades to the public spaces in order to help implement their new business plan (Appendix 1).
- 3.8 In relation to the Market, as set out in the Part II Appendix 2 report, UCE is commissioning a feasibility study to undertake extension consultation and research to identify a viable business model (and any associated capital development) for the Market. It is acknowledged that discussions regarding the longer-term arrangements for the Market cannot commence until the feasibility study has been prepared and a sound business case provided by UCE in respect of the Market. It is therefore proposed that a further report be brought to Cabinet on receipt of the feasibility / options appraisal commissioning by UCE in relation to the Market and until that time (and subject to such further approvals) no further action be taken in relation to the proposal at 3.7(c) above at this time. The short term extension approved by Cabinet in March 2021 in relation to the existing management agreement will provide for continuity until July 2023. Legal Specialists are engaged in working on the terms of that short term extension which has not yet been finalised.
- 3.9 When entering into land transactions, local authorities are required to obtain the best consideration reasonably obtainable and if not, must obtain the consent of the Secretary of State. Under the Local Government Act 1972, General Disposal Consent

(England) 2003, local authorities may (without Secretary of State's consent) make a disposal for less than best consideration in the following circumstances:

- a) The local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects in respect of the whole or any part of its area, or of all or any persons resident or present in its area.
 - i) the promotion or improvement of economic well-being.
 - ii) the promotion or improvement of social well being
 - iii) the promotion or improvement of environmental well-being.
- b) The difference between the unrestricted value of the land to be disposed of and the consideration for the disposal not to exceed £2,000,000.

It is considered that a less than best consideration transaction in this case is justified as the granting of a 99 year lease for the Coronation Hall will promote or improve Economic Development and Social Value for residents of Ulverston and the district as set out in Appendix 1 and the UCE's vision.

3.10 Officers are therefore proposing the following to Cabinet for approval:

- a. Enter into a 99 year lease for the Coronation Hall on the draft Heads of Terms set out in Part II Appendix 6, with appropriate delegations to agree finalise the terms;
- b. Subject to the completion of the Coronation Hall 99 year lease, it is proposed that the Council will undertake a procurement exercise and subsequent contract award in relation to the replacement of the lift at Coronation Hall with funding as approved by the Council in February 2022 for the 2022/23 budget.
- c. Subject to the completion of the Coronation Hall 99 year lease, it is proposed that the Council commits to a grant funding award in the sum of £79k to Ulverston Coronation Hall CIO for investment in public spaces within the Coronation Hall. The sum of £79k is the sum of Capital monies remaining from the Capital funding set aside for the projects related to the closure and transfer of Ulverston Town Hall. It is proposed that the grant award will be made only upon completion of the lease for the Coronation Hall and will be subject to appropriate terms and conditions including but not limited to clawback provisions if the funding is not spent within a specified period upon upgrades to public spaces within the Coronation Hall in order to help implement the CIO's new business plan in Appendix 1. This includes for example renovations / improvements to the Coronation Hall (e.g. Supper rooms, additional meeting rooms) with the aim of improving the Coronation Hall's potential to generate revenue income.
- d. Subject to the completion of the Coronation Hall 99 year lease, to award a grant of £150k as outlined in 7.1.2 below as a 'transition grant' to support the Coronation Hall and Ulverston Markets in acknowledgement of the time lost due to the pandemic and the support required to bring the assets to a point at which they are financially viable.
- e. That a further report be brought to Cabinet on receipt of the feasibility / options appraisal commissioning by UCE in relation to the Market and until that time (and subject to such further approvals) no further action be taken in relation to the proposal at 3.7(c) above at this time.

4.0 Appendices Attached to this Report

Appendix No.	Name of Appendix
1	UCE Business Plan 2021- 26 – Part II
2	UCE Position Paper and Proposal – Part II
3	Letter of support from UTC
4	Letter of support from Ulverston BID
5	UCE financial summary - Part II
6	Health and Sustainability Impact Assessment
7	Heads of Terms

5.0 Consultation

- 5.1 Consultation has taken place with the Ulverston Community Enterprise over the last 3 years in conjunction with the Director for Customer and Commercial Services, the portfolio holder for Economy, Culture and Leisure and Specialist for Culture Arts and Events. Corporate Management Team and Cabinet members have also been briefed as part of this process.
- 5.2 Ulverston Town Council and Ulverston BID have also written to SLDC in support of the proposals by UCE. Confirmation of support can be seen in Appendix 3 and 4.

6.0 Alternative Options

- 6.1 There is an option not to enter a long term lease with UCE for the Coronation Hall. The likely effect of this would be that UCE would cease operations. SLDC would have the premises returned and would need to determine whether to operate a service from the Coronation Hall, seek a new tenant or consider disposal of the freehold. This option is not recommended as it would not enable the benefits which can be achieved through local management and investment to be realised. It would prevent the option of enabling a local community solution to be developed further. If in the future, the proposed long term lease proves unworkable, this option would need to be reconsidered.
- 6.2 Transfer the Coronation Hall only and keep the Markets under direct SLDC control and operation. This option is not recommended as the UCE purpose and business model is developed on the principle of managing a range of facilities which contribute to the wellbeing of the town. Markets are seen as an opportunity to increase footfall to the town centre. Growing the revenue of markets enables future cross subsidy of the Coronation Hall.
- 6.3 To make the opportunity to run the Coronation Hall and Markets available to the open market and consider a competitive process. This option is not recommended as the drive to find a locally managed solution has come from within the Ulverston community. The operation requires a high degree of voluntary effort, matched with the revenue earning and sponsorship potential of the assets to be successful. The proposed way forward is a bespoke solution, utilising the strengths and support of the Ulverston community. An open process runs a high risk of a deliverable solution not coming forward. If in the future, transfer proves unworkable, this option could be reconsidered. The Council also failed to find a new operator for the Kendal indoor and outdoor market when the service was tendered and therefore unlikely that there would be greater interest in the Ulverston Markets.

7.0 Implications

Financial, Resources and Procurement

- 7.1.1 SLDC have supported UCE with a grant on sliding scale. The grant has been as follows for the financial years 2016/17 to 2020/21; the proposals for award in 2022/23 have also been included in the below table:

Revenue Grant support

	16/17	17/18	18/19	19/20	20/21	21/22	22/23	Total 7 Yrs
	£	£	£	£	£		£	£
Grant agreed July 2016	97,532	133,793	107,793	68,460	53,460	17,820		478,858
Additional Grant approved Feb 2022						75,000	75,000	150,000
Total Grant	97,532	133,793	107,793	68,460	53,460	92,820	75,000	628,858

Capital Contribution if the report is approved

£	Description of Capital investment proposed.
65,000	Replacement of Lift to Coronation Hall, lift is nearing end of life and requires full replacement.
79,000	Investment to public areas within the Hall including Supper Room and GF offices to improve offer and increase Revenue of the UCE

UCE have provided a financial forecast for the next 3 years with detail on income/ expenditure over the last 5 years and as shown in Appendix 5 – Part II.

- 7.1.2 As part of the future agreement, UCE are requesting a transition grant of up to £194k. In February 2022, the Council approved a grant of up to £150,000 within the 2022/23 budget split between £75k relating to 2021/22 and £75k for 2022/23. Therefore the Council will cap its grant at £150k with the UCE expected to find alternative funds of up to £44k. Progress is being made by the UCE in bridging the gap.
- 7.1.3 The Coronation Hall has historically operated with a financial loss to SLDC in terms of its operations, though a strategic benefit to the well-being of the local community. Any future long term lease, could be granted on some form of Turnover rent, based upon gross income and Full Repairing and Insuring terms. Given the current uncertainty over income from performance venues nationally, it is not possible to state exactly what this figure might be for SLDC. However, pre-covid, UCE had a gross Turnover of circa £300,000, whilst the accounts indicate a breakeven position. Turnover rents can range greatly in their makeup, between 1-15%, therefore SLDC could be forgoing a rent of up to £45,000 per annum. There is no assumed rent in any SLDC budgets, reflecting financial performance of the Coronation Hall pre-Covid and pre-transfer.
- 7.1.4 Prior to transfer of the Coronation Hall, the Council was running the Hall at a significant loss. If the Council were to take back the service and run in-house, it would therefore be safe to assume that costs of running Coronation Hall would be similar per annum excluding rates. When taking into account the potential rental income for Coronation Hall that the Council are being asked to forego, then financially, it is still advantageous for the Council to proceed with this transaction. Benefits for the community have already been highlighted as part of previous reports and as shown in the Business Plan in Appendix 1.

- 7.1.5 In line with the Local Government Act 1972: General Disposal Consent (England) 2003, when considering the Capital receipt the Council would forego for the Coronation Hall, it is valued that the asset would bring a Capital Receipt of no more than £450,000.
- 7.1.6 The Council's budget makes no allowance for the Coronation Hall or Ulverston Markets over the next 5 years. Therefore, by agreeing to the proposals above, there is no additional impact on the Council's revenue budgets.

Human Resources

- 7.2 There are no human resource implications with this report.

Legal

- 7.3.1 The Legal team will assist in the preparation of all the required legal agreements.
- 7.3.2 Section 123(2) of the Local Government Act 1972 prohibits the disposal of land (otherwise than by way of short tenancy) at less than best consideration without the consent of the Secretary of State. Whilst this requirement does not apply to leases not exceeding 7 years (so did not apply to the grant of the current lease), it will apply in this instance with a lease of up to 99 years. This requires that the undervalue is less than £2million and that the disposal is likely to contribute to the promotion or improvement of economic, social or environmental well-being of the area or of persons resident in the area.
- 7.3.4 Under the Subsidy Control Regime introduced in January 2021, the Council will be required to consider whether or not the terms of the disposal of the land to a third party constitutes a subsidy; and if so, to take steps to consider which International obligations need to be met. If the subsidy is found to be within the scope of UK-EU Trade and Co-operation Agreement and (if adopted at the relevant time) the UK Subsidy Control Bill then the Council must ensure that the subsidy meets the principles set out therein. . Failure to do so could leave the Council exposed to Judicial Review. Furthermore, there are requirements for subsidies to be recorded transparently and in a timely manner. Officers will work with Legal Services to seek legal advice in this regard to enable the disposal to be assessed in this regard,
- 7.3.5 In relation to the proposed procurement for the replacement lift in the Coronation Hall, this will be subject to the Council's Contract Procedure Rules and officers will liaise with Procurement and Legal Specialists to ensure compliance.
- 7.3.6 The grant funding described within the report will be subject to appropriate terms and conditions upon which Legal Specialists will advise and appropriate provisions will be sought to protect the Council's position.

Health and Sustainability Impact Assessment

- 7.4 Have you completed a Health and Sustainability Impact Assessment? Yes (attached at Appendix 6)
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: N/A

7.6 Summary of Health and Sustainability Impacts

		Positive	Neutral	Negative	Unknown
Environment and Health	Greenhouse gases emissions		x		
	Air Quality		x		
	Biodiversity		x		
	Impacts of Climate Change		x		
	Reduced or zero requirement for energy, building space, materials or travel		x		
	Active Travel		x		
Economy and Culture	Inclusive and sustainable development		x		
	Jobs and levels of pay	x			
	Healthier high streets		x		
	Culture, creativity and heritage	x			
Housing and Communities	Standard of housing		x		
	Access to housing		x		
	Crime		x		
	Social connectedness	x			

Equality and Diversity

7.7 Have you completed an Equality Impact Analysis? No

7.8 If you have not completed an Impact Analysis, please explain your reasons: Not felt required for this report.

Risk Management	Consequence	Controls required
No agreements or lease in place.	Coronation Hall would close as well as Ulverston Markets.	Short term lease and management agreement to be agreed before entering into long term lease with UCE.
Heads of Terms not agreed by UCE or SLDC.	No long term lease agreed and therefore service and assets put at risk.	Regular communication needed at early stages to look to set out expectations on both sides.
SLDC and UCE do not consider exit strategies in the production and agreement of the agreements	Services cease and recovery of service/ assets would be difficult.	On-going management of agreements and regular meetings between UCE and SLDC to create strong partnership.

Risk Management	Consequence	Controls required
Procurement risk – risk of challenge.	Challenge from competition who may wish to run the markets.	Procurement advice to be sought.
Actions or omissions of UCE and or the CIO which may result in claims against the Council	Unplanned costs, time and reputational impacts	Lease and Management Agreements will include requirements for the holding of appropriate and adequate insurances and the provision of indemnities.

Contact Officers

Sion Thomas, Operational Lead for Delivery and Commercial Services, 01539 793192,
sion.thomas@southlakeland.gov.uk

Background Documents Available

Name of Background document	Where it is available
Cabinet Meeting – Ulverston Assets - Proposed Community Transfer. Date 25 th November 2015. CEX/94	https://democracy.southlakeland.gov.uk/ieListDocuments.aspx?CId=121&MId=3759&Ver=4
Cabinet Meeting – Ulverston Town Hall and Coronation Hall review Date 11 th February 2015. CEX 135	https://democracy.southlakeland.gov.uk/ieListDocuments.aspx?CId=121&MId=3558&Ver=4
Cabinet Meeting April 2016 Ulverston Community Asset Transfer Date 27 th April 2016 CEX/158	https://democracy.southlakeland.gov.uk/documents/s14507/Ulverston%20Assets%20-%20Community%20Transfer.pdf

Tracking Information

Signed off by	Date sent	Date Signed off
Section 151 Officer	17.02.22	28.02.22
Monitoring Officer	17.02.22	28.02.22
CMT	17.02.22	28.02.22

Circulated to	Date sent
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	17.02.22
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	N/A
Council	N/A