

COMMISSIONER KENNY'S MEETING

Venue: Commissioner Kenny's Office, Riverside House. **Date:** Monday, 7th September, 2015
Time: 11.30 a.m.

A G E N D A

1. Whilst the requirements of the Local Government Act 1972 do not apply to this meeting it is still proposed to determine if the following matters are to be considered under the categories suggested in accordance with that Act.
2. Proposed disposal of Pithouse West. (Pages 1 - 9)
 - Financial report at appendix one is exempt under Paragraph 3 – business affairs.

ROTHERHAM BOROUGH COUNCIL – REPORT TO COMMISSIONERS
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1.	Meeting:	Commissioner Kenny
2.	Date:	7th September 2015
3.	Title:	Proposed Disposal of Pithouse West
4.	Directorate:	Environment & Development Services
5.	Advisory Cabinet Member	Councillor Lelliott

6. Summary

- 6.1 The purpose of this report is to seek approval to dispose of the Pithouse West site following the successful marketing of the property.

7. Recommendations

- 7.1 That the report is considered by Commissioner Kenny who is asked to agree:-
- 7.2 That the Strategic Director of Environment and Development Services is authorised to negotiate the completion of the sale on the terms outlined in this report;
- 7.3 That the Director of Legal and Democratic Services completes the sale agreement between the Council and the proposed purchaser;
- 7.4 That the Director of Legal and Democratic Services completes the agreement between the Council and the Coal Authority relating to the clawback liability arising from the Covenant.

8. Proposals and Details

8.1 Background

8.1.1 The Council previously entered into sale agreements on two separate occasions over the past 10 years, for the YES! project and Visions of China (both major leisure schemes), on the former Pithouse West open cast colliery site north of Rother Valley Country Park (RVCP). The sale agreements were conditional upon the parties satisfying several pre-conditions.

8.1.2 Both sale agreements were terminated due to the lack of progress in satisfying these pre-conditions, primarily due to the inability to secure the required capital investment to deliver the scheme. Following the most recent

sale agreement termination (August 2014) relating to the Visions of China scheme, the Council were approached by another party interested in the site, namely Gulliver's (Family Theme Parks). An initial meeting with them highlighted their interest in the site and their potential desire to locate a new family entertainment resort on the Pithouse West site.

- 8.1.3 Whilst this project clearly had merit it was felt necessary to re-market the Property to enable the Council to establish what interest there might be in the wider commercial market, ascertain best consideration and allow the best possible scheme to be identified and brought forward on the site. As previously, this was not a procurement process to secure a developer partner providing specified services for the Council but simply a marketing exercise to enable the Council to sell the site for a significant leisure opportunity.
- 8.1.4 Accordingly, advertisements for an opportunity relating to a leisure scheme of regional and national repute were placed locally in the Rotherham Advertiser and nationally in Estates Gazette and Commercial Property Monthly in March 2015. Officers had meetings with a number of parties that expressed interest in the site for a range of uses but following opening of the bids on 12th May, only one bid has been received.

8.2 Summary of Bid

8.2.1 The bid received is from Gulliver's and the key features of their proposal are detailed below:

- A purchase of the entire site (333 acres)
- Gulliver's is a 2nd generation family run business with proven track record of designing, building and operating family entertainment developments over 39 years;
- Gulliver's is a self-financing company with development funded through business profits and no borrowing requirements;
- The site would be developed in 4 / 5 phases over 12 years with phase 1 opening in year 2 following construction;
- 'Gullivers Valley' Resort would be the first of their sites in the UK to encompass all their major family entertainment elements in one location with new attractions exclusive to 'Gullivers Valley' Resort.
- The headline regeneration benefits are £36.66m overall economic impact from construction, total annual operating net economic impact on the local economy of £11.6m and between 160-255 FTE jobs (when operational) with employment created at entry level positions through to skilled professionals and employment opportunities created for younger members of the local population;
- An estimated 120 construction jobs would be created over the five phases of the development. Whilst these statistics are projected, they are based on existing Gulliver's schemes operating in Milton Keynes and Warrington, and Gullivers are confident that the employment figures are accurate and sustainable with strong levels of staff retention and career progression opportunities;
- It is considered that the development of the Property by Gulliver's will bring a number of benefits to the adjacent RVCP in the form of a complementary

offer, additional visitor numbers and short stay benefits. Gulliver's has expressed a willingness to work with the Council to maximise the benefits to RVCP suggesting co-ordination on a special event programme, joint offers to promote the outdoor leisure opportunities available and potential investigation into where economies of scale could be achieved by joint working;

- 8.2.2 The main components of the proposal include a year round theme park (aimed at 2 - 13 year olds), which offers rides, attractions, soft play, and indoor fun centred on themed areas around the main fairytale castle. To complement this, a number of 'hub attractions' will also be provided including a Splash Zone, Nerf Zone, Adventure Zone, Gully Town Tots, the Main Street which comprises multiple venues to attract the target age range, and a Big G diner.
- 8.2.3 Gulliver's also operate their own Service Academy where hospitality and visitor economy skills training will maximise employment opportunities for local people, delivering staff training on-site. These components would all form phase 1 of the development.
- 8.2.4 Phase 2 would see the site further developed with a Camping and Caravan site, a Woodland Adventure Centre offering outdoor obstacle courses, high ropes, zip wires etc., and an Education and Ecology Centre which will offer a forest classroom environment for school children, community groups and visitors from across the region to use the natural landscape.
- 8.2.5 Phase 3 would see the introduction of a Gulliver's hotel offering 100 bedroom accommodation for families and business visitors with specially themed family suites, woodland lodges and treehouses, a village centre surrounding a lake and encompassing a spa and fitness centre, restaurant, craft centre, wedding chapel, fishing lodge and resort trails where visitors and local residents can walk, run and cycle for exercise.
- 8.2.6 Phases 4 and 5 would complete the 300 woodland lodges, and see the development of a 'Dream Village'. The Dream Village concept will offer specially designed and adapted accommodation where seriously and terminally ill children and children with special needs can enjoy cost free respite weeks and getaways with the theme park and attractions on the doorstep.

8.3 Coal Authority Clawback

8.3.1 The Council acquired the Property from the Coal Authority in 2001, and at that time, title was granted subject to 2 main limitations:

- The first is an overage or 'clawback' clause which provides that on any development outside a pre-defined development platform, up to 50% of any uplift in value would have to be paid to the Coal Authority. This would clearly have the effect of severely constraining any development save that within the pre-defined development platform, the overage percentage is lowered to a more manageable 10%. This obligation falls upon the Council as landowner and expires in 2021. Whilst the

covenant expires in 2021, an assessment for an additional clawback payment can occur if a further planning consent is granted prior to expiry in 2021.

- The second is a restriction specifically imposed on the Council, requiring it to use ANY sums received on a disposal of the Property for the benefit of the neighbouring RVCP.

8.3.2 These provisions are considered to limit the ease of development of the site and officers have been working to negotiate with the Coal Authority to release or limit the restrictions from the title to enable the Council to dispose of the site with clean title.

8.3.3 Following negotiations with the Coal Authority, the clawback payable to the Coal Authority for the sale of the land to Gulliver's and to remove the restriction relating to RVCP have been agreed

8.4 Next Steps and Timescales

8.4.1 Having evaluated Gullivers' offer, it is clear that despite a comprehensive bid from them some further work is required to protect the Council's interests and facilitate a deliverable leisure development of local, regional and national significance that will deliver the regenerative benefits to the area and economy and financial consideration to the Council appropriate to this site. It is anticipated that these issues will be addressed in the sale agreement between the Council and the proposed purchaser Gulliver's. The main areas are:

8.4.2 Design, content and scale of the proposal. The bid gives a large amount of information regarding the component parts of the scheme but detailed design and specific location within the property, infrastructure and massing require greater consideration. Further detail on the operation of some aspects of the proposal, particularly car parking, the camping and caravan offer and the education centre is required to ensure that the offer remains complementary to RVCP and not damaging to RVCP's future income sources. Whilst initial discussions with Gullivers on these issues have offered some comfort, these aspects of the proposal need to be worked up by Gullivers in more detail and approved by the Council. This requirement will be documented in the sale agreement.

8.4.3 Submission of a planning application. Although the property currently benefits from an outline planning consent, which establishes the principle of a large scale leisure development on the Property, Gulliver's proposal is different and occupies a larger area of the Property albeit in a less intense form of development. The existing outline planning consent for leisure development on the site also expires in December 2015 so timely submission of a new application is essential.

8.4.4 As with any development project, it is necessary to understand the project management arrangements and the timing and detail of what is being

delivered. Whilst the bid document clearly provides some detail, these items will need to be linked to clear milestones and procedures for approval and control must be established by Gulliver's and the Council.

- 8.4.5 It is likely that any sale agreement entered into will be conditional upon several items (as per the previous sale agreements relating to this Property). These items, in addition to those set out above, will probably encompass, funding, planning, site investigations etc. and will need to be carefully documented.
- 8.4.6 Given that the two previous arrangements to bring forward development of the site have been terminated on grounds of non-performance, it is crucial that robust and challenging timescales are set for delivery of any new development on the Property.
- 8.4.7 It is anticipated that officers will be negotiating the final terms of the sale agreement over the coming 6-8 weeks. This level of expediency is required to enable Gulliver's to prepare and submit a planning application prior to the expiry of the existing planning consent in December 2015.

9. Finance

- 9.1 See Finance addendum to this report

10. Risks and Uncertainties

- 10.1 Whilst development of the site does not take place, the Council remains responsible for the management and maintenance of this Property and the associated revenue costs. The current maintenance regime largely consists simply of Ranger inspections. This minimises the Council's costs in the light of the sale previously agreed with MCD for Visions of China and the ongoing process to dispose of the Property.
- 10.2 However, it must be noted that should the site not be sold the Council's costs associated with maintenance on the site will need to increase to address a backlog of maintenance requirements in the first instance and to bring the site back up to appropriate standards.

11. Policy and Performance Agenda Implications

- 11.1 The development of this site contributes to several of the Council's key themes, the principal one relating to jobs investment and growth. There is no doubt that if a leisure project is delivered on this site, it would be a significant contributor to the local economy and would offer considerable benefits to the adjacent Rother Valley Country Park.

12. Background Papers and Consultation

Cabinet report 20th October 2010
Cabinet report 15th December 2010
Cabinet report 9th February 2011
Cabinet report 8th August 2011
Chief Executive report 23rd November 2012
Cabinet Report 5th December 2012
Cabinet report 6th August 2014

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted