

Lucy Perry

From: Larissa.G. Reed <Larissa.Reed@thanet.gov.uk>
Sent: 06 May 2015 18:09
To: Stuart McLeod; Lucy Perry
Cc: Abigail Raymond; Edwina Crowley; Nick Dermott
Subject: RE: Dreamland Margate
Attachments: Annex 2 Sands Heritage Limited Due Diligence Summary.docx; Copy of Annex 1 Park submission appraisal sheet Dec 2014.xlsx; Procurement report for HLF.doc

Dear Stuart and Lucy

Please find attached the report setting out how we procured Sands Heritage Limited to run Dreamland. If there is any further information you require on this, please let me know so I can provide it. I am working through the list of information you requested in December and am collating it to send to you.

I think we have looked at ourselves and have realised that we have not been dedicating the resources we need to engage with the HLF in this project. Our relationship with the Dreamland Trust has been challenging, and I think that this is reflected in the fact that we have not had formal meetings over the past five months, however from early conversations I am confident that this can now change and we can re-establish a mature and positive relationship with both the HLF and Dreamland Trust.

I would reiterate Nicks request for an early meeting to talk about how we move forward. I know that there are significant issues surrounding the lease and in the email you sent on 19 December 2014, it does talk about having concerns about the lease. I know I emailed Lucy earlier in the week about this, but it would help me greatly to understand what these issues are, so I can discuss them with the Dreamland Trust and our Lawyers on Friday.

Also I would value your advice as to whether the HLF needs to sign off the lease or also the agreement to lease. Obviously we want to discuss this with you at the earliest opportunity, however I had today received a copy of a letter/ email to the HLF from the Dreamland Trust, which talks about them being in support of the park opening. I will explore this email with them further on Friday, but I would be very grateful if you could send me an outline of the process for agreeing the lease.

I look forward to hearing from you and hopefully meeting with you soon

Larissa

Larissa Reed
Director of Community Services
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Cecil Square
Margate
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CT9 1XZ

From: Stuart McLeod [mailto:StuartM@hlf.org.uk]
Sent: 06 May 2015 17:39
To: Nick Dermott
Cc: Lucy Perry; 'kheaton@mdaconsulting.co.uk'; Larissa.G. Reed; Abigail Raymond; Edwina Crowley
Subject: RE: Dreamland Margate

Dear Nick

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In relation to what you were hoping to discuss with us, a key outstanding document that we asked to receive following the meeting was a report documenting the process followed to procure the operator, and it was agreed that Larissa would oversee this. Our position remains that until we receive that report and are able to review and approve it, we will not be in a position to discuss the detail of the leases. If we could have some indication of when the report might be ready, we would then be happy to schedule a meeting.

Kind regards,
Stuart

Stuart McLeod

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Dear Stuart,

I am pleased to be able to say that I am now involved in the Dreamland project again.

We are meeting Trustees of the Dreamland Trust on Friday (8th) to discuss the delivery of Approved Purposes of our HLF grant. Immediately after this, we would greatly appreciate a meeting with the HLF to run through our relationship with the Trust and how this will be enshrined in the Dreamland leases.

Unfortunately, time is becoming extremely short. Would it be possible to have an 'emergency meeting' with yourselves in the early part of next week?

With thanks and best wishes,

Nick

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Procurement of Operator for Dreamland

To: **Heritage Lottery Fund**

:

By: **Director of Community Services**

Classification: **Restricted – commercially sensitive information**

Ward: **Margate Central**

Summary: The report outlines the process for the letting of the lease for Dreamland, and requests approval from the HLF to proceed.

For Decision

1.0 Introduction and Background

1.1 Dreamland Amusement Park was originally believed to be offered to the market as a substantially completed site and therefore it was appropriate to follow a procurement exercise to try to obtain an operator to run the service for Thanet District Council (TDC), supported by a simple lease. TDC officers had used examples of this form of transaction in previous council procurement exercises.

1.2 The first procurement

The original procurement for Dreamland was agreed by the council's Cabinet on 1 May 2014. It was agreed that the council would seek a not for profit organisation to deliver a heritage amusement park. The opportunity was placed on the European procurement portal and council web site on 2nd June 2014 allowing 50 days for bid submission. The advert was also placed on the council's web site and there was extensive press coverage.

The invitation to tender stated that the council may accept variant bids but only if supported by a compliant bid. Various organisations contacted the council for information, some made site visits. All contacts were recorded. However following the closing date – only one bid was submitted. This was from Sands Heritage Limited (SHL).

Although only one bid was received, the council followed the usual diligence process including legal, financial and external valuation checks. These all indicated that SHL's bid was viable. However following detailed site condition information becoming available only after ownership of the site was secured, it was realised that the offer would not be a substantially completed amusement park, but that it comprise land and buildings, some in a very poor condition, and any incoming tenant would need to make substantial capital investment to bring the derelict site back into use. Also, the grant fund monies would need to be subject to change control, as more funds would be required to bring the basic specification up to a reasonable standard; this meant that less money was available for the rides. The ride schedule was reduced and no rides were offered as part of the lease. Following legal advice it was agreed they would be loaned under separate licence arrangements.

Therefore following professional advice it was determined that the council should re-advertise the offer of a long leasehold interest as the appropriate primary contract, supported by a simple concession to transfer some of the funders' on-going obligations (learning and development, community engagement). The original procurement advert was closed and a new offer advertised buildings and land available on long lease.

1.3 The second procurement

The change to procure on a long lease meant that the primary method of procuring a tenant became a leasehold transaction, regulated by the many land laws. Having already secured Cabinet approval to lease the site the council's Estates team acted as agents for the council.

The advertisement for the lease was put in the following publications.

Estates Gazette Retail & Leisure supplement – 6/9/14

EG online banner – 22/9/14

EG direct mail shot – directed to property professionals in London and the South East – 6th November

Parkworld on line, from June 2014 to 21 November 2014

Worlds Fair – 6 week ad commencing 3/10/14

TDC website early September

To let board on frontage of site

Local media and national media reports on Dreamland

The council also wrote to all organisations that had previously registered expressions of interest that had been logged as part of the original procurement exercise, to ensure they were aware of the revised offer.

The new advert for Dreamland asked for expressions of interest in buildings and land offered on a long lease and asked for the following information:

Expressions of interest should be received at estates@thanet.gov.uk no later than 21 November 2014. The Council are seeking parties who have the following attributes:-

- Proven track record of similar commercial operation, if possible with case studies / examples;*
- Evidence of sound financial covenant and details of the organisation;*
- Evidence of the capacity to manage the unit(s) of interest;*
- Track record of working in partnership with local authorities and other bodies;*
- Evidence of being able to generate social/economic/environmental benefits to an area.*

At the closing date, the council had received six bids, from:

- Sands Heritage Limited
- Stockvale Limited
- James Mellons Limited

- Harbour Park Limited
- Party JHC Bembom
- The Dreamland Trust.

The bids were assessed by the agent (TDC Estates Surveyor). As this site is a longer term investment for the Council all information was reviewed with the Cabinet member with delegated authority (Cabinet member for Finance and Estates), the Procurement Manager and the Head of Economic Development and Asset Management.

The bids were considered on the answers to the following parts of the submission

Business Plan

Development Appraisal

Regeneration Commitment

Evidence of Successful Operation

Quality Standards.

We received the expression of interest forms from all of the above candidates, but following legal advice from Trowers and Hamlins, we agreed to consider the previous tender submission from Sands Heritage Limited.

The attached table (Annex 1) shows the outcome of the initial screening process and the reviewers agreed with the recommendation made by the Estates Surveyor to proceed with Sands Heritage Ltd.

On the whole the written responses we received were poor.

Stockvale did not provide a business plan, nor did they provide any financial information or evidence of quality standards being met.

James Mellors did not provide any business plan, nor were they able to provide any financial information. Whilst they had some experience of running events, they had not managed an operation of this kind

Harbour Park Limited provided some information regarding a business plan for the site and had experience in running circus activities. However they did not provide any information on quality standards or development appraisal.

Party JHC Bembom – The only information that this organisation provided was 35 years in the leisure industry. They did not provide any information to meet any of the criteria.

The Dreamland Trust. – The Dreamland Trust has the second highest score on regeneration commitment, but they did not provide information on a business plan, nor on quality standards.

Sands Heritige Limited – provided comprehensive information, meeting all the requirements, with the only weak area being quality standards.

The unsuccessful parties were informed that they would not be taken forward to Heads of Terms stage,

SHL's bid was taken forward and they engaged to agree Heads of Terms.

2.0 Next Steps

- 2.1 The council has worked with external lawyers (Trowers and Hamblins) to progress the lease. However following some difficulties, the lease negotiations were brought in-house.
- 2.2 Due Diligence was carried out by the Director of Corporate Services on 27 March 2015 and is attached at Annex 2

3.0 Recommendations

- 3.1 Officers are confident that the correct procurement process has been followed to ensure that an operator who is committed to meeting the needs of this unique site has been found and recommends that the HLF support the decision to award the lease to Sands Heritage Leisure.

Sands Heritage Limited – Due Diligence – Summary

Sands Background information

[Certificate of Incorporation.pdf](#)

[Appointments Report.pdf](#)

[Valuation Report.pdf](#)

Business Plan

A full review of the business plan was undertaken and the link to the business plan and review are below:

[SHL Bus Plan v10.xlsx](#)

[Dreamland Business Plan Review.docx](#)

[Draft 5yr BS.pdf](#)

[Draft 5yr PnL.pdf](#)

Cost Plan

The affordability of SHL's cost plan has been assessed; there have been a number of variations of the cost plan as expected due to the nature of the project. Although the critical items to open seem to largely be funded and a healthy contingency has been set aside. It is likely that as TDC are undertaking the main structural works that the works SHL are to subsequently undertake are of lower risk and less unforeseen costs are likely.

[150205_dreamland-cp04.pdf](#)

[150302_dreamland-cp05a.pdf](#)

SHL's capital financing

This is provided through three main sources:

- 1) Shareholders
- 2) A bank loan from Lloyds
- 3) A loan from Kent County Council

Funding from third parties fell away as a result of the lease delays although some will be secured as the project progresses but no assurances can be given around the receipt of it.

Shareholders

Funding of £3m was expected to be raised from shareholders and the following evidence has been seen to support receipt of the capital equity:

- 1) Bank statements showing receipt of monies [Shares - SHL Account Extract.pdf](#)

2) Share certificates issued

- a. SHL Share Capital Subscriptions.xlsx
- b. 054462 Share Certificates for Subscribers.rtf
- c. 058240 Share Certificate for CONINGT-NA.RTF
- d. 058241 Share Certificate for ADAMS-JPA.RTF
- e. 058522 Share Certificate for WEBSTER-CR.RTF
- f. 058553 Share Certificate for MALONEY-CJ.RTF
- g. 058554 Share Certificate for BARBACK-V.RTF
- h. 058576 Share Certificate for CONINGT-NA.RTF
- i. Shares - 350k.pdf
- j. Shares 1050k.pdf
- k. Shares 1550k.pdf
- l. Shares 400k.pdf

3) Signed underwriting statement Signed underwriting agreement.pdf

4) Final share documents SHL Share Placement Documentation 2014-15 001.tif

Certificate	Shareholder	Value	Share Premium	Total
2	NC	249,900	0	249,900
3	JA	100,000	0	100,000
4	CW	50,000	0	50,000
5	CM	500,000	500,000	1,000,000
6	V8	150,000	150,000	300,000
7	NC	500,000	500,000	1,000,000
				<u>2,699,900</u>

Bank loan

A letter from the bank was provided for £2m Lloyds Indicative Terms.docx Valuation Report.pdf

KCC Loan

A letter from KCC was provided for £800k Offer in Principle to Sands Heritage - 26 Jan 2015.doc

15/12/2014

Dreamland Amusement Park evaluation of submissions

Criteria	Party								Weighting %
	The Dreamland Trust	JHC Bembom	Harbour Park Ltd	James Mellors Ltd	Stockvale Ltd	Sands Heritage Ltd			
1 Business Plan	1	0	0	1	0	0	4		20
2 Development Appraisal	0	0	0	0	0	0	4		30
3 Regeneration Commitment	3	0	0	1	1	1	4		16
4 Evidence of successful operation of a similar leisure park	0	3	3	3	2	3	4		20
5 Quality standards	0	0	0	0	0	0	2		14
	0.68	0.6	0.96	0.56	0.76	3.72			

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Stuart

Thanks for this – I am putting the finishing touches to the report now and it will go out tonight – I am completely with Nick on this – we are meeting with the Dreamland Trust on Friday and I agree that once you have read and digested the report an early meeting with you would be most advantageous

Thanks

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