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Award

## **St David's Hall**

Cardiff Council

F15: Voluntary ex ante transparency notice

Notice identifier: 2023/S 000-015893

Procurement identifier (OCID): ocds-h6vhtk-03d3ca

Published 5 June 2023, 4:58pm

### **Section I: Contracting authority/entity**

#### **I.1) Name and addresses**

Cardiff Council

County Hall, Atlantic Wharf

Cardiff

CF10 4UW

#### **Email**

[corporate.procurement@cardiff.gov.uk](mailto:corporate.procurement@cardiff.gov.uk)

#### **Telephone**

+44 2920873732

#### **Country**

United Kingdom

#### **NUTS code**

UKL22 - Cardiff and Vale of Glamorgan

**Internet address(es)**

Main address

<https://www.cardiff.gov.uk>

Buyer's address

[https://www.sell2wales.gov.wales/search/Search\\_AuthProfile.aspx?ID=AA0422](https://www.sell2wales.gov.wales/search/Search_AuthProfile.aspx?ID=AA0422)

**I.4) Type of the contracting authority**

Regional or local authority

**I.5) Main activity**

General public services

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**Section II: Object**

**II.1) Scope of the procurement**

**II.1.1) Title**

St David's Hall

**II.1.2) Main CPV code**

- 92000000 - Recreational, cultural and sporting services

**II.1.3) Type of contract**

Services

**II.1.4) Short description**

This notice relates to a proposed arrangement between the Cardiff Council ("Council") and Academy Music Group ("AMG") in respect of St David's Hall ("Venue") in Cardiff city centre.

The proposed arrangement will involve the grant of a 45 year lease of the Venue at a peppercorn rent to AMG. Under the lease AMG will be obliged to repair and maintain the

Venue, ensure its long-term future and that it remains open for the benefit of the people and City of Cardiff. The Council may also receive a share of Venue profits over the lifetime of the lease. AMG, as tenant will operate the Venue as an independent commercial enterprise in accordance with the lease requirements. The lease will have positive obligations imposed on AMG to deliver a range of services in operating the Venue including continuing the classical programme as described in more detail below.

Continued below in II.2.4) Short description.

### **II.1.6) Information about lots**

This contract is divided into lots: No

### **II.1.7) Total value of the procurement (excluding VAT)**

Value excluding VAT: £45,000,000

## **II.2) Description**

### **II.2.2) Additional CPV code(s)**

- 92312100 - Theatrical producers', singer groups', bands' and orchestras' entertainment services
- 92300000 - Entertainment services
- 92312120 - Singer group entertainment services
- 92312130 - Band entertainment services
- 92312140 - Orchestral entertainment services
- 45000000 - Construction work
- 55120000 - Hotel meeting and conference services
- 55130000 - Other hotel services
- 55520000 - Catering services
- 55330000 - Cafeteria services
- 55400000 - Beverage-serving services
- 55410000 - Bar management services
- 55500000 - Canteen and catering services
- 70220000 - Non-residential property renting or leasing services

- 70332000 - Non-residential property services
- 70330000 - Property management services of real estate on a fee or contract basis
- 70332200 - Commercial property management services
- 79993000 - Building and facilities management services
- 79993100 - Facilities management services
- 90911200 - Building-cleaning services
- 75241000 - Public security services
- 79710000 - Security services
- 79950000 - Exhibition, fair and congress organisation services
- 79951000 - Seminar organisation services
- 79952000 - Event services
- 79952100 - Cultural event organisation services
- 79953000 - Festival organisation services
- 79956000 - Fair and exhibition organisation services

### **II.2.3) Place of performance**

NUTS codes

- UKL22 - Cardiff and Vale of Glamorgan

Main site or place of performance

St David's Hall, Cardiff, CF10 1AH.

### **II.2.4) Description of the procurement**

Continued from II.1.4)

The Council will also enter into a Business Sale Agreement ("BSA") with AMG to enable service handover and continuity at the Venue. This will transfer the "book" of existing events and the assets of the business at the Venue to AMG for nil value. It will also transfer the benefit of relevant consents to operate the business. All current Venue staff are expected to TUPE transfer to AMG.

The lease obliges AMG to manage and repair (in a manner that AMG determines) a list of

defects. The cost to bring the Venue back to its original condition is estimated at 38mGBP. AMG will be responsible for maintaining the condition of the building and would have flexibility to invest in and improve the Venue.

The lease requires (amongst other normal terms) AMG to keep the Venue open in a safe and operational condition in line with industry standards and as required by all statutory and licensing requirements.

The estimated value in II.1.7 and V.2.4 represents the Council's assessment of the lower end of the potential net profit that could be achieved for a venue of this nature over a 45 year term. The potential higher end net profit over the 45 year term could be in the region of 67mGBP. These values are based on the Council's projections of total revenues that may be achieved over the maximum 45 years and assumes a 5-10% net profit (which is a common range in this industry). The actual value of the opportunity (and potential revenues and profit turns) will depend on many commercial factors (including but not limited to) the performance and success of the tenant's business and market conditions.

Continued below in VI.3) Additional Information.

#### **II.2.11) Information about options**

Options: No

#### **II.2.13) Information about European Union Funds**

The procurement is related to a project and/or programme financed by European Union funds: No

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## **Section IV. Procedure**

### **IV.1) Description**

#### **IV.1.1) Type of procedure**

Award of a contract without prior publication of a call for competition in the cases listed below

- The procurement falls outside the scope of application of the regulations

Explanation:

The Council has structured the arrangements as a grant of a lease which does not involve an acquisition activity governed by the Public Contracts Regulations 2015 (as amended)

or Concession Contracts Regulations 2016.

The Council has obtained valuation advice in respect of the proposed disposal and will grant the lease for peppercorn rent. The market value of the rent acknowledges and takes into account the substantial building liability and remedial works that AMG will be required to take on as tenant of the Venue.

The lease does oblige AMG to address defects, repair and maintain the Venue, but these are incidental and ancillary to the lease arrangements because: (i) the estimated value of the works at 38mGBP is small compared to the estimate potential value of the operator opportunity over 45 years of the lease; (ii) the main purpose of the transaction is to transfer the Venue to an independent operator and not the securing of the works; and (iii) AMG has a broad discretion to determine the manner, timing and specification of the works as a tenant of the Venue. Furthermore, it is not practical for the works to be severable to be delivered by an alternative contractor given AMG's occupation and operation of the Venue.

If AMG does not manage and repair the defects so that the Venue is safe and operational, the Council can terminate the lease or procure the delivery of those works at AMG's cost. AMG may voluntarily elect to carry out other works (including alteration upgrades, enhancements and other repairs and maintenance as may be needed) at the Venue in accordance with its own requirements.

The lease also requires AMG to keep the Venue open in a safe and operational condition in line with industry standards and as required by all statutory and licensing requirements. This is a standard commercial tenant requirement and does not amount to a services contract under the procurement rules.

The lease also requires AMG to maintain the classical music programme at the Venue and to provide the Services for those events and accommodate a community programme.

Continued in VI.4.3).

#### **IV.1.8) Information about the Government Procurement Agreement (GPA)**

The procurement is covered by the Government Procurement Agreement: Yes

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## **Section V. Award of contract/concession**

A contract/lot is awarded: Yes

### **V.2) Award of contract/concession**

#### **V.2.1) Date of conclusion of the contract**

16 December 2022

#### **V.2.2) Information about tenders**

The contract has been awarded to a group of economic operators: No

#### **V.2.3) Name and address of the contractor/concessionaire**

Academy Music Group Limited

211 Stockwell Road

London

SW9 9SL

Country

United Kingdom

NUTS code

- UKI - London

National registration number

003463738

The contractor/concessionaire is an SME

No

#### **V.2.4) Information on value of contract/lot/concession (excluding VAT)**

Total value of the contract/lot/concession: £45,000,000

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## **Section VI. Complementary information**

### **VI.3) Additional information**

Continued from II.2.4)

AMG will be able to provide a range of entertainment events at the Venue across the year. The majority of these events will be provided by third parties hiring the Venue although some may be provided by AMG directly.

The lease will require AMG to continue and maintain the classical music/community programme as part of the Venue's annual offering, reserving at least 80 days per annum for hosting/staging such events.

There is also an obligation on AMG to provide operational and venue management services (such as those listed in II.2.2 (above) to support the classical programme events ("Services"). There will be no service charge payable by the Council to AMG for the provision of these Services.

AMG will make the Venue available for other events and hire by third parties outside of times reserved for the classical programme.

(WA Ref:132101)

### **VI.4) Procedures for review**

#### **VI.4.1) Review body**

High Court

Royal Courts of Justice, The Strand

London

WC2A 2LL

Telephone

+44 2079477501

Country

United Kingdom

### **VI.4.3) Review procedure**

Precise information on deadline(s) for review procedures

In accordance with Regulations 88 – 104 (enforcement of duties through the court) of the Public Contracts Regulations 2015 (as amended) and Regulations 49 – 64 of the Concession Contracts Regulations 2016.

Continued from Annex D4:

The Services that the Council requires AMG to provide (based on the minimum 80 day classical/community programme above) amounts to approximately 22% of the event days available in each year. The Council's assessment of the estimated gross revenue potential for AMG for the Services during these days is estimated to be in the region of 750,000GBP per annum, before taking into account the costs incurred in providing those services and other general costs associated with operation and maintenance of the venue.

The Council considers that the obligation to provide a classical programme and supporting Services is incidental/ancillary to the main purpose of the transaction, for similar reasons to those given above because: (i) the value is small compared to the potential value of the operator opportunity; (ii) the main purpose of the transaction is to transfer the Venue to an independent operator and not the securing those activities; and (iii) these requirements would not have been pursued if the Venue was not being disposed of.