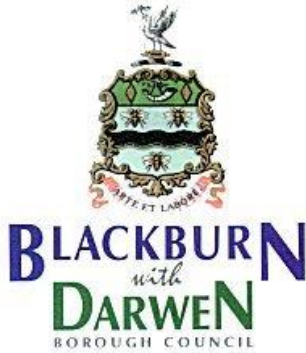


# EXECUTIVE BOARD DECISION



<b>REPORT OF:</b>	Executive Member for Leisure Culture and Young People Executive Member for Resources
<b>LEAD OFFICERS:</b>	Director of Environment and Leisure
<b>DATE:</b>	8 March 2018

<b>PORTFOLIO/S AFFECTED:</b>	Leisure Culture and Young People	Resources
<b>WARD/S AFFECTED:</b>	All	
<b>KEY DECISION:</b>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	

**SUBJECT: Closure of Blakey's café bar at King George's Hall and Progression with Grant of Lease of the Site**

## 1. EXECUTIVE SUMMARY

The Council undertook a review of the operating costs at King George's Hall in 2016. As a result of this review the opening hours for Blakey's café bar were reduced to make savings because the café bar had operated at a loss in 2016 and the Council could not afford to subsidise the facility in future years.

Despite the closure every Monday and reduction in opening hours, Tuesday to Saturday, Blakey's continued to make an operating loss in 2017/18, hence the Council was going to have to consider options for the future operation of the facility. This consideration was going to have to be made independently of any potential opportunities that could arise.

In November 2017, the Council received an informal enquiry from an interested party about the availability of business premises in Blackburn town centre for a new restaurant. The availability of Blakey's Café Bar at King George's Hall was discussed and in December 2017, the interested party informally declared an interest in the site.

The Council instructed Brady's of Manchester to measure, inspect and advise on the 'Blakey's' food and beverage offer; i.e., the likely tenants; the anticipated market rent and the preferred leasing mechanism.

The Council also instructed Brady's to undertake a 'soft' marketing campaign to those operators considered to offer the right style and mix of food offer, to include the sale of alcohol that could operate a large venue such as Blakey's. A total of 29 operators were contacted in writing, 2 operators asked for further information, which was provided and they withdrew their interest or did not pursue it further.

During the soft marketing period, negotiations with the interested party made good progress, and it is considered that in principle, a lease can be agreed with them.

## **2. RECOMMENDATIONS**

That the Executive Board:

1. Approves the closure of Blakey's from Thursday 22 March 2018.
2. Approves the principle of granting a lease to the interested party for the Blakey's site.
3. Delegates authority to negotiate and agree the lease terms and other connected matters between the Council and the interested party to the Deputy Chief Executive and the Director of Environment and Leisure in consultation with the Executive Member for Leisure, Culture and Young People and the Executive Member for Resources and bring a further report to the Executive Board for approval.

## **3. BACKGROUND**

In 2016, the Council undertook a review of the operating costs at King George's Hall. As a result of this review the opening hours for Blakey's café bar were reduced to make savings. From January 2017, the Café Bar closed on Mondays and operated at reduced opening times from 9.00am to 3.00pm from Tuesday to Saturday. The reduction in opening times was implemented because Blakey's had operated at a loss in 2016/17 and the Council could not afford to subsidise the facility in future years.

The operating costs for Blakey's have been closely monitored throughout 2017/18 and despite the closure on Mondays and the reduction in opening times; the Café Bar continues to operate at a loss when all operating costs are taken into account. As a result, the Council was considering options regarding the future operation of the facility beyond 2017/18. Further details of the financial costs are set out below.

In November 2017, the Council received an informal enquiry from an interested party about the availability of business premises in Blackburn town centre for a new restaurant offer. The availability of Blakey's at King Georges Hall was discussed and in December 2017 the interested party informally declared its interest in the site.

The Council instructed Brady's of Manchester to measure, inspect and advise on the 'Blakey's' food and beverage offer within the King George's Hall. Brady's were asked to advise on the likely tenants, the anticipated market rent and the preferred leasing mechanism, to include lease covenants protect the Council's ongoing control of the venue to ensure the smooth running of the Theatre. This information was used in the Council's negotiations with the interested party to lease Blakey's and establish a new restaurant.

The Council also instructed Brady's to undertake a 'soft' market testing campaign to those operators considered to offer the right style and mix of food offer, to include the sale of alcohol that could operate a large venue such as Blakey's. Brady's subsequently wrote to 29 operators, the terms offered were a 15 year internal repairing and insuring lease without the benefit of Security of Tenure, as retaining ongoing control of the restaurant by the Council after lease expiry was considered of paramount importance. A service charge to be levied to recover a fair proportion of external maintenance and decoration costs, the upkeep of common areas and shared services. A guide rent was also quoted.

Brady's received positive responses from two operators who requested further information which was duly supplied. Unfortunately one operator decided to withdraw from the negotiations considering the venue unsuitable for their style of operation. The other operator didn't provide a definitive response to the additional information which was supplied, despite a number of emails and phone calls; therefore we consider that their lack of further interaction signals their failing interest. The Council also had a dialogue with another operator who expressed an interest in Blakey's but also wanted control of King

George's Hall, which was not on offer, consequently they withdrew from negotiations.

During the soft marketing period and still presently, negotiations with the interested party have made good progress, and it is considered that in principle, a lease can be agreed with them.

#### **4. KEY ISSUES & RISKS**

In 2017, the opening times for Blakey's Café Bar were reduced to make savings because the facility operated at a loss in 2016/17.

The café bar continues to operate at a loss when all the operating costs are taken into account and this is unaffordable. As a result, the Council was going to have to consider options regarding the future operation of the facility beyond 2017/18. The proposed closure recommended by this report is being made independently of any of the potential opportunities that are set out also in this report.

A key issue is that this decision to close Blakey's Café Bar will mean that 5 staff face either redeployment or in the worst case, redundancy.

It is also acknowledged that a risk inclosing the Café Bar means it will render a significant area of King Georges Hall obsolete and customers visiting the venue to attend a show would have to make alternative arrangements to eat elsewhere if they wished to have a pre-concert meal.

#### **5. POLICY IMPLICATIONS**

The establishment of a new high quality restaurant in Blackburn will address a key gap in the food offer available in the town centre. This development is a key project in the Council's town centre regeneration programme and accords with the planned developments at Northgate and Blakey Moor and the proposed new cinema development. The letting of Blakey's to the interested party fits with the aspirations for this area of the town centre and will support future lettings.

#### **6. FINANCIAL IMPLICATIONS**

It will be an expected condition of any required new lease that the Council will not be required to invest in the refurbishment of Blakey's, these costs will be borne by the new tenant. However in order to provide uninterrupted trading for the new restaurant, the Council would be prepared to undertake repairs to the air handling system and replace some of the existing units which are dilapidated, inefficient and in some cases have ceased to operate. The Council would also be agreeable to removing the main bar and erect a new stud wall partition where the main bar is currently located. As part of the internal reconfiguration, the Box Office will also be relocated to the King George's Hall entrance foyer which will require some minor alterations and improvements.

Five members of staff are currently employed in Blakey's. The Council will make all efforts to redeploy these staff, however if we were unable to redeploy all the staff, there would be redundancy costs to pay.

#### **7. LEGAL IMPLICATIONS**

The agreed terms of the new lease will be provided as part of a further report, following further discussion with the new tenant and in accordance with the Council's constitution, policy and legal requirements.

#### **8. RESOURCE IMPLICATIONS**

The Council's project manager along with property colleagues will complete the improvement works to the air handling system in Blakey's.

The Council's in house legal services team will complete the lease.

## 9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1  Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2  In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. (*insert EIA link here*)

Option 3  In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. (*insert EIA attachment*)

## 10. CONSULTATIONS

A 'soft' market testing process was undertaken, information was sent to 29 food and beverage operators to ascertain if any other operators were interested in leasing Blakey's Café Bar to establish a new food offer, to include the sale of alcohol, that could operate a large venue such as Blakey's

Under the council's Redundancy Policy a 45 day consultation period with the affected staff has commenced including Union consultation

## 11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

## 12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

<b>VERSION:</b>	<b>0.02</b>
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<b>CONTACT OFFICER:</b>	<b>Martin Eden</b>
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<b>DATE:</b>	08 March 2018
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<b>BACKGROUND PAPER:</b>	
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