



# EXECUTIVE BOARD DECISION

<b>REPORT OF:</b>	Executive Member for Leisure Culture and Young People
<b>LEAD OFFICERS:</b>	Executive Member for Resources Director of Environment and Leisure (Please Select)
<b>DATE:</b>	12 April 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: Grant of Lease for Blakey’s café bar at King George’s Hall**

## 1. EXECUTIVE SUMMARY

Blakey’s café bar continued to make an operating loss in 2017/18 despite the closure every Monday and reduction in opening hours which was implemented in January 2017. Accordingly, the Executive Board approved the closure of Blakey’s Café Bar with effect from 21 March 2018.

In December 2017, the Council received an expression of interest from the owner and proprietor of a high quality restaurant in Liverpool (being the interested party) about the availability of Blakey’s Café Bar at King George’s Hall to open a new restaurant.

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, however one operator withdrew their interest, and the other did not pursue it further.

Negotiations with the interested party regarding the opening of a new restaurant within Blakey’s café bar have continued to make good progress; it is recommended that a lease for Blakey’s Café Bar is agreed with the interested party.

## 2. RECOMMENDATIONS

That the Executive Board:

1. Approves the granting a lease to the interested party for the Blakey’s site.
2. 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

### **3. BACKGROUND**

In December 2017 the Council received an expression of interest from an interested party about taking over Blakey's cafe bar at King Georges Hall to open a new restaurant.

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

Blakey's café bar was continuing to make an operating loss despite the closure every Monday and reduction in opening hours which was implemented in January 2017. Accordingly, Executive Board approved the closure of Blakey's Café Bar with effect from 21 March 2018.

Discussions and negotiations with the interested party have made good progress, and it is recommended that a lease be agreed with them to open a new restaurant.

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

Blakey's Café Bar has continued to operate at a loss when all the operating costs are taken into account and this is unaffordable. As a result, Executive Board approved the closure of Blakey's with effect from 21 March 2018.

Blakey's Café Bar closed on Wednesday 21 March 2018. A significant area of King George's Hall is currently empty and obsolete and customers visiting the venue to attend a show will have to make alternative arrangements to eat elsewhere if they wish to have a pre-concert meal. Therefore it is important that we develop a new food and beverage offer within King George's Hall at the earliest opportunity.

### **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**

The interested party is proposing to invest a significant sum of money on refurbishing Blakey's, this will include the removal of the staging, installing new flooring and lighting, a complete redecoration of the café bar and the refurbishment of the toilet facilities along with new furniture, fixtures and fittings.

In order to provide uninterrupted trading for the new restaurant, the Council has arranged for the air handling system to be repaired, some of the existing units which are dilapidated, inefficient and in some cases have ceased to operate will be replaced. The Council has removed the main bar and will be erecting a new stud wall partition where the main bar was 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 minor alterations and improvements.

The new tenant will pay a rent and service charge to the Council for occupying Blakey's café bar. The tenant will also be liable to pay NNDR.

Council has considered the financial *bona fides* of the proposed tenant in order to assess whether guarantors or a rent bond is required for the financial comfort to the Council.

## 7. LEGAL IMPLICATIONS

The lease for Blakey's will contain the information detailed in the agreed Heads of Terms.

It has been confirmed that the proposed lease holder is a director and shareholder of a company that has the long lease on other restaurant premises (with a personal current stake of between 25-50% in that company according to the most recent public company records). Land Registry details reveal that the company paid a significant sum of money for the restaurant in 2017 which is on a 999 year lease for a pepper corn rent.

The proposed lease holder has agreed to deposit a six month rent bond to provide the Council with financial comfort.

## 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

## 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.

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**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>1</b>
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<b>CONTACT OFFICER:</b>	<b>Martin Eden</b>
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<b>DATE:</b>	28 March 2018
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<b>BACKGROUND PAPER:</b>	Executive board report 'Closure of Blakey's café bar at King George's Hall and Progression with Grant of Lease of the Site' dated 8 March 2018
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