

# Blackpool Council

11 May 2018

To: Councillors Benson, Blackburn, Cain, Campbell, Cross, Jackson, Kirkland, Smith, I Taylor and Mrs Wright

The above members are requested to attend the:

## EXECUTIVE

Monday, 21 May 2018 at 6.00 pm  
in Committee Room A, Town Hall, Blackpool

## A G E N D A

### 1 DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

(1) the type of interest concerned either a

- (a) personal interest
- (b) prejudicial interest
- (c) disclosable pecuniary interest (DPI)

and

(2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

- 2 **RE-DEVELOPMENT OF FLATS AT 19-29 TROUTBECK CRESCENT** (Pages 1 - 10)
- 3 **PROVISION OF A BUSINESS LOAN TO BLACKPOOL TEACHING HOSPITALS NHS FOUNDATION TRUST** (Pages 11 - 16)
- 4 **WINTER GARDENS CONFERENCE AND EXHIBITION CENTRE** (Pages 17 - 26)

**Venue information:**

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

**Other information:**

For queries regarding this agenda please contact Lennox Beattie, Executive and Regulatory Manager, Tel: (01253) 477157, e-mail [lennox.beattie@blackpool.gov.uk](mailto:lennox.beattie@blackpool.gov.uk)

Copies of agendas and minutes of Council and committee meetings are available on the Council's website at [www.blackpool.gov.uk](http://www.blackpool.gov.uk).

<b>Notice of:</b>	<b>EXECUTIVE</b>
<b>Relevant Officer:</b>	Andrew Foot, Head of Housing
<b>Relevant Cabinet Member:</b>	Councillor Mrs Christine Wright, Cabinet Member for Housing
<b>Date of Meeting:</b>	21 May 2018

## RE-DEVELOPMENT OF FLATS AT 19-29 TROUTBECK CRESCENT

### 1.0 Purpose of the report:

- 1.1 To seek approval for the demolition of 81 flats at 19-29 Troutbeck Crescent, Mereside, including taking possession of 77 flats from current Council tenants and the acquisition of 4 flats from leasehold owners to facilitate new housing development on the site.

### 2.0 Recommendation(s):

- 2.1 To take possession of 77 flats from current Council tenants and seek to acquire 4 flats from leasehold owners through voluntary agreement at 19-29 Troutbeck Crescent, and make Home Loss and Disturbance payments in accordance with statutory requirements.
- 2.2 To authorise the preparation of one or more Compulsory Purchase Orders in relation to the acquisition of leasehold and any other relevant interests to support site assembly at 19-29 Troutbeck Crescent, the making of any subsequent Order being subject to further Executive approval.
- 2.3 To suspend the usual re-letting of 1 bedroom flats elsewhere at Mereside so that there are sufficient alternative Council homes available for tenants moving from 19-29 Troutbeck Crescent.
- 2.4 Once vacant possession has been acquired, and subject to the relevant planning approvals, to demolish the 81 existing flats at 19-29 Troutbeck Crescent to make available a site for new housing development.
- 2.5 To bring a further report to Executive for approval when plans for new development on the site have been drawn up and are ready to be taken forward.

**3.0 Reasons for recommendation(s):**

3.1 To address the unpopularity and poor conditions in the existing flats and enable development of new homes.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

It is not possible to continue with the current situation.

At paragraph 5.6 the possibility of refurbishment and re-configuration of the existing flats is analysed and the reasons it is not the preferred option are outlined there in detail.

**4.0 Council Priority:**

4.1 The relevant Council priorities are: "The Economy: Maximising growth and opportunity across Blackpool" and "Communities: Creating stronger communities and increasing resilience".

**5.0 Background Information**

5.1 Over the last few years the 77 flats rented by the Council through Blackpool Coastal Housing (BCH) at 19-29 Troutbeck Crescent, Mereside have become increasingly unpopular. There has been high turnover of the homes, an annual turnover ranging from 20-25% compared with around 10% for the whole Council housing stock, and it has been difficult to let the homes to new tenants.

5.2 The flats were constructed in the 1960s and comprise 42 one bedroom flats and 39 bedsits. There are 57 of the flats and bedsits in T-shaped three storey blocks that are accessed through internal stairwells and a further 24 flats are in three storey deck access blocks. In total 3 of the flats in the deck access blocks and one of the flats in the T blocks have been sold to leaseholders through the Right to Buy. The blocks are located on the very edge of the Blackpool urban area, facing Preston New Road and Junction 4 of the M55, and thereby form one of the main gateways to Blackpool.

5.3 The principal reasons for the unpopularity of the flats are:

- Bedsits have become unpopular wherever they exist in the Council housing stock because most applicants prefer and can afford a one bedroom flat, even if they are single and under 35 years old and restricted to Housing Benefit at the Single Room Rate of £61.15 per week.
- Some of the flats and bedsits have very small kitchens or bathrooms that do not meet modern standards and the flats have electric heating systems that are costly to run.
- The communal access areas are dark and unattractive.
- There is a concentration of small units of accommodation mostly occupied by single people, with shared access arrangements.
- The relatively remote location is unattractive to some potential tenants.

5.4 The current and future projected costs of managing and maintaining the flats are high. Although the flats received Decent Homes investment several years ago, there remains a need for significant investment in the blocks for them to continue to meet this standard. The estimated cost of planned maintenance work for the 77 flats still owned by the Council over the next 30 years is £2,958,859 (at today's prices), equivalent to £38,427 per flat or £1,280 per flat per year. The high cost for such small flats and bedsits reflects the large extent of communal areas, grounds and outhouses. There would be a need to re-cover access decks and carry out balcony remediation works in the next 30 years and replace boundary walls, fencing, paving and hard-standings. The six T blocks have communal TV systems and door entry systems which are expensive to replace. Of the estimated spend of just under £3 million in the next 30 years, £500,000 would be required in the next five years.

5.5 There are also high on-going responsive repairs, management and servicing costs of £85,000 per year, equivalent to £1,104 per year for each Council rented flat. High turnover and difficulties in re-letting have led to high management costs and rent loss. Management costs have been exacerbated by high levels of anti-social behaviour and there have been higher than average levels of rent arrears among tenants in the blocks. Blackpool Coastal Housing has instigated management measures to try to address the unpopularity of the flats, including increasing the lettable standard to attract new tenants but this has not led to a significant uplift in demand. Consideration has also been given to introducing new lettings policies but the flats are not sufficiently attractive to a wider customer base. Blackpool Coastal Housing has ceased re-letting flats as they have become vacant since late 2016 because of the difficulty in finding new tenants, and because of the recognition that significant action is required which would potentially require tenants to move. There are currently 35 of the 77 rented flats held vacant.

5.6 It is now clear that radical action is required, and that this needs to address the configuration and not just the condition of the flats if it is to be sustainable in the long term. Two options have been considered:

1. Refurbishment and re-configuration. This would include converting all of the bedsits to create a wider mix of flats in the T blocks, addressing the problems of unacceptably small kitchens and bathrooms, and introducing gas central heating. A re-configuration would produce 24 no. 1 bedroom flats and 12 no. 2 bedroom flats in the T blocks and retain 24 no. 1 bedroom flats in the deck access blocks. A refurbishment scheme would also seek to make communal areas and external elevations of the blocks more attractive, including applying external wall insulation and rendering. The costs of a refurbishment scheme would be £3.43 million, equivalent to £61,250 per flat rented by the Council (as there would be 56 flats rented by the Council at the end with 4 leaseholders remaining).

2. Demolition and new build. It would cost an estimated £500,000 to acquire vacant possession of all of the existing flats, including Home Loss payments to tenants and buying out leaseholders, and a further £230,000 to demolish the existing blocks ready for a new development on the site. Around 40 new family homes could be constructed on the site. These could be affordable homes for rent with affordable homes able to attract new grant funding from Homes England.

5.7 There is also potential to develop further new homes on land on the east side of Troutbeck Crescent, to make best use of the existing road infrastructure and help offset the net loss in unit numbers of either the refurbishment or re-development option. Up to 30 new homes could be built on the east side of Troutbeck Crescent subject to planning approval while retaining landscaping to the Preston New Road and Clifton Road frontages.

5.8 It is recommended that the option of demolition and new build is taken forward because:

- The refurbishment scheme would not be sufficient to ensure the sustainability of the flats in the long term - while it would remove bedsits and create some larger flats, there would still be a concentration of flats with shared access arrangements. It would be impossible or uneconomic to adapt the existing building forms to create a wider mix of house types.
- The demolition and new development scheme will enable the construction of new homes that better meet the greatest needs for affordable homes in Blackpool. The existing Council housing stock and private rented sector has a majority of 1 bedroom flats and bedsits, and families needing affordable homes currently have to wait longer for a family house than single people and couples looking for flats. There is also a lack of homes for people with limited mobility who require level access.

- A re-development scheme will help improve this important gateway into Blackpool, opposite the new Whyndyke Farm development planned for the other side of Preston New Road.
- The initial costs of a refurbishment scheme would be less than the costs of demolition and building new homes, but access to grant funding for new build, higher rents from larger new homes, and the lower future management and maintenance costs would more than offset the initial cost difference – see Section 9 below.
- While a refurbishment scheme would enable some existing tenants and leaseholders to stay in their homes while work is carried out, most would have to move to enable the re-configuration making it almost as disruptive as re-development.

- 5.9 Demolition and re-development would mean that all existing tenants and leaseholders would need to move out. The demolition option would mean that new homes built on the site will not generally meet the needs of existing residents because they are likely to be predominantly family-sized homes and not small flats. However there are alternative Council flats elsewhere at Mereside and the 42 existing tenants will all be offered alternative Council tenancies and be able to stay at Mereside if they wish to do so. This report recommends a temporary suspension of the usual re-letting arrangements for one bedroom flats at Mereside so that they can be made available for tenants moving from 19-29 Troutbeck Crescent who wish to stay in the area.
- 5.10 Blackpool Coastal Housing is highly experienced at supporting vulnerable tenants to move to new homes, such as at Queens Park and All Hallows, and would support tenants to find a new home which meets their needs and support them with the removal arrangements. Tenants would be entitled to Home Loss payments of £6,200 per household if they have been resident for at least 12 months and also further Disturbance payments to help with removal costs.
- 5.11 Two of the four leasehold properties are currently owner occupied and two are privately rented. Owners will be compensated, and residents of the flats will be assisted to find alternative homes based on their individual circumstances. Any resident who has lived in a leasehold property for more than a year will also be entitled to a Home Loss payment.
- 5.12 Following approval of this report, work will begin immediately to find alternative homes for existing residents. At the same time, plans will be drawn up for a re-development scheme, potentially including land to the east of Troutbeck Crescent. The mix of new homes will focus on family sized houses. Local residents in the wider area will be consulted as the plans are worked up. A further report will be brought to Executive for approval when plans for new development on the site have been drawn up and are ready to be taken forward.

5.13 Is the Corporate Delivery Unit aware of this report? Yes

The Unit has considered the report and has no comments to make.

5.14 Does the information submitted include any exempt information? No

5.15 **List of Appendices:**

None.

**6.0 Legal considerations:**

6.1 Tenants and leaseholders have been consulted in accordance with legal requirements. Council tenants will be given the required notice of the termination of their existing tenancies and given offers of appropriate alternative accommodation in accordance with individual needs. The acquisition of leaseholder interests will be undertaken through voluntary agreement where possible but will otherwise be subject to Council powers to compulsorily purchase to enable demolition and re-development. The Council will pay statutory levels of compensation in the acquisition of all interests, including the termination of tenancies and acquisition of leasehold interests through voluntary agreement or Compulsory Purchase Order.

**7.0 Human Resources considerations:**

7.1 The demolition and re-development would be undertaken using existing staff resources. The scheme will be led by the Council's Housing team, with support on the planning of new development from the development team at My Blackpool Home. Officers of Blackpool Coastal Housing would lead the re-location of existing tenants, advising on the requirements for new Council homes, and letting of new Council homes. Negotiations with leaseholders would be conducted by the Council's Estates team and support at all stages will be provided by the Council's Legal and Finance teams.

**8.0 Equalities considerations:**

8.1 There are no specific additional consequences for groups with protected characteristics but re-development would have a significant impact on all existing residents. The re-location of residents would be undertaken by giving appropriate support to all those affected, in helping residents to understand their options and in assisting with moves.

## **9.0 Financial considerations:**

- 9.1 If no major action is taken, the costs of managing and maintaining the 77no. flats in Council ownership over the next 30 years, in today's prices, are estimated as:
- £3,000,000 in projected future capital investment costs over 30 years
  - £2,550,000 in management, responsive maintenance, and servicing costs over 30 years (£85,000 per year), based on standard management costs and recent responsive repairs and servicing costs.
- 9.2 This £5,550,000 in projected costs over the next 30 years compares with £6,284,000 in rent (at today's rent levels) that would be realised if the average vacancy rate of 10% and typical rent arrears of 5% that were experienced between 2014 and 2016 before new letting was suspended could be sustained. This is a notional surplus of £734,000 to the Council's Housing Revenue Account (HRA). But there is little prospect of this, and future occupancy and rental income would further deteriorate without major investment. Occupancy and rental income would only need to deteriorate by 12% before costs would outweigh income.
- 9.3 Pursuing the preferred option of demolition to enable re-development means accepting that the notional Housing Revenue Account surplus of doing nothing cannot be achieved. There is also an upfront cost of acquisition and demolition, including Home Loss and Disturbance payments, of around £730,000. This will produce a development site with existing road and services infrastructure for around 40 new houses. The value of the cleared site would help offset the costs of new development of Council homes or the majority of the cost could be recovered if the land was sold to another developer.
- 9.4 New affordable housing development on the site should stack up financially on its own terms over 30 years, assisted by new Affordable Housing Grant from Homes England which is likely to be available at a rate of around £30,000 per new home. New rented homes at Troutbeck Crescent could be delivered by the Council itself; although the borrowing headroom in the Council's Housing Revenue Account is limited by Government rules, the available borrowing is currently sufficient for the Council to bring forward around 100 new Council homes over the next 5 years.
- 9.5 As a comparison, the net cost to the Council's Housing Revenue Account business plan of pursuing the alternative refurbishment and conversion option would be £2.9 million over 30 years compared with no major investment. This is largely as a result of the £3.43 million works costs, along with rent loss from ending up with 21 fewer flats mitigated by savings in future capital investment, management and maintenance costs. The net costs to the Housing Revenue Account of this option would be significantly more than the net cost of the demolition and re-development option.

**10.0 Risk management considerations:**

10.1 The principal risk at this stage is the risk of not being able to acquire possession of all of the flats; there will be further risks associated with delivering a re-development scheme. Support will be given to ensure that all tenants can find and move to suitable new homes. Authority is sought through this report to start to prepare the case for compulsory purchase to ensure that powers can be put in place to acquire all of the leasehold interests. Work will begin immediately to develop plans for re-development; it is already clear that there is funding available for new affordable homes, and initial discussions have taken place with Planning officers to confirm support for the principle of new homes on the site.

**11.0 Ethical considerations:**

11.1 While re-development is disruptive to existing residents, the Council and Blackpool Coastal Housing will work with residents with compassion and transparency to deliver the scheme as set out in this report.

**12.0 Internal/ External Consultation undertaken:**

12.1 Blackpool Coastal Housing officers have spoken and/or written to everyone affected on behalf of the Council, encouraging them to give their views on the proposal for demolition and re-development and explaining what it could mean for them. Of those contacted, over 80% said that changes are required at Troutbeck. Around 60% supported demolition or had no objection and 40% were against demolition. Of current tenants contacted over half said that they had considered moving and of those who had not over half supported demolition.

**13.0 Background papers:**

13.1 None.

**14.0 Key decision information:**

14.1	Is this a key decision?	Yes
14.2	If so, Forward Plan reference number:	21/2018
14.3	If a key decision, is the decision required in less than five days?	No
14.4	If <b>yes</b> , please describe the reason for urgency:	

**15.0 Call-in information:**

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

**TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE**

**16.0 Scrutiny Committee Chairman (where appropriate):**

Date informed: 11 May 2018 Date approved:

**17.0 Declarations of interest (if applicable):**

17.1

**18.0 Executive decision:**

18.1

**18.2 Date of Decision:**

**19.0 Reason(s) for decision:**

**19.1 Date Decision published:**

**20.0 Executive Members in attendance:**

20.1

**21.0 Call-in:**

21.1

**22.0 Notes:**

22.1

<b>Report to:</b>	<b>EXECUTIVE</b>
<b>Relevant Officer:</b>	Steve Thompson, Director of Resources
<b>Relevant Cabinet Member:</b>	Councillor Simon Blackburn, Leader of the Council
<b>Date of Meeting:</b>	21 May 2018

## PROVISION OF A BUSINESS LOAN TO BLACKPOOL TEACHING HOSPITALS NHS FOUNDATION TRUST

### 1.0 Purpose of the report:

- 1.1 To support the Council's local public sector partner, Blackpool Teaching Hospitals NHS Foundation Trust ("the Foundation Trust"), with its investment in front-line services by facilitating a debt restructure via the Council's Business Loans Fund.

### 2.0 Recommendation:

- 2.1 To authorise the provision of a £27,100,000 plus fees loan over a 25-year repayment period to the Foundation Trust, on the terms outlined in Paragraph 5.4
- 2.2 To delegate to the Director of Resources the approval of any further detailed terms for the provision of the loan.
- 2.3 Subject to the approval of 2.1, to authorise the Council's Deputy Head of Legal Services to draw up and enter into a suitable legal agreement with the Foundation Trust.

### 3.0 Reason for recommendation:

- 3.1 To provide the funding that the Foundation Trust is seeking to allow it to restructure some debt, releasing resources for the investment in its front-line services.
- 3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No
- 3.2b Is the recommendation in accordance with the Council's approved budget? Yes

### 3.3 Other alternative options to be considered:

The only alternative option for the Council is not to progress this loan which would prevent both the Foundation Trust and the Council from making savings to their respective budgets.

### 4.0 Council Priority:

4.1 The relevant Council priorities are: “The economy: Maximising growth and opportunity across Blackpool” and “Communities: Creating stronger communities and increasing resilience”.

### 5.0 Background Information

5.1 The Council meeting on 23 February 2017 approved as part of the General Fund Revenue Budget 2017/2018 an increase to the Council’s Business Loans Fund from £10.0m to £100.0m and with immediate effect.

5.2 The very first loan issued from this increased facility was one of £9,230,000 to the Foundation Trust itself for the purpose of investing further in its transformation programme and bolstering its working capital. This loan was secured against the Foundation Trust’s income-generating multi-storey car park and was sourced from the Public Works Loan Board. Loan repayments have since been made in accordance with the pre-agreed schedule.

5.3 In the New Year the Council was once again approached by the Foundation Trust about a further loan for the purposes of restructuring an existing loan that had been taken out with the Foundation Trust Finance Facility back in 2009. Unlike the previous loan this one would be unsecured as there are insufficient non-operational assets to secure against and the Foundation Trust is not legally allowed to secure against operational assets, but it would be issued on the basis of creditor assurance as laid out in Department of Health guidance (see paragraph 10.1).

5.4 The Council’s Business Loans Fund Panel has recommended approval of a loan to the Foundation Trust on the following terms:

- a loan of up to £27,100,000 plus fees
- a repayment term of 25 years
- an interest rate to be set at the mid-point of the Foundation Trust’s current loan rate and the standard Public Works Loan Board Equal Instalments of Principal (EIP) rate on the day the 25-year loan is raised
- unsecured on the basis that all liabilities of a Foundation Trust are protected by the Department of Health
- a one-off arrangement fee of 0.5% be applied (lower than the standard 0.75% in view of the lighter touch due diligence and monitoring regime required), which

will include legal fees and can be rolled into the overall loan value

- to delegate to the Director of Resources any further detailed terms not stated above.

5.5 This application is different from normal business loans in terms of the nature of the applicant as a strategic public sector agency. A detailed assessment of the financial position of the Foundation Trust has not been undertaken. The key issue is whether the Foundation Trust is in a position to repay a loan of this scale and what recourse the Council would have should in the worst case scenario the Foundation Trust were to default on its loan or be placed in special measures. This is detailed further in the Risk Management Considerations section (paragraph 10.1).

5.6 Does the information submitted include any exempt information? No

5.7 **List of Appendices**

None.

6.0 **Legal considerations:**

6.1 As the loan will not be used to invest in services offered by the Foundation Trust of a commercial nature then it is not considered that state aid can apply. The Council has the powers to make such a loan under the general powers of competence under the Localism Act 2011 Section 1.

6.2 Subject to the approval of the loan, a legal agreement will be drawn up by the Council's Deputy Head of Legal Services.

7.0 **Human Resources considerations:**

7.1 None.

8.0 **Equalities considerations:**

8.1 None.

9.0 **Financial considerations:**

9.1 As outlined above in the Background Information section.

## **10.0 Risk management considerations:**

- 10.1 Guidance has been produced by the Department of Health with regards to unsecured creditors entitled *NHS Trust and foundation trust special administration – a guide for unsecured creditors*, Department of Health, November 2015. The 2015 version replaced the 2013 guidance, taking into account recent Acts which have strengthened the Trust Special Administrator's regime. However, the fundamental principles in relation to creditors' rights remain unchanged. The key sections worth noting in terms of a Trust getting into financial difficulty are sections 6/7 and 8:

### **6. Is the Secretary of State liable for all the liabilities of a dissolved NHS trust?**

*The Secretary of State has an obligation to deal with all of the liabilities of an NHS trust that is dissolved at the conclusion of the TSA Regime<sup>1</sup>. Section 70 of the 2006 Act places a duty on the Secretary of State to transfer all of a dissolved NHS trust's liabilities to another NHS body, to the Secretary of State, or to Welsh Ministers. This means that all creditors of an NHS trust are protected and all liabilities of all NHS trusts are safeguarded.*

### **7. Is the Secretary of State liable for all the liabilities of a dissolved foundation trust?**

*In the event that a decision is made at the conclusion of the TSA Regime to dissolve an FT, Monitor must make an order under Section 65LA of the 2006 Act to dissolve that FT. The order must provide for the transfer of all of the FT's liabilities to another NHS body, to the Secretary of State, between more than one NHS body or between one or more NHS bodies and the Secretary of State. This means that all creditors of an FT are protected and all liabilities of all FTs are safeguarded.*

### **8. Does the TSA Regime mean that in all cases 100% of any due debt/liability will be met according to current terms of business with suppliers and there are no circumstances in which creditors might be offered anything less than this?**

*The appointment of the TSA does not affect any contractual obligations that the NHS trust or FT owes to third parties. If an NHS trust or FT is under a contractual obligation prior to the appointment of the TSA, it will continue to be after that appointment. As stated under question 6, section 70 of the 2006 Act places a duty on the Secretary of State to deal with all the liabilities of any NHS trust that is dissolved, and an order made by Monitor under section 65LA of the 2006 Act will transfer all liabilities of an FT that is dissolved as set out under question 7.*

*NHS legislation does not impose a duty on a TSA to meet debts according to current terms of business with suppliers. Our expectation is that a TSA will strive to deal with debts in accordance with current terms of business. Suppliers will need to decide for themselves the terms on which to do new business with an NHS trust or FT under trust special administration. However, an NHS trust or FT to which a TSA has been appointed*

*remains covered by the section 70 obligations (in relation to NHS trusts) or section 65LA obligations (in relation to FTs), which have the effect of safeguarding all liabilities.*

The guidance therefore provides reassurance that any loan agreement between the Council and an NHS Trust is secure in that any temporary or replacement body will become responsible for all liabilities.

**11.0 Ethical considerations:**

11.1 The Council is able to support its residents indirectly by providing better value financing to another public sector third party.

**12.0 Internal/ External Consultation undertaken:**

12.1 Consultation has been undertaken internally with the Council's Treasury Management Panel and Business Loans Fund Panel and externally with the Foundation Trust's Finance Committee.

**13.0 Background Papers**

13.1 NHS trust and foundation trust special administration – a guide for unsecured creditors, Department of Health, November 2015.

Confidential Treasury Management Panel working papers and Business Loans Fund Panel minutes that by their commercially sensitive nature are not available for public inspection.

**14.0 Key decision information:**

14.1 Is this a key decision? Yes

14.2 If so, Forward Plan reference number: 2/2018

14.3 If a key decision, is the decision required in less than five days? No

14.4 If **yes**, please describe the reason for urgency: N/A

**15.0 Call-in information:**

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

**16.0 Scrutiny Committee Chairman (where appropriate):**

Date informed: 11 May 2018 Date approved: N/A

**17.0 Declarations of interest (if applicable):**

17.1

**18.0 Executive decision:**

**18.2 Date of Decision:**

**19.0 Reason(s) for decision:**

**19.1 Date Decision published:**

**20.0 Executive Members in attendance:**

**21.0 Call-in:**

**22.0 Notes:**

<b>Report to :</b>	<b>EXECUTIVE</b>
<b>Relevant Officer:</b>	Alan Cavill, Director of Place
<b>Relevant Cabinet Member:</b>	Councillor Simon Blackburn, Leader of the Council
<b>Date of Meeting:</b>	21 May 2018

## WINTER GARDENS CONFERENCE AND EXHIBITION CENTRE

### 1.0 Purpose of the report:

1.1 To seek authority for additional project funding through debt finance, in the form of Prudential Borrowing, as detailed in the Appendix 4a to this report.

### 2.0 Recommendation(s):

2.1 That authority is provided for the revised project funding through debt finance, in the form of Prudential Borrowing as detailed in Appendix 4a to this report.

### 3.0 Reasons for recommendation(s):

3.1 To deliver a fit for purpose 21<sup>st</sup> century conference centre which once delivered will allow Blackpool to compete in the economically important business tourism sector and significantly contribute toward attaining the Council vision for Blackpool of being the UK's number one family resort with a thriving economy that supports a happy and healthy community who are proud of this unique town.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None.

### 4.0 Council Priority:

4.1 The relevant Council priority is: "The economy: Maximising growth and opportunity across Blackpool".

## 5.0 Background Information

- 5.1 Following receipt of delegated authority under Executive decision EX29/2017 allowing the Director of Place to progress the project, the Conference Centre development is well underway.
- 5.2 As set out in Executive Report EX29/2017 the Winter Gardens complex is a Grade II\* listed building with different elements of the structure built between 1875 and 1939. This, together with prolonged historical under-investment prior to the building being brought back into public ownership, means that large scale building works on the site contain inherent risk and this is listed as an area which requires continued close management through to project completion.
- 5.3 During the enabling works stage of the project a number of significant issues have been uncovered associated with the condition of the existing complex, which required dealing with immediately. These include:
- Removal of a high volumes of redundant material
  - Substantial repairs undertaken to the existing building facades abutting the new build element of the project
  - Existing roof renewal and replacement and enhancement of rain water goods
- 5.4 The total estimated construction cost of the scheme was based on pre-tender assessments. Many of those estimates have now been competitively tendered as part of the process in ensuring value for money is achieved from the scheme.
- 5.5 The actual prices for work packages procured are in excess of the pre-tender estimations. As such, a value engineering exercise has been undertaken with the objective of reducing the project expense while maintaining the overall quality of the development. This initiative has been successful in reducing the project cost base but it is considered that any further value engineering would detrimentally affect the functionality of the completed development.
- 5.6 The points listed at 5.2 to 5.5 above have resulted in a funding shortfall which this report seeks to address through requesting additional finance as set out in the financial Appendix to this report.
- 5.7 Is the Corporate Delivery Unit aware of this report? Yes
- The Unit has considered the report and has no comments to make.
- 5.8 Does the information submitted include any exempt information? No

Appendix 4a is not for publication by Paragraph 3 of Schedule 12a of the Local Government Act 1972 as the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

**5.9 List of Appendices:**

Appendix 4a Finance – Commercially Sensitive Information.

**6.0 Legal considerations:**

6.1 None.

**7.0 Human Resources considerations:**

7.1 None.

**8.0 Equalities considerations:**

8.1 None.

**9.0 Financial considerations:**

9.1 This project is funded by a combination of grant funding and debt finance. All of the grant funding applied for has been secured. Approval has already been provided to implement a number of decisions authorising debt funding to reach this stage of development namely:

- EX34/2016 on the 18 July 2016, PH60/2016 and EX41/2016 regarding the funding for Architects
- Officer Decision on the 2 May 2017, pre-construction works
- EX20/2017 approving funding on the 19 June 2017 for the Enabling Works package
- EX29/2017 approving the project funding package

9.2 The cost of the scheme and associated funding package are set out in the Appendix 4a to this report. Subject to authority, the remaining funding balance is to be met through Prudential Borrowing.

9.3 Table 1 overleaf sets out the debt repayment estimates in summary form associated with the additional finance sought through this report. Analysis of the forecast Conference Centre business plan confirms financing costs will be met through new, incremental business, generated as a direct result of the project.

9.4 Marketing activity continues and will accelerate for the period to the official opening of the Centre and beyond. The business model associated with the development employs a prudent approach to the number of new bookings required to meet the scheme liabilities, listing sixteen small to medium size new events per year, and this level of activity is further tempered via the application of risk factors.

- 9.5 Event enquiries to date have been strong and the marketing team is currently actively working on leads in excess of the risk-factored number of bookings required by the business plan for 2019 and 2020 respectively with some events already confirmed, in addition to expressions of interest for 2021 and beyond.

**Table 1 - Estimated Debt repayments Summary**

£'000's

Year	1	2	3	4	5	6 - 30	Total
Debt finance costs	125	123	120	118	115	2,063	2,663

- 9.6 As set out in Executive Report EX34/2016, remaining financial surpluses generated through new, incremental Conference and Exhibition Centre business, and after charging all associated expenditure, will be allocated to a ring-fenced sinking fund to be used for the upkeep and further enhancement of the Winter Gardens complex.

#### **10.0 Risk management considerations:**

- 10.1 As previously highlighted in this report, the Winter Gardens complex is Grade II\* listed and this together with the age of the building and prolonged historical under-investment prior to the building being brought back into public ownership means that large scale building works on the site contain inherent risk. This risk will require continued close management through to project completion.
- 10.2 The time constraints associated with completing the project are extremely tight. All the major scheme deadlines have been met to date and robust management arrangements will continue so as to help ensure the risk of deviation from schedule is mitigated.
- 10.3 As set out at 9.5 above, event enquiries to date are in excess of the bookings required by the risk-factored business plan for 2019 and 2020 however, there is a risk that actual future business levels may be less than those required. The process of implementing a dedicated sales and marketing team to help mitigate this risk is under way and this area will continue to be closely monitored.
- 10.4 A number of robust financial, performance and risk management controls and measures have been implemented as part of the delivery of this scheme. These will continue to be maintained in order to help manage the specific points listed at 10.1 and 10.2 above in addition to other project risk considerations.

**11.0 Ethical considerations:**

11.1 None.

**12.0 Internal/ External Consultation undertaken:**

12.1 Consultation has taken place with both internal departments and external consultants on the requirements set out in this report.

12.2 Stakeholder communication will continue throughout the delivery of this project.

**13.0 Background papers:**

13.1 None.

**14.0 Key decision information:**

14.1 Is this a key decision? Yes

14.2 If so, Forward Plan reference number: 17/2018

14.3 If a key decision, is the decision required in less than five days? No

14.4 If **yes**, please describe the reason for urgency:

**15.0 Call-in information:**

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

**16.0 Scrutiny Committee Chairman (where appropriate):**

Date informed: 11 May 2018 Date approved:

**17.0 Declarations of interest (if applicable):**

17.1

**18.0 Executive decision:**

18.1

**18.2 Date of Decision:**

**19.0 Reason(s) for decision:**

**19.1 Date Decision published:**

**20.0 Executive Members in attendance:**

**21.0 Call-in:**

**22.0 Notes:**