

Officer Non Key Executive Decision

Relevant Chief Officer (Decision Maker):

Alan Cavill, Director of Communications and
Regeneration

**Relevant Cabinet Member (for
consultation purposes):**

Councillor Simon Blackburn, Leader of the Council

Report Author (Officer name and title):

Talha Yakub, Senior Project Manager

Implementation Date of Decision:

7 November 2019

INVESTMENT IN TOWN CENTRE- HOUNDSHILL SHOPPING CENTRE

1.0 Purpose of the report:

1.1 Pursuant to Executive Decision EX32/2019 of July 2019 to purchase the Houndshill Shopping Centre to consider:

- the internal management of Houndshill Shopping Centre
- procurement of an Asset Manager/equity partner, and,
- development of the phase 2 extension of the Houndshill Shopping Centre

2.0 Recommendation(s):

- 2.1 To continue the arrangements agreed in decision EX32/2019 of 15 July 2019 for the Director of Communications and Regeneration to approve matters relating to the leasing arrangements including new leases, lease renewals, rent reviews and tenants incentives at the Houndshill Shopping Centre, after discussions at the Management Board.
- 2.2 To agree, after consultation with the Leader of the Council and Section 151 officer, in principle to the funding of the phase 2 extension of up to £22.5m £22.5million potentially using Prudential Prudential Borrowing Powers, with a report to be submitted to a future Executive meeting once the outcome of the bid in 2.3 is known.
- 2.3 To submit a Future High Street Fund fast track bid by 29 November 2019 for additional funds to seek to offset the Council's contribution to the phase 2 extension with a further report to be submitted to a future Executive once the outcome of the bid is known.
- 2.4 To authorise the Head of Legal Services to prepare legal documentation and enter into appropriate documents as necessary to complete the transactions outlined

in point 2.1 relating to Houndshill Shopping Centre and those listed in this report on the phase 2 extension.

- 2.5 To accept the novation of any contracts/reports for the accelerated development of the phase 2 extension.

3.0 Reasons for recommendation(s):

- 3.1 This report deals with consequential issues arising out of the acquisition and gives Chief Officers the ability to operate in the fast moving commercial market where decisions on leasing often have to be made at short notice and where existing delegation arrangements are insufficient to manage the Hounds Hill Shopping Centre effectively .

It has been agreed to appoint CBRE to asset manage the shopping centre and for the existing Eddisons facilities management contract to be novated to the Council. Both these measures are on an interim basis for up to twelve months. This will ensure the smooth transfer of the operation and management of the shopping centre and to give time for a full procurement exercise to be undertaken. If service contracts for the shopping centre cannot be novated the Council will be required to enter into short term contracts with existing contractors pending a procurement exercise.

The development of phase 2 needs to progress at pace and therefore Officers need to put plans in place immediately upon completion to take this forward to the next stage.

- 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:

- (a) Not to undertake the phase 2 extension: however this will not deliver a new Wilko store, an Imax-style cinema and two restaurant units and has therefore ruled out as an option
- (b) Not to authorise the recommended delegations in which case leasing matters will be delayed at least 4 weeks using existing procedures, this would not be a satisfactory commercial approach and therefore ruled out.
- (c) The Wilko and Cinema could go elsewhere however this will not provide the regeneration needs and improvement in night time economy which the town centre

needs.

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 The Council has been in discussions with the owners of the Houndshill Shopping Centre, Deutsche Pfandbriefbank and the Receiver with a view to taking the shopping centre out of Receivership and secure its future. The Council has agreed to support the future of the shopping centre by purchasing the Houndshill from the Receiver, as agreed by the Executive under EX32/2019.
- 5.2 Due diligence on the purchase of the shopping centre was completed after the Council established a team of in-house professionals and external advisors which include CBRE, DAC Beachcroft and Hollis.
- 5.3 The Executive meeting on 11 September 2017 agreed Decision Number EX32 2017 and delegated authority to the Chief Executive to finalise matters after consultation with the Leader of the Council for the phase 2 development at the Houndshill. This was subsequently delayed following financial problems reported by the previous owners of the shopping centre, although the approval remains in force.
- 5.4 Officers have set up a Management Board to oversee the shopping centre investment (consisting of Growth and Prosperity, Legal and Finance) which will meet regularly to review the investment and take decisions on behalf of the Council. This Board will report to the Director of Communications and Regeneration who will sign off on any decisions.
- 5.5 The Council requires an asset manager to oversee and manage the shopping centre asset with suitable experience and relevant skills. This requires a fully compliant procurement process, and there was insufficient time to undertake this prior to completion. CBRE’s specialist shopping centre engagement team will take on the role of asset manager on an interim basis until the full procurement process has been undertaken. CBRE would take part in advising the Council on procurement if the Council consider it is appropriate but will not take part in the evaluation. The Facilities Management is currently undertaken by Eddisons and this contract is to be novated to the Council by the Receiver.
- 5.6 The phase 2 extension of the shopping centre is crucial to the delivery of the town centre’s future success. The development of Houndshill Phase 2 will strengthen

and diversify the town centre economy and would particularly enhance the night time trade in the town centre. This will bring forward the development of the new IMAX-style cinema, new Wilko store and restaurants. The Council requires the existing Wilko relocation by April 2020 in readiness for the development of Talbot Gateway Phase 2. Therefore Officers have been working with Wilko in order to facilitate a temporary store in the interim though these arrangements have not yet been finalised with Wilko. The Council has been successful in being put through to round 2 of the Future High Street Fund, and the fast track process identifies Houndshill Phase 2 extension with a bid being prepared for £5m (the maximum permissible) to support the scheme, although it should be noted that this is a competitive process and there is no guarantee that these funds will be received. The remainder of the funds are to come from prudential borrowing which will be re-paid from the shopping centre income. The phase 2 extension is now more profitable for the Council if it were to undertake the development itself, namely the upside in footfall and parking and all the income from the restaurants, cinema and Wilko, will directly benefit the Council's income position. This improves the Council's position financially by directly increasing income by £170,000 (parking, restaurant, kiosk) per annum, in addition to the £630,000 (Cinema and Wilko, excludes cinema turnover rent) rent per annum from the phase 2 extension.

The novation of the phase 2 contracts and surveys and delivery of the stopping up order saves the Council 6 months. In addition the Council will acquire the benefit of the reports and drawings on the phase 2 extension which were commissioned by the previous owner at a cost of £750,000.

6.0 Legal considerations:

- 6.1 The Head of Legal Services will be instructed to enter into any contracts as required by the Director of Communications and Regeneration.

7.0 Human Resources considerations:

- 7.1 There are no changes from decision EX32/2019 of 15 July 2019.

8.0 Equalities considerations:

- 8.1 None.

9.0 Financial considerations:

- 9.1 A further report will be provided to a future Executive once the outcome of the Future High Street Fund bid is known, detailing the proposed scheme.

10.0 Risk management considerations:

Risk	Mitigation / Reduction
1. The Council does not have the skills to manage a large retail shopping centre.	The Council has engaged CBRE shopping centre management team who manage other shopping centres including for local authorities to asset manage the centre on an interim basis. A full procurement exercise will be undertaken after completion.

There are a number of other risk management considerations including mitigation and reduction which are exempt from publication at this point.

11.0 Ethical considerations:

- 11.1 The Council has purchased an existing investment asset and it could be that some of the tenants/occupiers are not signed up to the Council's current ethics policies.

12.0 Internal/ External Consultation undertaken:

- 12.1 Director of Communications and Regeneration, Director of Resources, Growth and Prosperity Programme Director, Growth and Prosperity Board, Finance, Legal, CBRE, DAC Beachcroft, Hollis

13.0 Decision of Chief Officer

- 13.1
1. To continue the arrangements agreed in decision EX32/2019 of 15 July 2019 for the Director of Communications and Regeneration to approve matters relating to the leasing arrangements including new leases, lease renewals, rent reviews and tenants incentives at the Houndshill Shopping Centre, after discussions at the Management Board.
 2. To agree, after consultation with the Leader of the Council and Section 151 officer, in principle to the funding of the phase 2 extension of up to £22.5m £22.5million potentially using Prudential Prudential Borrowing Powers, with a report to be submitted to a future Executive meeting once the outcome of the bid in 3 is known.
 3. To submit a Future High Street Fund fast track bid by 29 November 2019 for additional funds to seek to offset the Council's contribution to the phase 2 extension with a further report to be submitted to a future Executive once the outcome of the bid is known.

4. To authorise the Head of Legal Services to prepare legal documentation and enter into appropriate documents as necessary to complete the transactions outlined in decision 1 relating to Houndshill Shopping Centre and those listed in this report on the phase 2 extension.

5. To accept the novation of any contracts/reports for the accelerated development of the phase 2 extension.

14.0 Reasons for the Decision of the Chief Officer

14.1 This report deals with consequential issues arising out of the acquisition and gives Chief Officers the ability to operate in the fast moving commercial market where decisions on leasing often have to be made at short notice and where existing delegation arrangements are insufficient to manage the Hounds Hill Shopping Centre effectively .

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The development of phase 2 needs to progress at pace and therefore Officers need to put plans in place immediately upon completion to take this forward to the next stage