

Officer Non Key Executive Decision

Relevant Chief Officer (Decision Maker):	Neil Jack, Chief Executive
Relevant Cabinet Member (for consultation purposes):	Councillor Mark Smith, Cabinet Member for Business, Enterprise and Job Creation
Report Author (Officer name and title):	Alan Cavill, Director of Communications and Regeneration
Implementation Date of Decision:	1 December 2022

TALBOT GATEWAY PHASE 3 - OFFICE ACCOMMODATION

1.0 Purpose of the report:

- 1.1 To approve the development of a site within The Talbot Gateway (Central Business District) as grade 'A' office accommodation and to authorise the execution of the Contracts necessary to facilitate this Development.
- 1.2 This report updates EX25/2021 and the Officer Non-Key Decision of 27th September 2021.

2.0 Recommendation(s):

- 2.1 To authorise the Head of Legal Services to enter into a Deed of Variation to the Agreement for Lease with the Department for Work and Pensions and subsequently grant the Lease with them for the proposed office (with a GIA of circa 20,300m² and a NIA of 15,494m²) on King Street.
- 2.2 To approve the terms of the Deed of Variation to the Forward Funding Agreement with Muse Developments Limited for the development of the office accommodation and associated infrastructure.
- 2.3 To authorise the expenditure and contracts to facilitate the above detailed in this report.

3.0 Reasons for recommendations:

- 3.1 The Council has been actively looking to bring forward more office-based developments through relocation or inward investment into the Town Centre as part of the Talbot Gateway Masterplan and the Town Centre Strategy. Following the procurement (by Muse Developments) of the main Contractor the project is now at

the stage where all parties are willing to go “Unconditional” with the Contracts and progress to the construction 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:**

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 For the background information please refer to the Executive Decision EX25/2021 which was approved by the Council’s Executive on 12th May 2021 and the Officer Non Key Decision of 27th September 2021.

5.2 Negotiations with the DWP are now at the stage where they are ready to go unconditional with the Agreement for Lease.

5.3 The Council and Muse Developments have also agreed the terms of the Deed of Variation to the Forward Funding Agreement for them to deliver the development of the office accommodation (with a GIA of circa 20,300m² and a NIA of 15,494m²) and associated infrastructure on King Street.

5.4 The terms of (1) the Agreement for Lease with the Tenant and (2) the Forward Funding Agreement are that:

- The new building will be designed and delivered by Muse Developments Limited.
- The Tenant will enter into an Agreement for Lease confirming that they are committed to a Lease for a period of 25 years.
- The Agreement for Lease and the Lease have been negotiated to reflect the commercial deal agreed between the parties.
- The Council will forward fund the acquisition of the necessary property, the demolition of the existing structures and site clearance, the construction of the office building (i.e. the CAT A works), the construction of the surrounding public

realm and infrastructure and the construction of the temporary car park.

- The Council will forward fund the construction of the CAT B & C fitting out of the building. The Tenant will reimburse the Council for their costs associated with these fit-out works as they are incurred and prior to them taking occupation of the building.
- The Council will retain the freehold of the office building.

(Note: 'Cat A', 'Cat B' and 'Cat C' are industry accepted terms relating to the construction of a commercial property and the standard of the internal fit out of an office building.

'Cat A' is the basic office block fitted out but as an open space with lighting, ventilation decorating and carpet.

'Cat B' is where the office is fitted out with internal partitions for meeting rooms, offices and kitchens, along with the installation of underfloor electrics and where necessary ICT cabling and switches etc.

'Cat C' covers the installation of furniture such as desks chairs)

- 5.5 Executive Decision EX25/2021 delegated authority to the Council's Chief Executive after consultation with the Leader of the Council and relevant Cabinet Members:
1. To authorise the Head of Legal Services to enter into an Agreement for Lease and subsequently grant the Lease to the prospective Tenant.
 2. To approve the terms of the third Supplemental Deed Agreement with Muse Developments Limited to enable the delivery of the Office Accommodation development on King Street as part of the Talbot Gateway Project (Central Business District) Phase 3.
 3. To approve the terms of the Forward Funding Agreement with Muse Developments Limited for the development of the office accommodation and associated infrastructure.
 4. To authorise the Head of Legal Services to enter into the contracts with Muse Development Limited for the third Supplemental Deed and Forward Funding Agreement for the development of the office accommodation and associated infrastructure
 5. To authorise the necessary expenditure to facilitate the above.
- 5.6 The Maximum commitment to Muse Developments for the delivery of the enabling work, the 'Cat A', 'Cat B' and 'Cat C' work and the infrastructure work is £89,560,665.
- 5.7 In addition to the Maximum commitment to Muse Developments there are £8,415,000 of additional costs incurred directly by the Council that brings the total value of the project to £97,975,665
- 5.8 There is a small risk that the maximum commitment may increase due to some inflation risks on some Provisional Sums in the contract allowances. The Council's share of this risk is restricted to the potential inflation increase on approximately

£1.5m of the project costs. The Council is seeking to mitigate these costs through the use of capital receipts that are ring-fenced to the Talbot Gateway project overall

5.9 The previous budget estimates were

- The total estimated development cost - £98,250,000.
- The total Maximum Commitment to Muse Development Limited - £89,560,665.
- The estimated Tenant's share of the above cost - £15,965,045.
- Other costs incurred by the Council - £8,599,335.

The maximum expenditure incurred by the Council - £82,284,955

5.10 Does the information submitted include any exempt information?

No

6.0 Legal considerations:

6.1 The Legal agreements with the Tenant and Muse Developments Limited must be completed simultaneously.

7.0 Human Resources considerations:

7.1 None as a consequence of this report.

8.0 Equalities considerations:

8.1 None as a consequence of this report.

9.0 Financial considerations:

9.1 The total estimated development costs have now reduced to £97,975,665.

9.2 The total Maximum Commitment to Muse Development Limited to deliver the Office Accommodation development and associated infrastructure on King Street remains the same at £89,560,665.

9.3 The estimated Tenant's share of the above is now reduced to £13,660,365 and this will be refunded in monthly stages by the Tenant as these costs are incurred by the Council.

9.4 Other costs incurred by the Council are reduced to £8,415,000.

9.5 The Council has submitted a request to Homes England to use the income from the Apollo Site (circa £1.1m) to contribute to the costs of this project which would be an additional contribution to the scheme costs.

9.6 The maximum expenditure incurred by the Council has increased to £84,315,300 (or £83,215,300 allowing for the Apollo income). (Financed through Prudential Borrowing) This is because the Cat B&C costs incurred by the DWP have come down and the Cat A costs for the Council have increased.

10.0 Risk management considerations:

10.1 Project risk management will be applied throughout the life of the scheme and this will include ongoing risk assessment, analysis, evaluation and monitoring. As part of this, all key risks and opportunities will be considered and appropriate controls will be implemented to reduce any unacceptable level of risk.

10.2 The risk management considerations are explored further in EX25/2021 Appendix 2(d) Schedule of Risks and Opportunities (this document is Exempt)

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 Chief Executive, Directors Resources, Growth and Prosperity Programme Director, Head of Programme Delivery, Legal and Finance

13.0 Decision of Chief Officer

- 13.1
1. To authorise the Head of Legal Services to enter into a Deed of Variation to the Agreement for Lease with the Department for Work and Pensions and subsequently grant the Lease with them for the proposed office (with a GIA of circa 20,300m² and a NIA of 15,494m²) on King Street.
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14.0 Reasons for the Decision of the Chief Officer

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