

Report to:	Cabinet	Date of Meeting:	24 June 2021
Subject:	Southport Theatre and Convention Centre		
Report of:	Executive Director (Place)	Wards Affected:	Cambridge & Dukes
Portfolio:	Cabinet Member - Regeneration and Skills		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt Confidential Report:	/ No		

Summary:

To update Cabinet on the current condition of the Southport Theatre & Convention Centre, short term opening options with associated costs and risks. To further update on recent work and the preferred option of the proposed new Events Centre as part of the Southport Town Deal.

Recommendation(s):

It is recommended that:

- (1) Cabinet notes the current condition of the building and the required capital and revenue for any short-term opening;
- (2) Cabinet agrees to progress with option 5 for the new Marine Lake Events Centre and adjacent water and light show, with subsequent reports to be brought to Cabinet and Council for procurement and final business case approval;
- (3) Cabinet notes that The Town Deal Board have allocated £33.3m of capital funding (from the Town Deal of £37.5m) to the new Marine Lake Events Centre and water and light show;
- (4) Cabinet notes that The Liverpool City Region Combined Authority supports the principle of allocating up to £20m to the new Events Centre, subject to a satisfactory business case being approved through the LCRCA's assurance framework; and
- (5) Cabinet agrees due to the above recommendations not to pursue a short-term reopening of the current STCC.

Reasons for the Recommendation(s):

The reasons for these recommendations are to provide a new all-purpose Events Centre as part of the Southport Town Deal that will bring economic benefits to Southport and the wider City Region and be a driver for economic recovery after Covid-19

Alternative Options Considered and Rejected: (including any Risk Implications) An option to re-open the STCC on a short-term basis was considered while the work for the new Events Centre is progressed. The report details this option with the anticipated risks.

Five options were also considered for the new Events Centre, and again all five options are included in the full report below. The assessment of these options identified the Preferred Option to be Option 5.

What will it cost and how will it be financed?

(A) Revenue Costs

Short term re-opening

An exercise has been undertaken to look at the potential for the venue to re-open on a short-term basis. This included looking at previous running costs along with future income projections based on previously confirmed conferences and entertainment shows.

The tables below show the required budget if the venue was to open for a full two years, the current budgets in place is made up of existing tourism budgets that could be diverted to the operation.

A one-off reopening budget of circa £40k would be required to deep clean the building, for stock control and other essential tasks to get the venue in a position to reopen.

Year	Full year budget required	Current budget in place	Additional budget required (Increase to budgeted subsidy)
1	£261,275	£114,950	£146,325
2	£131,660	£114,950	£16,710

New Events Centre Option 5

An outline business case has been produced for the new Events Centre, a full projected profit and loss has been completed for the preferred option 5. The table below shows the projected 3-year outturn considering any potential operating profit/fees.

A small profit would be potentially generated in year 1 increasing steadily to year 3 where it matures. It is important to note there would be costs required before opening and life cycle costs to then factor in from year 7 onwards. These are initial estimates and will be further refined as part of the full business case

Year 0 - pre-opening	Year 1	Year 2	Year 3
-£456,158	£41,485	£257,291	£524,246

(B) Capital Costs

Short term re-opening

A building condition survey was completed as part of the ATG exit, and a plan of essential works was produced. However, since that time further investigations have revealed that many of the Mechanical & Electrical systems throughout the facility are at the end of their life, requiring substantial investment and renewal.

Site visits and the building condition survey has concluded the asset is in poor condition, with the main areas of concern centre around the Theatre which requires extensive refurbishment to reopen and to continue to operate safely. This is far in excess of the income it could generate in any short-term period.

There is also a need to undertake essential repairs to facilities and equipment along with fire protection measures throughout the building.

The projected capital cost for any short-term reopening of the STCC (excluding the theatre) is approximately £550k for essential repairs and upgrading works. These works are to make the building legally compliant, none of these capital works will improve the operation of the asset.

New Events Centre Option 5

The total investment for the project under option 5 (which includes the water and light show in Marine Lake) is circa £75m..

As above, £33.3m from the Town Deal and £20m from the LCR CA is agreed in principle, and at the time of this report engagement is ongoing with potential funding partners and investors for any balance required. Options and recommendations will be brought to Cabinet as part of the final business case, as per the recommendations above.

The remaining budget gap will be closed as the full business case is developed. This will be through securing additional funding to deliver option 5, and / or value and cost engineering to reduce the construction cost of that option with minimal impact on the financial performance or economic impact of the venue.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):

The financial implications of both any short-term reopening and the preferred option 5 are set out earlier in this report. These estimates reflect the evaluation of the information provided to the council by industry experts whose expertise has been procured in order to directly inform the development of the outline business case as this specific knowledge was not held in the council. This has then been financially modelled, verified and challenged by officers within the service.

Legal Implications:

Details of any legal implications are contained within the report

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	Y
Have a neutral impact	N
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	N

The continuation of work directly contributes towards achieving the targets within the Council’s Climate Emergency strategy. The design and operation of the new Events Centre will help Sefton’s aim of becoming net zero carbon neutral by a number of design and building techniques. This will also help the Events Centre sales position as a number of event organisers now expect venues to be able to demonstrate good practice when it comes to the environment.

Equality Implications:

The equality Implications have been identified and mitigated

Contribution to the Council’s Core Purpose:

Protect the most vulnerable: N/A
Facilitate confident and resilient communities: The proposed new event centre will provide a high-quality cultural experience that will provide a first-class venue and destination for local communities to use and enjoy.
Commission, broker and provide core services: N/A
Place – leadership and influencer: The proposed new Events Centre will be an enabler for change and lead to further private sector investment in Southport. The proposed centre will be a game change for the Sefton Visitor Economy being fundamental in the Covid-19 visitor economy recovery while also helping change the perception of Southport and the wider region
Drivers of change and reform: Providing a long-term sustainable future for a new multi functioning event space that will include conference facilities and auditorium along with new uses such as E-sports.
Facilitate sustainable economic prosperity: The new Events Centre will act as a major catalyst for the visitor economy contributing millions to the local economy by supporting local businesses and supply chains. It will also enable future private sector investment.
Greater income for social investment: The new Events Centre is projected not to require any large subsidies that have been required in the past.

Cleaner Greener: The future operation will contribute to Sefton's aims to becoming net zero Carbon Neutral.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6416/21) and the Chief Legal and Democratic Officer (LD.4617/21) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

The new Events Centre formed part of the Southport Town Deal consultation. This overall consultation resulted in over 7,000 responses with regards to the overall Town Deal. Separate consultation also took place with under 16's in relation to The Events Centre and future uses, with more than 1,000 respondents

Implementation Date for the Decision

Following the expiry of the "call-in" period for the Minutes of the Cabinet Meeting

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Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

1.0 Background

- 1.1 The STCC facilities primarily consist of three major event spaces, including a c1,600 seat theatre auditorium, the Floral Hall Ballroom and the sub-divisible Waterfront Suite, both of which are capable of hosting c 700 delegates. The STCC has been developed incrementally over time since the 1930s which has created several challenges, including an inefficient layout for event organisers and the customer journey, the appearance and condition of the facilities differs throughout.
- 1.2 Whilst the main conference meeting space, the Waterfront Suite is a good size and in fair condition, the overall facility is tired compared to competitors. The theatre is now of a very poor standard, with significant technical short-comings, and the ceiling is in such poor condition that netting has been installed to catch falling debris.

- 1.3 The STCC was previously managed by the Ambassador Theatre Group (ATG) between 1996 and 2018 under a full repairing and insuring (FRI) Lease with Management Agreement.
- 1.4 Following the termination of the ATG contract in 2018, Bliss Space Southport Ltd (Bliss Space) were appointed to operate the STCC on a three-year management contract. However, following the closure of the theatre, due to Covid-19, Bliss Space was placed into liquidation and the Council as owner and landlord of the STCC has taken back legal possession of the vacant building.
- 1.5 In addition to the poor financial performance, the audiences for entertainment events have fallen significantly since 2012, from 165,500 in 2012 to just over 50,000 in 2019, a reduction of c70%. 1.6 Without a major intervention to modernise/ update/ replace the facilities it is highly likely that there will be an accelerated decline in the quality and operational performance of the STCC, and a continued reduction in the number of events and attendees which in turn would have a negative economic impact on the town.
- 1.6 In February 2020 a two-stage assessment was commissioned to consider the potential options for the future redevelopment of the STCC. The feasibility study considered the condition and operating performance of the STCC, explored market trends and demand parameters and identified and assessed potential options for redevelopment. The options were progressed to RIBA Stage 0 & 1 and indicative capital costs established. The feasibility study has been used to inform the development of this business case.
- 1.7 Alongside the development of an outline business case, a design team was appointed including venue specialists IPW, HOK Architects, Gardiner & Theobald (G&T) cost consultants and AECOM (engineering and transport), to work up a RIBA Stage 2 design.

2.0 Short-term reopening option

- 2.1 There are several critical factors that need to be considered with regards to any short-term reopening options;
 - Current condition of the building
 - Economic impact
 - Conference market confidence
 - Potential operators
 - Town Deal outcome
- 2.2 Whilst the STCC has played a major role in Southport's visitor economy and cultural landscape the facilities are no longer up to modern standards and need significant investment.
- 2.3 The age and condition of the plant equipment present a major risk of failure

without some short-term investment. It is becoming harder and harder for the STCC to compete for entertainment events and audiences and business events and delegates. It is particularly important for business events facilities to maintain modern standards and keep up with key competitors that are regularly investing in facility improvements.

2.4 As part of the ATG exit the Council undertook a building condition survey and a plan of essential works was produced. However, since that time further investigations have revealed that most of the Mechanical & Electrical systems throughout the facility are at the end of their life, requiring substantial investment and renewal

2.5 Site visits and the building condition survey has concluded the asset is an extremely poor condition, the main areas of concern centre around the Theatre which requires extensive refurbishment to continue to operate. This is far in excess of the income it could generate in any short-term period.

2.6 There is also a need to undertake essential repairs to facilities and equipment along with fire protection measures throughout the building. The projected capital cost for any short-term reopening of the STCC (excluding the theatre) is approximately £550k for essential repairs and upgrading works to make the venue legally compliant. Even if these works are carried out there is no guarantee more problems/issues will not arise once the venue is open requiring more capital allocation and resulting in cancellation of conferences and entertainment shows.

Required Short term repairs & maintenance

Electrical Systems			
	Fire Alarm	Renewal Floral, upgrading convention centre	£80,000
	Emergency lighting	Renewal and extending	£40,000
	General remedial works	All areas	£30,000
Mechanical Systems			
	Legionella Remedials	All areas	£30,000
	Heating, Ventilation, gas safety remedials	Floral / Convention	£70,000
	Boiler plant replacement		£100,000
Building Fabric			
	Fire protection, general repairs	Floral / Convention / theatre	£50,000
	Roof repairs and asbestos issues	Floral / Convention	£50,000

	Theatre ceiling / security & Mothballing	Theatre	£100,000
Total			£550,000

(Survey work carried out over the last 12 months)

- 2.7 One of the key objectives of the STCC is delivering the economic impact that it brings to Sefton, supporting a range of other local businesses and wider employment. This is considered particularly important as part of the COVID-19 recovery process.
- 2.8 Whilst all events at the STCC will generate economic impact for the local economy, the primary driver, for the accommodation sector, is conference and business events, that attracts business tourists to Southport. Therefore, the retention of conference business is considered particularly important.
- 2.9 During the last 10 years the venue has hosted more than 170 major conferences contributing over £100 million to the economy. Several conferences are still provisionally booked to take place from September 2021 until 2022, Sefton's conference team have been in regular dialogue with the conference organisers.
- 2.10 Since the temporary closure of the venue due to Covid-19, 13 conferences have cancelled resulting in a loss of 14,800 bed nights causing a £6.8m negative impact on the local economy.
- 2.11 There are 8 remaining conferences previously contracted for 2021/2. These would generate 8,900 bed nights having an economic impact of £4.1m if they were still to go ahead.
- 2.12 The STCC has been operated on behalf of Sefton Council for over 20 years by several theatre and venue operators through yearly management fee payments. ATG being the long-term operator over that term, more recently Bliss Space managed the venue for 18 months before entering into liquidation.
- 2.13 There are only a small number of venue operators in the UK, before Bliss were awarded the contract to manage the venue the Council had undertaken three unsuccessful procurement exercises to secure a long-term operator.
- 2.14 Due to the current economic climate and condition of the STCC it is envisaged there would be little to no interest from an operator for the venue for any short-term operation, without payment of a substantial management fee. This is validated by soft market engagement undertaken for the Events Centre project.
- 2.15 A piece of work has been carried out to look at how the venue could reopen with the Council taking the operation in house as a short-term option. The following assumptions were made;
1. Maximise the current expertise within the Council with regards to management to enable reduced costs and secure the necessary booking income.

2. Not to open the auditorium due its current condition, amount of capex required, and the financial risks associated with large scale theatre shows
3. Spend the required capex (at the time circa £150k) that would see the Waterfront Suite (conference space), meeting rooms and Floral Hall return to operation that would allow destination conferences, banqueting and small entertainment events to take place
4. Any short-term options would be limited to two years or shorter depending on securing funding for the future redevelopment option

2.16 The tables below show the required budget for 2 full year running costs, the current budgets in place is made up of existing tourism budgets that could be diverted to the operation. A one-off reopening budget of circa £40k would be required to deep clean the building, stock control and other essential tasks.

	Year 1	Year 2
Total	(261,275)	(131,660)
Current budget in place	£114,950	£114,950
Additional Budget Required (Increase to Budgeted Subsidy)	£146,325	£16,710

2.17 There is still an uncertainty with business tourism in the short term due to covid-19, it is expected that the sector will continue to face challenges and disruption in the next 12-18 months then bouncing back strongly.

In conclusion;

- Conference organisers are not expecting to have any major conferences until September 2021
- Due to liquidation all contracts for confirmed business are null and void therefore forecasting is based on pre-contracted business.
- Detailed surveys and site visits have concluded the STCC is in an extremely poor condition and requires circa £550k of repairs and replacement to open the venue on a short-term basis excluding the theatre
- There would be a substantial revenue subsidy required for any short-term opening
- To date the closure has resulted in 13 conferences cancelling resulting in a negative economic impact of £6.8m, there are also potentially 18 conferences to take place in the next two years' worth £14.5m to the local economy

The Council will work with potential bookings and partners to try to secure alternative facilities for conferences to still take place in Southport, or Sefton, or the Liverpool City Region, while STCC is closed until the new venue is delivered.

3.0 New Events Centre

3.1 As part of the Southport Town Deal a feasibility study, outline business case and Stage 2 RIBA design report have been completed by specially selected industry experts including;

- IPW - Experience on the feasibility and design of venue renovations/ expansions including Harrogate Convention Centre, Bournemouth International Centre, Exhibition Centre Liverpool, and York Barbican, plus replacement venues for tired offers in Gateshead, Brighton and Aberdeen
- HOK - are a global design, architecture, engineering and planning firm, have led the design on many iconic stadiums, theatres and conference centres around the World.
- AECOM – are a leading infrastructure firm – engineers, planners, designers, consultants and construction managers
- G&T - are an independent construction and property consultancy working across all sectors of the built environment. They have worked on some of the UK's most recognisable mixed-use projects from major regeneration schemes

3.1 Early in the process a vision and a set of objectives were agreed to help guide the business case and design work. The vision is;

“To transform the STCC into a high quality, distinctive entertainment and business events venue capable of providing exceptional experiences to audiences and users. It will be an anchor for the Waterfront redevelopment, retaining and attracting visitors and driving economic impact for Southport”.

Objectives:

- Improve the overall quality of the audience/visitor experience of STCC
- To retain existing and attract new customers, visitors, users, and events
- Improve the financial operating position and reduce any revenue subsidy requirement
- To act as an ‘anchor’ for the Waterfront redevelopment, complimenting other planned uses and stimulate wider regeneration in Southport
- Increase overall economic impact
- Reduce whole life building costs
- Reduce carbon footprint and adopt sustainable operational practices

3.2 As part of the outline business case a long list of options were drawn up that included full refurbishment and additional location. Following a robust review five options were short listed;

1. Do nothing
2. Do minimum
3. New STCC
4. New STCC & waterfront activity
5. New STCC, waterfront activity & water and light show

Short list options

<p><u>Option 1 – Do nothing</u></p>	<ul style="list-style-type: none"> • Parts of building in poor condition • Services nearing/at end of serviceable life • Minimise capital and lifecycle expenditure to essential expenditure (legal/safe) • Estimate £1m capex required (likely to be more due to recent survey work) • Re-open facility in full • Council (in-house) operation • Assume operates for 3 more years, then closure due to services failing and no further investment • Requires large Council subsidy circa £436k (Operating year 3)
<p><u>Option 2 – Do minimum</u></p>	<ul style="list-style-type: none"> • Scoped out works required to enable facility to open for the longer-term -but no major improvements • Essential works, central plant replacement, new theatre seats, front of house redecoration • Estimate £4.9m capex required • Re-open facility in full • Council (in-house) operation • Assume remains operational for the long-term • Lifecycle costs included in the business plans • With this option visitor numbers and events will deteriorate significantly over time • Requires large Council subsidy

	circa £617k (operating year 3)
<u>Option 3 – New STCC</u>	<ul style="list-style-type: none"> • Capacity for 1,200 all seated (dual-use) –<i>design provides 1,482 seated and standing</i> • Ability to reduce scale (x3) • Quality sightlines and acoustics • Flytower & proscenium arch • Flexible seating arrangements for alternative event layouts (including partial flat floor) • Differential seating for hospitality • Improved dressing rooms and touring crew areas • Event space able to hold a plenary for 1,000 delegates • Breakout/ seminar facilities for 1,000 del. (dedicated or dual-use) • Flat floor events space of c1,500m² for dinners, weddings and supporting exhibition space of conferences • Estimate £64.9m capex required • Does not require Council subsidy, circa £210k profit (operating year 3)
<u>Option 4 – New STCC & waterfront activity</u>	<ul style="list-style-type: none"> • As option 3 plus; • Dedicated car parking (82 new spaces) • Waterfront food & beverage infrastructure • Estimate £70m capex required • Does not require Council subsidy, circa £352k profit (operating year 3)
<u>Option 5 – New STCC, waterfront activity & water and light show</u>	<ul style="list-style-type: none"> • As option 4 plus; • Waterfront pier and light feature • Estimate £75m capex required • Does not require Council subsidy, circa £524k profit (operating year 3)

3.3 The cost of the options ranges from £1m for Do Nothing to £75m for Option 5. Do Minimum has an estimated cost of £4.9m.

3.4 Option 2 (Do Minimum) is projected to hold 246 events attracting a total audience of 105,500 attendees in year of operation. However, it is important to understand that for Option 2, this performance is expected to deteriorate significantly over time due to the offer falling behind competitors and limited appeal. Annual audiences are expected to fall to 101,500 in year 5, 77,000 in year 10 and 59,000 by year 15.

Events & Attendances

Event type	Option 1	Option 2	Option 3	Option 4	Option 5
<i>Per annum</i>					
TOTAL EVENTS	221	246	286	286	294
TOTAL STCC event attendances	79,265	105,603	144,777	144,777	150,338
Additional non-event users (paying)	0	0	51,125	86,225	151,965
Additional site visitors (non-paying)	0	0	0	23,725	205,338
Total site attendances	79,265	105,603	195,902	254,726	507,641

3.5 The table below sets out the annual gross expenditure across the options per year. Total gross on and off-site expenditure is highest for Option 5, which incorporates additional footfall around the food pop-ups and pier driving higher on-site expenditure.

Visiting Expenditure

Components	Option 1	Option 2	Option 3	Option 4	Option 5
On-site F&B	£1,086,197	£1,182,841	£2,229,934	£2,229,934	£2,415,376
Other expenditure (inc. car parking)	£226,203	£205,187	£89,323	£187,283	£329,361
Third party (Restaurant & F&B)	£0	£0	£940,104	£1,200,104	£1,624,271
Total on-site	£1,312,399	£1,388,028	£3,259,361	£3,617,321	£4,369,007
Entertainment Events	£985,958	£1,551,402	£2,093,308	£2,308,998	£2,963,473
Conferences	£2,332,560	£2,332,560	£4,814,154	£4,865,645	£5,130,610
Restaurant/Café	£0	£0	£258,225	£342,305	£701,295
Food Pop Ups/Lagoon	£0	£0	£0	£751,435	£1,309,432
Water light show					£3,914,327
Total off-site	£3,318,518	£3,883,962	£7,165,687	£8,268,382	£14,019,136
Total on and off-site	£4,630,917	£5,271,990	£10,425,048	£11,885,703	£18,388,143

3.6 The table below provides a summary of the intervention options and their performance based on the quantifiable metrics relevant to increasing visitor related activity within the town centre.

3.7 Critically, the redevelopment options safeguard existing jobs and footfall generated by the STCC and seek to grow this again the levels experienced some 10 or more years ago. Option 5 would increase footfall by 435,000 over the expected business as usual position in three years' time with Option 4 leading to an additional 182,000 visits. Therefore, safeguarding and increasing off-site spend for the benefit and vitality of the town centre and increasing the level of overnight stays.

Summary impact metrics	Option 1	Option 2	Option 3	Option 4	Option 5
Total footfall (visitor days)	79,266	105,603	203,079	262,196	515,112
Number of out of local area visits (visitor days)	54,242	67,230	133,664	163,428	321,899
Overnight stays (STCC events directly)	19,700	21,017	46,843	47,837	59,470
Number of jobs – workplace based	58	65	234	235	288
On and off-site expenditure (£m, D&I)	4.1	5.3	10.4	11.9	18.4
Visitor days as a % of baseline	0.6%	0.7%	1.4%	1.8%	3.5%
Overnight stays as % baseline hotel supply	9.7%	9.2%	20.3%	20.6%	25.6%
Jobs as % of baseline (D&I)	0.8%	0.9%	3.4%	3.6%	4.2%
Expenditure as % of tourism expenditure (D&I)	0.8%	0.9%	1.8%	2.1%	3.3%

3.8 The intervention options have been developed through a process of examining the future development options for STCC against the objectives set out by the STCC Project Group. **This led to the identification of option 5 as the preferred way forward.**

Artists Impression of Events Centre



4.0 Funding

- 4.1 As part of the Southport Town Deal submission £37.5m has been allocated to Southport subject to satisfactory business cases being submitted to Government. The Southport Town Deal Board have agreed to allocate £30m to the new Events Centre with a further £3.3m to the light and water show.

- 4.2 The Liverpool City Region Combined Authority have also recently in principle committed £20m towards the project subject to a satisfactory business case being submitted.
- 4.3 The remaining budget gap will be closed as the full business case is developed. This will be through securing additional funding to deliver option 5, and / or value and cost engineering to reduce the construction cost of that option with minimal impact on the financial performance or economic impact of the venue. Development of this full business case, further design work, and consultation and engagement with partners and communities will progress at pace to ensure that the period to opening of the new venue is minimised, and to ensure that the scheme is not delayed due to any affordability gap.

5.0 Next Steps

- 5.1 A comprehensive delivery strategy is being produced and will be completed by July 2021, that will guide the delivery of the project over the subsequent 10 months. This will include operator procurement, full business case (for both the Town Deal and the LCR CA funding), detailed design and planning application submission. It is intended to bring a pre-procurement report to the next Cabinet that will detail the findings of the delivery strategy.
- 5.2 The full business case will be brought back to Cabinet for final approval.