

Report to:	Cabinet	Date of Meeting:	7 October 2021
Subject:	Town Deal: Enterprise Arcade Project		
Report of:	Executive Director (Place)	Wards Affected:	Dukes
Portfolio:	Cabinet Member - Regeneration and Skills		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

Report to update on the Southport Town Deal project, The Enterprise Arcade, and to seek approval on the route to secure an operating partner for the project.

Recommendation(s):

Cabinet is recommended to:

- (1) approve the recommended option for securing an operating partner for the Enterprise Arcade through a Property Lease; and
- (2) delegate to the Executive Director (Place), in consultation with the Cabinet Member for Regeneration and Skills and Cabinet Member for Regulatory, Compliance & Corporate Services, approval of the project delivery stages including design and construction, and their associated procurement processes, to meet the Town Deal Business Case submission requirements.

Reasons for the Recommendation(s):

Under the Town Deal Heads of Terms, Sefton Council is required to submit businesses cases within 12 months of the offer (by March 2022). Securing an operating partner for the Enterprise Arcade will be integral to the long-term success of the project. Through agreeing a Property Lease, with embedded contractual obligations, the risks of ongoing financial liability for the operation and day-to-day costs of running the building will be transferred to the leasee / operating partner, meaning that there will be no financial burden to the council.

Alternative Options Considered and Rejected: (including any Risk Implications)

The report lists the alternative options considered. These have been rejected in favour of the recommendation due to them being unlikely to be achieved within the Town Deal timescale or the high risk of them resulting in an ongoing financial uncertainty to the Council for operation of the Enterprise Arcade. The operating partner would also bring

sector experience and expertise that will ensure success of the venue in line with the objectives of the Town Deal and of the Council.

What will it cost and how will it be financed?

(A) Revenue Costs

The financial implications associated with the proposed Property Lease will be reported in a future update to Cabinet as part of the Business Case.

The Design and Delivery Team costs relating to development will be capitalised and fully funded via the Town Deal. A portion of this (to be finalised during the business case finalisation process) will be via the early release of the first 5% of the awarded Town Deal funds.

(B) Capital Costs

The Southport Town Deal will fund the Capital costs of this project in its entirety. This is estimated to be £1.5m.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):	
The resource implication associated with the proposed property lease will be reported in a future update to Cabinet.	
Legal Implications:	
The proposed Lease (including robust operational/performance obligations within it) will be the central legal document for the operation of project and will therefore need to be robust and contain the entirety of obligations which the Council expects the operator to perform/deliver. Provided that the transaction can be categorised as principally a property transaction (lease) with ancillary contractual obligations embedded within the lease, then public procurement rules are unlikely to apply to the selection of, and grant of the lease to, an operator. The selection of a Design & Build contractor to perform the initial refurbishment works prior to handover of the lease will need to be procured in accordance with the appropriate public procurement rules, depending on the overall value of that award.	
Equality Implications:	
There are no equality implications.	
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	Y

The Enterprise Arcade project aims to significantly improve the energy and water efficiency of assets it occupies and in the way it operates contributing towards the council's Climate Emergency targets. No provision is made for car parking, as the site is very well served by public transport in the form of both rail and bus services. In addition the proposed design will incorporate bespoke secure cycle storage facilities.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: As with all council regeneration projects, the project business case will identify and develop inclusive opportunities in employment and training for all people across Sefton.

Facilitate confident and resilient communities:

Commission, broker and provide core services: The Enterprise Arcade's proximity and relationship with the Atkinson and library services will add value to the services offered.

Place – leadership and influencer: The proposed project will be the first initiative of this type in the Town Centre. It will be an enabler for change and lead to further private sector investment in Southport.

Drivers of change and reform: Providing a long-term sustainable future for underutilised assets in the Town Centre

Facilitate sustainable economic prosperity: Providing a long-term sustainable future for underutilised assets in the Town Centre

Greater income for social investment: the project will be required to demonstrate through the delivery stages social value outcomes commensurate with the value of the contract

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 (FD6540/21) and the Chief Legal and Democratic Officer (LD.4741/21) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

The Enterprise Arcade project is part of the Southport Town Deal's Town Investment Plan which was submitted following an extensive public consultation with residents, visitors, business owners and young people (on which more than 7,000 responses were received). The recommendations are also supported by the feedback of Soft Market Testing, undertaken during the Summer of 2021.

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:

The following background papers, which are not available elsewhere on the Internet can be accessed on the Council website:

Cabinet meeting 1st April 2021, Southport Town Deal – Heads of Terms: [http://smbc-modgov-03/documents/s102024/Southport%20Town%20Deal%20Heads%20of%20Terms.pdf?\\$LO\\$=1](http://smbc-modgov-03/documents/s102024/Southport%20Town%20Deal%20Heads%20of%20Terms.pdf?LO=1)

Town Deal Board: <http://smbc-modgov-03/mgCommitteeDetails.aspx?ID=881>

1. Background

1.1 Following the successful submission of Southport’s Town Investment Plan, under the government’s Town Deal funding, Southport has been allocated £37.5m for a range of projects. All project funding allocations through the Town Deal have been done with the agreement of the Town Deal Board and in line with the Programme Heads of Terms.

1.2 One of the projects agreed and allocated £1.5m of funding is The Enterprise Arcade. The Town Investment Plan set this out as the regeneration and transformation of Crown Buildings into Southport’s first flexible office space; designed to act as an incubator and flexible/co-working space for start-up businesses with the purpose of nurturing the growth of the creative digital and technology led business base which already exists in the town but currently has no identifiable geographic focus.

1.3 Key objectives of the project include:

- Support the diversification of the local economy
- Deliver refurbished floorspace to create a business incubator and meet the needs of new and growing businesses through flexible, experiential workspaces
- Increase the number of business in the target sector(s)

- Support new business starts and encourage entrepreneurship
- Support business and provide the right space for them to expand
- Support the creation of new jobs and training opportunities
- Act as a hub for businesses and innovation in Southport, facilitate the networks and connectivity to support a thriving business ecosystem
- Drive private sector investment and help to deliver a new Creative, Digital and Tech led district
- Help retain younger people in Southport
- Help ensure greater integration between education and business

1.4 In a break away from traditional office space and embracing the move towards flexible and hybrid working The Enterprise Arcade will be a 'Place for Pioneer's', playing a part in Sefton's and the City Regions Economic Recovery Plan. The benefits being seen in an outward looking resilient economy, underpinned by the infrastructure which connects the whole of the Liverpool City Region.

1.5 Since the submission of the Town Investment Plan officers have continued to develop and refine the scope of the project in order to be able to maximise the outcomes of the project and add greater viability to a potential operator. These opportunities propose to incorporate currently vacant retail units into the scope of the project, and Bank Buildings.

1.6 The opportunity to incorporate the partly underutilised back office space in Bank Buildings, into the project scope will bring synergy with the wider outcomes for library and cultural services with the new businesses through linking communities with businesses and education. The redeveloped Bank Building spaces will continue to accommodate the wide range of existing services such as community engagement, education spaces and museum stores and bring new opportunities for these existing activities. This will be developed through continued engagement and consultation with the Cabinet Member for Communities and Housing.

2. Operating Model

2.1 Soft market testing was carried out on The Chest procurement platform, in order to help inform and shape the Operator Model and proposals for an Operating Partner for Enterprise Arcade. The market testing exercise is intended to allow the council to consider the most appropriate Operator model for the long-term delivery of its strategic objectives associated with this project.

2.2 In addition to the market testing officers received external advice through the Town Deal Partnership from Grant Thornton (commissioned by government to support towns with their Town Deal processes). We evaluated both Delivery and Procurement Methods against the needs of the Council, to narrow down and identify the preferred option(s) for delivery of the Enterprise Arcade and to consider the options for securing an operator.

2.3 A number of options were outlined for consideration including:

- Lease and Service Level Agreement with operating partner
- Procure an operating partner, with management agreement
- Council form new arm's length company/CIC to deliver

- Council deliver and operate directly

2.4 Considering the requirements to meet the Town Deal delivery timescales to have the business case approved at the very latest by March 2022 and assessing on a risk-based approach officers recommend that a Property Lease for the Enterprise Arcade assets, containing robust lease obligations as to the operation of the asset is pursued. It is considered that this approach will appeal to a wide range of potential operators and will therefore secure the right type of operator for the project, whilst also setting out requirements for the purpose of the operations to achieve the outcomes and benefits under the Town Deal

2.5 It is also recommended that giving operators the option to form a Community Interest Company (CIC), by which it can explicitly demonstrate social purpose and through the inclusion of an asset lock (so the asset is tied into the delivery), and having a requirement to operate with a clear social objective, would add synergy to the purpose of the Town Deal investment and economic growth in the town

2.6 It is considered that the single-document approach of embedding all obligations within the lease is preferable to a dual document approach or a bare lease and separate operating contract, both to eliminate the risk of any gaps between how the two documents dovetail with each other and also to mitigate against the operator contract being subject to a separate procurement exercise. The Property Lease will include Crown Buildings, vacant retail Units 3 & 5-7 Eastbank Street and space within Bank Buildings.

2.7 Alternative routes to operating the asset will be considered, in case no suitable operator can be secured through the advertisement of the Lease.

3. Asset Regeneration

3.1 Alongside developing options for the operating model officers have been progressing the building design options with externally appointed architects who will present a RIBA Stage 2 design (feasibility) in mid-October. This will confirm the total floor area of the Enterprise Arcade and be shared with potential operators and aid the development of the Full Business Case.

3.2 The procurement of the next stages of design and delivery will follow that Stage 2 report. The options available for compliant procurement will be assessed based on their potential level of risk:

1. Open Procurement through the Chest
2. Compliant Public Framework

Using a compliant framework is considered the option with the lowest risk and more easily meets the timescales required to comply with Town Deal Heads of Terms for producing the business cases.

3.3 Decision on the Procurement route for the next design stages through to project delivery and construction is proposed to be delegated to the Executive Director (Place), in consultation with the Cabinet Member for Regeneration and Skills.

4. Next Steps

- 4.1 If approved, the Property Lease will be drawn up and advertised with a view to agreeing the Lease before the end of the year.
- 4.2 If approved, officers will commence procurement through a compliant framework for design and build phases of the project.
- 4.3 Further information on the refurbishment/design and outcome of the Property Lease for the operating model for the Enterprise Arcade will be subject of progress updates to Cabinet Member for Regeneration and Skills and Cabinet Member for Regulatory, Compliance & Corporate Services.
- 4.4 The Outline Business Case and Summary Document which is required by MHCLG will be submitted to Cabinet and the Town Deal Board for approval in due course in order to meet the government deadlines for release of further funding.