

BUSINESS CASE

SOUTHPORT TOWNS FUND

ENTERPRISE ARCADE

EXECUTIVE SUMMARY

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The business case has been developed for an Enterprise Arcade in the Crown Buildings in Southport and is a core component of the Southport Towns Deal Fund project.

STRATEGIC CASE

The Enterprise Arcade will provide a focal point for the development of the CreaTech sector in Southport and address a chronic shortfall in the provision of commercial office space for SMEs whilst at the same time repurposing legacy retail property.

In the UK the CreaTech sector is one of the fastest growing sectors and provides high paid and highly productive opportunities for the workforce – typically focused on a younger demographic. Southport is home to a number of successful CreaTech companies but in relative terms has not developed the same proportion of its business base and employment from the sector. One of the critical aspects in this underdevelopment has been the lack of a ‘hub’ around which businesses can establish, grow, learn and collaborate.

Those wishing to work in the sector, many of whom have achieved sector relevant qualifications from Southport College, either leave the area as they enter the workforce or take ongoing studies or out-commute. This is a lost opportunity in a town which is seeking to diversify its economic base and retain a greater proportion of people in the younger demographics.

The characteristics of the sector with dynamic new entrants offering limited covenant strength from a commercial property perspective present a significant challenge in attracting the provision of new office space. Southport in general presents viability challenges for office developers but this is compounded by the nature of the sector.

The development of the Enterprise Arcade represents a perfect opportunity to repurpose a legacy retail asset which is one of many voids in a town centre badly affected by general UK high street issues and Covid-19. It creates a new and highly attractive office development for a modest cost in a priority area of the town centre and can be entirely focused on the CreaTech centre and operated by a provider with experience of driving growth within that sector.

ECONOMIC CASE

The scheme offers strong value for money. A prudent approach has been taken in the development of a Benefit Cost Ratio (BCR) value for money calculation. Gross jobs accommodated within the scheme has been estimated at 74 for the purposes of the economic case. The employment has been adjusted for deadweight, leakage and displacement before a multiplier impact was applied. The discounted Gross Value Added (GVA) benefits of the scheme were calculated with a persistence effect of 3 years at £5.3m. The discounted costs were adjusted upwards for optimism bias and after this adjustment the scheme demonstrates a BCR of 3.34 which represents very good value for money against Department for Levelling Up, Housing and Communities (DLUHC) guidance.

In addition to the BCR the scheme provides 898m² of repurposed floorspace which is a key measure for Towns Fund urban regeneration schemes and contributes against a number of qualitative factors relating to sector development, workforce retention and town centre footfall and vibrancy.

FINANCIAL CASE

The financial case considers the capital costs associated with the conversion of Crown Buildings and part of the Old Bank building into the Enterprise Arcade. The intention is that the completed building will

be operated by an experienced provider of similar space for the CreaTech sector but the provider is yet to be procured. As such, none of the operational costs or future rental receipts are incorporated into the business case – the financial case is concerned only with the refurbishment.

The architects (K2) have been working within the budget envelope of £1.5m provided by Towns Fund. The scheme will result in the conversion of 898m² to a Category A standard. This approach provides a full refurbishment and provision of services to the standards required of a business hub facility. The remaining partitioning and fit out works will be the responsibility of the operator – and this is considered appropriate given their specialist input in to the nature of the final co-working and lease space for the sector.

The architects approach has been fully validated by the work of a Quantity Surveyor (Gleeds) and they have provided a full cost estimate that demonstrates the affordability of the scheme – complete with a buffer for contingency / inflation. On this basis the final budget estimate is £1.5m.

COMMERCIAL CASE

The delivery of the refurbishment project will be undertaken by a lead contractor to a fixed price contract. This approach will then ensure that the scheme is delivered to budget with the appropriate contractual conditions ensuring that the scheme is delivered against the timetable provided. This contract will be procured in compliance with public sector procurement rules and the process will be managed by the experienced Sefton Council procurement team.

The management of the centre beyond refurbishment will be undertaken by an experienced operator – also selected through a compliant procurement approach. This approach has been informed through soft market testing with operators experienced in the provision of collaborative business hubs for the CreaTech sector. The freehold interest of the final scheme will remain with Sefton Council.

The compliance of the scheme within Subsidy Control regulations has also been assessed and given that the scheme will remain in public ownership and the procurement approach being undertaken combined with the requirement for businesses to pay a market rent for occupation the scheme is deemed to be compliant with the regulations.

MANAGEMENT CASE

The project will be managed in accordance with the well established assurance and management framework established by The Council. Within this framework a programme, cost plan, risk register and evaluation process has been defined.

CONCLUSIONS

The case for change is strong because of importance of creating the most beneficial environment for growing the emerging creative and digital cluster in Southport, there is a good evidence base of both need and opportunity .

The Enterprise Arcade Project offers value for money and the benefit cost ratio is high.

Scheme costs are considered to be proportionate and affordable and the opportunity exists to grow the project beyond this initial phase of development.

Existing procedures and approval mechanisms are suitable for procuring and managing the delivery of the project. Key risks and measures to mitigate and manage those risks have been identified. Key stakeholders are identified and consultation has taken place and will continue into the next design stage.

