

APPENDIX 1
The Strand Business Plan (BP) and Full Business Case (FBC) Summary 2023-2028



1. Introduction

1.1 Purpose and Scope of this Document

This Business Plan and Transformation Programme Business Case Summary document provides an update to the previous 3-year Strand Business Plan (2022/23 to 2024/25), which was approved by Cabinet on 5 January 2023. The document sets out the case for proceeding with Phase 1 of the Transformation Programme on which the updated Business Plan depends.

The updated 'Transformation Business Plan' ("TBP") covers a 5-year period 2023/24 to 2027/28, presenting a forecast of the asset's financial performance based on implementation of Phase 1 of the proposed Strand Transformation Programme ("the Programme"), taking full account of the prevailing challenging economic conditions.

The achievement of the TBP forecasts is dependent on the timely implementation of Phase 1 of the Programme.

The timely delivery of Phase 1 of the Programme is also necessary because of the tight timescales set by the Department for Levelling Up Housing and Communities ("DLUHC") as a condition of the £20m Capital Levelling Up Funding ("CLUF") grant, which was awarded to the Council in March 2023.

The elements of Phase 1 of the Programme to be delivered that are funded by the £20m grant are:

- Phase 1A: New landscaped public realm alongside the canal that extends and enhances the initial 'meanwhile uses' Salt and Tar facilities.
- Phase 1B: refurbished space in 'Block A' (the former M&S unit) including: x6 new commercial units facing the new town square along with new 'shell and core' space on the ground floor (Stanley Road level); and new 'shell and core' space in the basement area (Canalside/Washington Parade level). The shell and core space will be flexible for a variety of uses and occupiers.
- Phase 1C: new landscaped public realm forming a new Town Square where the currently enclosed Mons Square is located, which will integrate with the Canalside and deliver enhanced permeability into the Strand and a beautiful space where the community can come together.

DLUHC, which is providing £20,000,000 funding for Phase 1A-C has set a target for all of these elements to be completed (completion of construction and handover to operator) by 31 March 2026.

There is a final element of Phase 1, which has a DLUHC target completion date of September 2027, although the funding for this element is due to be provided by the LCR CA and not DLUHC:

- Phase 1D: repurposing 'Block B' (the current TJ Hughes unit) to provide new 'shell and core' space that will be flexible for a variety of uses and occupiers.

The acceleration of the Programme required by the DLUHC timescales has created particular challenges for the day-to-day operations of the remainder of The Strand, which need to continue throughout the Phase 1 works.

2. The Transformation Business Plan 2023/24 to 2027/28

2.1 *Dependence on Phase 1 of the Transformation Programme and Supporting on-going operation of the remainder of the Strand*

The updated TBP includes an assessment of the Strand by the Asset Manager as a challenged operational asset and takes account of the impacts of implementing Phase 1 of the Programme in the short, medium and long terms whilst continuing to operate the rest of the centre, which is outside of the scope of the Phase 1 programme works.

The financial projections for the Strand during the five-year period of this TBP (2023/24 to 2027/28) indicate positive improvements in Annual Net Operating Income (NOI) across the 5-year business plan period, assuming Phase 1 is implemented.

On this basis, the Strand is expected to be in a breakeven position and moving in to net positive income growth once the new retail environment has been completed, even after accounting for the fixed costs of the headlease and the PWLB borrowing costs related to the original acquisition.

The implementation of Phase 1 is necessary to realise this significant improvement in financial outlook compared to the current 'as-is' Business Plan, as illustrated in the tables in section 2.2 below.

Without Phase 1, the Strand's financial performance will continue to decline, resulting in worsening outcomes over time and socioeconomic challenges, like those faced by comparable places included with the Ellandi research.

The proposed investment in Phase 1 and its enabling works not only leads to improved financial performance but also drives regeneration, arresting the continued decline of Bootle, including job losses, economic decline, weakened community bonds, and negative perceptions of the town centre.

It is important to note that the Strand was acquired in 2017 by the Council to ensure its continuation as an important amenity to the local community and to meet regeneration aims for Bootle Town Centre. Structural changes in the retail market and challenges in the wider economy have put pressure on the Strand's financial performance. The proposed Transformation Programme is designed to address those issues, drive regeneration and put the Strand back on to a sustainable financial footing.

2.1.2 *Dependence on the value from Place Shaping*

The TBP is dependent on realising the value of the Place Shaping benefits of the Phase 1 Programme in terms of improving the financial performance of the asset and realising the Council's Vision.

2.1.3 *Continued operation during Phase 1 Works*

The TBP is also dependent on the remainder of the Strand continuing to operate as a retail core during the Phase 1 works, cementing the importance of an improved retail offer within the future Strand.

2.1.3.1 *Retaining and relocating key tenants*

A key requirement is the ability to offer valuable existing tenants currently located within the scope of Phase 1 (and therefore required to vacate their current units), a quality alternative unit to which they can relocate for long-term occupation with security of tenure.

2.1.3.2 Initial improvements to the existing retail core

The full refurbishment of the retail core is planned for a later phase of the Programme but it is assumed in the TBP that some investment will be made in this area during Phase 1 and this additional investment is included in the Phase 1 Business Case.

Although this retained retail is the best quality retail and mall space in The Strand currently, it has had no significant investment for many years and must be updated to retain existing tenants (including those to be relocated from within the Phase 1 area) and to attract new tenants in the prevailing challenging market and whilst part of the Strand is subject to building works.

Therefore, the Phase 1 Business Case includes a capital budget for some improvements to this retail core, which is over and above the £20m DLUHC capital funding.

2.2 Financial Projections

2.2.2.1 Previous Business Plan ('as-is' - Phase 1 Programme not implemented)

The Previous Business Plan, which is based on The Strand continuing without implementation of the Phase 1 Programme, has the following projections:

Financial Year	2023/24	2024/25
*Net Council Return	-£1,837,238	-£2,084,686

The forecasts in the table above (and the declining trend of actual results over previous Business Plans) illustrate how the Net Council Returns from The Strand will continue to decline over time and the Council's Asset Manager confirms that without major change this decline will continue and increase over future years.

This decline is being driven by major changes in the retail market, which have been becoming more acute since the Council acquired the Strand in 2017, most notably the structural retail market shifts accelerated by the COVID-19 pandemic, including an increase in on-line shopping and the reduction in major retail anchor tenants, such as M&S, in small town shopping centres.

The decline 'is exacerbated by the current macroeconomic backdrop of increasing inflation, the cost-of-living crisis, and a potential recession. As confirmed above, without the making the changes included within the Phase 1 programme, Ellandi advise the decline in returns will continue, increasing each year and their research and data confirms the same scenario in similar town centres, which have grappled with declining performance due to a lack of investment, leading to significant socioeconomic challenges.

Underinvestment in these areas has resulted in decreased footfall, business closures, and limited employment opportunities, impacting community vibrancy and local engagement.

2.2.2.2 Updated Transformation Business Plan (Phase 1 Programme implemented)

The TBP assumes the timely implementation of Phase 1 of the Programme, which results in an improvement to the financial projections for the Strand.

The projections fully account for the deduction of the Sefton-specific costs related to the Council's head lease and the repayment of the Council's PWLB borrowing for the original acquisition of The Strand, which reduces cashflow by c.£2.25m per annum.

The improvement in financial projections between the existing 'As-is' BP and the updated 'Transformation' BP is summarised in the table below.

YEAR	1	2	3	4	5
FINANCIAL YEAR	2023/24	2024/25	2025/26	2026/27	2027/28
Current BP – Net Council Return	-£1,837,238	-£2,084,686	n/a	n/a	n/a
*Transformation BP – Net Council Return	-£1,610,201	-£1,850,407	-£1,151,114	-£1,012,388	-£858,360
Variance	£227,037	£234,279	n/a	n/a	n/a

(*These projections do NOT include any of the M&S lease surrender premium received in 23/24 which is held in reserve to replace lost contribution from M&S during the Phase 1 works. This reserve will be allocated each year in the appropriate proportion to ensure the financial cost of the shopping centre to the Council's Medium Term Financial Plan remains within the agreed budget each year).

Over the 5-year period, it can be seen that the net council return is forecast to improve by c.£750k pa, compared to an expected steady decline if the Transformation Programme were not implemented.

The Council's Asset Manager has confirmed that they expect the Strand to reach a 'breakeven' position and be able to start to grow in to net positive income once the new retail environment has been completed, even after accounting for the fixed costs of the headlease and acquisition PWLB borrowing costs (which reduce the cashflow by c.£2.25m per annum).

The main factors in driving this improvement are:

- **Better leasing outcomes and higher rents** - as the retail environment is more concentrated, the number of vacant and low-no rent units declines, demand increases and competitive tension between retailers drives growth in income.
- **Reduced operating costs to the Council** - as large areas that were unable to drive income (i.e., The Palatine) are removed, with existing and new retailers taking space covering occupational costs (service charge, insurance, and business rates).

These forecasts assume the implementation of Phase 1 of the Programme with the provision of c.£45m in new investment over the full term of the Business Plan as follows (see Business Case Summary below for more details of the investment):

Development of Phase 1A-C:	£20.0m (funded by DLUHC)
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Additional enabling capital* and Development of Phase 1D:	£25.1m (being sought from the LCRC)
TOTAL:	£45.1m

*The additional enabling capital is required to facilitate the remainder of the Strand, outside of the scope of Phase 1, to continue to operate effectively during the works.

3. The Transformation Programme Business Case

3.1 Introduction and Vision and Objectives

The Strand was acquired in 2017 by the Council because it is the key cornerstone asset in Bootle Town Centre, critical to the regeneration of the Town. The Council has set out a compelling long-term vision for The Strand and the regeneration it can enable in the town centre, focusing on promoting dynamism and inclusive and sustainable places that align with the local community. The successful delivery of Phase 1 of the Programme to create this sense of Place is the critical foundation for enabling this long-term vision.



3.1.2 Stakeholder Engagement

The plans for the future of The Strand have been developed in partnership with key stakeholders and the local community and have considered the wider consultation taking place on the town centre and the whole of Bootle via the Area Action Plan process currently underway.

A Bootle Local Partnership Group comprising key organisations from across the region remains in place, to support with progression of that wider action plan for the town and its future.

This commitment to involve stakeholders will continue throughout the Programme, supported by a comprehensive Stakeholder Engagement, Communication and Consultation Plan (“SECC Plan” - please see the link to the current SECC Plan in the Cabinet Report document) and the establishment of a Strand Information Hub in a vacant unit in The Strand.



3.1.3 Integration with the Canalside Salt'n'Tar initiative

Work continues on the recently acquired site adjacent to the shopping centre, and the canal, now known as 'Salt'n'Tar', to provide 'meanwhile uses' such as food, beverage and entertainment, which has already been successful in helping to reanimate the town centre ahead of the main Phase 1 programme.

Working in partnership with Sound City and Live Nation, a 3-day music weekender was held at Salt and Tar in July 2023. The event had 3 headliners supported by local bands: The Lathums, Red Rum Club and Cast.

The Music Weekender, which was the first major event to take place at Salt and Tar, saw more than 6,000 tickets sold, with revellers coming from all across the UK and as far afield as France and Australia. Sefton Council received glowing feedback from artists, vendors and residents, with some constructive input that will play a part in organising the 2024 edition. The event is a finalist for Best Small Festival in the UK Festival Awards, which will be held on Tuesday 5th December.





After the success of the music weekend event this year, announcements have been made that legend Sir Tom Jones will headline Salt and Tar for two dates and perform on Saturday 17th August and Sunday 18th August 2024.

Sir Tom continues to sustain his popularity around the world, captivating audiences with his timeless discography of hit songs and enduring talent and charisma. With a remarkable career spanning more than six decades, he is widely considered to be one of the greatest singers and recording artists of all time, selling more than 100 million records and continuing as an esteemed and influential figure in the music industry.

Before Jones and company roll into town, Salt and Tar will host a Winter Market from Friday 8th to Sunday 10th December, with locally sourced street food, drinks and live entertainment on offer.

Next year promises a full events calendar with activity every month, including a comedy event, International Festival, and summer holiday activities for the whole family. Salt and Tar is a key catalyst to the wider regeneration project in Bootle.

The Phase 1 Programme will build on the existing 'Salt'n'Tar' facilities and offer, establishing this for the long-term as an enhanced and integral part of the Strand's diversified offer for the future.

SALT AND TAR



3.2 Scope of Phase 1

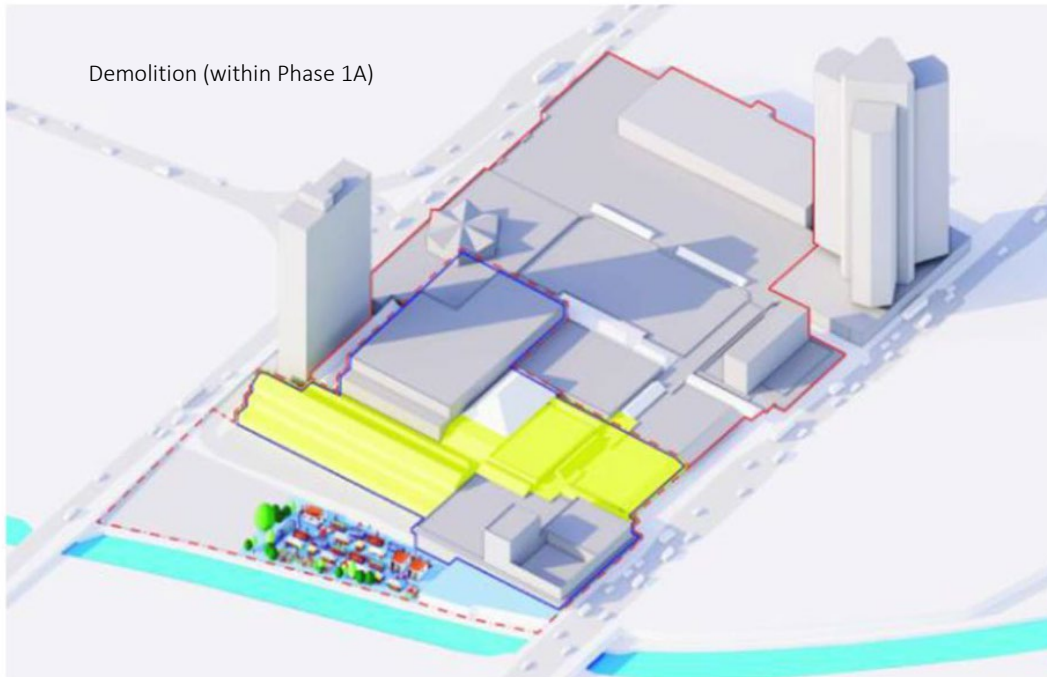
Phase 1 of the Transformation Programme has 4 elements:



The four elements of Phase 1 of the Strand Transformation Programme

- Phase 1A: New landscaped public realm alongside the canal that extends and enhances the initial 'meanwhile uses' Salt and Tar facilities.
- Phase 1B: refurbished space in 'Block A' (the former M&S unit) including: x6 new commercial units facing the new town square along with new 'shell and core' space on the ground floor (Stanley Road level); and new 'shell and core' space in the basement area (Canalside/Washington Parade level). The shell and core space will be flexible for a variety of uses and occupiers.
- Phase 1C: new landscaped public realm forming a new Town Square where the currently enclosed Mons Square is located, which will integrate with the Canalside and deliver enhanced permeability into the Strand and a beautiful space where the community can come together.
- Phase 1D: repurposing 'Block B' (the current TJ Hughes unit) to provide new 'shell and core' space that will be flexible for a variety of uses and occupiers.

Phase 1A includes the demolition of surplus retail and poor-quality residential space in The Palatine, illustrated in the areas shaded yellow in the illustration below.



Demolition works in Phase 1

This demolition removes poor performing units that currently make a loss and opens the site up to facilitate new public realm essential for the Place Shaping objectives of the Project.

3.3 The Case for Focusing on Place Shaping

3.3.2 Place Shaping strategy

Place Shaping is critical for the transformation of The Strand - creating an attractive and welcoming environment is a key first step in developing the existing Strand into a town centre fit for the future.

Therefore, Phase 1 of the Programme has a focus on delivering first class public realm to unlock future development of more commercial uses, whilst providing a solid base for the social and physical regeneration of Bootle by creating a pleasant and attractive town centre for its residents.

In this way, the social and physical fabric of a community improves and with it the economic benefit to its residents, resulting in improved life chances. Investment in Place Shaping returns increased economic output, uplifts in land values and increased job creation.

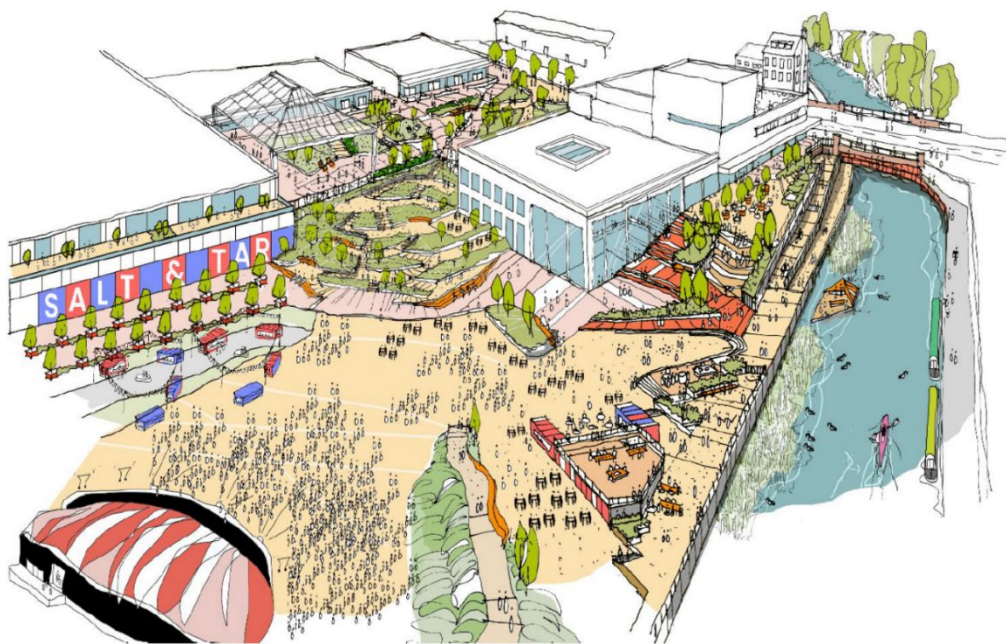
Previous Strand Business Plans have documented the on-going decline of the Strand as a retail asset with the Council suffering significant financial losses over the last few years due to the volatile nature of the retail market, changing consumer habits and oversupply of retail within the town centre. The impact of these factors has been increased and accelerated over that time by COVID-19.

As a result, The Strand is currently not able to sustain itself nor foster any significant growth without investment to significantly change its offer based on a clear strategy for re-purposing the asset to be fit for the high-street of the future, along with a robust programme plan for delivery of that strategy.

Detailed advice and input to the planning and design of the Programme has been provided by the Council's Asset and Development Manager, Ellandi and its appointed Project Management and Design Partner, Avison Young. In addition, the Council has been supported by Savills who have provided expert economic advice in terms of the benefit to cost returns of the proposed investment in Phase 1 as part of the Council's bid for DLUHC grant, which was submitted to DLUHC in 2022.

The clear advice is that the first step in this strategy must be focused on transforming the Place to create the foundations for realising the Council's bold vision and objectives for the Strand and town centre in the future.

This compelling long-term vision for The Strand and the town centre seeks to promote dynamism and inclusive and sustainable places within the town centre that align with the local community, which is fundamentally about Place Shaping.



Vision of Phase 1 of The Strand Transformation Programme

The key rationale underpinning this Place Shaping strategy is the recognition that, whilst the public realm and the physical environment remain poor and with limited green space in the town centre, it is very difficult to attract commercial operators who will create a financially sustainable product. To create a sustainable town centre, it is necessary to bring alternative uses other than retail into The Strand.

As evidenced by town centre regeneration projects across the UK, these alternative uses have increasingly been driven by the civic sector – whether that is health, education and local or national government tenancies, which are in turn supported by additional commercial uses and an appropriate mix of residential/living tenures.

3.3.3 The value of new public realm

The assessment of the Council’s advisers is that there is an estimated oversupply of retail space (approx. 27%) within Bootle town centre, and the creation or replacement of commercial product in the first phase of the development would face challenges in the current leasing market, particularly as no end user is firmly defined (due to the timescales imposed by DHLUC).

In contrast, the proposed approach creates an animated town centre that acts as the foundation for future growth and development with an attractive environment that will improve the social and physical fabric of the community and with it the economic benefit to local residents, resulting in improved life chances. The design of this space will be thoughtfully considered to provide designated areas for greenery, seating and year-round activation. Flexibility will be built into the design of this space intentionally, to allow for seamless integration with ‘Salt and Tar’ and ensures that the space can become a focal point for the town centre and host a variety of events and activities.

3.3.4 The impact of demolition of select areas

Phase 1 of the Programme includes the demolition of surplus retail and lower-quality residential space; the repurposing of the ground and lower ground floors of the former M&S unit; and the creation of high-class public realm, facilitating new permeability from Stanley Road to an enhanced Salt and Tar offer at Canalside level.

Most of the area currently within the Phase1 site does not return a positive cash flow and is not economically viable in its current form. For example, The Palatine has suffered from higher vacancy rates and has costs to the Council since the acquisition of the centre in 2017.

These areas are outdated and lack the necessary infrastructure to support modern businesses. Demolition will clear the way for new development, including the critical high quality public realm required in support of the Place Shaping strategy, delivering the needs and demands of the community, and helping to attract inward investment. create jobs, and boost the local economy.



3.4 Funding

The implementation of Phase 1 of the Programme requires c.£45m in new investment over 5 years (the full term of the Transformation Business Plan) as follows.

Development of Phase 1A-C:	£20.0m (funded by DLUHC)
Additional enabling capital* and Development of Phase 1D:	£25.1m (being sought from the LCRCA)
TOTAL:	£45.1m

**The additional enabling capital is required to enable the remainder of the Strand, outside of the scope of Phase 1 to continue to operate effectively during the works.*

DLUHC Capital Levelling Up Funding for Phase 1A-C

The Council has already been successful in securing, in March 2023, the £20m of capital funding from DLUHC via the Capital Levelling Up Fund to complete Phase 1A-C in its entirety, including professional fees for the remaining RIBA Stage 3-7 work. This work must be completed by 31 March 2026 as a condition of the funding agreement, creating a very challenging schedule for the works.

Applications for Liverpool City Region Combined Authority (LCR CA) Funding

There is additional funding required of £7.1m to deliver Enabling Works that will allow the shopping centre to continue to operate during the Phase 1A-C works.

There is also additional funding, estimated at up to £18m, to re-purpose Block B for Phase 1D of the Programme, which must be completed as a condition of the Levelling Up funding grant.

The Council's project team officers and the Executive Director of Place have been working with the LCR CA to discuss prospective funding applications to a total of c. £18m of the estimated c.£25.1m additional funding. The CA have confirmed their support for the aspirations of the programme and welcome a submission for funding, which will be subject to their assurance process, which includes a review of the business case being prepared by the council.

A submission for £7.1m capital investment required for the Phase 1 Enabling Works (to enable the shopping centre to continue to operate effectively during the works) has been submitted and council officers are working with colleagues at the Combined Authority to develop a business case and, if ultimately approved by the Combined Authority, to identify available funding to support delivery of this phase.

3.5 The Benefits Case for Proceeding with the implementation of Phase 1

3.5.2 Financial

As outlined above in the Business Plan section of this report, successfully delivering Phase 1 of the Programme will enable the Strand to move from a position of continued financial decline with an unsustainable future to once again becoming a net positive income generating asset that is financially sustainable for the long-term ensuring the continuation of essential amenities that are needed and valued by the local community.

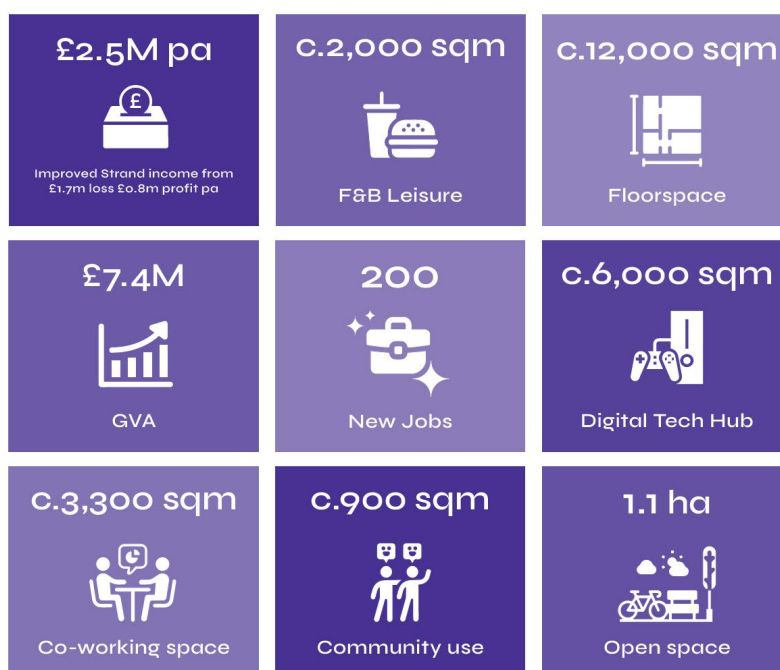
3.5.3 Economic, Social and Physical regeneration

In addition to enabling the Strand to again become financially sustainable, implementing Phase 1 of the Programme will drive significant economic, social and physical regeneration across Bootle. These benefits are very significant and quantifiable over 10 years:

- **Social value** – through providing better amenities, attracting people to visit and to dwell in the town centre and providing easier access to essential facilities and services ‘on the high-street’
- **Improved health and well-being** – through providing new public realm and green spaces as well as new facilities for active travel and lifestyles as well as integrated health and social care on the high street
- **Economic value** – through attracting more visitors to the town centre and encouraging spending more time and money locally, including supporting the development of a vibrant night-time economy and local businesses, creating jobs with a more vibrant and attractive town centre being more attractive to employers to set up in the town
- **Environmental improvements** – through high quality public realm and more green spaces; opening access to the canal; ultimately creating a ‘green-link’ to Rimrose Vally country park and a ‘blue-highway’ (via the waterway) to Liverpool; also through the design strategy focusing on re-purposing rather than whole-scale demolition and rebuild, reducing the project carbon footprint by over 30%
- **Commercial value** – through re-purposing and diversifying the offer to be fit for the high-street of the future, enabling the Strand to return to net positive income generation and become financially sustainable in the long-term and arresting the decline in the value of the asset over time.

An assessment conducted for the Council by the market leading built environment consultants Savills for the Council’s DLUHC bid quantified some of these benefits in financial values over 10 years as follows:

Land value uplifts (unlocking wider investment and development)	c.£180m
Residential values uplift (unlocking housing development)	c.£17m
Retail and Leisure values uplift (improving quality of life)	c. £1m
Office values uplift (helping bring back in to use the large number of empty offices)	c.£5m
Improved amenity space (improving quality of life, health and inward investment)	c.£3m
Job creating and wage uplifts	c.£3m (200 new jobs)
Crime reduction	c.£3m (10% reduction)
Avoided asset depreciation (over 10 years)	c.£16m



Direct Benefits:

- Unlocking £70m of private investment in town-centre
- £100m uplift in residential values over 10 years
- £8.5m uplift in retail values over 10 years
- 300,000 more visitors to the town centre pa
- £60m increased visitor spend in the town centre pa
- Overall Benefits to Cost Ratio: 4:13

Indirect Benefits:

- Reduced crime in a hotspot
- Increased GVA per head in the local economy
- Improved educational attainment
- Improved average annual income locally
- Improved health and well-being (incl. longer lifespan)

3.5.4 Further Benefits – Health and Wellbeing

There are advanced discussions on the potential for an integrated health and social care hub to become an anchor tenant within Phase 1 of the Programme, delivering on cross organisational and city region wide strategic objectives for improving health and well-being outcomes for local people by bringing services together for delivery on the high-street.

Integrating services in this way and making access to them easier and ‘wrapped around’ the individual could make a significant difference to health and well-being outcomes for the people of Bootle, an area that has poor outcomes in comparison to the wider region and nationally.

3.5.5 Further Benefits - Education

There are also advanced discussions on the potential for an educational institution to become an anchor tenant within Phase 1 of the Programme, delivering a new town centre education campus.

This is subject to commercial negotiations on terms as well as confirming design and delivery costs.

This new facility could include virtual reality, flight simulation, media suites and digital development spaces creating the opportunity for the development of a digital innovation hub for learning alongside commerce.

A new campus of this kind could revitalise the wider town centre with students, parents and staff becoming a concentrated population in the town, creating a vibrant and inclusive town centre with a more diverse customer base.

In turn this would drive increased footfall and extended visit durations and increased spending on retail, dining, and entertainment options within the Strand.

Ellandi’s research estimates that with 5k-7k students in the shopping centre, there is a potential additional £2.8 million of spending on food, fashion, health and beauty, leisure, and other miscellaneous goods.



3.5.6 Benefits Realisation

The method underpinning the way the proposed investment in the Strand, including new Public Realm, will drive these benefits is based on a Treasury approved logic model, illustrated below. This was developed for the Council by its expert economic advisor when compiling the successful LUF bid for DLUHC grant funding.

Logic chain for STRAND REPURPOSING:



**ANNEX 1: EQUALITIES IMPACT ASSESSMENT –
STRAND TRANSFORMATION PHASE 1 PROGRAMME**

(see separate document: App 1 Annex 1 Strand Equalities Impact Assessment v1.0)

**ANNEX 2: ENVIRONMENTAL IMPACT ASSESSMENT –
STRAND TRANSFORMATION PHASE 1 PROGRAMME**

(see separate doc: App 1 Annex 2 Strand Environmental Impact Assessment v1.0)

ANNEX 3: STRAND SOCIAL VALUE REPORT 2023

(see separate document: App 1 Annex 3 Strand Social Value Report 2023 v1.0)