



Blackpool Town Deal Board meeting 14

Agenda Item 5 (paper 5.1)

Report to: Blackpool Town Deal Board

Subject: The Edge business case review and recommendation

Relevant Officer: Nick Gerrard, growth and prosperity programme director

Date of Meeting: 5 November 2021

1. The Edge (project background)

1.1 Project description

The core aim of the project is to expand the quality and range of flexible managed workspace within Blackpool town centre to accommodate the needs of new and growing small businesses; complemented by tailored business advice for growth-ambitious small businesses.

Stanley Buildings has been identified as a suitable building within the town centre to achieve this aim. It is local authority owned and ideally located given its proximity to several flagship regeneration projects, local amenities and transport networks. Although surplus to requirements for local authority use it has significant potential to be repurposed to meet local business needs. Given its architectural merit it is a locally listed building which is a material consideration in any planning consent. Most of the upper floors are currently void and in an unlettable state, but the wider Stanley Buildings houses FYCreatives, a small but successful managed workspace facility; and various ground floor retail and commercial uses (fast food, fashion, beauty, vintage records, second hand furniture/white goods, print services).

The Edge is the name given to the proposed expanded managed workspace aiming to knit together large parts of the upper floors of the building to create a vibrant business hub providing a choice of offices, meeting rooms, co-working and breakout space. Council co-investment will ensure the renovation of the wider Stanley Buildings, including ground floor shopfronts and repurposed adjacent building. This co-investment will enable The Edge to be placed within the heart of a thriving mixed use commercial hub; a destination for ambitious entrepreneurs; a place to be seen, to meet, to shop and to do business.



The Edge aims to:

- Create a destination small business hub, enabling innovative and high growth businesses to expand; accessing bespoke support on their business growth journey.
- Address market failure by meeting unfulfilled demand for affordable serviced office space for small businesses within the town centre.
- Facilitate the creation of skilled job opportunities in growing business sectors, ensuring businesses have key facilities such as full fibre infrastructure, as well as business networks and know how on which to thrive.
- Strengthen business support provision - ensure it is demand-driven and relevant to the needs of growth-oriented Blackpool businesses.

The wider redevelopment scheme will bring sensitive refurbishment and regeneration to these signature 1930's locally listed buildings, a balanced approach bringing contemporary design and use to the buildings in a sympathetic way. To include:

- Repair or replacement of failing faience cladding.
- Contemporary restoration of ground floor shop fronts to create a renewed sense of continuity and appeal.
- Renovate an adjacent building to create a café bistro opportunity serving the needs of tenants, residents and visitors.

The project is a £6.8m capital scheme (£4.5m of Town Deal; £2.3m Council co-funding) to be delivered by Blackpool Council as scheme promoter and accountable body. Overseen by the Council's Economic Development & Cultural Services Department, with capital project support from the Property Services Department and design and planning specialists, Cassidy & Ashton. Construction is phased over 20 months commencing July 2022, with completion by February 2024.

Significant feasibility and design work has been undertaken in preparation for this scheme; including a market demand assessment to inform the type and size of space requirements for small businesses.

1.2 Rationale and Need for Scheme

The rationale for the project is based on market failures and equity. The Edge: Needs and Demand Study undertaken by Capita (May 2021) (appendix I) noted that:



The office market on the wider Fylde coast remains the most challenging of the commercial markets in the region. The majority of development in Blackpool's office sector over recent years has been in the Airport Enterprise Zone and at Whitehills. This wealth of activity over the past twenty years within the Enterprise Zone has pushed supply of high quality and good value office accommodation at the expense of the town centre, causing an imbalance in Blackpool's office market. As a result, the town centre office supply is generally poor secondary stock, that suffers from a lack of investment....Blackpool's workspace market is experiencing market failure owing to imperfect information – the potential for high occupancy levels that drive viability, but which is not translated into supply. Developers are hesitant to invest in the district's office market due to a perception of low rents and the lack of certainty in terms of weaker covenant companies. Indeed, these trends mean that finance to develop is unobtainable.

These market failures relate in particular to externalities. The private-sector assessment of the value of the project would not include the positive benefits of new business accommodation and economic growth and there are information deficiencies in relation to future property performance, and hence a cautious view of risk. As a result, the Edge proposal (new managed workspace) would not be provided without the intervention by the public sector. There is also clear justification of the project on grounds of equity, with significant potential benefits in terms of employment opportunities for local people in a range of business sectors. Capita also noted:

....post COVID-19 has undeniably disrupted demand towards office space nationally, with demand restricted due to the global shift towards home working....COVID has accelerated the adoption of new tenancy patterns, and an increase in demand for flexible lettings. Such terms include monthly tenancies in lieu of formal tenures including commitments of five to ten years duration. Evidence suggests 85% of workers expect their office estate to become more flexible to cope with the changing economic landscape, which includes the increased use of serviced offices characterised by a pay-as-you-use space based on limited commitments on the part of occupiers. Standard facilities with fully staffed reception desks, kitchens, cleaning and maintenance services, meeting rooms and break-out spaces. Businesses can also access additional pay as-you-use services and facilities. Flexible leases have proven to be well-suited to SMEs and growing businesses due to the ability to scale-up in short notice within the same building, accommodating the growth patterns of start-ups.



1.3 Project Deliverables

Key performance indicators	Target
The Edge: to create a new business enterprise centre providing high quality, flexible business accommodation including 43 offices/workspace units, co-working space, meeting rooms, reception and ancillary facilities. (1200 square metre offices, 265 square metre co-working space)	February 2024
The Edge: to provide space, services and activities such that 250 business people/150 businesses per year use The Edge.	March 2026
The Edge: to assist 36 growth start-ups or scale ups per year.	March 2026
Stanley Buildings: to complete the restoration of Stanley Buildings to enable a minimum 25 year new lease of life, including renovated shopfronts.	February 2024
Stanley Buildings: convert a connected building into a café-bistro business opportunity (1 building improved, minimum of 201 sq. NIA of renovated space, 1 new business and associated jobs).	February 2021

1.4 Funding Profile

Fund Source	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	Total
Towns Fund	£405,000	£3,108,434	£986,566	£0	£4,500,000
Blackpool Council	£0	£0	£2,124,669	£153,699	£2,278,368
Total	£405,000	£3,108,434	£3,111,235	£153,699	£6,778,368

2. Annexes

There are three documents annexed to this report which provide further detail:

- Annex Paper 5.1A: the TDIP report including the independent Appraisers summary of the project business case provided to the TDIP panel on 13 October 2021. This provides:
 - A summary review of the 5 business case elements within the project Business Case highlighting strong performing areas and also any areas that would benefit from further attention or discussion.



- A series of overarching recommendations provided to the TDIP Panel for initial review and consideration and the TDIP Panel's recommendations to the Town Deal Board.
- 2. Annex Paper 5.1B: the full Stantec appraisal scheme report.
- 3. Annex Paper 5.2: the full project business case (without appendices).

3. Recommendation

That the Board confirm that they are satisfied that the business case assessment process was thorough and robust and approve the Edge Business Case for sign off by Blackpool Council and Chair of the Town Deal Board, for onward submission to DLUHC.