

CABINET

DATE	21 st September 2022
REPORT OF	Councillor Philip Jackson, Leader of the Council and Portfolio Holder Economy, Net Zero, Skills, and Housing
RESPONSIBLE OFFICER	Sharon Wroot, Executive Director Environment, Economy & Resources
SUBJECT	Freshney Place: Leisure Scheme
STATUS	Open Report.
FORWARD PLAN REF NO.	CB 09/22/01.
CONTRIBUTION TO OUR AIMS	

Following the acquisition of Freshney Place, the Council is now able to progress the next phase of the leisure scheme. The diversification of Grimsby Town Centre will address a key challenge of a substantial over reliance on retail and contribute to both the Council's "Stronger Economy" and "Stronger Communities" priorities. The scheme aligns with the ambitions of the Local Plan, the Town Deal, and the Grimsby Town Centre Masterplan 2020. All acknowledge the importance of developing the town centre to enhance, protect and diversify its current offer, to ensure it is more resilient and can adapt to the structural change taking place in the High Street economy by increasing footfall and boosting both day and evening town centre economies.

EXECUTIVE SUMMARY

The acquisition of Freshney Place was completed on 4th August 2022 with the support of Cabinet and Full Council.

So far as the proposed leisure scheme is concerned, Cabinet has received several reports on this topic, most recently on 20th October 2021 (although the scheme was highlighted within the said Freshney Place Acquisition report of 22nd June 2022), which resulted in approval to undertake a procurement exercise for the appointment of a professional delivery team to cover the full suite of disciplines required to deliver the leisure scheme.

This report further updates Cabinet in respect of:

- the wider project progress;
- procurement of the construction team which will be appointed on behalf of the Council; and,
- an update regarding the scheme design.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Notes the completion of the acquisition of Freshney Place.

2. Delegates to the Executive Director Environment, Economy, and Resources, in consultation with the Leader of the Council authority to develop the Freshney Place Leisure Scheme as the sole developer and conclude negotiations with third party landowners.
3. Authorises the Executive Director Environment, Economy, and Resources in consultation with the Leader of the Council to take all preliminary actions in connection with the exercise of compulsory purchase powers in connection with property interests in the vicinity of Freshney Place required for overall delivery of the scheme and its wider regeneration aims, if the Council is unable to agree terms through the ordinary course of negotiations, accepting that the final decision of completion of any such order rests with Cabinet and will be subject to a further report.
4. Authorises the Executive Director for Environment, Economy, and Resources to submit a planning application in support of the Freshney Place Leisure scheme.
5. Delegates authority to the Executive Director for Environment, Economy, and Resources in consultation with the Leader of the Council to commence the procurement of a professional delivery team, including the demolition and building contractor to implement Phase one of the scheme (subject to planning consent) and (having regard to recommendation 6) to deal with all matters to award, implementation, and mobilisation.
6. Delegates authority to the Executive Director for Environment, Economy, and Resources in consultation with the Leader of the Council following the procurement process to appoint a contractor for phase one and enter into a Pre-Construction Services Agreement, noting that the further appointment for phase two of the works will rest with Cabinet and be subject to a further report.
7. Authorises the Assistant Director Law, Governance and Assets (Monitoring Officer) to execute and complete all requisite legal documentation in relation to the matters outlined above.

REASONS FOR DECISION

To update Cabinet on the acquisition of Freshney Place and the current position of the Freshney Place Leisure Scheme reaffirming the Council's commitment to undertake the scheme and enable progression of the next phase of works related to the project having regard to the change in dynamics of ownership and control of the asset.

1. BACKGROUND

Update on Acquisition

- 1.1 Following reports and support of both Cabinet and Full Council, the acquisition of Freshney Place was completed on 4th August 2022.
- 1.2 This acquisition means the Council is now in control of a significant town centre asset which is a core component of its infrastructure. Furthermore, the acquisition enables the Council to enact the transformation change it seeks within Grimsby town centre.

- 1.3 As outlined in the Cabinet report dated 22nd June 2022, the intention is that Freshney Place Shopping Centre will be run at arm's length from the Council and be managed by experienced professionals, which will be subject to appropriate governance. The emerging model will be the subject of a further report to Cabinet.

Freshney Leisure Scheme Project Structure

- 1.4 Previously, Cabinet has reviewed and approved proposals for the Freshney Place Leisure scheme, that have enabled the Council to:
 - 1.4.1 submit and approve a Future High Street Fund (FHSF) grant scheme in relation to the project;
 - 1.4.2 commence negotiations with third party landowners, namely those situated in the Old Market Place and Flottergate, together with delivery partners with a view to delivering the scheme (i.e., the owners of Freshney Place Shopping Centre within a Development Agreement), and bringing the same to fruition, including the option of initiating compulsory purchase order proceedings if negotiated agreements could not be reached; and,
 - 1.4.3 procure a professional delivery team to cover the full suite of disciplines required to successfully deliver the project.
- 1.5 Since the last update to Cabinet specifically on the leisure scheme, Full Council approved the acquisition of Freshney Place Shopping Centre on 14th July 2022, after the centre had gone into receivership in January 2022 and now owns the centre, following completion of the legal agreements on 4th August 2022.
- 1.6 In addition, on 22nd June 2022, Cabinet received a report regarding both the acquisition of Freshney Place Shopping Centre and the Freshney Place Leisure Scheme. Regarding the leisure scheme, the report advised that progress had been made on designs, and survey work connected with the leisure scheme, following appointment of prominent development managers, Queensberry, together with architects and cost consultants, but that the proposed joint development with the previous owners of the shopping centre was no longer viable and that the Council should seek to proceed alone, as outlined within the report.
- 1.7 Consequently, Cabinet approved:
 - 1.7.1 submission of a project adjustment request to the Department of Levelling Up, Housing, and Communities (DLUHC), to realign the Future High Street Fund grant, as set out in the report;
 - 1.7.2 submission of a Levelling Up Fund (LUF) grant submission to DLUHC in support of the leisure scheme, as originally envisaged (in a separate report on the same date); and,
 - 1.7.3 the seeking of borrowing, which would enable acquisition of Freshney Place and development of the proposed leisure scheme, subject to retention of Future High Street Fund monies.
- 1.8 Currently, the Council has not had any formal feedback in connection with either the Future High Street Fund project adjustment request, nor the LUF submission

and does not expect to do so until later this year. However, to ensure the scheme can be delivered, as envisaged, it is critical that the Council continues to progress matters connected with the project delivery and this report seeks approval to proceed with the next two key phases of the project.

- 1.9 In addition, due to the changes in the structure of the project and at Freshney Place Shopping Centre as outlined above, it is felt prudent to seek reaffirmation of the appropriate Cabinet approvals previously made, within the project's current guise.

Procurement of a Construction Contractor

- 1.10 To ensure the scheme's delivery remains on schedule, it is proposed that the Council commence procurement of a contractor to undertake demolition and construction services required for the scheme.
- 1.11 As outlined below, designs of the proposed scheme are ready to be submitted as a planning application, but due to the timescales provided by the current funders, it is critical the Council commences the procurement of contractors to undertake construction of the scheme.
- 1.12 The procurement exercise would ensure value for money is secured and the Council's professional delivery team have researched the best methods of undertaking the procurement and advised the utilisation of a procurement framework, which would allow a robust exercise to be undertaken.
- 1.13 The procurement framework outlined above, would constitute a two-stage approach to appointing a main contractor, which is a commonly used mechanism. The first stage would entail a competition process to appoint a contractor, who would initially be engaged under a Pre-Construction Services Agreement (PCSA) to complete the design and tender the works as a series of sub-contract packages, which are then converted to a lump sum price for the works. Once the design has been progressed in detail and major packages of works procured, the second stage involves evaluation of the fixed price and entering into a construction contract with the contractor.
- 1.14 Two stage tendering provides an opportunity to capture contractor's ideas on the works, programming and design and is common practice in large scale projects such as the Freshney Place Leisure Scheme. Whilst this process can take longer than a single stage process, it usually provides a more cost-effective design and enhanced programming following the contractor's input. In addition, because of this process enables the contractor to gain a greater understanding of the project and its risks, it should reduce the number of variations during construction and reduce the need for contingency costings, as the packages have greater certainty due to the greater project understanding.
- 1.15 As outlined in paragraph 1.13, at the end of stage one, the design and packages of works are detailed and evaluated. At this point, a further report will be presented to Cabinet in order to seek approval whether to enter into a construction contract with the contractor.

Freshney Leisure Scheme Design Update

- 1.16 As outlined above, significant progress has been made regarding development of the proposed leisure scheme and the Council has appointed a professional delivery team, which has undertaken various structural surveys of the site and subsequently developed designs for the proposed leisure scheme.
- 1.17 The proposed designs incorporate three distinct elements to the scheme, namely:
- 1.17.1 development of a new Market Hall;
 - 1.17.2 development of new leisure facilities, including a cinema that will be operated by Parkway Cinemas; and,
 - 1.17.3 new public realm that supports the wider scheme and provides enhanced public space within Grimsby Town Centre.
- 1.18 The design process has been led by Leslie Jones Associates architects who have developed significant town centre schemes across the country and form part of the professional delivery team.
- 1.19 The attached designs will be subjected to a final design process together with public consultation and engagement with specific consultees (internal and external to the Council), including market traders, local businesses, and relevant statutory bodies. Consequently, this report seeks approval for submission of a planning application once these tasks have been completed.

2. RISKS AND OPPORTUNITIES

- 2.1. The key risks associated with progressing procurement of a construction contractor and submitting a planning application are:
- additional costs relating to the development arising;
 - the Council not been able to appoint a suitable construction contractor;
 - scheme designs not being achievable;
 - not securing, or delayed planning approval;
 - delays to the scheme putting funding at risk; and,
 - loss of occupants of the leisure scheme due to delays and costs.
- 2.2. As outlined above, the Council has appointed a professional delivery team to support this project and will be procuring an experienced contractor to supplement the existing team, who have experience of developing schemes such as this one. In addition, the team has appointed specialist structural, mechanical & electrical, concrete and building surveyors who have undertaken surveys, which have informed both the proposed procurement documents (that will be used in the procurement process for a construction contractor), and the scheme designs presented within this report, whilst also providing assurance regarding potential additional costs (including inflation and risk contingencies) that might arise. However, it is important that the project proceed as planned, because delays in both procurement and planning will enhance the Council's risk of

increased costs, should inflation and supply chain issues continue to increase.

- 2.3. The risk of not securing an appropriate contractor could arise if the market were to suffer a downturn, however, the Council's professional delivery team advise that the current market position is still relatively strong. Therefore, it is important that the Council commences procurement of a construction contractor as soon as possible to ensure an appropriate contractor is in situ in case the market should deteriorate. In addition, getting a contractor on board as soon as possible will enable further works to commence that will provide further assurances regarding the project's timeline and costs.
- 2.4. As outlined above, the scheme has been designed based on various elements of analysis, including structural surveys. However, the planning process is an exhaustive exercise that generates further comment and input from various parties. Therefore, submitting a planning application for the scheme, exposes the designs to this analysis and subject to obtaining planning approval, should provide assurance that the scheme is deliverable.
- 2.5. As outlined above, a professional team has designed the scheme, including planning consultants that have taken projects such as this through the planning process previously. In addition, the designs have been subjected to rigorous analysis that has informed them. The outcome of the planning process is subject to the normal democratic process, but the delivery team are confident of submitting an application that can be determined by the Planning Committee within the usual timeframe.
- 2.6. In addition, the planning process will ensure further consultation and analysis is undertaken on the scheme's design, alongside further work with Parkway Cinemas to engage with their customer base, which will further inform the project. However, it is critical this process commences as soon as possible to enable it to be undertaken and be determined within the timeframes required to deliver the project. As highlighted within this and previous reports, delivery of the project within the agreed timeframe is critical from both a funding perspective, but also to ensure the revitalisation of the town centre that is planned can commence as soon as possible.
- 2.7. As outlined in this report, the Council has procured a professional delivery team to support the development of the project who have undertaken analysis of the proposed costs and programme and advised that this scheme can be delivered in budget and on time, although issues such as inflation and interest rates are still risks facing the project although contingency for these issues have been included. However, given the wider economic pressures facing projects such as, again, primarily inflationary risks and interest rates, it is recommended that the Council commence the procurement and planning activity proposed within this report as soon as possible to provide further assurance that the scheme will progress according to plan. Also, this will support the scheme's wider aspiration of helping dilute the current over-reliance on retail space within Freshney Place, providing a more diverse offer, which would enable it to tap into the leisure and food & beverage market and open it up to different tenants, therefore provides greater opportunity to attract and retain tenants.

3. OTHER OPTIONS CONSIDERED

- 3.1. Given the Council has recently acquired Freshney Place for regeneration purposes, including delivery of the leisure scheme, it is not considered there are any prudent other options at this stage. Progressing planning and procurement is the next natural part of the scheme but until such time as a planning permission is in place (or not) and a reliable tender is secured, the Council is not committed to major capital spend. If there are any challenges at these stages, then other options will be considered at that time.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

- 4.1. The long-term decline of Freshney Place and Top Town Market would have a significant impact on the North East Lincolnshire economy and community. This would have a negative impact not only on the Council but the whole area, reinforcing impressions that the area is being left behind, or not receiving adequate investment.
- 4.2. Delivery of the leisure scheme resulting in an improved evening economy, increased income from car parks and an enhanced Market Hall offer would be a positive intervention to not only safeguard the centre, but also for the viability and vitality of the town centre. This would generate positive reputational and communications impacts, enhancing the Council's reputation with residents and stakeholders.
- 4.3. Visible investment in Grimsby town centre would enhance the wider transformational regeneration projects currently ongoing, or in development, providing benefits for residents, businesses, investors, and visitors.
- 4.4. Spending significant capital sums could have some potential negative implications and it is important to note that the purpose of the scheme is to address the very real risk of a downward spiral through the closure of further outlets and associated reduced footfall and wider social challenges this would present. There is very clear market failure within the town centre (in common with many other town centres), and this is evidenced by significant falls in values. The grant funding associated with the scheme has recognised this and the rents expected to be received will cover the Council's anticipated costs of borrowing.
- 4.5. A communications plan has been developed which identifies all stakeholders including those who will be directly impacted by the scheme. Subject to support of this report, the key stakeholders, including Freshney Place tenants, the market traders, Old Market Place and Flottergate retailers, and property owners will be presented with information, plus a point of contact for further enquiries will be established. Further engagement is planned as the scheme progresses, especially via the planning process. The professional delivery team will be part of future stakeholder engagement.

5. FINANCIAL CONSIDERATIONS

- 5.1. The financial considerations were explored in the Cabinet report on 22nd June 2022 but are outlined again for context below.

- 5.2. As referenced, the original concept for the leisure scheme was for the Council to partner with Freshney Place in a £25m scheme whereby both parties would contribute £5m each of match funding. The Council secured £17.3m. Queensberry, acting for the Council, have undertaken a cost appraisal of the leisure scheme and the current advice, given the information available, is that the scheme will cost £30.9m. The original business case anticipated a net cost, before match, of £27.3m. This is due to the well documented challenges to construction costs brought about by the pandemic and which have since been exacerbated with general inflationary pressures.
- 5.3. Given the Council has acquired Freshney Place, the private match from the owners of Freshney Place, originally envisaged, is not now forthcoming.
- 5.4. Subject to the FHSF being reallocated as described above, this opens the opportunity to seek funding to support the delivery of the leisure scheme. On that basis, a Levelling Up Fund (LUF) bid has been submitted, using the plans contained within the original FHSF submission and previously approved by Cabinet.
- 5.5. If this bid were unsuccessful, then the Council would have to assess how it would deliver the leisure scheme using alternative funding sources.
- 5.6. The Council has bid for £20m from LUF, and if successful, would contribute to the costs of the leisure scheme.
- 5.7. The table below outlines the likely funding route in different circumstances regarding Freshney Place acquisition and the Leisure Scheme development.

	Option	Freshney Place (FP) Acquisition Requirements	Leisure Scheme Development Requirements
A	FHSF Adjustment and Levelling Up Fund bid successful.	FHSF plus prudential borrowing to acquire FP.	LUF plus prudential borrowing to fund the leisure scheme.
B	FHSF Adjustment approved but Levelling Up Fund bid unsuccessful	FHSF plus prudential borrowing to acquire FP.	No LUF – alternative funding required to develop the leisure scheme.
C	FHSF remains allocated to the Leisure scheme.	Alternative funding required to acquire FP.	FHSF and balance funded through prudential borrowing.

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

- 6.1. Development of the Freshney Leisure scheme will support the longer-term strategic future of Freshney Place Shopping Centre, which will provide improved amenities for children and young people in the North East Lincolnshire area.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

- 7.1 The professional delivery team will ensure the project makes an overall positive contribution to the Council's published commitments on climate change and the environment. This will be achieved by incorporating appropriate weighting within the design and procurement process. New and refurbished building designs will incorporate innovative construction features and low carbon technologies which will reduce carbon emissions and minimise environmental impacts. The public realm design will also consider best practice in terms of design and climate change, for example one design feature could be the introduction of watering through rainwater harvesting

8. CONSULTATION WITH SCRUTINY

- 8.1 At the time of preparation of this report, the matter is due to be considered by the Economy Scrutiny Panel on Tuesday 13th September 2022.

9. FINANCIAL IMPLICATIONS

- 9.1 The precise financial implications of the proposed Leisure Scheme Development decision would be dependent on a range of factors, including the final design and associated cost projections, the level of external funding obtained, and future income streams generated.
- 9.2 On the basis that the Council is successful in its Levelling Up Fund bid, the majority of the development cost would be met with the balance being met from borrowing.
- 9.3 If the Council is required to borrow to fund entire project, associated costs would be met from forecast revenue surpluses generated from the operation of the site.
- 9.4 In the context of wider economic and fiscal uncertainty, there is a risk that FHSF is withdrawn or reclaimed by Government. However, experience is that the likelihood of this is very low and does not present a major risk to wider redevelopment ambitions in relation to the centre.

10. LEGAL IMPLICATIONS

- 10.1 It is accepted that the Council must procure both professional teams and contractors if the leisure scheme as articulated is to be delivered. Such procurement exercises will be conducted so as to comply with the Council's policy and legal obligations, specifically in compliance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015 and supported by relevant officers.
- 10.2 The delegations sought are consistent with an exercise of this nature.
- 10.3 Officers should note that an award constitutes a further decision and will be subject to completion of an Officer Decision Record. Where key decision criteria are met such Officer Decision Record will be subject to call in. Award and implementation timelines should accommodate this.

11. HUMAN RESOURCES IMPLICATIONS

11.1. There are no HR implications

12. WARD IMPLICATIONS

12.1 Freshney Place is situated within the West Marsh ward.

13. BACKGROUND PAPERS

13.1 15th July 2020 – Future High Street Funding Cabinet Report – <http://www.nelincs.co.uk/wp-content/uploads/2020/07/Future-High-Street-Funding-Cabinet-Report.pdf>

13.2 17th February 2021 – Future High Street Funding Cabinet Report - <https://democracy.nelincs.gov.uk/wp-content/uploads/2021/02/3.-Future-High-Streets-Fund.pdf>

13.3 16th June 2021 – Future High Street Funding Cabinet Report – <https://democracy.nelincs.gov.uk/wp-content/uploads/2021/05/12.-Future-High-Street-Fund.pdf>

13.4 20th October 2021 – Future High Street Funding Cabinet Report - [5.-Future-High-Streets-Fund.pdf](#)

13.5 Grimsby Town Centre Masterplan - <https://www.nelincs.gov.uk/assets/uploads/2020/12/Grimsby-Masterplan-Report.pdf>

13.6 22nd June 2022 - Freshney Place Acquisition Cabinet Report - [4.-Freshney-Place-Acquisition.pdf \(nelincs.gov.uk\)](#)

13.7 14th July 2022 – Freshney Place Acquisition Full Council Report - [Freshney-Place-Acquisition.pdf \(nelincs.gov.uk\)](#)

14. CONTACT OFFICERS

14.1 Damien Jaines-White, Assistant Director Regeneration

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