

## Section A: Scheme Summary

<b>Name of scheme:</b>	<b>Dewsbury Arcade</b>
<b>PMO scheme code:</b>	
<b>Lead organisation:</b>	Kirklees Council
<b>Senior responsible officer:</b>	Peter Thompson
<b>Lead promoter contact:</b>	Chris Hill
<b>Case officer:</b>	Heather Briggs

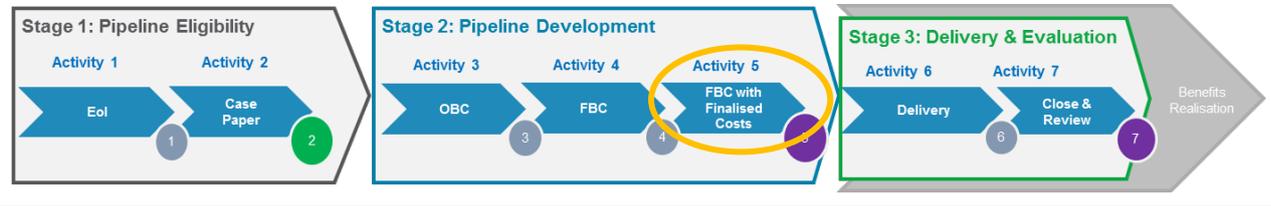
<b>Applicable funding stream(s) – Grant or Loan:</b>	Getting Building Fund Grant
<b>Growth Fund Priority Area (if applicable):</b>	Priority 4 – Infrastructure for Growth

<b>Approvals to date:</b>	Activity 2 – Pipeline Eligibility
<b>Forecasted full approval date (decision point 5):</b>	Full Business Case, March '21, FBC with costs May '21
<b>Forecasted completion date (decision point 6):</b>	Delivery started Jan '21. Scheme completion Oct '22. WYCA spend completion March '22

<b>Total scheme cost (£):</b>	£3,245,000
<b>Combined Authority funding (£):</b>	£600,000
<b>Total other public sector investment (£):</b>	£2,645,000
<b>Total other private sector investment (£):</b>	-

<b>Is this a standalone project?</b>	Yes
<b>Is this a programme?</b>	No
<b>Is this project part of an agreed programme?</b>	Yes- Getting Building Fund

### Current Assurance Process Activity:



### Scheme Description:

The project involves reopening the vacant Grade 2 listed Victorian Arcade in the heart of Dewsbury, for small, local, independent businesses. The focus will be on letting to businesses in the creative / retail sector.

The Arcade is in very poor condition having been vacant for four years and having little or no maintenance over the last decade. The overall project will involve the repair, refurbishment and reconfiguration of the building, all to high heritage standard, allowing re-occupation and greater flexibility in the use of spaces.

The project will deliver 21 refurbished ground floor business units suitable for a variety of uses within retail and leisure. They will be generally small, of varying sizes (15 - 30 sq m) with a total floor space of approximately 455 sq m (4,897 sq ft). The upper floors also offer opportunities for further business space and the use and configuration of this space will be explored as part of the design process. The proposal to reopen the Arcade has widespread support from the people of Dewsbury.

The 'Getting Building' funding sought in this application is towards design fees, stabilisation, strip out and repair works.

### Business Case Summary:

#### Strategic Case

The FBC and associated logic model highlight that Dewsbury town centre has experienced a dramatic decline in pedestrian footfall. The number of Saturday visitors has dropped by more than half over the past 20 years and in 2019, 30% of town centre properties were vacant. The Council is committed to arresting and reversing this decline and delivering a vibrant town centre that serves the needs of residents.

The Council has developed the Dewsbury Blueprint, a 10 year plan that *"seeks to honour the heritage of this beautiful town and build on recent investments."* The Blueprint's vision includes developing *"a town centre*

*that is fully utilised through increased housing and leisure provision, with a consolidated retail and commercial core.”*

The refurbishment and re-opening of the Arcade is one of the major projects highlighted in the Blueprint – *“we will reconnect the retail areas by reopening The Arcade between Market Place and Corporation Street. By seeking greater control of this beautiful space, we will be able to attract and retain an eclectic mix of retail, leisure and community facilities.”*

The re-development of the Arcade also reflects the ambition articulated in the Dewsbury Strategic Development Framework to focus retail on a small number of streets, including the Arcade. The Framework highlights that the consolidated retail offer *“would need to change if it is to remain vibrant and sustainable in the future.”*

The project contributes to the achievement of the Leeds City Region's Strategic Economic Plan (SEP). Specifically, the re-development and re-opening of the Arcade will contribute to three of the four SEP Priorities as follows:

- Priority 1, Growing Businesses – the project will facilitate business growth by regenerating the Arcade to create spaces for new businesses. A vibrant Arcade will increase footfall in the town centre thereby enhancing the viability of surrounding businesses.
- Priority 2, Skilled People, Better Jobs – the project will create temporary construction jobs, and provide high-quality premises from which firms can grow and create new employment opportunities.
- Priority 4, Infrastructure for Growth – the project will return currently redundant retail and office space back to the market creating opportunities for start-up and existing businesses on affordable rents.

The re-development of the Arcade is part of Kirklees Council's wider regeneration strategy for Dewsbury. However, delivery of the project does not rely on other schemes occurring elsewhere in the town, district or city region. There are therefore no constraints or dependencies related to other related schemes.

The re-development of the Arcade in both the Dewsbury Strategic Development Framework (2018) and the Dewsbury Blueprint (2020). As

	<p>outlined in the FBC, public engagement was held on the Dewsbury Blueprint in February and March 2020.</p> <p>On the theme 'Shoppers Town' the Arcade was the highest scoring project with 81% of the responses recording it as one of their top 3 projects. Residents and shoppers placed importance on improving the appearance of vacant historic buildings. When asked which project was the most important to achieving the Blueprint vision, re-opening the Arcade came a close second with 30% of the responses, surpassed only by moving Council staff to Dewsbury (33%).</p>
<p><b>Commercial Case</b></p>	<p>The proposition is that the uniquely small size of the units compared to the rest of the property offer in Dewsbury combined with affordable rents and no rates, will allow a new generation of internet-savvy entrepreneurs to test their ideas at no great financial risk.</p> <p>Both the property report done by Aspinall Verdi and the research undertaken into Victorian Arcades in other parts of Britain showed the background problems and potential for the Arcade. In relation to <b>retail</b> the report highlights the national trend that was evident before the Covid-19 pandemic of falling footfall on high streets and rising online purchases. In 2000 online retailing accounted for less than 1% of total retail sales but this grew to almost 20% by 2018. Dewsbury has seen falling footfall and the report highlights that <i>"high streets with a wide choice of retail services alongside well-designed and planned residential and office space are more resilient to these changes."</i></p> <p>The report found that there is <i>"2,582 m<sup>2</sup> of [leasehold] space available in the town centre across 14 properties."</i> However, the retail units in the Arcade are small with an average size of 22.7 m<sup>2</sup> and there is <i>"only one unit is currently available below 25 m<sup>2</sup> and a further one below 50 m<sup>2</sup>."</i> AspinallVerdi consulted with local agent Vickers Carnley who are <i>"confident that if small units aimed at independent traders are put to the market, there will be a steady stream on enquires from local people."</i></p> <p>Vickers Carnley did stress that the Council should look to provide <i>"incentives such as rent-free periods and there should be a stepped rent over time or on a turnover basis. Easy-in, easy-out tenancy agreements should also be used to attract demand."</i></p> <p>In relation to <b>office space</b> the report highlights that at national level prior to the pandemic <i>"demand was being driven by flexible workspace providers who increased their take up by 25% in 2018; a similar rate to the preceding year."</i> Property consultants JLL expect that four factors will shape demand for office space in the future:</p> <ul style="list-style-type: none"> <li>▪ Remote working – lifestyle flexibility versus appropriateness of working environment at home.</li> <li>▪ Office design – suitable occupational densities and safe workspaces.</li> <li>▪ Technology – smart office buildings which support companies' social and wellness initiatives.</li> <li>▪ Commuting patterns – current concerns with public transport are preventing office re-entry for many.</li> </ul>

	<p>AspinallVerdi find that Dewsbury has “a typical sub-regional office market which is centred towards small local businesses and the quality of accommodation is relatively poor.” Furthermore, “rental values being achieved are relatively low around £5.00-£9.00 per square foot and are indicative of a weak market.”</p> <p>The Property Market Report concludes that “as there is a lack of good quality supply, we consider there is an opportunity to provide some managed workspace suitable for smaller local businesses. Occupiers are increasingly seeking to occupy flexible / managed workspaces which benefit from additional services and offer flexibility in lease agreements. This is more likely to draw new businesses where the individuals live in close proximity to the office space itself.”</p> <p>The Property Market Report does conclude that there is demand for the Arcade development and recommends a focus on small independents in the creative sector.</p> <p><i>Procurement</i></p> <p>The in-house team began WYCA funded works on strip out and making safe in Jan '21. The design team has been tendered and BDP appointed. Survey and design work started in Jan '21. Main contract works will be tendered under OJEU conditions in Aug '21 with a view to starting work at the start of '22</p>				
<b>Economic Case</b>	<p>The three short list options for the scope of work are as follows:</p> <ul style="list-style-type: none"> <li>▪ Do nothing – the Arcade would remain in Council ownership following its purchase in May 2020, but no work would be undertaken and the building would continue to decline.</li> <li>▪ Do something (less ambitious) – in this option the Council completes essential repairs and completes the refurbishment of just the 21 ground floor units excluding all units on the other 3 floors.</li> <li>▪ Do something (preferred option) – in this option the Council complete a full programme of repairs and refurbishment at the total forecast cost of £3.245 million.</li> </ul> <p>The third option presents the largest GVA benefits. Only refurbishing the ground floor (though in fact having to repair the entire building structure), was likely to save 20% on the building contract, but leave over 50% of the space unusable.</p>				
<b>Financial Case</b>	<p>Scheme Costs:</p> <table border="1" data-bbox="448 1933 1390 1968"> <thead> <tr> <th data-bbox="448 1933 683 1968">Cost heading</th> <th data-bbox="683 1933 874 1968">Cost</th> <th data-bbox="874 1933 1289 1968">Notes</th> <th data-bbox="1289 1933 1390 1968">%</th> </tr> </thead> </table>	Cost heading	Cost	Notes	%
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Project development fees	£473,000	These costs include capitalised delivery costs (Project Manager, Quantity Surveyor and Quality Assurance Engineer), and consultant fees, specifically the design team and associated specialists.	15%
Repair and refurbishment work	£1,600,000	Repairs and refurbishment.	49%
Acquisition of Arcade	£945,000	Acquisition of Arcade from former owners.	29%
Risk	£80,000	Set as a percentage of delivery costs.	5%
Contingency	£80,000		5%
Inflation	£67,000		4.2%
<b>Total</b>	<b>£3,245,000</b>		

The forecast timing of expenditure:

Cost heading	2020/21	2021/22	2023/23	Total
Project development fees	£94,500	£188,750	£189,750	<b>£473,000</b>
Repair and refurbishment work	£70,000	£763,000	£767,000	<b>£1,600,000</b>
Acquisition of Arcade	£945,000			<b>£945,000</b>
Risk		£40,000	£40,000	<b>£80,000</b>
Contingency		£40,000	£40,000	<b>£80,000</b>
Inflation		£30,000	£37,000	<b>£67,000</b>
<b>Totals</b>	<b>£1,109,500</b>	<b>£1,061,750</b>	<b>£1,073,750</b>	<b>£3,245,000</b>

How the costs will be funded:

Funder	2020/21	2021/22	2023/23	Total
Combined Authority	£176,000	£424,000		£600,000
Kirklees Council	£945,000	£100,000	£726,000	£1,771,000
Town Fund		£538,000	£336,000	£874,000
<b>Totals</b>	<b>£1,121,000</b>	<b>£1,062,000</b>	<b>£1,062,000</b>	<b>£3,245,000</b>

Kirklees Council will contribute £1,771,000 to the overall cost, which consists of a further £826,000 on top of the cost of purchasing the Arcade of £945,000. The Council will meet any overruns

£874,000 of match-funding is from the Town Fund and included in the project plan submitted to government. This represents 27% of the total project cost.

Management options are to be finalised. Whoever takes the long lease (private, community business or the Council itself), will control rents and maintenance. As project manager, Chris Hill is pursuing the option of the community business taking the lease with Council backing. The business

	<p>plan that will be produced in early financial year 21/22 will show the rents that will be charged, the anticipated cost of management, maintenance and sinking fund plus the cost of any ground lease payments to Kirklees Council.</p> <p>The business plan will be used as the basis of achieving preferred bidder status with the Council. At that point (June / July 2021), the Council Cabinet will decide which management route they wish to take. If the community business takes the lease, all income after costs will be retained in the business, other than possibly an interest payment of no more than 2% paid to community investors. If there is a surplus above need, this will be invested in other town centre regeneration projects.</p> <p>The Arcade is being taken forward by Kirklees Council and as such funding is not required for a gap in private finance.</p>
<p><b>Management Case</b></p>	<p>Project Management Team and supervisory management systems are in place.</p> <p>A full Works Project Programme has been produced and will be updated by the design team on a monthly basis.</p> <p>Few alterations to listed elements of the building are envisaged, so planning approval should be achievable. Work has begun on obtaining Party Wall Agreements with 21 neighbouring properties.</p> <p>Risk of insufficient budget is mitigated by having the Town Fund and Heritage Lottery as back up. Risk of low demand for units is mitigated by having a business development officer in post and the community engagement programme underway.</p> <p>There is no state aid as there is no subsidy to an enterprise or subsidy that affects international trade (government guidance provided)</p> <p>Benefits are</p> <ul style="list-style-type: none"> <li>▪ 997 m<sup>2</sup> of new commercial floorspace;</li> <li>▪ 30 jobs created; and,</li> <li>▪ 16 construction jobs created.</li> </ul> <p>Monitoring and Evaluation will be managed by Chris Hill or an alternative member of the Economy and Skills team of the Council, with paid advice if necessary. Progress reports will be shared with WYCA on a six-monthly basis.</p> <p>An interim evaluation of the completion of floorspace targets will be completed in April 2022 and an impact evaluation will be completed in March 2024. The final evaluation will report on the gross and net jobs created and GVA of the businesses occupying the Arcade. Impacts of the scheme will be measured through footfall and occupancy changes in the town centre.</p>

