

North Somerset Council

Report to the Place, Economy and Planning Policy and Scrutiny Panel

Date of meeting: 6th March 2024

Subject of report: Tropicana Operator Procurement discussion

Town or Parish: All

Officer presenting:

Julia Stuckey, Weston Placemaking Manager, Placemaking and Growth

Key Decision: No

Reason:

Report is for information and scrutiny.

Recommendations

- That the Panel notes the contents of this report and provides feedback to support the Tropicana Operator Procurement process.

1. Summary of report

The report and meeting slides outline the current broad recommendations for the Tropicana Operator procurement requirements. The Panel discussion will be considered when designing the operator selection questions and weighting scores for the tender process.

2. Policy

- 2.1 The proposed procurement outcome will deliver on the Corporate Plan priority of A Thriving and Sustainable Place and the support the Council's Strategic Asset Management Plan and Medium-Term Financial Plan.
- 2.2 As identified in the Super Weston Placemaking Strategy; investment in this key asset, turning it into a venue with a regional, and national, will magnify Weston-super-Mare as a more attractive place to live, work, and visit, and support the delivery of entertainment that will enhance the town's placemaking vibrancy and attractiveness for future investment.

3. Details

3.1 Introduction

The Tropicana is an asset owned and operated by North Somerset Council as an event space for hire, with a café concession operating at the front of the site. The

site remains an annual operational cost to the Council and has not generated enough income to maintain and improve the state of repair.

In 2023, the Council was awarded just under £20m Levelling Up Funding (LUF) for a programme of investments across Weston, matched by c. £3 million Council funding. The Tropicana will benefit from £8.67 million of the LUF money (including contingency and inflation costs), which will make it a much more attractive proposition for a future operator.

The Tropicana improvements aim to make major repairs to the site and increase capacity to enable its viable commercial operation for 15 plus years. However, even after works are complete, additional investment is likely to be required for fit-out and to optimise the operation of the venue. Given the Council's current financial position, a commercial operator would be best placed to make this commitment against a long-term lease.

3.2 The opportunity

The Council will offer an Operator Service Contract underpinned by a long lease to enable initial and ongoing investment and to reduce the Council's exposure to risk. The contract shall be for a period of 15 years plus; this is to enable the operator to recoup initial capital expenditure and promote the Tropicana as a long-term viable attraction and business. The lease will be fully repairing, placing the responsibility for investment in, and maintenance of the facility on the operator.

The Operator Service Contract will outline additional terms to the lease, such as processes for flood defence warnings, seafront management requirements, local resident and business engagement, logistical agreements (for example shared access to the beach, etc.), engagement with the North Somerset Safety Advisory Group for events, reporting on the LUF outputs and outcomes etc.

Although a unique opportunity for the right operator; the site remains challenging given its coastal position and operating and maintenance costs. Plus, the site will be closed for the construction period, so any Operator must reinvigorate the market and will, of course, take time to break-even. For these reasons, industry advice is to minimise operating restrictions as much as possible to enable the site to become commercially viable, whilst ensuring that the contract achieves the Council's requirements.

3.3 Operator Procurement

The contract with appended lease will be procured utilising Concession Contract Regulations, which enable a rigorous selection process, within which the Council can adjudicate on levels of relevant experience, business plans, etc. The process will be governed by the Council's Contract Standing Orders.

3.3 Indicative timetable

- Summer 23, soft market testing exercise generated 14 EOIs.
- Outline Commissioning Plan approved at Full Council, 20th Feb 24.
- Contracting entertainment venue marketing specialist to advise NSC on process and share industry contacts.

- Final draft Operating Services Contract with appended lease, marketing pack and finalise tender selection questions and weighting.
- April 24, Executive Member approves final Procurement Plan.
- April 24, market the opportunity and work through the tender process.
- April 25, the Executive approves contract award.
- Sep 25, aiming for Operator contract signing.

3.4 **Current operator requirement recommendations**

The Procurement Plan will confirm the detailed tender criteria and weighting. Current recommendations of themes to consider include (but are not limited to):

- Realistic long-term business plan, demonstrating at least cost neutral operation to the Council in the short-term.
- A viable operator with relevant successful experience and diverse programming plans to attract a high level of spend throughout the year and add to the Weston offer.
- A proactive, professional, co-operative approach to operating in a town centre, seafront location.
- Demonstrable environmental and social values.

The Panel discussion will be considered when finalising operator tender criteria.

4. Consultation

- 4.1 This is the second discussion with the Panel regarding the Tropicana LUF project and operator procurement, with further discussion to be scheduled as requested.
- 4.2 The Executive Member for Culture and Leisure receives regular briefings on the Tropicana LUF and operator procurement process.
- 4.3 The LUF programme, which includes the Tropicana capital improvements, will include stakeholder engagement and a wider communications plan. It is envisaged that the Tropicana operator procurement process communication will form part of these wider messages to avoid confusion.

5. Financial implications

- 5.1 It is expected that, with the appointment of the operator, no further revenue or capital funding will be required of the Council to finance the long-term future of the Tropicana as the operator will generate revenue to cover costs and longer-term profit.
- 5.2 However, the Council will need to monitor the contract lease and service agreement and carry out landowner responsibilities using its staffing resources. These costs will be met in the first instance from existing resources but in future are hoped to be offset through income from the venue.
- 5.3 Part of the procurement will be consideration of the projected costs, expenditure and income expected from the operator, to ensure a robust business case and chance of success.

5.4 Whilst initially the aim will be to make the site run on a cost neutral basis to the Council, over the longer term the aspiration is to generate income from the site. This could be in the form of a profit share arrangement.

6. Legal powers and implications

6.1 The Local Government Act 1972 provides powers to local authorities to use its resources for the better of the community it serves.

6.2 The Council plans to use the Concession Contract Regulations (CCR) 2016. Under the CCR the transfer to the operator of the right to exploit the works or services shall always imply an operating risk of economic nature involving the possibility that it will not recoup the investments made and the costs incurred in operating those works or services. This means that under the contract, the operator should not enjoy a guarantee of breaking even on investments and costs incurred.

7. Climate Change and environmental implications

7.1 Whilst this Procurement Plan will not in itself have any climate change or environmental implications, it is expected through the associated procurement for the future operator to operate the asset in a manner that contributes towards the Council's net zero targets and to minimise the impact on the environment.

8. Risk management

8.1 The key risks associated with the procurement of a suitable operator are:

Risk	Detail of risk	Inherent risk	Inherent risk treatment	Mitigating / exploiting actions	Residual risk
Insufficient interest by potential operators	Although soft market testing offered reasonable confidence that there are sufficient organisations prepared to consider bidding for the contract to lease, it is possible that when asked to commit, numbers are lower		Mitigate	Using an appropriate specialist, the Council will ensure the market is stimulated, and the opportunity will be advertised nationally, including on the Government's FTS website to ensure wide visibility.	
The procurement being too detailed, restrictive, and controlled, deterring interest	Whilst the Council will require input into the future management of the Tropicana and attracting of entertainment to the facility, an overly onerous procurement process could		Mitigate	The procurement strategy and evaluation criteria need to make the prospect of operating the venue sufficiently attractive to operators, whilst providing reasonable Council input and confidence in their	

Risk	Detail of risk	Inherent risk	Inherent risk treatment	Mitigating / exploiting actions	Residual risk
	potentially dissuade potential operators from bidding.			ability and plans. The procurement specialist will inform this mitigation.	
Misalignment of the capital works proposed with the aspirations of potential operators.	As the capital programme and operator procurement programme have varying timescales, investment choices could be unadvised.		Mitigate	Through soft market testing and the report by venue management consultancy, plus continued conversations with potential operators through the tendering process and then the preferred bidder, to align design and construction with operator expectations. Plus, most of the investment will be utilised for repairs.	
Delays in the construction programme and / or operator procurement:	The potential for delays in either programme is likely		Mitigate	Needs to be mitigated by close management of both workstreams.	
Operator proposals fail to meet requirement of creating a cost-neutral (to NSC) future for the venue	Given the challenging operational environment, both locally with the location and nationally with the entertainment market		Mitigate	This requirement will be made clear in the procurement exercise and will be given a high weighting. Specialist consultant advice on the procurement and in shaping capital proposals will seek to ensure a viable proposal can be drawn up	

9. Equality implications

- 9.1 The procurement process will ensure that the potential operators have the knowledge, experience, and ability to comply with all necessary equalities' legislation.
- 9.2 Quality criteria as confirmed through the Procurement Plan will consider the impacts of proposals on different individuals and groups. The considerations and how they have been considered will be reported in the final award of contract to lease decision.

- 9.3 An EIA will be carried out for the capital works to be completed through the Levelling Up Fund.

10. Corporate implications

- 10.1 This project will deliver on the Council's placemaking objectives for Weston-super-Mare. The Council has a ten-year plan for Weston based on consultation with thousands of businesses, visitors, and residents. The strategy aims to reposition Weston, addressing the long-term decline in the traditional retail-led high street and changes to visitor patterns. The plan focuses on wellbeing and recreation, being green and low carbon, a great place to live, work and study, and critically boosting the visitor economy.
- 10.2 The refurbishment of the Tropicana and commissioning of a new operator are a central part of this plan, capable of having a major impact on the town by creating a visitor attraction that is higher-quality and higher value added; helping to develop higher skilled, higher wage jobs.

11. Options considered

- 11.1 Options considered for this project have been reported in the Commissioning Plan which was approved by Full Council.

Author:

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Appendices:

N/a

Background papers: