

REPORT FROM: PHILLIP SPURR – DIRECTOR OF PLACE

TO: EXECUTIVE

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COLNE MARKET PUBLIC REALM WORKS AND LIFT REPLACEMENT

PURPOSE OF REPORT

To provide an update as to progress on the redevelopment of Colne Market Hall and to recommend that full Council approves an addition to the budget to enable the next phases of the project to progress.

RECOMMENDATIONS

- (1) To recommend to full Council that they approve an addition to the Colne Market Capital Project of £165k to be funded by borrowing.

REASONS FOR RECOMMENDATIONS

- (1) To allow for the non-highway public realm at the front of Colne Market Hall to provide for events, speciality markets and seating for food and drink purchased in the Food Hall.
- (2) To allow for arrangements to be made to provide for a safe and operational service lift in Colne Market Hall for the next 10 years.

ISSUE

1. The report to Executive of 20 February 2025 advised that progress with Levelling Up-funded construction works on site at Colne Market Hall was healthy with all enabling, strip out and non-structural demolition works being completed and shell renewal works well advanced, with the old roof fully replaced with new and replacement cladding in progress.
2. Over the last three months good progress has continued, with all external cladding works complete and glazing to the first floor and most of the ground floor installed. All internal structural demolition is done, and new supporting steel structures are being installed as required. Works to replace collapsed drainage inside the building is underway and the replacement floor screed at first floor has been poured. The same operation is to take place at ground floor following the drainage repairs.
3. Internal partitioning at ground floor and first floor is underway in the first week of June. It is targeted that the structural steelwork, drainage repairs and the new flooring and internal partitioning are all complete by the end of June 2025.
4. The internal partitioning marks the beginning of the fit-out phase, which will then extend to floor and wall finishes, preparation of inner perimeter permanent market stalls, power, heating, lighting, toilets, basement works etc.
5. The report of 20 February 2025 advised that the targeted completion of the internal fit-out works was July 2025. Works are being carried out under a development agreement between Pendle Borough Council and PEARL2, who are contracting works to Barnfield Construction Limited (Barnfield). PEARL2 have advised that, due to the extent of the additional first floor works and the demolition requirements at first floor being greater than expected, Barnfield are now targeting the end of September for completion of these works.
6. Following the Levelling Up Fund award, the overall budget for the Market Hall works was £5,379,915, which was made up as follows:

LUF Allocation	£3,461,729
PBC Match	£ 236,092
Other Match (Flats)	£1,682,094

This split gave a budget of £3,697,821 for enabling, shell and market works, as opposed to works to the residential areas which could be carried out as a separately at first floor - behind the wall physically dividing the market space from the inner first floor walkway around the flats.

7. In a report to Executive in May 2024 some of the PBC match was diverted to the Municipal Theatre project to offset some overspend due to structural issues being found in the Theatre. This reduced the Colne Market Hall budget to £3,500,000. At this stage it was still intended to keep the first floor as residential and for the first floor to be self-funding against the value of the resulting residential units.
8. In February 2025 the Executive approved the change of intended usage to the Colne Market Hall first floor area from residential to employment. While this decision has been fundamental in achieving the aim of turning Colne Market Hall into an attractive investment proposition to a private sector operator, it also had the effect of removing the £1,682,094 third-party funding for the works to the first floor. This third-party funding was being driven by the value being achieved by the residential units that would result from the works.
9. As a result, the budget of £3,500,000 which had been intended for enabling, shell and market works only, now has had to cover the costs of significant works to the first floor. Many of the fundamental construction operations for the first floor, whether for residential or employment

use, are the same. In fact, the employment usage required more extensive demolition and the removal of the inner separation wall and installation of a balustrade to a resulting first floor balcony. The total works for the revised first floor usage were estimated to be £387,291.

10. The February 2025 Market Hall report stated that, as a result of the additional first floor works now required from the change of use, there was *'a risk that the cost of the basic construction works may exhaust the remaining Market Hall fit-out budget., This is being mitigated by limiting the scope of works and taking value engineering opportunities on the ground-floor fit out'.... 'Every effort is being made to accommodate these works within the targeted programme and the remaining budget for the Market Hall fit out and a current underspend on the LUF capacity building budget. Should this not be possible a further report will be taken to Executive accordingly. These works will allow for the area to be left safely as a 'void' or for future fit-out for usage.'*
11. The remaining LUF capacity building budget of £167,575, some of which was originally intended to contribute towards internal project staffing costs, has had to be diverted to support the capital costs. This has effectively increased the construction budget from £3,500,000 to £3,667,575. This compares with the original budget of £3,697,821 outlined in paragraph 6.
12. To seek to absorb the additional first floor works within the available budget the project teams have taken a number of steps:
 - Identifying savings in the shell works and fit-out packages
 - Identifying value engineering opportunities in the fit-out package
 - Limiting the scope of works in the basement to essential works only
13. In addition to the steps outlined in paragraph 12 and in line with February 2025 report, only essential works at first-floor level are being carried out. These include works to unsafe walls and to close off the void areas pending final decisions on future use. The internal wall separating the Market Hall from the inner perimeter corridor at first floor has been removed and a levelling flooring screed poured across the first floor. A glazed partition separating the future employment units is being installed as a backdrop to a balcony walkway behind a glass balustrade. Each unit has access and separation between the rooms and each other and the first-floor walkway. Space for future first floor toilets has been created.
14. These basic first floor works outlined have dealt with some essential construction operations, that originally would have formed part of the package of works for the apartment refurbishments. They will mitigate any concerns for public safety caused by unsafe installations being left in-situ in the Market Hall.
15. The total costs of the essential works carried out at first floor are in the region of £227,000. However, cost savings and value engineering across the core works packages of enabling, shell works and building fit-out, mean that these additional costs have been absorbed within the approved budget.
16. One of the key aims of the overall Colne Market Hall project has been to explore the option of leasing the finished building to an external operator. To arrive at a point where Colne Market Hall is an attractive investment proposition to a private sector operator has involved a number of key factors:
 - Significant investment of c£3.6million into the building

- Redefining the role of Colne Market Hall away from just a traditional market to being a social, events and food & beverage venue
 - Changing the usage of the first floor from residential to employment
17. The resulting product (a market hall without residential units above) has attracted interest from commercial operators. Following a public procurement exercise, subject to approval by the Executive (see separate report), the Market Quarter Group has been selected with a view to a 10-year lease and they will bring further significant investment into the ground floor fit out to include the food pods, the bar, enhancements to internal décor, all furniture and loose fixtures and fittings.
 18. The redefined role of Colne Market Hall to include a food hall and events venue means that the forecourt of the building assumes new importance. This area, which extends from the front of the building to the rear of the designated highway pavement, is required for tables and chairs, outdoor market stalls, speciality markets and general events space. This area has been unavoidably damaged during demolition works.
 19. Unfortunately, it has not been possible to absorb the cost of creating a suitable public realm area and other associated external works, within the savings achieved in the enabling, shell and fit-out works packages, to cover both the £227,000 cost of the first floor works and the cost of external works.
 20. However, the external area has to be made fit for purpose. It needs to deal with historic changes of levels that have made access into Colne Market Hall easier for some than others. From the point of view of the commercial operator, it needs to be level to accommodate outdoor eating and drinking and better connect with the internal space. It needs to be able to readily accommodate events and performances. It also needs to support the extension of the outdoor market and host speciality markets.
 21. An initial elaborate scheme for the front has not been taken forward due to limiting usable space and an estimated cost of £160,000. Following consultation with the Market Quarter Group, a simplified scheme has been outlined instead which will enable the operator to use it for a variety of purposes as outlined in paragraph 20. The cost of this scheme must cover providing a suitable basic paved surface, engineering of changing levels, providing a loading area, plinth and wall repairs, and external power and fixing points and is estimated to require a £95,000 budget.
 22. Therefore this report requests an additional capital sum of £95,000 to allow for completion of external works to the Colne Market Hall project in keeping with the requirements of commercial operation.

As reported in paragraph 5, the project teams are being advised that Barnfield aim to complete their work packages by the end of September. However, execution of the external works and the Market Quarter Group's own fit out may require these works packages to be carried out into the Autumn. This will depend to the extent to which the Market Quarter Group sub-contract any of their investment works to Barnfield (this would enable them to be carried out in parallel). There is also an issue around the extent to which external works can be carried out in parallel to the internal works being completed, without conflicting with each other or causing mutual damage through building operations. Early discussions around these issues are taking place with PEARL2, Barnfield and the Market Quarter Group.

23. During the works the condition of the service lift from the basement to the first-floor market area has been reviewed. This was in use prior to the market hall closing for refurbishment. Foulds Lifts visited the site and have recommended replacement of the lift at a total project cost of c£70,000. The cost of replacement lift has not been included in the works budgets. It is intended to obtain further opinions on the condition of the lift and the ability to keep the current mechanisms operational. However, it may become necessary to replace the lift. Therefore this report requests £70k capital be added to the scheme.

24. IMPLICATIONS

25. Policy:

26. The recommendations are consistent with delivering the intended outcomes of the LUF bid for the regeneration of the Market Hall site, the Colne Masterplan and the Bus Service Improvement Plan.

27. Financial:

28. The additional costs of essential first floor works have been enabled within the £3.5 million budget for the Colne Market Hall refurbishment supplemented with £167,575 of LUF Capacity Funding. This report requests an additional currently unfunded capital sum of £95k for public realm external works.

29. Based on current information it is anticipated that the service lift will need to be replaced at a cost of c£70k. Whilst all options to mitigate this cost will be investigated this report requests an additional currently unfunded capital sum of £70k for a replacement service lift.

30. The additional total capital request of £165k will need to be funded by borrowing. The ongoing revenue cost of servicing this borrowing (at today's interest rates) including the Minimum Revenue Provision (MRP) is set out below:

Financial Model (£000s)	Yr1	Yr2	Yr3	Yr4	Yr5	Yr 6/10 Ave	25 Years
	£000	£000	£000	£000	£000	£000	£000
Minimum Revenue Payment	7	7	7	7	7	7	
Interest	10	10	9	9	8	7	
Expenditure	17	17	16	16	15	14	Total Project cost 293

31. Legal:

31(a) No legal implications arise from this report.

32. HR Implications

33. No HR implications arise from this report.

34. Risk Management:

35. The successful procurement of a commercial operator of the Market Hall will remove the financial risk associated with operating the Market Hall which has resulted in a c£100k loss/per annum over recent years.

36. The risk of a significant overspend on the construction budget through picking up additional works because of the change of use to the first floor have largely been mitigated other than the need for an external works budget.

37. There is a risk that the service lift from basement to first floor may require replacing. This is being mitigated by seeking opinion from independent lift engineers with a view to keeping the existing mechanics operational.

38. Health and Safety:

39. All works are being carried out in line with current HSE and CDM regulations.

40. Sustainability:

41. No sustainability implications arise from this report.

42. Community Safety:

43. The basic first floor works outlined have dealt with some essential construction operations, that originally would have formed part of the package of works for the apartment refurbishments and will mitigate any concerns for public safety caused by unsafe installations being left in-situ in the Market Hall.

44. The external works package will ensure a safe and suitable public realm for community use.

45. Equality and Diversity:

46. Public realm works will ensure level and equitable easy access into Colne Market Hall regardless of mobility and deal with historic challenges in this respect.

47. APPENDICES

None.

48. LIST OF BACKGROUND PAPERS

Report to Executive 20 February 2025 Colne Market Hall – Proposals for future management and operations and development of the first floor.