

Executive
17 November 2020

Title: Creative Quarter - Spencer Yard Proposals

Lead Officers: Philip Clarke – Head of Development Services, Mark Brightburn – Project Officer

Portfolio Holders: Cllr. Day, Cllr. Hales

Public report / Confidential report: Public with a Confidential appendices

Wards of the District directly affected: Leamington Clarendon

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: Yes

Included within the Forward Plan: Yes 1141

Equality Impact Assessment Undertaken: No

Consultation & Community Engagement: Yes

Final Decision: Yes

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	20/10/20	Bill Hunt
Head of Service	23/10/20	Philip Clarke
CMT	23/10/20	Chris Elliott, Bill Hunt, Andrew Jones
Section 151 Officer	23/10/20	Mike Snow
Monitoring Officer	23/10/20	Andrew Jones
Finance	23/10/20	Mike Snow
Portfolio Holder(s)	23/10/20	Cllr. Day, Cllr. Hales

1. Summary

- 1.1. This report seeks approval on fundamental elements of the Spencer Yard project which forms part of the wider Creative Quarter regeneration initiative.

2. Recommendations

- 2.1. That Executive note the work that Complex Development Projects Ltd (CDP) have undertaken in partnership with the Council since the approval of the "Phase One Report" in November 2019.
- 2.2 That Executive notes that negotiations are in progress on the draft Heads of Terms in relation to the principles of the Development Agreement between the Council and CDP in relation to Spencer Yard and delegates authority to the Deputy Chief Executive (BH), in consultation with the Leader of the Council and the Finance & Business Portfolio Holder, to agree the heads of terms and sign off the final agreement, after receipt of legal advice and discussion with the Leadership Co-ordination Group.
- 2.3 That Executive agree that any capital receipts received in relation to the Spencer Yard assets are placed in an appropriate ring-fenced Creative Quarter account and their future use is considered as part of an overall review of Council reserves and capital financing resources.

3. Reasons for the Recommendations

- 3.1 In March 2019 the Executive approved the vision (including indicative projects) for the Creative Quarter as set out in the 'Big Picture' document, which had been subject to public consultation. This was followed by approval of the 'Phase One Report' by Executive in November 2019 (also see section 8). This report set out some high level proposals and principles relating to the projects identified in the 'Big Picture'. Approval was given for projects at Spencer Yard, Bath Place and Court Street, and in doing so, the Council agreed that Phase One of the Collaboration Agreement between Warwick District Council and CDP had been signed off.
- 3.2 The Creative Quarter partnership with CDP in respect of these projects has now moved into Phase Two of the Collaboration Agreement. This involves (1) the testing and refining of the high level proposals and options set out in the Phase One Report, (2) assessing any other – complementary – uses that may emerge as part of this work, (3) further stakeholder engagement as needed and (4) the detailed planning and design of both the delivery and ongoing management of schemes.
- 3.3 Spencer Yard was identified by CDP, and agreed by the Council, to be the first priority project within those contained within the Phase One Report. As an underutilised area that is already home to several creative organisations, there is an opportunity to build on this and provide additional grow on space for businesses.

- 3.4 Since November 2019, CDP have commissioned a number of surveys on the buildings to inform their design work and assess the viability for each building. Although these surveys are not yet complete due to restricted access to all areas, the design work has commenced which indicates the following for each building (representative examples of the latest draft proposed plans in confidential Appendix One):
- The Old Dole Office would undergo light refurbishment work. Externally it would require an update of the building envelope such as replacement of windows and doors as well as an over clad solution to protect the building from the elements and also make the building more thermally efficient whilst improving the overall look. Internally, the existing open spaces would remain but would incorporate support spaces such as toilets, kitchenettes and stores. On the second floor a new light weight addition could be added following the floor layout of the floor below adding an additional floor to the building.
 - The former Nursery would require the same level of refurbishment work internally, together with a small extension to adapt the layout and make it more efficient for office use. Externally, again, the building envelope needs to be made waterproof and more attractive.
 - The former United Reformed Church (URC) building would be converted into an open plan office space with a common social area that could be shared by the officer users. It is also proposed for the basement level to be refurbished and remodelled following structural investigation. The basement could be linked to the upper floors through a central staircase which will be opened up to bring natural light into the crypt.
- 3.5 Initial surveys to the buildings indicate thermal efficiency performance is poor. The Council will work closely with CDP as part of the development proposals and the plans being submitted to ensure that wherever possible the buildings are developed to a carbon neutral standard. The following are some of the options that the Council will look to pursue:
- Improved building fabric on the old Dole Office and former Nursery
 - New thermally efficient windows although due to the listed status of the URC this may not be possible on the single glazed stain glass windows.
 - Ground source heat pumps to be installed where possible, subject to ground investigations, or if not, then air source heat pumps will also be pursued.
 - Solar panels will be encouraged as part of the development, subject to Conservation Area considerations, notwithstanding the type and position of the roof may have an impact on the effectiveness so will need to be assessed carefully as part of the planning process.
 - Complete removal of gas heating and replacement with renewable energy generation where possible.

- 3.6 The Council's objectives around sustainable development will be pursued in more detail as specific proposals are drawn up and submitted as formal planning applications.
- 3.7 The open yard area and car park present an opportunity to increase footfall to the area by installing the basic infrastructure which would allow the space to easily be used for pop up events and markets. The space would need to be flexible to maintain existing delivery and emergency vehicle routes. Members should note that discussions with the Loft Theatre to reach agreement on how to mitigate impact of increased activity in the yard on their performance/ rehearsal schedule are ongoing.
- 3.8 The focus of CDPs work is now on preparing and submitting a formal planning application for the buildings and the yard area at Spencer Yard before the end of 2020. A pre-application planning meeting was undertaken on Tuesday 6th October, which included colleagues from Development Management and the Conservation Officer. A Stakeholder Forum consultation event was undertaken on Friday 16th October. A public consultation run by CDP is due to take place as on-line event for 2 weeks commencing on 2nd November 2020. This will be a separate exercise to the formal consultation relating to any future planning application(s).
- 3.9 The principles by which CDP would bring forward projects within the Creative Quarter, and the broad shape of these, was agreed by the Council when it approved the Phase One Report. The decisions that the Council now needs to make are around the details of how these projects are to be brought forward, the nature of any disposals and any other relevant matters that impact on the Council's future involvement with, or control of, projects. It has been established through the Collaboration Agreement between the Council and CDP that this would be achieved through a Development Agreement (see below).
- 3.10 Specifically in respect of the proposals for Spencer Yard, the Phase One Report agreed the following:-
- The schemes are progressed on the basis that creative workspace/office use is accepted in principle;
 - Survey work is undertaken on the assets, in order that detailed cost and design work can take place;
 - In accordance with the Collaboration Agreement, a Development Agreement is entered into between WDC and CDP in respect of these assets, which will give CDP exclusivity to develop the assets, and will set out the terms of any cost and revenue shares between the parties;
 - WDC and CDP explore the opportunities to work with WDC's Enterprise Service;
 - WDC grants licenses to CDP and/or events companies as required, on terms to be agreed, for use of the yard and parking areas for pop-up events and markets (as set out in paragraph 3.7); and
 - Ownership of specific assets may transfer from WDC to CDP on a freehold or long leasehold basis, subject to consideration of a detailed Business Case and development appraisal.
- 3.11 The heads of terms are currently being negotiated and will include:

- The Properties: To include the former URC, The former Nursery and the Old Dole Office.
- Tenure: CDP will purchase a long leasehold interest in each of the properties.
- The Development: The properties will be refurbished to provide office space with ancillary uses.
- Conditionality for completion of the transfers: for example, project viability, planning permission and listed building consent being obtained, funding being secured and vacant possession of the buildings.
- Planning: details in relation to the planning application to be submitted.
- Development Works: requirements to ensure, for example, that CDP carry out the works with relevant statutory consents.
- Access: The Council will allow CDP access to the site as required to complete the design work on two days' notice.

- 3.12 It is proposed that the Heads of Terms are agreed under the delegated authority set out in recommendation 2.2, following the receipt of appropriate legal and commercial advice and discussions with the Leadership Coordination Group. For information only a draft of the current iteration of the Head of Terms is attached as confidential Appendix Two. This will be the subject of legal and commercial scrutiny and could yet change significantly. The final iteration would be discussed with the leadership Coordination Group subject to the exercise of the delegated authority.
- 3.13 It should be noted that the land at Spencer Yard which is being considered for event space is not included within the proposed transfer to CDP. CDP is proposing that investment takes place in this area to create an improved landscaped area but that the ownership and management of this space remains with the Council. CDP is asking (within the Development Agreement) that WDC grants it the right to hold a certain number of events on key days, but otherwise, WDC will be free to host other events. CDP has indicated that works on Spencer Yard would require grant funding in order for it to be viable. Investment to create an events space was included within the recent Future High Streets Fund bid that was agreed by Council on 5th August and subsequently submitted to the government. CDP will apply to the Council as landowner for any consent to carry out events in the Yard.
- 3.14 Further work needs to be done to explore any collaboration between CDP and the Council's Enterprise Service. This could either be done on a leasehold basis back to the Council or on a management agreement between both parties. Once planning permission has been granted the viability for each party will be looked at in more detail.
- 3.15 CDP will submit a sustainability statement as part of the planning application which will detail what energy efficiency measures are available for each building. This statement cannot be produced yet as there is still outstanding survey work which needs to take place for the assessment to be made.

- 3.16 The method for disposal of assets from the Council to CDP is set out in the Collaboration Agreement, a legal document signed by both parties at the start of the project in 2017. This states that any freehold or leasehold disposal will be detailed in the development agreement. CDP are now in the process of preparing the detailed Business Cases for the individual properties listed in paragraph 3.4 to enable these decisions to be made, after discussion with the Leadership Coordination Group and formal sign off by the Project Board, of which the Leader of the Council and the Finance and Business Portfolio Holder are members. The current indications are that the emerging Business Cases will not demonstrate a need for freehold disposals.
- 3.17 The Council has commissioned independent commercial advice on appropriate valuations for the properties and these will be used to determine the validity of the assumptions within the final Business Cases and further commercial advice will be sought in relation to finalising the heads of terms.
- 3.18 Any capital receipts accruing from a future long leasehold disposal of the buildings would, ideally, be ring-fenced to the Creative Quarter initiative and re-cycled to add value to the projects proposed in this report or future initiatives. However, Members will be aware that the 2021/22 Budget setting process will need to reflect the revised Medium Term Financial Strategy projections and a parallel review of the capital resources available to the Council. It is, therefore, proposed that receipts are initially ring-fenced as appropriate pending the outcome of the review process.

4. Policy Framework

4.1. Fit for the Future (FFF)

- 4.1.1. The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council's Key projects.
- 4.1.2. The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found on the Council's website. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

4.2. FFF Strands

4.2.1 External impacts of proposal(s)

People - Health, Homes, Communities – Approval of the proposals in this report would enhance the ability of the Council to deliver its Creative Quarter aspirations and add to Leamington's already impressive cultural offer.

Services - Green, Clean, Safe – Regeneration of land and properties will improve the environment of this area. The location of the new uses is such that it will encourage walking and cycling. CDP will produce a sustainability statement for each building setting out how thermal efficiency can be maximised and energy supply can, as far as possible, be achieved from

clean, renewable sources. The Programme Director for Climate Change has met with CDP to encourage carbon reduction measures to be incorporated in the proposals where this does not compromise the heritage assets. The Council will continue to work with CDP to explore and encourage the options set out in paragraph 3.5.

Money- Infrastructure, Enterprise, Employment - Refurbishing these buildings for employment use will support the Council's aspirations for the development of the Creative Quarter, support a wide range of creative businesses and the wider economy of the town and district. Creating a WDC events space in Spencer Yard will provide an opportunity to support local events.

4.2.2. Internal impacts of the proposal(s)

People - Effective Staff – The development of the proposals, in collaboration with CDP, will provide development opportunities for staff.

Services - Maintain or Improve Services - The proposals will allow the Council to deliver new opportunities for customers within the digital and creative sectors.

Money - Firm Financial Footing over the Longer Term - The proposals will allow the Council to consider afresh how a positive use can be made for a number of currently un or under-used assets and reduce ongoing liabilities. Creating a WDC events space in Spencer Yard may generate additional income for WDC through the hiring out of this space.

4.3. Supporting Strategies

- 4.3.1. Each strand of the FFF Strategy has several supporting strategies. The impact of the recommendations within this report will have a substantial impact on the Council's ability to deliver its desired outcomes for the underpinning economic (Prosperity) strategy. This strand includes a commitment to the "promotion of tourism activities to attract visitors to spend within the district" and a report elsewhere on this agenda makes recommendations in relation to the continuation of Council funding for the sub-regional Destination Management Organisation, Shakespeare's England. The development of the Creative Quarter will provide additional opportunities for the promotion of the district as a destination for visitors and for their spending power to be harnessed to the benefit of the local economy. Cultural tourism in the region is expected to boom during the City of Culture year in 2021, as well as attracting tourists to events during the build-up years. In order to maximise the economic impact of this upon Warwick District the Council must intervene and use its thriving creative sector to ensure that there is a competitive offer to bring visitors to the town and the development of the Creative Quarter will significantly assist the achievement of that goal.
- 4.3.2. The Creative Quarter has also been identified as a key initiative to support the local economy to provide high quality jobs and increase the prosperity of the district in the Business Strategy 2020-23.

- 4.3.3. The proposals in the Big Picture are in accordance with those set out in the Warwick District Local Plan (2011 / 2029) adopted by the Council in September 2017. Specifically, the Plan delivers a Spatial Strategy that, amongst other things, focusses employment, retail, leisure and cultural activities in town centres. The proposals for the Creative Quarter is consistent with this strategic approach.
- 4.3.4. The development of a Creative Quarter is also supported by the "Leamington town centre: vision & strategy" which was prepared by the Leamington Town Centre Forum and approved by the Council in March 2018. One of the six "big ideas" in this vision & strategy was for a "hub for creativity" and the Creative Quarter proposals in the Big Picture document seek to address this issue. The creative economy is widely recognised as being one of the unique strengths of the District, extending beyond the current success of the gaming industry and the Creative Quarter vision seeks to ensure that whole creative sector is supported and developed.
- 4.3.5. The Creative Quarter is considered in the Warwick District Creative Framework. The strategy recognises the significance of delivering the proposals to support growth of the creative industry's in the district.
- 4.3.6. The Council's Climate Emergency Action Programme is evidence of its commitment to become a net zero carbon organisation by 2025 and to facilitate reducing the District's carbon emissions as close to zero by 2030. The design of the projects will include as many energy efficiency features as possible to help the Council to achieve their aim whilst allowing the projects to be financially viable.

4.4. **Changes to Existing Policies**

- 4.4.1. Not applicable.

4.5. **Impact Assessments**

- 4.5.1. Not applicable.

5. **Budgetary Framework**

- 5.1. By approving the recommendations in this report, the Council will see a minor change to the revenue currently received from the Spencer Yard properties in the future. The current income and expenditure for each asset is detailed in the table:

Asset	Current Income	Current Expenditure
Former URC	£0	£84 per month for security inspection of URC, along with ad hoc maintenance/repair costs and minimal gas/electric bills and insurance premium.
Old Dole Office	£1,000pa from The Loft Theatre for use of the	ad hoc maintenance/repairs costs and minimal insurance premium

	building for storage	
Former Nursery	£0	ad hoc maintenance/repairs costs and minimal insurance premium

- 5.2 Whether there would be any return to the Council to replace this income will not be known until the final Business cases are examined and signed-off, but even if there is no replacement income the Council will benefit from the removal of the ad-hoc maintenance costs for each building, which normally exceed the income figure in any given year.
- 5.3 In addition, there are significant, currently unfunded, future maintenance liabilities for the buildings. For example, it is known that there are significant levels of asbestos within the Old Dole Office that will require removal before the building could be brought into any other use than the current storage arrangements and that the roof of the former URC requires full replacement, at an estimated cost in excess of £300,000. A future long leasehold arrangement would transfer responsibility for future maintenance liabilities while any up-front costs would need to be addressed through the business case and development appraisal.

6. Risks

- 6.1. There is a risk that the negotiations on the Heads of Terms will not result in agreement between the parties. The risk can be mitigated through the partnership approach enshrined within the Collaboration Agreement.
- 6.2. By progressing with the projects the Council is taking on additional risk should a situation arise that CDP be unable to fulfil any part of their contractual obligations. This will be mitigated through the heads of terms and any other subsequent legal agreements required to deliver them.

7. Alternative Option(s) considered

- 7.1. The Council could choose not to pursue the negotiation on the draft Heads of Terms, or choose not to agree them following that negotiation. However, in so doing it could be considered to be acting unreasonably which would be a breach of the terms of the Collaboration Agreement. In such a scenario CDP could claim for all costs incurred to date in getting the proposals to the stage they are currently at which would amount to a considerable amount.
- 7.2. Additionally, failure to agree Heads of Terms for the Spencer Yard properties would impact adversely on the delivery of the overall Creative Quarter project and place at risk the delivery of its strategic objectives, designed to benefit the district and its residents.

8. Background

- 8.1. CDP was appointed by WDC as its regeneration partner in November 2017 following a full OJEU procurement process. A Collaboration Agreement was signed with CDP to govern the legal basis of the relationship. The

partnership is for 10 years (i.e. until November 2027) with the ability, but mutual agreement, to extend this for a further 5 years beyond this.

- 8.2. The Collaboration Agreement sets out two phases to the partnership. Under phase 1, CDP was required to prepare a "masterplan". This included a programme of individual projects that CDP wanted to deliver within the Creative Quarter. In phase 2, CDP and WDC work together to deliver projects that are agreed in the masterplan.
- 8.3. In fulfillment of this, CDP prepared a draft masterplan in November 2018 and undertook a public consultation on this. The revised document was approved by WDC in March 2019 (under its new title of "The Big Picture"). Following this "Big Picture" document, CDP did further and more detailed work to scope out potential projects. This was presented as the "Phase One Report" in November 2019 and approved by WDC. Two projects were agreed in this report for immediate delivery; (1) the URC and other buildings and land at Spencer Yard, and (2) land at Bath Place car park. A further scheme at Court Street car park was also agreed, subject to WDC confirming its long term parking requirements. No decision was taken on the inclusion of the Town Hall however this may come forward at a later date. This report has formally brought phase 1 of the partnership to a close and the partnership has now entered phase 2.