

	<b>Executive 20<sup>th</sup> April 2016</b>	<b>Agenda Item No.</b>  <b>2</b>
<b>Title</b>	Council HQ Relocation, and replacement Covent Garden Car Park Project – Part A	
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<b>Wards of the District directly affected</b>	Leamington Clarendon	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	30 September 2015, Executive Minute numbers 50 and 55	
<b>Background Papers</b>	Executive 10 February 2016 – Multi-storey car park condition survey; Executive 30 September 2015 – Council HQ relocation project, Part A and Part B reports; Executive 3 December 2014 – Council HQ relocation project – update report; Executive May 2104 – Council HQ Relocation Project – Update Report. Executive Mar 2014 – Relocation of the Council’s HQ offices, Parts A and B and Addendums; Executive Dec 2012 – Proposed Regeneration LLP, Parts A and B; Executive May 2012 – Feasibility Study of Leamington Assets, Parts A and B; Executive Feb 2011 – Feasibility Study of various WDC assets in Leamington; Executive June 2010 – Customer Access in Leamington; Executive April 2010 –	

	Accommodation Review.  EC Harris Asset Optimisation feasibility study report and background working papers, 2010/11; Accommodation Review background working papers 2010; One Stop Shop background working papers 2009
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<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality and Sustainability Impact Assessment Undertaken</b>	No.
Impact assessments will be undertaken and addressed during Phase 1 of the project.	

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	11.04.16	Bill Hunt - Author
Head of Service	11.04.16	n/a
CMT	11.04.16	Chris Elliott, Andrew Jones
Section 151 Officer	11.04.16	Mike Snow
Monitoring Officer	11.04.16	Andrew Jones
Finance	11.04.16	Jenny Clayton
Portfolio Holder(s)	11.04.16	Councillors Mobbs, Cross, Shilton, Whiting
Consultation & Community Engagement		
Subject to the recommendations in this report being approved there will be extensive community engagement during the Phase 1 work referred to within the report		
Final Decision?		Yes
<b>Suggested next steps (if not final decision please set out below)</b> Whilst this is a final decision in respect of the recommendations within this report there will be a further report presented to members at the end of the Phase 1, seeking approval for Phase 2 and the commitment of Council funding to the project budget, as described in recommendation 2.5.		

## **1. SUMMARY**

- 1.1 Executive and Full Council have received a series of reports, over a period of years, examining the principle of a relocation of the Council's HQ offices from the current Riverside House site. The current HQ building is larger than the Council needs, costly to adapt to facilitate modern ways of working, difficult to modify to generate revenue savings and in need of considerable capital investment that is currently unfunded. The previous reports, therefore, considered how relocation could assist the Council to deliver a number of complementary objectives: the realisation of revenue savings already built-in as commitments within the Council's Medium Term Financial Strategy; the avoidance of future, unfunded, capital investment in the current building; the use of a relocation to support the local economy and/or stimulate new development within Leamington; redevelopment of the Riverside House site as a brownfield housing development as included within the modified Local Plan; and to ensure the Council has an HQ asset that is fit for purpose and able to support service delivery in a rapidly changing environment.
- 1.2 Since its inception and initial approval by members, the relocation project has been progressed by officers working in conjunction with the Warwick Limited Liability Partnership (LLP). The LLP, formally the PSP Warwick LLP, was established by the Council in 2013 as a joint venture vehicle with Public Sector Partnerships (PSP) in order to assist the Council to manage and develop its asset portfolio and to unlock complex regeneration and development projects such as this one. Further information on the LLP is contained within section 8 of this report.
- 1.3 In September 2015 Executive examined a shortlist of potential relocation sites within Leamington, including an option of refurbishing the existing HQ building, and determined that its preferred option was the comprehensive redevelopment of the current site of the Council's Covent Garden car parks (surface and multi-storey) which would include the construction of the Council's new HQ offices and new car parking in lieu of the existing provision. Executive agreed that the LLP should undertake a detailed feasibility and viability assessment of the preferred option with a further report on the outcome of these studies, including an external validation of the LLP's proposals, being brought back to members. It should be noted that the relatively recent requirement to consider the replacement of the Covent Garden multi-storey car park has added another key dimension and focus to this overall project.
- 1.4 This report sets out the outcomes of those detailed assessments and proposes that the project should be approved and progressed to a delivery phase. It also includes a request for temporary project resource to work with the LLP on the next stages of the project, in accordance with the principles underpinning the new structure for project management, as approved by Employment Committee in March. Additionally, it is proposed to establish a members reference group to oversee the next stages of the scheme.
- 1.5 There is a separate Part B report elsewhere on the agenda that should be read in conjunction with this Part A report. The Part B report contains only information that is legally privileged and/or commercially sensitive and, therefore, private and confidential, although every effort has been made to place as much information as possible into this report and, consequently, the public domain. The two reports should be read together to ensure members are able to form a balanced view of the recommendations below.

## 2. RECOMMENDATIONS

- 2.1 That Executive notes that as much information as is reasonable and realistic has been set out within this report but that some further information, which is either legally privileged and/or commercially sensitive is contained within the separate Part B report elsewhere on this agenda and that the two reports should be read and considered in conjunction to allow members to make a fully informed decision on these recommendations.
- 2.2 That Executive agrees to adopt the development strategy contained within the LLP's proposal document (dated December 2015 and updated as v6 dated 15 February 2016), set out at **Appendix One**, the essential elements of which are:
- (a) the sale of the Riverside House site for housing, allowing the Council to vacate the site and relocate to a new HQ after completion of that building;
  - (b) the construction of a new Council-owned HQ office building on the Covent Garden car park site funded by the receipt of sale of the Riverside House site and enabling development at the Covent Garden car park site;
  - (c) the decommissioning of the current 81 space surface car park and the demolition of the existing 511 space multi-storey car park at Covent Garden and the provision of a new 650 space council-owned multi-storey car park funded by the Council;
  - (d) the inclusion within the new HQ building of a 24 hour, operational control room and a Council chamber, allowing for these activities to be relocated from the Town Hall and Acorn Court;
  - (e) the delivery of the project by the Council's LLP ("PSP Warwick LLP");
  - (f) the delivery of the project in two Phases, Phase 1 being the feasibility work described in paragraphs 3.2.5 and 3.4.1 of this report and Phase 2 being the full implementation work described in paragraphs 3.5.3 of this report;
  - (f) the indicative project timeline attached at **Appendix Two**.
- 2.3 That Executive authorises the Leader of the Council and the Finance Portfolio Holder signing the LLP Members Board resolution, set out at **Appendix Three**, on behalf of the Council.
- 2.4 That Executive acknowledges that, in committing to the project, the Council would be liable to repay all costs of expenditure on Phase 1 of the project, to be funded by PSP, up to a maximum of £1,175,000, should the Council unilaterally withdraw from, or seek to vary, the project in the circumstances described in the Commercial Principles document attached at **Appendix Three**.
- 2.5 That Executive notes that the final decision to commit to Phase 2 of the project will be made by the Council in 2017 to approve the Council's contribution of £9,750,000 (to fund the new car park at Covent Garden) towards a full LLP project budget estimated at £24,540,000.
- 2.6 That Executive notes the detailed feasibility and viability appraisals of the LLP proposal, undertaken internally and also externally by legal, financial and commercial specialists, as set out in sections 3 and 5 of this report and the separate, confidential, Part B report and agrees that the information within these appraisals and in this Report provides the business case for not tendering the pre-construction works, to be undertaken by the LLP and PSP

during Phase 1 of the project, which, with an estimated value of £0.5m-£0.75m, fall substantially below EU threshold.

- 2.7 That Executive agrees to delegate authority to the Deputy Chief Executive (BH) and Head of Finance, in consultation with the Leader of the Council and the Development and Finance Portfolio Holders, to:
- (a) enter into legal agreements between the Council, the LLP and PSP, on terms consistent with the Commercial Principles document contained within **Appendix Three**, in order to give effect to Phase 1 of the project and;
  - (b) ensure such agreements include a project agreement between the Council, the LLP and PSP, and a conditional option agreement from the Council to the LLP in respect of the Riverside House site, which shall only be capable of triggering the disposal of the Riverside House site in the event that the project proceeds to Phase 2.
- 2.8 That Executive agrees to establish a Member Reference Group, comprising of the Leader of the Council, the Finance, Development and Neighbourhood Services Portfolio Holders and the Leaders of the Labour, Liberal Democrat and Whitnash Resident Association (Independent) Groups, to provide guidance to officers as the project develops and to co-ordinate community and stakeholder engagement.
- 2.9 That Executive agrees to delegate authority to the Deputy Chief Executive (BH) and Head of Finance, in consultation with the Member Reference Group, to agree the terms of the planning applications to be submitted by the LLP in respect of the development proposals for the Covent Garden and Riverside House sites.
- 2.10 That Executive agrees the release of a maximum £53,600 from the Contingency Budget to fund a temporary project manager post to work with the LLP on the next stages of the project and to agree the office and car park specifications, with any unused budget allocation being returned to the Reserve.

### **3. REASONS FOR THE RECOMMENDATIONS**

#### **3.1 Recommendation 2.1**

- 3.1.1 The proposed relocation project is complex, involving the comprehensive redevelopment and regeneration of a key town centre site and the linked housing-led development of another, edge of town site. Inevitably, with a project of this scale and complexity there will be both legally privileged and commercially sensitive information that needs to remain private and confidential. Where such material has been identified it has been placed within the Part B report elsewhere on the agenda. However, every effort has been made by the Council to place as much information as possible in the public domain, via this Part A report.
- 3.1.2 Members must read the two reports in conjunction to ensure a full understanding of this complex project and its implications for the Council, allowing a full and balanced view to be reached on the recommendations.

### 3.2 Recommendation 2.2

- 3.2.1 Following the Executive decision in September 2015 to select Covent Garden as the preferred site for a new Council HQ, constructed as part of a larger, comprehensive development of the site, officers have been working closely with the LLP on detailed feasibility and viability assessments of this preferred option. The LLP has developed a detailed project proposal, set out at **Appendix One**. The version of the document attached to this report has been modified to remove any commercially sensitive information, albeit such removals have been minimised as described in paragraph 3.1.1. A full version of this document is available at Appendix One of the separate Part B report.
- 3.2.2 The project proposal involves two linked sites; Riverside House, which would be released for development in two phases, and the site of the current Covent Garden car parks. The Covent Garden redevelopment would comprise of a new office building of 26,100 sq ft net internal area (NIA) for occupation by the Council as its new HQ, a replacement multi-storey car park of 650 spaces and a residential block of c30,000 sq ft for sale to the market. The Council would retain the freehold of the whole of this site. The Riverside House site would be redeveloped for housing with the whole of the site being sold by the end of the project. A first phase of development on the upper car park would be brought forward immediately, with the remainder of the site only being developed once the new office building has been completed and occupied and the existing HQ building demolished.
- 3.2.3 Careful consideration has been given to the size of the proposed 650 space multi-storey car park, which would replace the existing car parking provision on the Covent Garden site, to ensure that this would not compromise the off-street car parking capacity needed within the town centre to maintain its economic vitality and vibrancy and to ensure that this capacity is sufficient for both current and the likely future demand. This is explored further within section 9 of this report and the financial impacts of the proposals are also considered in section 5 of this report and section 5 of the separate Part B report. The implications of the Council's car parking proposals, liaison with stakeholders and wider community engagement are also considered in section 3.8.
- 3.2.4 The LLP's proposal notes that a third site, the current Chandos Street car park, could be linked to the project. However, for commercial reasons considered in the Part B report and in recognition that substantial further work would be required to establish the optimum mix of uses for redevelopment of this site, it is not considered appropriate to bring forward a proposal that is contingent upon its inclusion within this project. Nonetheless, the Council would retain the option of utilising any capital receipt realised by the redevelopment of the Chandos Street site at a future date to contribute towards the funding of this project.
- 3.2.5 The basis of the LLP's proposal is as follows:
- The Council would vacate the Riverside House site and sell the site for housing;
  - The LLP would seek a suitable development partner for the Riverside House site which would be developed in two phases, with the Council's current HQ building only be vacated when a new HQ building is available;
  - The Council would close the existing 81 space surface car park and the 511 space multi-storey car park at Covent Garden;

- The LLP would bring forward a comprehensive redevelopment and regeneration of the Covent Garden site;
- This would include the LLP constructing a new, Council-owned, HQ building funded by the receipt of the sale of the Riverside House site and the sale of housing units constructed at the Covent Garden site as enabling development;
- The LLP would also fund the demolition of the existing Covent Garden multi-storey car park and provide a new 650 space Council-owned multi-storey car park on the site, funded by the Council;
- The Council would work with the LLP to specify and design the new office building and multi-storey car park. The HQ office specification would include provision of a 24 hour, operational control room and a Council chamber, allowing for these activities to be relocated from the Town Hall and Acorn Court;
- The LLP would design and develop the new residential block at Covent Garden (directly or in joint venture) to be built concurrently with the other elements of the proposed comprehensive redevelopment of the site.
- All elements of the project would be delivered by the LLP;
- The project would be delivered in two phases, Phase 1 being further feasibility and design work and the securing of all necessary consents and legal agreements and Phase 2 being the full implementation and construction work;
- An indicative timeline, set out at **Appendix Two**, provides for the new HQ office building and the new multi-storey car park to be operational by October 2018.

### 3.3 Recommendation 2.3

- 3.3.1 The governance structure of the LLP consists of an Operations Board, comprised of PSP and WDC officers (currently the Corporate Management Team, Head of Finance and one of the Senior Project Coordinators) who discuss and develop project proposals which are then presented to a Members Board for approval. The Members Board is made up of 6 people with equal representation for both partners. The Council members of the Board are currently the Leader, the Finance and the Development Portfolio Holders.
- 3.3.2 When establishing the LLP the Council also put in place a 'double-lock' on decision making. For a LLP project to proceed it has to receive approval from both the LLP Members Board and the Council's Executive (or Full Council depending on the nature of the decision required).
- 3.3.3 The LLP Members Board met on 24 March 2016 and approved the project proposals set out at **Appendix One** of this report. This report seeks the Council approval for the second part of the 'double-lock'.
- 3.3.4 As part of their approval process the LLP Members Board agreed a formal resolution as to how it will deliver phases 1 and 2 of the project and how these would be funded. This resolution, seeking two signatories from PSP and two from the Council, is set out in full at **Appendix Three**.
- 3.3.5 Recommendation 2.3 seeks approval for the Leader of the Council and Finance Portfolio Holder to sign the resolution, committing the Council (as joint partners in the LLP) to the project proposals set out in Appendix One and the funding of Phase 1 of the project.

### 3.4 Recommendation 2.4

- 3.4.1 The approval of recommendations 2.2 and 2.3, allowing for the signature of the resolution by the Council, will allow the LLP to secure project funding from PSP. An initial project budget of £1,175,000 will be committed to fund the detailed design work for each element of the project (in addition to the LLP's £50,000 expenditure on this project to date), the cost of securing the necessary planning permissions, any other necessary consents and all associated costs, for example, the completion of a suite of legal agreements.
- 3.4.2 In committing to the project members need to be aware that the Council would become liable for all expenditure committed by the LLP on the development of Phase 1 of the project, of the £1,175,000 set out in this report, in one of two circumstances:
- If the Council were to unilaterally withdraw from the project at a future date (this provision would also apply to PSP were they to unilaterally withdraw from the project and they would become liable for all expenditure incurred in full);
  - If, after committing to the project, the Council seeks changes to the project that have a material impact to the project criteria and the project becomes unviable as a consequence.
- 3.4.3 However, should it be determined that the project is unviable, despite the reasonable endeavours of both parties represented in the LLP, then all expenditure will cease and the actual expenditure committed to that point (up to the maximum £1,175,000) will be considered as a loss to the LLP. This means the Council would be fully insulated from any liability for these abortive costs, which would sit on the balance sheet of the LLP.
- 3.4.4 The terms of the respective responsibilities for the future treatment of any abortive costs associated with Phase 1 of the project are set out in the Commercial Principles contained within **Appendix Three**.

### 3.5 Recommendation 2.5

- 3.5.1 Subject to the Council approving the recommendations in this report and committing to the LLP's development strategy, the project will be delivered in two phases as described above. At the completion of Phase 1 a further report will be presented to members, at a future date during 2017, seeking final approval to commit to Phase 2, the delivery phase of the project.
- 3.5.2 Phase 2 will require the LLP to commit a further estimated project budget of £24,540,000. The Council would be required to make a financial contribution estimated at this stage at £9,750,000 to this total Phase 2 budget, this being the sum required to deliver the new 650 space multi-storey car park; the detailed financial modelling of which can be found in Section 9.
- 3.5.3 Phase 2 of the project will involve the completion of the comprehensive development of the Covent Garden site, comprising of the new HQ office building, new multi-storey car park and enabling housing development and the disposal and phased development of the Riverside House site.
- 3.5.4 In making the commitment to the project members should note that, whilst the final commitment to Phase 2 will require a further 'double-lock' decision by both the LLP Members Board and the Council, the provisions of 3.4.2 would be invoked if the Council decided to unilaterally withdraw from a project that the Phase 1 work had demonstrated was viable.



- 3.5.5 In making their future decision on the Phase 2 commitment members will be able to review the full suite of legal documents prepared during Phase 1 and will have the benefit of the knowledge that the necessary planning permissions and any other consents had already been obtained.
- 3.6 Recommendation 2.6
- 3.6.1 Further information on the PSP Warwick LLP is set out in section 8 but members will recall that the LLP was specifically created as a vehicle to advance and unlock complex development projects and identify innovative ways to create added value to ensure their delivery. Integral to its establishment was the core principle that any project that is to be delivered through the LLP vehicle has to be independently validated and demonstrated to outperform any other potential delivery option available to the Council.
- 3.6.2 These validation exercises have in the past involved independent commercial valuations, undertaken by appropriate 'experts', being commissioned by the LLP on terms agreed by the Council. Work on project costings was undertaken by the global design and consultancy firm Arcadis and an examination of developer profit and interest figures by Blackmoors Property Consultants. This latter work was corroborated by an in-house examination of the likely developer return rates advised to the Council by a number of different independent professional sources over the last 18 months in connection with specific residential and retail schemes within the area.
- 3.6.3 In respect of this project the Council has agreed with PSP that the individual pieces of work commissioned with appropriate external expert commentators would be reviewed by CIPFA who would present the final evaluation report. PSP have established LLPs with 11 English councils (with a further 4 at an advanced stage of development and awaiting member approval of their establishment) but this is the first time that any project undertaken by any of those LLPs on behalf of its respective council has been subject to this additional level of scrutiny and validation. Discussions with PSP indicate that this model of evaluation will be deployed nationally in future.
- 3.6.4 The CIPFA evaluation, a copy of which is contained within the separate part B report, examined:
- A 'do nothing' option
  - the LLP option
  - the option of the Council procuring the work itself
  - other private sector options
- However, it should be noted that despite PSP establishing LLP structures with 11 other councils, no other directly comparable LLP model has yet to emerge in the market place.
- 3.6.5 In addition, and again new for this particular evaluation process, CIPFA were also specifically instructed to provide a 'high level view on the reasonableness of the proposals and whether the proposition itself is something that an authority might reasonably enter into'.

3.6.6 Having examined the independently commissioned appraisals CIPFA's conclusions are:

- *That, of the options presented, the LLP option would provide the highest financial return to the Council.*
- *That, with regard to the three main risk factors mentioned in the evaluation reports (cost escalation, market value on disposal and time delays), the LLP option appears the most robust.*
- *That, having considered the information available to us, we are of the opinion that this is an acceptable proposal and that the LLP route is the best option (subject to financial viability) for the Council to move forward with this project.*

3.6.7 The Council has also sought a legal evaluation of the proposal to ensure that it is considered lawful and a reasonable exercise of the Council's powers. This has been undertaken in two parts; an assessment by Anthony Collins solicitors, commissioned by the LLP on behalf of both partners (thereby ensuring a duty of care to the Council) and a separate assessment by the Council's own legal advisors at Warwickshire Legal Services (WLS). These two reports are legally privileged and, therefore, confidential, so are set out in full in the separate Part B report.

3.6.8 The Anthony Collins assessment has considered each element of the LLP proposal from a vires (powers) and an EU procurement perspective, including an assessment of VAT and SDLT tax implications, and separately considered the proposal as a whole from a State Aid perspective. Their overall conclusion is:

*There will be some processes that should be followed to enable the project to proceed. These include going through "exceptional circumstances" processes permitted by the Council's Code of Procurement Practice; ensuring that the business case for the car park is robust for recovery of costs of borrowing, construction and operation; and seeking detailed tax advice at e4 stage. None of these present insurmountable obstacles to the Project proceeding.*

3.6.9 The assessment from WLS similarly concludes that there are no legal barriers which should prevent the Council progressing the project in the terms proposed and that the validation work undertaken by CIPFA and others assists the Council in demonstrating that it has met its duty to obtain best value by proceeding with this project. The legal implications and risks arising from this complex project, and the strategy for their management, are addressed in more detail in the WLS advice note in the Part B report.

3.6.10 WLS has noted that the pre-construction works, which form part of the project to be undertaken by the LLP and PSP, are estimated to be in the region of £0.5m and £0.75m. WLS agrees with the advice of Anthony Collins that there is a business case for not tendering those works which satisfies the requirements of the Council's Procurement Code of Practice, since these works are integral to, and cannot be separated from, the rest of the project proposals.

### 3.7 Recommendation 2.7

- 3.7.1 The LLP Members Board resolution set out at **Appendix Three** contains a document setting out the Commercial Principles, agreed by the Council and PSP members of the Board. These principles will underpin the development of a formal project agreement between the Council and the LLP, giving the latter the necessary legal options it requires to deliver the project.
- 3.7.2 It is not possible to agree the project agreement at this stage as the initial project budget can't be committed by the LLP until the recommendations within this report are considered by the Council. Subject to the approval of those recommendations, the project budget will allow the LLP to commission specialist tax advice on the optimal structure of the necessary land deals that will underpin the legal agreements minimising the costs of any VAT or SDLT tax implications to both parties.
- 3.7.3 It is, therefore, recommended that delegated authority is granted to the named officers, in consultation with the named members within recommendation 2.6 to agree the legal agreements after this advice has been secured and assessed, provided that the final agreements are consistent with the Commercial Principles.
- 3.7.4 In the unlikely event that the final form of the proposed agreements requires a revision to the Commercial Principles approval would be sought for a variation from both the LLP Members Board and the Executive under the 'double-lock' arrangement.

### 3.8 Recommendation 2.8

- 3.8.1 The proposed project will have unprecedented significance for the Council, delivering major development and regeneration within Leamington but also delivering a new HQ building capable of supporting different ways of working across all aspects of service delivery for the future.
- 3.8.2 It is, therefore, proposed to establish a Member Reference Group to work with, and provide guidance to, officers as the project develops. In recognition of the importance of the project to all members of the Council it is proposed that this group should include all the political Group Leaders in addition to the Leader of the Council and the Finance and Development Portfolio Holders, as the Council's representatives on the LLP Members Board.
- 3.8.3 In addition to its importance to the Council the project proposals will also have significant implications for the town centre and will consequently be of interest to a wide range of stakeholders and the wider community. The Council's previous decision on its preferred option site received strong support from the business community and other stakeholders keen to see the Council's HQ (and the spending power of its workforce) remain within the town centre. However, those same stakeholders will, naturally, wish to be reassured that the proposed changes to the car parking provision at Covent Garden and the potential wider implications of any future proposals in respect of the Chandos Street site are equally beneficial to the town centre.
- 3.8.4 Those District Council members representing Leamington wards have already been briefed (with a few exceptions, where individual catch-up sessions have been offered) on the establishment of a Leamington Town Centre Forum to discuss the issues affecting the town centre and formulate a Vision that can be

approved by and consulted on by the various stakeholders represented on the Forum. Similar briefings have been held for Town Councillors and County Councillors with Leamington wards. Car parking provision will be one of the key issues that the Forum will be discussing.

3.8.5 However, the importance of stakeholders being reassured that the proposed new 650 space multi-storey car park will be sufficient for the town centre's current and future off-street car parking capacity needs is critical and it is proposed that, in addition to the work being undertaken by the Forum, the Member Reference Group co-ordinates a programme of early officer engagement with key stakeholders, for example, the Town Council, Chamber of Trade, Leamington Business Improvement District (BID), and the managers of the Royal Priors and Regent Arcade shopping centres.

3.8.6 These stakeholders and the wider community will also wish to understand what arrangements can be made during the delivery phase of the proposed project to ensure the maximum level of car parking provision can be maintained and any potential disruption to the public minimised. Further work on potential additional temporary provision will be required, as discussed in paragraph 5.4.6, and this would be undertaken as part of the Phase 1 project works arrangements. Again, this would need to be communicated to stakeholders and this engagement, and subsequent community engagement and communications on alternative provision, would be overseen by the Member Reference Group.

### 3.9 Recommendation 2.9

3.9.1 The financial and viability appraisals set out in the Part B report have considered the impact of differing levels of affordable housing provision coming forward at the Covent Garden and Riverside House sites.

3.9.2 Members will be aware that the Council's policy on Affordable Housing is for 40% provision on urban sites of 0.25 hectares or more or on sites where more than 10 dwellings are proposed, a threshold that will encompass both the proposed development sites. However, members will also be aware that where there are material considerations that justify a departure from planning policy, planning permission may be granted subject to a requirement for Affordable Housing that is lower than 40%. Such considerations could include the fact that a development would deliver benefits in planning terms, but would not be financially viable if it had to provide 40% Affordable Housing. Normally, viability is tested through an expert evaluation of the financial appraisal of the scheme.

3.9.3 The proposed project will deliver significant community benefits - cost efficient council offices, delivering savings to the public purse and a new multi-storey car park to support the parking needs of the town centre - but these will have exceptional costs attached to them. The modelling undertaken to date suggests that the project could deliver a level of affordable housing in the range of 20-37% and remain viable, but the exact figure cannot be determined until further detailed work is undertaken during Phase 1 of the project.

3.9.4 It is therefore proposed that the Deputy Chief Executive (BH) and Head of Finance, in consultation with the Member Reference Group, are authorised to agree the terms of the planning applications to be submitted by the LLP, which will include a proposal for the provision of Affordable Housing at a level that does not make the development unviable. However, members will be aware that this decision is wholly without prejudice to the determination of the Council, in its capacity as Local Planning Authority, as to the terms of any planning permission that may be granted.

### 3.10 Recommendation 2.10

3.10.1 On 24 March 2016 the Employment Committee approved service re-design proposals for the Prosperity agenda and on 6 April 2016 the Executive approved the funding required to implement the new structure. The re-design included consideration of the staffing resources devoted to Project Coordination and Organisational Development and brought forward proposals to consolidate the resource devoted to major corporate projects within a single team and provide an amended focus for work on feasibility projects and the development of business cases, maintaining the Council's capability to pursue its current level of aspiration. As the previous reports made clear, the proposal was underpinned by the need for the resultant business case(s) to include proposals for the level of, and funding for, the temporary project management resource required for the delivery phase of approved projects.

3.10.2 The LLP's project proposal is that PSP's project management resource will be used for the delivery of the Covent Garden redevelopment, as explained at paragraph 3.1.4. However, that phase of the project will only proceed after the detailed preparatory work during Phase 1 of the project and the approval of the unconditional agreements and associated funding necessary for Phase 2, as discussed in section 3.5. Up to that point Council officers will need to continue to work closely with PSP colleagues on the preparation of the necessary agreements and the design and specification of the new HQ building and the design, specification and funding of the new multi-storey car park.

3.10.3 It is, therefore, recommended that a maximum commitment of £53,600 is made from the Contingency Budget to fund a temporary project management resource to work with the LLP on the next phase of the project. This sum is equivalent to the annual cost of a grade B post. It is considered a maximum figure, as although this next phase of project work might take slightly longer than 12 months, it is possible that it can be delivered by a part-time resource and that the grading for the post might be assessed by the HAY panel below the assumed B grade. Subject to approval of recommendation 2.10 an appropriate job description and person specification will be assessed by the HAY Panel. It is likely that further temporary Council project management resource will be required to take this project forward through to its next Phase 2 delivery stage. The cost of this is likely pro-rata to the £53,600 figure, and will be only be reported back for further consideration as part of the next Executive report if it cannot be resourced within the robust £8.6m new office budget.

## 4. **POLICY FRAMEWORK**

4.1 The purpose of the Council's Fit for the Future programme is 3 fold:

Services: Maintain or improve its services

Money: Achieve a sustainable balanced budget

People: Enable, empower and support the Council's staff through the changes necessary to attain the above two objectives

The recommendations in this report are fully consistent with the Fit for the Future programme's principles above. A more efficient new HQ building will enable service delivery to be reconfigured to the benefit of customers, facilitate behavioural change amongst the Council's workforce to the same end, deliver substantial revenue savings to support the Medium Term Financial Strategy and make effective use of the scarce capital funding available to the Council.

- 4.2 The principle of using assets efficiently and seeking regeneration opportunities is also consistent with the Council's Vision and the Sustainable Community Strategy's general focus of making the district a great place to live work and visit.
- 4.3 The previous decisions by members to seek a relocation option that kept the Council's HQ offices within Leamington and to select a preferred option site within the town centre were made in recognition of the significant role that the Council plays in maintaining and developing the vitality and strength of the local economy.
- 4.4 The release of the Riverside House site for residential development ensures availability and deliverability of a designated development site as set out in the modified Local Plan that will be subject to Examination in Public before the end of the calendar year. Residential enabling development at the Covent Garden site will also contribute to the 'windfall' allowance figure contained with the proposed Local Plan.
- 4.5 The Council is developing a Car Parking Strategy which will support the delivery of the Sustainable Community Strategy's desired outcomes, with a specific focus on the underpinning of economic activity within the town centres of Leamington, Warwick and Kenilworth. The proposed development of a new multi-storey car park as part of the proposed development scheme will support the emerging strategy by ensuring that Leamington's current and future off-street car parking capacity needs can be met.

## **5. BUDGETARY FRAMEWORK**

### **5.1 New HQ offices**

- 5.1.1 The Council's agreed Medium Term Financial Strategy (MTFS) assumes that savings of £300,000 per annum will be made from the reduced running costs resulting from the proposed office move. This saving is profiled to commence in April 2018. In addition an additional £85,000 saving from the same date relating to the Town Hall is also included within the MTFS.
- 5.1.2 The current budgeted running costs of Riverside House total £589,000 per annum, including £315,000 business rates. These figures exclude the maintenance liability for the building, estimated at £1m over 15 years, an average of £67,000 per annum. Adding this cost in makes the annual cost of running the building £656,000 per annum.
- 5.1.3 The proposed new offices are estimated to cost at worst £337,000 per annum, at best £274,000 per annum and, most likely, £289,000 per annum including business rates of £160,000. The most likely estimate shows a saving of

£300,000 against budgeted costs, or £367,000 against the figure that includes the additional cost of the maintenance liabilities. The most likely saving is in line with the figure included within the MTFS, although the worst case scenario is £48,000 per annum below this figure.

- 5.1.4 The MTFS assumes that the £300,000 per annum saving would be realised from April 2018. The indicative timeline, shown at Appendix Two, shows occupation of the offices beginning in October 2018, meaning that £150,000 of additional savings would need to be found from other sources for the financial year 2018/19.
- 5.1.5 Under the current Business Rates Retention scheme the Council receives 20% of any uplift in business rates, and conversely bears 20% of the cost of any reduction. This means with business rates on the new offices expected to be £155,000 lower, the Council would receive £31,000 less in business rates retention. If this regime was still in place in 2018 the net saving, based on the most likely scenario, would reduce to £269,000 per annum.
- 5.1.6 However, it is not possible to model the potential impact of the reduced level of business rates as the existing Business Rates Retention scheme is due to be changed, before the end of the current Parliament, with Government indicating that they intend to introduce a revised scheme that provides for 100% rate retention local authorities, albeit with corresponding changes to future Revenue Support Grant Settlements.
- 5.1.7 Any loss of retained business rates under the current scheme would, in any case, be offset by additional Council Tax revenue from the c. 140 new homes constructed at both the Riverside House and Covent Garden sites and, assuming the current scheme remains in place, additional New Homes Bonus income.
- 5.1.8 The savings figures referred to within 5.1.3 are based solely on a comparison of the running costs of the existing and proposed HQ offices and exclude any consideration of revenue savings arising from new, more efficient ways of working. Past experience from the Fit for the Future programme is that such efficiency savings could be considerable but cannot be quantified at this stage. It is unlikely that any significant savings could be generated if the Council HQ remains at Riverside House, whereas the opportunities presented by a new, modern, carefully planned and designed office building would allow future efficiency savings to be maximised.
- 5.1.9 Likewise the savings figures do not include any allowance for revenue savings that would be generated by the Council no longer utilising the Town Hall for Council and Committee meetings. Utilising a Council Chamber within its HQ building is likely to be more efficient than working across split sites and would generate significant savings in terms of the staffing resource currently deployed at the Town Hall. Such savings would be in addition to any capital receipt from the sale of the Town Hall and the consequent £85,000 per annum revenue savings arising from the removal of the future maintenance liabilities on the building. The Council has already approved the principle of the future disposal of the Town Hall but this can only happen after the Council ceases to use the building operationally, an option that this project would allow. With the office relocation savings now forecast to commence from October 2018, the savings relating to the Town hall should also be re-profiled to this date.

## 5.2 New Multi Storey Car Park

- 5.2.1 The recommendations include the provision of a new 650 space multi storey car park in place of the existing multi storey and surface car parks at Covent Garden. A new car park of this size might, on current demand patterns, allow for the future closure of the Chandos Street car park, which is discussed in more detail in section 9.
- 5.2.2 The new multi storey car park is estimated to cost £9.75m, a sum the Council would contribute to the overall Phase 2 project budget of £24,540,000. The annual borrowing charges for £9.75m are estimated to be £415,000 per annum over the next 50 years. This is based on the Public Works Loans Board long term borrowing rates forecast of 3.5%, as at September 2017. A 0.5% increase in borrowing rates would increase this cost by c£40,000 per annum. As rates are expected to continue to be low in the medium term, it is expected that it will be in the Council's best interest to secure a fixed rate loan for the 50 year period. Should the Capital Costs increase by a further £0.5m the annual repayment figures would increase by circa £20,000 per annum.
- 5.2.3 The proposed new multi storey car park would have increased running costs compared to the current one, as it would incur a higher business rates charge and would require an on-site office, in line with the current St. Peter's multi-storey car park, staffed by 2 additional Pay-on-Foot Officers. However, the current proposals do not provide for re-provision of public conveniences which would allow for a revenue saving. Modelling of the costs of the new car park, set out at **Appendix Five**, and which, as explained in section 9, has also factored in the potential future closure of the existing Chandos Street car park, with consequent savings on running costs, notably on business rates, demonstrates that the additional net annual costs of the new configuration of car parks shown in paragraph 9.18, would amount to £434,000 per annum.
- 5.2.4 As explained in section 9 the modelling options have compared the future costs against a base cost option of not proceeding with the project and instead investing in repairs to the current multi-storey car park to extend its lifespan. As detailed in paragraph 9.6 this would require investment of c£2.4m, which would only be likely to guarantee the life of the car park for a further 10 years. The borrowing costs of this would amount to £287,000 per annum. In addition, after 10 years the Council would be faced again with the current dilemma of having to replace the car park and take on further substantial capital expenditure in demolishing the existing structure and either the cost of replacing it, or bearing the loss of income from not doing so (aside from the potential adverse impact that the removal of this car parking provision would have on the town centre).
- 5.2.5 Whilst, the modelling discussed in section 9 and summarised at Appendix Five shows the new multi storey car park would increase the net revenue costs by £434,000 per annum, this is based on prudent assumptions of car parking income based on existing charges. As discussed in paragraph 9.13, the introduction of a new multi-storey car park charging regime could generate a further £375,000 of annual revenue, limiting the additional cost to £59,000 per annum.
- 5.2.6 Consideration is also required as to how the Council can seek to set aside funds for the future maintenance of a new multi-storey car park. As previously reported to members, the Council's corporate assets require substantial



expenditure on their maintenance in future years. Whilst some funding has been set aside to fund these maintenance requirements over the next three years, the liabilities arising in future years are as yet unfunded. If the Council is to maintain its current asset base this situation requires redress. As part of this overall asset funding requirement, the long term maintenance of the proposed new multi-storey car park will also need to be considered and the funding of its future maintenance needs identified and secured. These issues will be considered further in the Corporate Asset Strategy report, scheduled to be presented to members in June 2016.

### 5.3 Chandos Street

- 5.3.1 The modelling assumptions set out at Appendix Five and the costs discussed in paragraph 5.2.4 and 5.2.5 allow for the assumption that the Council might sell the Chandos Street car park site at a future date. This scenario would result in displacement of many users to the new multi storey car park and would also enable the Council to generate a capital receipt. If this receipt was used to reduce the borrowing costs, this would reduce the annual costs in paragraph 5.2.3 by over £40,000 per annum and, in the context of the scenario discussed in 5.2.5 would bring the provision of the new car park close to cost neutrality.
- 5.3.2 In addition, depending on the careful assessment of any future development that could come forward on the Chandos Street site, the Council may benefit further from additional revenue in terms of business rates retention, council tax increase and New Homes Bonus, although none of these can be realistically modelled at this stage.

### 5.4 Medium Term Financial Strategy

- 5.4.1 The MTFS projections presented within the February 2016 Budget papers, taking into account the 2016/17 council tax increase, showed that the Council needed to make further recurring savings of £240,000 per annum by 2020/21. The reports presented to the April 2016 Executive showed that this figure needed to be increased by £33,000 to £273,000. The MTFS is now being updated further to include the financial year 2021/22 which is expected to increase the savings requirement (largely as a result of funding not keeping up with increased costs). The updated MTFS is due to be reported to members in June, as part of the Fit For the Future Report.
- 5.4.2 Taking into account the worst case projections on additional net car parking costs (£434,000 as discussed in paragraph 5.2.3) and net annual revenue savings being below the amount budgeted for within the MTFS (£48,000 as discussed in paragraph 5.1.3) the additional savings requirement could increase from £273,000 to £755,000.
- 5.4.3 However, when assuming the most likely revenue savings scenario (as also discussed in paragraph 5.1.3), the additional borrowing costs(para. 5.2.3), and the potential increased car park revenue (if charges are increased as discussed in para. 5.2.5), the additional car parking costs could be reduced to £59,000 (as discussed in paragraph 5.2.5). This would lead to an increase in the future additional savings from £273,000 to £332,000. Indeed, with the best case scenario and/or the likely additional savings discussed in paragraphs 5.1.8 and 5.1.9 the current total savings requirement could actually reduce. The level of any further savings, above those already factored into the MTFS,

will be identified through the current MTFS review and reported to Members as part of the June Fit For the Future report.

- 5.4.4 Further costs need to be allowed for within the MTFS to reflect the temporary loss of car parking income that would accrue during the period between the closure of the existing Covent Garden car parks and the opening of the proposed new multi-storey car park. A worst case scenario for an 18 month closure period would result in net lost income of £588,000. However, it is likely that this figure would be reduced by displacement to the existing Chandos Street, St. Peters and Bedford Street car parks (potentially worth, at worst, an additional £165,000 of income for the same period). The estimated net worse loss would therefore be £423,000.
- 5.4.5 In addition, there is the option of installing a temporary deck on Chandos Street car park, providing for an additional 100 spaces, which could potentially raise a net additional income of £75,000. At this stage, the full impact of the closure and possible mitigations still require further consideration and, subject to approval of the recommendations this would form part of the Phase 1 project assessments.
- 5.4.6 It will be necessary, as part of the February 2017 Budget report to seek to earmark funding to allow for the impact of the closure period, ahead of the formal agreement to progress the scheme later in 2017. Subject to the recent consultation on the New Homes Bonus Scheme, the Council's 2017/18 allocation is likely to be the main source of funding available to finance this loss of revenue, although this would reduce the Council's ability to use this funding for other projects.

## 5.5 Contingency Budget

- 5.5.1 The unallocated balance of the 2016/17 Contingency Budget stands at £78,200 but would reduce to £24,600 if recommendation 2.10 is approved and the maximum funding allocation is required. If the full amount of the approved budget allocation is not utilised, following the assessment process described at paragraph 3.10.3, the unused allocation will be returned to the Contingency Budget. The balance on the Contingency Budget and all other reserves will be reviewed in June 2016 and reported to Executive as part of the Final Accounts Report.

## 6. **RISKS**

- 6.1 The proposed project is complex and carries a significant level of risk, requiring a project Risk Register to be maintained and routinely updated. The latest Risk Register, updated from the version presented to Executive in September 2015, is set out at **Appendix Four**. This will continue to be updated as the project develops and the most significant risks incorporated within the corporate Significant Business Risk Register (SBRR) as appropriate.
- 6.2 The project Risk Register, and the minimisation of the risks contained within it, will become the responsibility of the project team that will be established to work with the LLP during Phase 1. The Project Team will be led by the Deputy Chief Executive (BH) supported by, subject to approval of recommendation 2.10, the temporary Project Manager post. If any of the project specific risks are considered to warrant inclusion within the corporate SBRR these will be regularly monitored by the Senior Management Team, as now, and routinely reported to Finance & Audit Scrutiny Committee and Executive.

- 6.3 The General Fund Budget report (and supplementary papers) presented to the February 2016 Executive showed the level and profile of savings required by 2020/21, with a current projection of a requirement for a further £273k of recurrent savings in addition to those already included within the MTFs. The current savings profile continues to include £300k savings from the proposed office relocation, deliverable from April 2018 although, , as discussed in section 5, this might prove a challenging target to meet, with the indicative timeline showing the savings becoming realisable from October 2018. If the timeline is delayed for any reason this will impact upon the timing of the delivery of the savings.
- 6.4 If the relocation is not agreed, or the completed scheme fails to deliver the presumed level of recurrent revenue savings, this will increase the total level of savings that the Council needs to deliver beyond the level of the current projections.
- 6.5 Sensitivity analysis has been undertaken on the indicative timeline set out at Appendix Two, as shown in the table below:

Scenario	Potential slippage	Revised office opening date
1. LLP takes longer than anticipated to identify and sign-up its residential JV developer partner for the Riverside House site (which would defer the start of overall design process and the planning application).	3 months	Feb 2019
2. Planning application refused, requiring a successful planning appeal to be made by the LLP. <u>Note</u> : If planning and any appeal refused then project stops for complete re-evaluation.	c. 12 months (based on current precedents).	Oct 2019
3. Process for ensuring a 'fit' application is ready for submission takes longer than anticipated.	Up to 3 months	Feb 2019
4. Final project viability test in July requires restructuring to make it acceptable to both LLP partners.	Between 3-6 months	Feb- May 2019

- 6.6 Any delay in the Council moving to new offices will further delay the financial benefits of the move, so adding to the amount that the Council needs to save. Based on the likely savings of £300,000 per annum for the new offices (paragraph 5.1.3), and the planned savings of £85,000 per annum for the Town Hall transfer (5.1.1 and 5.1.9), each day's delay in this project will cost the Council a further c. £1,000/day.
- 6.7 Further risks in relation to the project exist in terms of the national and local economy. These main risks are:-
- The housing market, and how this may impact on houses prices and demand for new properties.
  - Building costs

- Interest rates – notably long term borrowing costs, and mortgage rates (which would impact upon the housing market).

## **7. ALTERNATIVE OPTION(S) CONSIDERED**

- 7.1 One alternative option is not to proceed with the project and retain its HQ offices at Riverside House. This has been rejected on a number of grounds:
- The independent evaluation of the LLP proposal demonstrates there is a viable project;
  - A further test of the viability will be undertaken by the delivery of Phase 1 of the proposed project and if the position has changed and the project is no longer viable it will not proceed and the Council would not be liable for the costs of Phase 1;
  - The project would deliver demonstrable community benefits that support the delivery of the Council's Sustainable Community Strategy;
  - The project allows the Council to realise the target of £300,000 per annum savings already included within the MTFS
  - Completion of the project would allow the Council to cease its use of the Town Hall as an operational building allowing it to make additional revenue savings estimated at £85,000 per annum, and potentially a capital receipt if the building is subsequently disposed of.
  - Not proceeding with the project would make the achievement of these MTFS savings particularly difficult given the difficulty in adapting Riverside House to let parts of the building and/or reduce running costs;
  - There would still be a need to incur significant capital expenditure on the existing Covent Garden multi-storey car park, that would still not provide a long term solution. This was covered in the Report to Executive on 10 February 2016 titled 'Multi-story car park condition survey'.
- 7.2 Another option is to proceed with a relocation proposal at an alternative site. This has been rejected as the Council has already spent over 3 years examining potential alternative sites and selected its preferred option. To restart the process would mean the MTFS savings target could not be achieved by 2018/19 and provide no certainty that it could be achieved at all.
- 7.3 The Council could attempt to progress a relocation project involving the Covent Garden site or an alternative site by another delivery vehicle than the LLP. This has been rejected as the LLP has proved to be an effective mechanism for developing complex development and regeneration projects and discharging the purpose for which it was established. The LLP proposal has been thoroughly scrutinised, internally and externally and, as set out in this report and the Part B report, shown to be robust in terms of risk, offer the highest financial return and be the best option for delivering the proposed project. There would, consequently, appear to be little value in attempting to source an alternative delivery vehicle aside from the impact this would have on the delivery of a time-sensitive project that needs to deliver tangible financial savings to the Council.

## **8. BACKGROUND**

- 8.1 The Council's Executive approved the establishment of the "PSP Warwick LLP" in 2013, after considering the Part A and Part B reports dated 12 December 2012. The LLP is essentially a commercial partnership, made up of two legal entities: Warwick District Council and Public Sector Plc (PSP), which provides asset management skills and access to investment funding. The Council is represented in the LLP by three Members of the Executive. PSP is represented

by three members as well. Legally binding agreements underpin the operation of the LLP and ensure that decisions of the LLP must be agreed by both parties, and decisions to proceed with projects must be submitted to the Council's Executive for approval. The legal agreements provide that all costs and risks must be approved on a project-by-project basis and that the Council is not liable to fund any LLP costs unless it expressly agrees to do so. The LLP has been established for a term of 10 years.

- 8.2 The LLP is not itself a public body. However, the Council members participating in the LLP are subject to the Council's Code of Conduct for Members during all LLP business. The legal agreements which regulate the LLP require that all representatives must undertake to comply with the principles of the Nolan Committee's Standards of Public Life, and that as much information as possible should be transacted in the public domain to strike the appropriate balance between promoting transparency and protecting commercial sensitivity.
- 8.3 The LLP model is founded on the basis that on a project-by-project basis, it must be demonstrated, by third party validation, that the LLP represents the best value solution to the Council. The return taken by the LLP's investment partner, PSP, is benchmarked and tested against other options, as part of the whole validation exercise. In the case of the HQ Relocation Project a notable point is that PSP takes its first return only after the Council has received its first return, which is the new HQ office accommodation, as explained in more detail in the LLP proposal at Appendix One and in the confidential Appendix Six of the separate Part B report.

## **9. CAR PARK MODELLING: CAPACITY, INCOME AND BORROWING COSTS**

- 9.1 In addition to the external examination of the LLP's proposals, detailed modelling of the implications of the proposed redevelopment of the existing Covent Garden car parks has also been undertaken, as discussed in paragraph 3.2.3.
- 9.2 The 'base' position for this modelling is a scenario based on the project not proceeding, the Covent Garden and Chandos Street surface car parks being retained and operated as they currently are and the existing Covent Garden multi-storey car park being retained and repaired. A series of alternative scenarios examining a combination of differing options for these three car parks were then run and compared to this. The scenario modelling included examining the future impact of closing the existing Chandos Street car park. Although such a closure is not a component element of the project proposals the capacity created by a new 650 space multi-storey car park could potentially make this a feasible future option. Another set of modelling explored the potential scenarios should Chandos Street be retained.
- 9.3 Additionally, the impact of the indicative project timeline, suggested at **Appendix Three**, with the sequential closure of car parking provision at Riverside House and Covent Garden was also modelled to determine the impact on the MTFS.
- 9.4 Members will recall that the Multi-storey car parks condition survey report presented to the 10 February 2016 Executive identified that the structure of the existing Covent Garden multi-storey car park is subject to Alkali Silica Reaction (ASR), commonly known as 'concrete cancer' which will significantly decrease the operational lifespan of the car park. The report confirmed that,

although the ASR can be managed in the short term there will be substantial costs associated with maintaining the existing car park for any length of time, and that detailed consideration should be given to its future when this current report on the HQ relocation project was presented to members. An appendix to the February 2016 report set out a summary of the condition surveys undertaken at each of the Council's multi-storey car parks by a specialist contractor commissioned by the Council. The summary of the findings in respect of the Covent Garden car park are included at **Appendix Six** for ease of reference.

- 9.5 The specialist structural survey of the existing multi-storey car park has indicated that, if it is to be kept open and operational, essential remedial works are required at an estimated cost of £814,000. If undertaken these should allow the car park to be safely operated for the next 3 years, an adequate timeframe for the completion of the proposed project. The indicative timeline for the project proposes that the existing multi-storey car park would be closed in the latter part of 2017 and further work will be undertaken to determine whether a lower sum than the estimated £814,000 could be expended to allow the car park to operate for this shorter period.
- 9.6 If the project did not proceed, the existing car park would require further estimated additional investment of £1.5 million, bringing the total expenditure to £2.414m in total just to keep it operational beyond year 3 up to a maximum of 20 years. However, this is likely to be the minimum level of expenditure as the speed of the ASR deterioration is an unknown factor and the maximum of a 20 year total operational lifespan may not be reached. Hence borrowing costs for these Options have been assumed over a 10 year period, the more probable remaining lifespan of the car park if these works were undertaken. At the end of the period the structure would require closure and demolition. Hence, the underlying issue of needing to replace the current multi storey car park at the end of this period would remain.
- 9.7 New concrete technologies mean that the risk of ASR can be eliminated entirely if the car park was demolished and rebuilt and a replacement multi-storey car park would have an operational life span of a minimum 60 years, the current industry standard assessment.
- 9.8 The cost of a new 650 space multi-storey car park is estimated to be £9.75m. The base comparison in cost terms is, therefore a minimum spend of £2.414m for the current 530 space car park with an absolute maximum 20 year lifespan and an estimated £9.75m spend for a 650 space car park with a minimum life of 60 years.
- 9.9 Detailed modelling and sensitivity testing of assumptions for car park usage, displacement from car park closures to other car parks and/or on-street car parking has been undertaken and is available for Members upon request. Several scenarios around percentage displacement levels were considered and the most likely cases included in the figures in this report. The consequent impacts on annual income and expenditure are summarised at **Appendix Five**.
- 9.10 The costs of repaying the borrowing the loans to fund capital investment costs and the resulting net annual costs are also included at **Appendix Five**. This shows that, if the Council were to borrow the £2.414m, repayable over 10 years, (to repair and keep open the existing car park), the annual cost of

repayment would be £287,300. The repayment period is assumed as 10 years given the uncertainty over the maximum lifespan of a repaired car park.

- 9.11 In contrast, if the Council were to proceed with the proposed project and fund the £9.75m construction cost of a new 650 space car park, repayable over 50 years, the net annual repayment cost would be £415,700, an additional £128,400 over the Repair option. However, it should be pointed out that these two scenarios are not strictly comparable as the loan periods and car park lifespan periods are not the same, as shown below:

Option	Additional annual operating income (£'000's)	Additional annual operating cost (£'000's)	Annual Borrowing cost (£'000's)	Net annual cost (£'000's)
Repair existing 530 space multi-storey (base), retain Chandos Street	n/a	n/a	287.3	287.3
Close existing car parks, Rebuild 650 space multi-storey, sell Chandos St, but with no use of capital receipt to offset borrowing for this project	12.9	31.7	415.7	434.5

Note: The use of the Chandos Street car park receipt would potentially reduce the net annual repayment costs of a new 650 space car park by c. £40,000 per annum.

- 9.12 The additional £147,200 net cost annual increase of the project proposals (the difference between the costs in the final column of the table above), when compared to the base cost position of repairing the existing car park. These base costs alone amount to £287,300. However, this net increase is based on a usage level at the new 650 space multi-storey car park which has made prudent assumptions of a relatively low level of displacement arising from the future closure of the Chandos Street car park. The existence of a new car park of modern design, anchoring car parking provision in the north of the town centre would require a review of signage and an information and marketing campaign that is could increase usage levels beyond the assumptions in the current modelling, reducing the level of additional net annual costs.
- 9.13 The current modelling is also based on the existing car park charging tariff structure. If a new multi-storey car park was to be constructed, the Council would have the ability to implement a new charging regime. A new regime based on a £1 per hour charge, up to a maximum of £5 for all day parking,

would generate additional income in excess of £375,000 per annum meaning, even without additional usage, the annual borrowing costs for the new car park could potentially be met in full. It should be noted that all income figures are net of VAT.

- 9.14 Clearly the Council could choose to implement a new charging regime whether or not a new multi-storey car park is constructed. However, officers believe that without the justification of a new car park, with improved design, lighting and safety features, it would be counter-productive to increase charges as the higher income could be offset by lower usage given the relative unpopularity of the existing Covent Garden multi-storey car park and the prevalence of on-street car parking provision in and near the town centre.
- 9.15 It is worth highlighting that the modelling demonstrates that, depending on future demand levels it may not be financially prudent to retain the Chandos Street car park if a new multi-storey car park has been developed at Covent Garden. Retention of this car park would have an adverse impact on usage levels at Covent Garden and this would not be offset by building a smaller car park on the site. The Council could consider, at a future date, the possible closure of Chandos Street and the development of a car parking strategy based around 3 multi-storey car parks (Covent Garden anchoring provision in the north of the town centre, Royal Priors, serving the east and providing parking for the shopping mall, and St. Peters anchoring provision in the south of the town centre). This would also provide the Council with options on how to utilise any capital receipt arising from its disposal and allow for assessment of the optimum development at this key site, to ensure it is used to maintain and strengthen the vitality of the town centre.
- 9.16 At present there are 1,525 publically available off-street car parking spaces within Leamington town centre, as shown in the table below. The majority of this car parking is controlled by the Council with the exception of the privately owned and managed Royal Priors car park. It is noteworthy that, unlike the situation in many town centres, the off-street provision is only about one third of the total car parking available, given the significant levels of on-street car parking within and adjacent to the town centre:

<b>Current off-street car parks within the main town centre</b>	
St Peters Multi-storey	385
Covent Garden Multi-storey	511
Covent Garden surface	81
Chandos Street	146
Bedford Street	49
Total WDC car parks	1172
Royal Priors Multi-storey	353
Total spaces	1525

**NB** – The table shows only the car parks serving the town centre’s needs. Other peripheral car parks such as Rosefield Street and Adelaide Street and the car parks to the south of the river in Old Town are not included here.

- 9.17 Recent analysis of the peak demand for off-street car parking, as shown in the table below, demonstrates that there is currently an overall unused car parking capacity in excess of 450 spaces during the week. This unused capacity falls to just under 350 spaces at weekends (although the spare capacity is virtually



eliminated at peak times, for example the lead up to Christmas). Much of this spare capacity is currently within the Covent Garden multi-storey car park which is relatively unpopular and has significant spare capacity:

<b>Current capacity</b>	With Royal Priors	Without Royal Priors
Weekdays	463	343
Weekends	342	240

- 9.18 The impact of the proposed redevelopment of the existing Covent Garden car parks and the future option of also closing the existing Chandos Street car park once the proposed new multi-storey car park became operational is shown in the table below:

<b>Potential future off-street car parks</b>	
St Peters Multi-storey	385
Covent Garden Multi-storey	650
Bedford Street	49
Total WDC car parks	1084
Royal Priors Multi-storey	353
Total spaces	1437
Net reduction from current total spaces	88

- 9.19 This potential future configuration of town centre car parks would have the following impact in terms of off-street car parking capacity within the town centre:

<b>Future capacity</b>	With Royal Priors	Without Royal Priors
Weekdays	205	84
Weekends	204	102

- 9.20 These figures assume that 120 spaces within the new 650 space Covent Garden multi-storey car park would be unavailable to the public Monday to Friday as they would be utilised for staff and visitor car parking serving the needs of the new HQ offices on the site. However, these spaces would become available at weekends when there is an increase of around 120 vehicles using the off-street car parks. The tables show the situation were the privately managed Royal Priors car park to be unavailable but, for the avoidance of doubt, this is only to demonstrate the significance of the Council's role in the provision of town centre parking and there is minimal risk that this car park would cease to be operational.
- 9.21 The car park capacity assessments, therefore, demonstrate that, in addition to satisfying the viability and legal assessments highlighted in section 3.6, the proposed scheme is also viable when assessed from the perspective of impact on town centre car parking.