

Report to: Policy and Resources Committee, 16th November 2021

Report of: Managing Director

Subject: FUTURE HIGH STREET FUND – PROGRAMME UPDATE

1. Recommendations

- 1.1 To note progress on the Future High Street Fund programme;**
- 1.2 To approve the preferred design option for the Scala Theatre and Corn Exchange;**
- 1.3 To support the working title of “Scala, Worcester” for the new facility;**
- 1.4 To approve a request to government to revise the financial profile to invest in the new Worcester Theatre rather than the former Panama Jacks restaurant; and**
- 1.5 To agree to consider the investment in alternative vacant/derelict commercial properties to Trinity House and delegate authority to the Managing Director in collaboration with the Chair and Vice Chair of this committee to submit a business case change request to government where alternative sites are identified.**

2. Background

- 2.1 In 2018 the Government launched the Future High Street Fund (FHSF) with the aim of renewing and reshaping town centres, transforming high streets and creating jobs across the Country. In June 2020, Worcester City Council submitted a detailed business case seeking funding to transform the northern part of the City Centre into a diverse leisure, cultural, entertainment and residential quarter.
- 2.2 In December 2020, the Council was successful in obtaining £17.9m of Future High Street Funding towards regeneration of the Blackfriars area of the City Centre from the then Ministry for Housing, Communities and Local Government (MHCLG). The successful business case, approved by MHCLG, proposed seven interventions (projects) to transform the Northern Gateway, namely:
 - Scala Theatre and Corn Exchange
 - 8 Angel Street (former Co-op building)
 - Former Panama Jacks Restaurant
 - Property enhancement/vacant premises scheme
 - Angel Place
 - Trinity House
 - Public Realm improvements.
- 2.3 The FHSF is programmed for completion in 2024; this represents a challenging timeframe to deliver the proposed investment. The agreed funds are issued to the

Council as a non-ringfenced grant payments under s31 of the Local Government Act 2003.

- 2.4 The FHSF programme's vision to "transform the city's Northern Gateway into a vibrant cultural destination embracing leisure, entertainment and city living" was agreed by Policy and Resources Committee in June 2021. The programme objectives were endorsed as follows:
- Establish a new theatre and cultural hub in the City Centre offering leading theatrical, music and performance facilities
 - Stimulate economic growth with vibrant leisure facilities and city living opportunities
 - Transform public realm and connectivity to create new event and leisure space and reconfigured market
 - Demonstrate social, economic, and environmental sustainability through high quality design
 - Conserve and enhance historic assets
 - Financially sustainable and viable operation supported by direct public delivery.
- 2.5 Following the award of the funding, the Council has progressed each intervention and embarked on a programme of activity to develop each project. Set out below is summary of the work undertaken to date including land assembly and property acquisition, an update on project feasibility (where undertaken) and options appraisal and recommendations in taking the project forward. Each intervention is considered in turn.

3. Scala Theatre and Corn Exchange (Intervention 1)

- 3.1 The Council is seeking to develop a new performance arts centre in the two town centre buildings and relocate the existing Swan Theatre to this new facility in the town centre. To enable this development, the Council acquired the Corn Exchange building in April 2021 and have agreed in principle the purchase of the former Scala Theatre site, subject to completion of all due diligence work.
- 3.2 In March 2021, the Council commissioned a feasibility study by specialist theatre consultants, Theatreplan, to provide strategic advice on the proposal to deliver a new performance arts venue on the site of the Scala Theatre and Corn Exchange as a replacement to the existing Swan Theatre.
- 3.3 This study considered space requirements (including main auditorium, supporting studio theatre, front and back of house facilities, hospitality provision and rehearsal space) for the new performance facility and undertook initial design feasibility to determine whether these spatial requirements could be delivered within the footprint of the defined space at the Scala Theatre and Corn Exchange.
- 3.4 The study identified a number of design options for the buildings, concluding that the accommodation had significant potential to create a new thriving performance arts destination based on a viable sustainable business case with ongoing support from the Council.
- 3.5 The key design principles included locating the new main auditorium in the Scala Theatre building, locating a studio theatre on the upper floor of the Corn Exchange with the principal hospitality provision being located in the ground floor of the Corn Exchange. It was recommended that the Corn Exchange should provide two stories of internal accommodation providing spacious rooms for ancillary uses.

- 3.6 It is recognised that the Scala Theatre and Corn Exchange buildings can only offer a finite quantum of space to accommodate all facilities. Therefore, in order to match the existing provision, some ancillary space must be sought for additional back-of-house uses, particularly office and rehearsal space. The recommended option by Theatreplan is that these supplementary facilities could be located on the first floor of 8 Angel Street because of its availability and proximity to the Scala site. This, however, will have financial implications in respect of the planned income to be derived from 8 Angel Street and at this stage, it is recommended that the options for 8 Angel Street remain open whilst other avenues are explored.
- 3.7 The next stage of the project is to procure architects to work on the detailed design for the new theatre, taking the Theatreplan architectural concept and feasibility as their starting project brief. It is intended that a planning application for the new facility will be submitted in late Spring/early summer 2022.
- 3.8 A copy of the Theatreplan feasibility study is annexed to the report as a Confidential Appendix.
- 3.9 The proposed working title of the new facility is the Scala, Worcester.

4. 8 Angel Street (Intervention 2)

- 4.1 The Council's objective for the property is to bring back into use the former retail unit to create a vibrant all day, mixed use destination.
- 4.2 Since acquiring the property in December 2019 to bring it back into use, the Council has completed a number of surveys and technical assessments of the building. The Council has surveyed the building to detect any presence of High Alumina Cement (HCA) which can ultimately compromise the structure of the building. HCA has not been detected, allowing the Council to undertake further feasibility work for the future conversion of the building to establish the optimum viable uses for the property.
- 4.3 This feasibility work undertaken to date concludes that the building can be developed to deliver a range of mixed-use commercial, leisure and retail accommodation.
- 4.4 The original business case for the development of 8 Angel Street was built on the assumption the Council would generate a commercial revenue from the building. The Council will therefore optimise the potential future income from this property and seek to agree commercial terms with all future prospective tenants of the building.
- 4.5 The Council proposes to undertake some further design work on the building to establish a detailed schedule of accommodation for marketing purposes and upgrade the visual appearance and façade of the property.

5. Former Panama Jacks (Intervention 3)

- 5.1 The approved business case sought to bring back into use the prominent, vacant former Panama Jacks building.
- 5.2 Since the FHSF programme started, the current building owners have announced plans to refurbish the premises and open a new restaurant – Jax Bar and Grill.
- 5.3 This investment demonstrates an early success of the FHSF programme with private investment delivering new hospitality facilities in the town centre. Therefore, a public-sector intervention is no longer required.

5.4 Hence the Council is now in a position to seek a change to its original spend profile and reallocate the funding originally earmarked for the former Panama Jacks building. The proposal is to invest it in additional cultural and hospitality provision to support the new performance arts centre.

6. Property enhancement/vacant premises (Intervention 4)

6.1 A report setting out the approach to the property enhancement scheme was presented to this Committee in July 2021. Since the date of that report, the documentation on this intervention has been further developed and the scheme has been publicly launched.

7. Angel Place (Intervention 5)

7.1 It is envisaged the FHSF investment will be utilised to enhance the appearance of Angel Place and provide new outdoor entertainment, event and leisure facilities which will result in increased footfall and new visitors to the area.

7.2 Design consultants, McGregor Coxall, have recently been appointed to advise on the evolution of Angel Place, having particular consideration to the character, identity and amination of the space and how it can grow and evolve alongside the other High Street interventions.

7.3 Members will be invited to participate in the design programme and this work will be prepared over winter 2021/22 with a presentation to this Committee at a future date.

8. Trinity House (Intervention 6)

8.1 Trinity House was initially identified for investment due to the building being largely vacant (for a number of years), of poor aesthetic quality and at a prominent location in the town centre. It was proposed FHSF investment would bring forward a residential led mixed-use scheme providing city living.

8.2 The Council has engaged with the existing owners of Trinity House since the successful award of the FHSF. It is now apparent that the owners of the building propose to invest capital and redevelop the building in accordance with their own proposals. The Council welcomes this investment in the town centre and continues in dialogue with the owners to encourage the future development.

8.3 This private investment presents the opportunity for the Council to identify new opportunities to utilise the funding awarded through the High Street programme and transform alternate derelict and redundant sites/buildings within the proximity of the defined Future High Street area.

8.4 The Council has engaged with the Department for Levelling Up, Housing and Communities (DLUHC) which recognises that some original projects (interventions) are liable to change since the submission of the FHSF business case in June 2020; this reflects natural market economics.

8.5 Where changes are identified, these must be formally submitted for approval by DLUHC to ensure the integrity of the original competitive financial award is maintained. Any changes considered must meet the original gateway qualification criteria of the Fund, be similar to the original agreed intervention and be connected to the geographical area of the original award.

- 8.6 As a result of the private sector proposals to develop Trinity House, it is proposed to undertake a property market review to identify alternative investment opportunities which will deliver the residential/mixed use ambition. Each opportunity will be assessed on deliverability, availability, potential use and indicative cost.
- 8.7 To ensure that the programme for delivery is sustained, it is proposed that the Council enter dialogue with land and property owners and engage with DLUHC in seeking approval to change the terms of the business case for Trinity House to any alternate sites identified. Any formal acquisition of property will be subject to final approval by Policy and Resources Committee.

9. Public Realm (Intervention 7)

- 9.1 Comprehensive public realm improvements are proposed to integrate the new performance hub and surrounding Northern Gateway with the wider town centre proposals.
- 9.2 Draft design work for Phase 1, Angel Place (north) and Angel Row, has been approved with final sign-off and works programmed between Jan 2022 and April 2022. This work will upgrade the paving of pedestrian routes in this location and provide some new seating.
- 9.3 Given the importance and significant public interest, Members will be engaged in the decision-making process regarding the programme timetable and final designs.
- 9.4 A Partnership agreement is currently being progressed with Worcestershire County Council, which will procure a contractor using the County Council's existing Procurement Frameworks.

10. Alternative Options Considered

- 10.1 Scala Theatre and Corn Exchange - The feasibility study identified two alternative options in developing the Scala Theatre and Corn Exchange. The first of which sited a studio theatre on the ground floor of the Corn Exchange. This was discounted as this space was recognised as being the most viable location for any food and beverage provision, forming an arrival point to the new facility. The second option looked to accommodate the entire required set of accommodation in the two buildings across three floors in the Corn Exchange; this resulted in cramped accommodation with low ceiling heights which would have delivered poor quality accommodation and limited facilities.
- 10.2 8 Angel Street – The original approved business plan allowed flexibility in the future use of 8 Angel Street. The Council will continue this flexibility to maximise future revenue from the property; a range of uses are therefore still in consideration.
- 10.3 Former Panama Jacks – The alternative option to the reallocation of funds is to return the financial award to DLUHC. This would result in a lower grant to invest in the town centre thereby having a negative impact on the regeneration programme. DLUHC would prefer the Council to identify alternate schemes to fund, subject to formal approval.
- 10.4 Vacant Premises – As reported in July 2021
- 10.5 Angel Place – At this stage there are no preferred or alternative options to consider.
- 10.6 Trinity House - The alternative option to the reallocation of funds is to return the financial award to DLUHC. This would result in a lower grant to invest in the town

centre thereby having a negative impact on the regeneration programme; as the money has been allocated, DLUHC would prefer the Council to identify alternate schemes to fund.

- 10.7 Public Realm – Detailed design for the wider Northern Gateway area has still to be considered.

11. Implications

Financial and Budgetary Implications

- 11.1 The recommendations set out in this report fall within the workstream for delivering the FHSF programme and its budgeted costs. The reallocation of funding, as recommended in this report, will allow the Council to continue to deliver its regeneration aspirations and create a new cultural destination in the town centre.
- 11.2 The original business case identified an income stream from the ground and first floors of 8 Angel Place which was capitalised to match the cost of the investment. There is a risk, therefore, that if a commercial income is not derived from some parts of the facility then the costs incurred in acquisition of assets will not be offset in full by income during the planned lifecycle of the project. This creates a short-term budget pressure which will be offset in time when future income streams (assuming that these are sustained) match the revenue cost impact of the capital investment (break-even point). It is not possible to calculate this timing impact until the actual costs of the investment and the income to be derived from the facility are confirmed. However, the proposed annual income from the first floor was estimated in the business case as £52,386 p.a. with no allowance for voids.

Legal and Governance Implications

- 11.3 There are no specific legal implications arising from the report recommendations. However the interventions set out in this report and flowing through the FHSF programme will require legal input to inform decision-making moving forward.

Risk Implications

- 11.4 The two significant risks across the FHSF programme are budget and timeframes. In delaying the recommendations of this report both could be impacted significantly due to the increased costs in delivering each intervention (construction costs, holding costs and professional fees) and a delay in the programme which will impact on the completion of the projects within the programme timeframe and delivery by March 2024.

Corporate/Policy Implications

- 11.5 The FHSF is key priority programme delivering the Council's ambitious regeneration priorities as set out in the City Masterplan. This report supports the delivery of FHSF and ensures continued progress and delivery of the investment projects/interventions.

Equality Implications

- 11.6 There are no specific equality implications arising from this report; the proposals are intended to ensure that equality diversity and inclusion is central to the design and delivery of projects within the programmes.

Human Resources Implications

- 11.7 There are no immediate direct HR implications arising from the recommendations, however it is important that the senior responsible officer liaises with HR to ensure policy and procedures are followed as the programme progresses.

Health and Safety Implications

- 11.8 None arising directly from the report. The Council will ensure that appropriately qualified contractors are engaged to deliver the works funded through this Scheme.

Social, Environmental and Economic Implications

- 11.9 The recommendations in this report will support the Council's regeneration aims for this part of the city centre and will have a positive impact on the economy and the environment. In addition, community engagement in the arts will have a positive social impact. The full implications of the FHSF programme have been previously reported to Members.

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Background Papers: Report to Policy and Resource Committee, 9th February 2021
Report to Place and Economic Development Committee, 26th July 2021