



Report to: Policy and Resources Committee, 24th May 2022

Report of: Deputy Director, Corporate Policy and Strategy

Subject: TOWN INVESTMENT PLAN, "SHRUB HILL REGENERATION" AND "COMMUNITY SKILLS AND ENTERPRISE" BUSINESS CASES

1. Recommendation

That the Committee:

- 1.1 support the business cases and approve the Summary Documents for submission to the Department for Levelling Up, Homes and Communities; and**
- 1.2 authorise the Corporate Director - Finance and Resources and the Corporate Director - Planning and Governance to undertake further due diligence and complete the appropriate funding agreements as detailed within this report**

2. Background

- 2.1 The Worcester Town Investment Plan was approved by this Committee and submitted to Government in January 2021.
- 2.2 After accepting the draft Heads of Terms proposed by Government the Council submitted the required Project Confirmation Tables on 9th September 2021. This submission had received unanimous support from the Worcester Town Board and unanimous approval by this Committee.
- 2.3 The proposal approved by government is for five projects, with Towns Fund grant funding as follows:

| Project | Agreed funding (£million) |
|---------------------------------------|----------------------------------|
| Community Skills | 1.960 |
| Severn Centre for Health & Well Being | 2.500 |
| Shrub Hill Regeneration | 10.000 |
| Heritage and Riverside Destination | 0.640 |
| Active Travel | 4.500 |
| Total | 19.600 |

- 2.4 The next required stage is the preparation of Treasury Green Book compliant and proportionate business cases for each project for sign off by the Council as accountable body.

The Council has engaged Mott Macdonald to write the business cases and summary documents, working with the respective project leads and other officers and partners.

- 2.5 Whilst approval of the business cases is a matter for the Council as Accountable Body, a prescribed 'Summary Document' for each business case is also required to be submitted to Government to trigger release of funding for each project.
- 2.6 The first business case, the Severn Centre for Health and Well Being, was approved by this committee in December 2021, and Government have confirmed release of funding following consideration of the submitted summary document.
- 2.7 The second and third business cases, Active Travel and Heritage & Riverside, were approved by this committee in March 2022 and we are awaiting formal confirmation of funding from Government.
- 2.8 This report presents the final two business cases, Shrub Hill Regeneration, and Community Skills & Enterprise.

3. Preferred Option

Shrub Hill Regeneration

- 3.1 The full business case for the Shrub Hill Regeneration Project, including an executive summary, is at **Appendix 1**. The Summary Document is at **Appendix 2**.
- 3.2 The project focusses on regeneration of Isaac Maddox House and the adjacent land to provide flexible commercial space and housing in an attractive setting, and on delivering a new and direct active travel route between Shrub Hill station and through St Martin's Quarter to the City Centre. The project will lead the way for further regeneration of the Shrub Hill Quarter which will provide a thriving gateway to the city and the city centre.
- 3.3 Isaac Maddox House and the surrounding yard is largely unoccupied, with some light industrial usage characterised by low rents and short leases. The project proposes to refurbish Isaac Maddox House and prepare the adjacent buildings for redevelopment to provide a commercial and residential mix that will include quality office space, canal side living and flexible commercial space. It is proposed that the City and County Council will procure a development partner to deliver this project. The details of such an arrangement are to be developed and will be brought to this committee in due course.
- 3.4 The current pedestrian and cycling routes between Shrub Hill station and the city centre are disjointed and unappealing. The Isaac Maddox triangle that is the focus of this project is only connected to the city centre by a circuitous and unattractive route. The project will provide a new attractive active travel route that will run directly from St Martin's quarter, over the canal and past Isaac Maddox to the entrance to the station.
- 3.5 The five case Business Case at **Appendix 1** confirms the feasibility, deliverability, and value for money of this project. The business case received the unanimous support of the Town Board at its meeting of 12th May.

- 3.6 These proposals are amended from those in the project confirmation documents previously approved by this committee and submitted to Government. It has not been possible to secure the bus depot and garage site that were part of the original proposal. Further design and feasibility work has informed the proposals within this report.
- 3.7 Officers have been in close contact with the relevant government department (DLUHC) to prepare the required project adjustment form which is currently pending approval in parallel to the development and approval of this business case.
- 3.8 TIP (Town Investment Plan) funding of £10M is in addition to three elements of County Council managed funding: £5.5M for acquisition of the main Isaac Maddox and Lower Yard site (which formed part of a wider land acquisition), £985k Brown Field Land Remediation grant for Unit 16, and £800k from the Getting Building Fund for development of the wider Shrub Hill project.
- 3.9 A Value for Money assessment has been completed which focuses on the total benefits attributed to Towns Fund funding.
- 3.10 The Town Investment Plan funding provides excellent value for money illustrated by the project's Benefit Cost Ratio (BCR) of 1.7 and a positive Net Present Social Value (NPSV) of £7.67M.
- 3.11 There are additional non-quantified benefits of
- Reduced severance of the highway
 - Promotion of active travel benefits
 - An improved perception of Worcester as a place to live and work
 - Additional employment as a result of an improved visitor offer and experience
 - Benefits of increased public safety and security
- 3.12 The City Council will work in partnership with Worcestershire County Council to deliver the proposed project. Whilst the business case outlines the likely lead for various workstreams the nature of the partnership is yet to be agreed and will be the subject of a further report to this committee in due course.

Community Skills and Enterprise

- 3.13 The full business case for the Community Skills and Enterprise project, including an executive summary, is at **Appendix 3**. The Summary Document is at **Appendix 4**.
- 3.14 The project will deliver capital improvements at a number of community centres across the City to enable the delivery of training to residents, particularly those in deprived communities without a history of engagement with mainstream education. Delivering training locally within communities with the highest need, and within or at established and trusted community hubs, will overcome some of the barriers to engagement with mainstream education.
- 3.15 There are a range of existing and future revenue funding opportunities that will enable external training providers and WCT (Worcester Community Trust) to deliver courses from the new facilities. Local and national training providers will deliver training from entry level (IT for the terrified, basic literacy, self-confidence, applying for jobs and interviews etc.), through to sector-based training at level one, two and three, with a particular focus on customer services, and the construction trades

including bricklaying, carpentry, plumbing and green tech trades such as solar and heat pump installation engineers.

3.16 The proposed construction works are as follows:

- A new construction skills training centre, "Building Block 2" at the Green Centre, Dines Green
- Reconfiguration and extension of the Community Centre at Ronkswood
- Expansion of the usable space at Horizon to provide greater capacity
- A contribution to a County Council project at the Fairfield centre which will expand capacity to deliver hair and beauty skills training
- A grant to St Peters Village Hall Association to support construction of a new village hall to include training facilities
- One to one consultation spaces at Tolladine and King George V centres.

3.17 These facilities will support delivery of a range of mainstream funded training to be delivered by local and national providers. The business case includes three years revenue funding for a training delivery manager, employed by WCT, to coordinate the delivery of training by external providers and WCT.

3.18 The five case Business Case at **Appendix 3** confirms the feasibility, deliverability, and value for money of this project. The business case received the unanimous support of the Town Board at its meeting of 12th May 2022.

3.19 The proposals are unchanged from those in the Town Investment Plan and the project confirmation documents previously approved by this committee and submitted to Government.

3.20 TIP funding of £1.96m will support investment of over £300k from Worcestershire County Council, St Peter's Village Hall Association and St Peter's Parish Council.

3.21 A Value for Money assessment has been completed which focuses on the total benefits attributed to Towns Fund funding.

3.22 The Town Investment Plan funding provides excellent value for money illustrated by the project's Benefit Cost Ratio (BCR) of 3.3 and positive Net Present Social Value (NPSV) of £8M.

3.23 There are also additional unquantified benefits of this project that are not included in the BCR and NPSV:

- Reducing social inequality and isolation
- Knock on effects of increased economic activity in the long term
- An improved perception of Worcester as a place to live and study.

3.24 The City Council will deliver the construction elements of this project directly, whilst Worcester Community Trust will manage the promotion, coordination, and delivery of training.

3.25 Payment of grants to the County Council and St Peter's Village Hall Association will be subject to appropriate due diligence to confirm the other funding sources and contractual commitments in place. This will lead to a funding agreement that will specify that the payment will be dependent upon evidence of expenditure and will specify the outputs to be delivered.

Funding

- 3.26 Preparation of the business cases has been supported by capacity grant funding, partner contributions and an advance payment of 5% of Worcester's £19.6M Towns Fund received in December 2021.
- 3.27 Submission of the business case Summary Documents at **Appendices 2 and 4** is required to trigger the remaining 95% of funding for each project. This equates to £11.362M for these two projects.

4. Alternative Options Considered

- 4.1 A range of alternative options were assessed as part of the business cases. The proposals within this report have been developed over the past 2 years through the development of the Town Investment Plan and the detailed business case. They represent the best option in terms of strategic fit, and value for money.
- 4.2 The terms of the Town Investment Plan funding require the Council to submit a summary of the business cases by 6th June 2023. Significant changes to the business cases at this stage would present a risk of not meeting that deadline.

5. Implications

5.1 Financial and Budgetary Implications

The total Towns Fund grant payable to the Council, subject to approval of business cases and submission of summary Documents as described in this report, will be £19.6M.

Preparation of the business cases has been supported by capacity grant funding, partner contributions and an advance payment of 5% of Worcester's £19.6M Towns Fund received in December 2021.

Submission of the business case Summary Documents is required to trigger the remaining 95% of funding for each project. This equates to £11.362M for these two projects.

The allocation for the Shrub Hill project is £10M. This includes a revenue element of £670k towards the Council's programme management and project delivery.

The allocation for the Community Skills & Enterprise project is £1.96M. This includes a contribution of £157k towards the Council's programme management and project delivery.

£75,000 of required funding for the Community Skills & Enterprise project remains to be secured and Worcester City Council and WCT are currently exploring alternative funding to cover this gap, which may be drawn down from unspent contingency following procurement. In terms of revenue funding, it is anticipated that income received for education per student will cover any additional ongoing maintenance and running costs of the centres.

Payment of the Town Investment Plan contributions to the County Council and to St. Peter's Village Hall Association will be subject to a funding agreement as covered within the main body of this report.

5.2 Legal and Governance Implications

Payment of grant to the County Council and St Peters Village Hall Association will be subject to a funding agreement approved by the s151 Officer and Monitoring Officer. The agreement will ensure that obligations on the City Council as Accountable Body are appropriately transferred to the recipients of grant funding. The agreement will follow once the appropriate due diligence has been completed to confirm that all other funding sources and contractual commitments are in place.

Project Governance is detailed in the Business Case. The Town Investment Plan Programme of works will be overseen by an Officer Programme Board and reported to Policy and Resources Committee.

5.3 Risk Implications

There is a risk to the Council that funding transferred to partners is not used for the purposes defined in the terms of the Towns Fund grant. Payment of the grant to the County Council and St Peters Village Hall Association will be subject to a funding agreement that will mitigate this risk.

A more detailed project risk register forms part of the business case, which mitigates the risk of the project not delivering against the desired objectives.

The terms of the Town Investment Plan funding require the Council to submit a summary of the business cases by 6th June 2023. Significant changes to the business cases at this stage will present a risk of not meeting that deadline and the funding not being approved.

An allowance for construction cost inflation has been made in both business cases. It should be noted that construction costs are currently volatile and there is a risk that actual costs following procurement may vary from those estimates.

5.4 Corporate/Policy Implications

The proposals within this report support the delivery of the Town Investment Plan, which was developed from an evidence base built on the City Plan and City Centre Master Plan and supports the delivery of the Environmental Sustainability Strategy.

5.5 Equality Implications

Equalities impact assessments have been undertaken and have identified no adverse impacts arising from these proposals. More detailed assessment with regard to equalities impacts and accessibility in particular will be undertaken at the detailed design stage.

5.6 Human Resources Implications

No significant implications arise from the content of this report. Resources for the delivery phase have been accounted for in the business case.

5.7 Health and Safety Implications

No significant implications arise from the content of this report. Health and safety issues associated with construction will be fully addressed through the appropriate construction contracts.

5.8 Social, Environmental and Economic Implications

Implications are detailed fully within the business case. The proposals within this report will support significant economic and social benefits including increased employability and additional jobs and housing. The proposed landscaping works will enhance the local environment and works to community facilities will also enhance their role as community hubs.

An Environmental Impact Assessment screening has been undertaken and has identified no significant negative impacts arising from the proposals. Further assessment will be undertaken at the detailed design stage.

Ward(s): All

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Background Papers: **Worcester Town Investment Plan**
Town Investment Plan, Report to Policy and Resources Committee, 25th January 2021
Town Investment Plan – Revised Projects, Report to Policy and Resources Committee, 7th September 2021