

Cabinet (Resources) Panel

22 March 2023

Report title	Bell Street Box Space – Acquisition of Neville Garratt Centre	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Steve Evans City Environment and Climate Change	
Key decision	Yes	
In forward plan	No	
Wards affected	St Peter's	
Accountable Director(s)	Ian Fegan, Director of Communications and Visitor Experience	
Originating service(s)	1) City Assets 2) Communications and Visitor Experience	
Accountable employee(s)	Julia Nock Tel Email	Deputy Director of Assets 01902 554286 Julia.Nock@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	26 January 2023 & 21 March 2023

Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the proposal to acquire the freehold interest of Neville Garratt Centre.
2. Approve the reallocation of funds for the acquisition of the freehold interest of Neville Garratt Centre, with the intention that subject to future Full Business Case approval, the property will be demolished as part of the Bell Street Box Space project site and the occupying Council services relocated.
3. Approve the payment for the NHS legal fees and payment of any stamp duty land tax due and land registry costs related to this transaction.

4. That the Deputy Director of Assets be authorised to confirm to the NHS, that the sale and subsequent redevelopment of the property will not directly disrupt the provision of or increase the costs of any “equipment services” to the NHS or its patients.
5. Delegate authority to the Deputy Director of Assets, to sign the Heads of Terms and issue to NHS Property Services to enable the acquisition.
6. Delegate authority to the Director of Finance and Chief Operating Officer to enter into the contract of sale and any other ancillary legal agreements.

Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

1. That subject to Council approval of the Full Business case for the project, the acquisition of the Neville Garratt Centre for the Bell Street Box Space scheme will involve:
 - a. The future demolition and redevelopment of the property as part of the Box Space scheme development.
 - b. The future relocation of the Council Adult Services - Occupational Therapists (Adult Services) team currently occupying the property to enable its demolition.
 - c. This is a more ambitious scheme and the increase in project scope could potentially change the overall cost of the scheme. This would need to be reviewed as part of the comprehensive business case to be brought forward. This would also look at further opportunities to secure external funding.

1.0 Purpose

- 1.1 Approval is required to acquire the freehold of the Neville Garratt property as a unique opportunity to assemble a more compelling and coherent regeneration space for future marketing and commercial use and to enable the programme to better meet its objectives, outputs and outcomes which are set out in obligations to the Department for Levelling Up, Housing and Communities as part of the Future High Street Fund..
- 1.2 Under the Council's Standing Orders for acquisition of assets, the Cabinet (Resources) Panel, is required to prior approve the allocation of capital to enable the purchase.

2.0 Background

- 2.1 The Department for Levelling Up, Housing and Communities (DLUHC) Future High Street Fund (FHSF) bidding process resulted in Wolverhampton being awarded grant towards three capital projects in the City Centre of Wolverhampton:
- 2.2 On 17 February 2021, the Council's Cabinet approved, in principle, capital co-funding towards the three FHSF projects, in additional to the FHSF grant.
- 2.3 The Bell Street Box Space Scheme concerns the demolition of an empty parade of shops at 1-7A Cleveland Street and the future redevelopment of that site along with the adjoining Bell Street public car park, to create a vibrant leisure, hospitality and entertainment destination which brings footfall and economic benefit to the city centre and utilises converted shipping containers, along with new / replacement public car parking.
- 2.4 The FHSF overall grant award is conditional on the following:
 1. The Council contributing capital co-funding to the delivery of the three projects.
 2. The FHSF grant award being expended on or before 31 March 2024.
 3. The three projects achieving their individual delivery milestones agreed with DLUHC and set out in the 2022 Memorandum of Understanding (MOU).
- 2.5 Under the MOU with DLUHC, agreed by the Council, failure by the Council to meet its co-funding obligations and programme milestone commitments, can result in the grant award being withheld or, in a worst-case scenario, all or some of the FHSF grant being required to be returned to the DLUHC.
- 2.6 The two public realm projects, involving some 95% of the FHSF grant allocation are on site and are substantially progressed and are due to be fully complete imminently.
- 2.7 The demolition works were competitively tendered and the winning bid was significantly below the original budget forecasts. The revised demolition phase capital budget forecast is now significantly below original forecast.
- 2.8 The demolition contractor is on site and was originally forecasting completion by 25 March 2023. However, due to a discovery during strip out works, there is a slight delay to programme and these works are now expected to complete before the end of April 2023.

- 2.9 The Neville Garratt centre is located adjoining the Bell Street car park and the Council owned site at 1-7a Cleveland Street. Combining the Neville Garratt site with the Council's existing assets improves the potential to regenerate the area, better meet the outputs and outcomes envisaged for the Box Space scheme and deliver on the Council's obligations to DLUHC.
- 2.10 The purchase of the Neville Garratt, is aspired to be achieved by 31 March 2023, or shortly thereafter.
- 2.11 The Neville Garratt Centre is currently occupied by Adult Services. They have, to date, occupied the premises at "nil rent". The NHS Property Services team have now indicated that the Council's continued occupation of their building will need to be formalised through the Council entering a lease.
- 2.12 Negotiations over any lease have been put "on hold" pending the decision on whether the NHS will sell and the Council to acquire the freehold. The NHS have now agreed heads of terms for the freehold sale to the Council.
- 2.13 The Adult Services team in occupation, will need to be relocated to make way for the Bell Street Box Space scheme. Much of the existing Adult Services use of the premises is as offices, and consolidation within the Council's existing office estate capacity is anticipated. The equipment "showroom" component use of the premises is under review and options are being explored with City Assets.
- 2.14 Cabinet (Resources) Panel is therefore requested to approve the reallocation of capital from demolition to the acquisition of the freehold of Neville Garratt.

3.0 Bell Street Box Space Progress

- 3.1 The principle of the proposed Bell Street Box Space scheme and "in principle" capital budget allocation in the forward plan was approved at the 17 February 2021 Cabinet meeting, with delegated authority given to Cabinet Members for City Economy, City Environment and Resources, in consultation with the Directors for Regeneration, Finance and City Environment, to create the capital budgets up to stated values and subject to the receipt of Future High Street Fund grant.
- The scheme has a two-stage process for the delivery of the Bell Street Box Space:
Phase 1 = Demolition of the empty parade of shops at 1-7A Cleveland Street
 - Phase 2 = Construction of the Box Space Scheme including the new car park.
- 3.2 The project has progressed in accordance with the programme plan with:
1. Various site surveys have been undertaken.
 2. A full legal title review has been completed.
 3. Pre-application engagement has commenced with the Local Planning Authority and Highway Authority

4. End operator engagement has commenced informing design and project specification requirements.
5. Demolition of the parade of empty shops at 1-7a Cleveland Street has commenced and due to complete end of April

- 3.3 On 15 September 2022, the Individual Executive Decision Notice (IEDN) for the required capital budget to procure and meet the costs of the demolition contractor was approved.
- 3.4 That approved IEDN capital budget for 2022-2023 accords with the FHSF and co-funding spend profile projections and obligations agreed with DLUHC as set out in the Memorandum of Understanding.

4.0 Evaluation of alternative options

- 4.1 If the Council determines not to acquire the freehold of the Neville Garratt property this would have the following implications:
 1. The Council will lose the opportunity to consolidate the existing land holdings and bring together a more coherent and compelling regeneration scheme and lose the opportunity to offer a better solution with better overall outcomes for the economy of the city.
 2. The Council would be required to enter a lease of the property to remain in occupation and pay an annual rent; or
 3. The Council would need to discontinue/relocate the current occupying services to an alternative location and vacate the premises as soon as possible.

5.0 Reasons for decision(s)

- 5.1 The purchase will:
 - a. Remove the risk of annual revenue liability for rent payments to the NHS (or third-party future owner) for occupation of the property.
 - b. Demonstrate to DLUHC significant Council capital co-funding commitment towards the Bell Street Box Space project.
 - c. Help enable the Bell Street Box Space scheme to achieve the outputs and outcomes underpinning the original capital allocation and grant award.
 - d. Protect and offer an opportunity for a significantly improved overall design for the Bell Space Box Space scheme, capable of improving outputs and outcomes.
 - e. Help enabling the Box Space scheme will help stimulate a vibrant high street and community through widening the city centre offer and attraction, in particular through supporting/offering events and the leisure/evening economy. The Box Space scheme will also help grow the City's local businesses by supporting existing city centre

businesses and delivering new space for entrepreneurial start-up companies and foster growth. Finally, it will create more opportunities for young people by delivering accessible new job opportunities in the leisure, hospitality, retail and cultural sectors. An improved scheme, facilitated by the incorporation of the Neville Garratt property would increase these benefits.

- f. Acquisition of the Neville Garratt will enhance the Council's freehold land ownership in this location, improving the prospects for future short- and long-term regeneration of the area.

6.0 Financial implications

- 6.1 There is an approved capital budget for the Bell Street Box Space scheme.
- 6.2 The first phase of works for the scheme was approved by IEDN under delegation from Cabinet 17 February 2021 for demolition of 1-7 Cleveland Parade to be funded by FHSF grant capital and Council resources. Now that this contract has been awarded there is a current predicted underspend on this phase of the project.
- 6.3 The acquisition of the Neville Garratt Centre can be covered through the underspend as identified in 6.2. This would leave a reduced underspend against this first phase of the project. As detailed in section 2.10 this transaction could be achieved in the financial year 2022-2023 reflecting the NHS desire to conclude the transaction by 31 March 2023.
- 6.4 The future construction of the Box Space scheme remains subject to full business case approval, once the designs/costings have been finalised. If the Neville Garratt property were acquired, this business case analysis would include the costs of future demolition and redevelopment of the Neville Garratt centre site to enable the Box Space scheme. The intention would be to utilise the remaining Cleveland Parade demolition works capital budget savings (grant and co-funding) in delivering an improved Box Space scheme in 2024, to fully meet the Council's obligations to DLUHC . The outcomes and benefits from an improved scheme can be expected to exceed those originally envisaged.
- 6.5 This Cabinet (Resources) Panel report seeks to approve the reallocation of funds for the acquisition of the freehold interest of Neville Garratt Centre.
- 6.6 Further IEDN/CRP approvals will be required for later project capital phases, notably the Box Space construction works (including the demolition of Neville Garratt) in 2023-2024 once the Full Business Case for the new scheme has been approved.
- 6.7 Relocation options, costs and business case for the relocation of existing services will be considered in parallel with the Box Space business case and/or incorporated into a combined analysis.
- 6.8 Acquisition of the freehold will avoid the risk/requirement to enter a lease with annual rent obligation to the NHS.

- 6.9 DLUHC will be updated regarding the potential changes within the project.
- 6.10 It should be noted, at this time as the full project is still subject to full business case approval, any expenditure ahead of this is at the risk of the Council. However, this expenditure will secure an asset and would enhance the Council estate regeneration prospects in the scenario the Bell Street Box Space project did not proceed. This is a more ambitious scheme and the increase in project scope could potentially change the overall cost of the scheme. This would need to be reviewed as part of the comprehensive business case to be brought forward. This would also look at further opportunities to secure external funding.
- 6.11 It should also be noted the NHS have required as part of the Heads of Terms a clawback and overage provision 10 years from the date of purchase. This requires clawback or overage based on any increased site value should the property be sold or a planning permission for redevelopment or change of use of the Property, by the Council other than for the Box Space scheme or a change of use consent for use of the premises as offices. The risk of this provision being actioned is unlikely due to the intentions of the Council to develop the site for the Box Street Box Space scheme.
[AS/14032023/V]

7.0 Legal implications

- 7.1 The Council has a fiduciary duty to protect public funds and to act in the interest of taxpayers. Pursuant to Section 120 of the Local Government Act 1972, the Council may acquire the land for any purpose for which they are authorised or for any of the Council's functions. The Council will also need to comply with its Constitution in relation to the recommendations set out in the report.
- 7.2 Legal advice will be necessary in relation to the providing legal advice, drafting and negotiating in relation to the property aspects associated with this matter. There will be stamp duty land tax associated with the purchase of the land.
- 7.3 It is noted that The Box Space project is wholly in the control of the Council and is subject to established governance arrangements including an established Project Board and the Future High Street Fund Delivery Board and on VERTO.
- 7.4 DLUHC will be updated regarding the potential changes within the project.
[JA/14022023/C]

8.0 Equalities implications

- 8.1 An equality analysis has not been undertaken in respect of the proposed purchase/sale agreement as there will be no service and/or visible/physical changes that arise as a consequence of the acquisition.
- 8.2 An equality impact analysis will be undertaken in the future, to identify the likely impacts on any protected groups and the actions that will need to be undertaken to address or

mitigate against any negative impact(s) identified that may arise from the predicted future redevelopment prior to securing the capital for that schemes implementation.

9.0 All other implications

- 9.1 The Bell Street Box Space Scheme site is located in a sustainable location, accessible by public transport. It will strengthen the City Centre leisure, hospitality and entertainment offer, reducing the propensity for visitors and residents to travel further afield to meet their leisure and entertainment needs.
- 9.2 The Bell Street Box Space Scheme will enhance the local environment through introducing a vibrant new leisure and hospitality destination on an under-utilised site.
- 9.3 The Bell Street Box Space Scheme is a complimentary scheme to the two public realm projects currently on site. It will offer a clear and targeted response to the challenges the high street by providing a visitor attraction to help encourage footfall and reinforce the benefit of the public realm schemes currently being implemented, positively contributing to the delivery of the Council's Health and wellbeing agenda.
- 9.4 The project management and external professional team resources are being met through existing revenue and capital budget approvals.
- 9.5 The acquisition process, will require ongoing support from:
- Legal Services
 - Finance
 - External Project Management support (no extra cost)
 - Communications
- 9.6 The Neville Garratt centre is already occupied by the Council under license. There are only limited implications directly arising as a consequence of the acquisition, namely Amendments to current property insurance and maintenance arrangements once the acquisition is complete.
- 9.7 The proposed acquisition is expected to bring benefits including removing/avoiding a proposed annual rent liability. Furthermore, in the unlikely event the Bell Street Box Space Scheme does not proceed to construction as envisaged in 2023-2024, the acquisition of the property will improve the prospects for future redevelopment / regeneration of the site and surrounding land for other purposes and is therefore anticipated to improve under-lying council land values in the immediate vicinity.

10.0 Schedule of background papers

- 10.1 Excluded

11.0 Appendices

- 11.1 Excluded