

CABINET

21 JULY 2022

SHRUB HILL QUARTER

Relevant Cabinet Member

Cllr Marc Bayliss, CMR for Economy Infrastructure and Skills

Relevant Chief Officer

Strategic Director for Economy Infrastructure and Skills

Local Members

Cllr Lynn Denham (Rainbow Hill)

Cllr Allah Ditta (Nunnery)

Recommendations

1. **The Cabinet Member with Responsibility for Economy Infrastructure and Skills recommends that Cabinet:**
 - a) **notes**
 - i. **progress since the last report on the acquisition and ongoing management of Shrub Hill Industrial Estate (SHIE) pursuant to the Gamechanger 2 initiative;**
 - ii. **progress with master planning and preparation of a development vision of a Gamechanger 2 Site;**
 - iii. **the support given to Worcester City Council on their Towns Fund Business Case proposal;**
 - iv. **the award of a Brownfield Land Release Fund (BLRF) grant and the obligations of that funding; and**
 - v. **the preparation of a Levelling Up Fund bid for the adjacent transport node, Shrub Hill Station.**
 - b) **authorises the Strategic Director for Economy Infrastructure and Skills and subject to the express approval of the CMR for Economy Infrastructure and Skills**
 - i. **to let contracts to undertake works on Unit 16 of the SHIE in accordance with the BLRF grant and following due process of vacation of the site;**
 - ii. **to engage consultant/s to advise on the services that are required as set out in the report, funded from the Strategic Infrastructure reserve;**
 - iii. **to undertake a market engagement exercise to understand the options for the packaging and phasing of works in order to**

optimise the conditions attached to any grants and to maximise any income; and

- iv. **receives a further report, following the undertaking of the market testing, on the proposals for development of SHIE.**

Why are these decisions important?

2. It is important these decisions are made now in order to provide a update further to the previous Cabinet item of November 2020, and to enable specific pieces of work to be progressed.

Background

3. On 19 November 2020 Worcestershire County Council's Cabinet provided the mandate to the purchase of interests in Gamechanger 2 Sites within the Parameters as set out in the report (topographical, legal, value and financial). These purchases to be funded through the increase in the Capital Programme approved by Council on 12 November 2020.

4. Worcestershire County Council (WCC) purchased 3.93 hectares of land in two parcels, known as the Shrub Hill Industrial Estate (SHIE), on 30 November 2020. SHIE was purchased as a Gamechanger 2 Site in line with the mandate provided by Cabinet in November 2020 (Land Acquisition Cabinet Item).

5. The November 2020 Land Acquisition Cabinet Item required officers, on completion of a Gamechanger 2 Site acquisition, to work with interested parties to develop a shared development vision. The paper proposed that the vision would be used to produce a development specification and will serve as the basis for seeking governance approvals to proceed to the next step of inviting developer interest, the promotion to the developer market and potential funding bids for external grant.

6. The Shrub Hill Quarter is located in the heart of Worcester City Centre and covers an area of c.20 hectares. The Shrub Hill Quarter in Worcester is a long-undervalued area with significant untapped potential. The area is described as follows:

- a) **Shrub Hill Quarter Boundary-** Which includes all the buildings, retail outlets and business within this rectangular shaped area which runs all along the back of Shrub Hill Station and its train tracks, along Sheriff Street. All the way down to the crossroads to Tolladine Road. Turn left onto Tolladine Road towards the City centre and along Lowesmoor Place. Turn left on Pheasant Street and follow road to the roundabout. Turn left at the roundabout and follow George Street & Tallow Hill until you are back at the Shrub Hill Train Station;
- b) **Shrub Hill Industrial Estate,** WCC Acquired land- which includes both sides of Shrub Hill Industrial Estate, which has the B4205 road running through it from east to west;
- c) **Station Project-** which includes Shrub Hill Train Station & rail tracks, Entrance to Station, Elgar House, the NHS Annex and Network Rail carpark and station car park.

- d) **Brownfield Site**- which includes Unit 16 and Car park which is located by the canal, in the southern bottom end of the industrial estate.

Image 1: an aerial shot of Shrub Hill Quarter



7. Worcestershire County Council secured £850,000 Getting Building Funding through the Worcestershire Local Enterprise Partnership in 2020 for the early strategic land assembly and masterplan development.

8. A joint working group was established in June 2021 in accordance with the proposed course of action within the Land Acquisition Cabinet item. The Shrub Hill Quarter Steering Committee is made up of representatives from Worcestershire County Council, Worcester City Council and Worcestershire Local Enterprise Partnership. The Steering Committee is chaired by the Leader of Worcestershire County Council Worcester City Council is represented by its Leader.

9. The Steering Committee approved a 2021/22 Business Plan including the appointment of professional advisors and the development of a Spatial Blueprint and Vision for the Quarter to guide future development.

10. The Spatial Blueprint identified the following areas of the Shrub Hill Quarter as key Activation Areas:

- a) The **Cromwell link** is a very important connection in the blueprint masterplan and key to its successful implementation. The aim is to establish this new route linking the Town Centre and Station, via the heart of the new Shrub Hill development, enhancing the site's existing assets;
- b) The **Canal** is a unique asset currently overlooked that needs to be showcased and celebrated, both in terms of historic and local significance but also in terms of sustainability, wellbeing and ecology;
- c) **Engine Works (EW)** is the key heritage asset and 'attractor' building on the Shrub Hill site. The success of its redevelopment is key to the success of the wider masterplan. The ultimate goal is to establish EW as an impressive heritage asset integrated within Worcester, and for the building to be fully refurbished with more ambitious uses;

- d) **Shrub Hill Station** to improve the sense of arrival and celebrate the station's Grade II listed status and its rich railway heritage linking to the wider Shrub Hill area.

11. The County Council supported Worcester City Council in the development of the "Shrub Hill Regeneration" Business Case of their Town Investment Plan. The Business Case for this was approved by the City Council's Policy and Resources Committee on 24 May 2022.

12. Worcester City Council's Town Investment Plan proposes to allocate £10m of Towns Fund to the following projects within Shrub Hill:

- a) **Public Realm Enhancements** – 2,000m² of high-quality public realm following the line of Cromwell Street from Shrub Hill Road to Pheasant Street to provide a new connection between the Shrub Hill Railway Station and the Shrub Hill Regeneration area and onward to the city centre through St Martins Quarter;
- b) **Enterprise Centre (Isaac Maddox House)** – to create a 4,922m² Enterprise Centre providing quality and size of space in short supply in the city centre that will also act as a catalyst to business start-up and growth. The housing proposals to the rear of the site will complement the new environment along the canal corridor linked to the city centre by new public realm. Modest provision for parking will also be created to support the commercial and residential developments.

13. The County Council secured £985,000 Brownfield Land Release Fund (BLRF) grant for the release of land for housing. Authorities can bid for the grant for land that is brownfield and fully owned by the local authority. The funding must enable the release of the land for housing by end March 2024 or earlier. The grant relates to a stretch of the SHIE which sits alongside the Worcester and Birmingham canal shown in Image 1. The site was chosen because its location was deemed as attractive to residential developers, the current building provided no heritage value and the buildings adjacency to the Towns Fund scheme would further support the first phase of the regeneration of Shrub Hill Quarter.

14. The County Council continued to develop the Shrub Hill Station Masterplan feasibility in order to inform the phased development of Shrub Hill Station and support the submission of a Levelling Up Fund Transport bid.

15. The County Council supported Worcester City Council in the development of the "Engine Works, Shrub Hill" regeneration and heritage project proposal as part of their Levelling Up Fund Round 2 Bid. The City's Levelling Up Fund Round 2 Bid was approved by the City Council's Policy and Resources Committee on 04 July 2022.

16. The Shrub Hill Quarter Steering Committee recently undertook visits to Swindon and Bristol to see comparable projects in terms of building typography, building uses, public-sector delivery and transport connectivity. These precedents visits provide strong benchmarks and references for the development of the Shrub Hill Quarter.

17. On acquiring the SHIE, Property Services have commissioned additional surveys to further establish the condition of SHIE. Where there are matters of H&S they will be

dealt with in accordance with standard procedures. The surveys will be used to inform decision on phasing, funding bids and further WCC investments in the SHIE.

Phasing and Delivery

18. The regeneration of the Shrub Hill Quarter will require substantial investment over time. The acquisition of SHIE by WCC is an important first step in the unlocking long term economic potential of the Quarter. The regeneration of the Quarter is likely to require significant external grant/investment. External grants are likely to come with constraints or conditions that are required to be met and therefore consideration needs to be given as to how these can be maximised to support the redevelopment whilst also maximising any income within Local Authority ownership and control.

19. The phasing of the regeneration of Shrub Hill can follow different trajectories which are influenced by a number of factors. Activity to determine further packaging and phasing of works will take into account the level of control over the area by the project partners and the type and level of investment currently predicted, however it remains focussed on placemaking.

20. Phase 1 of Shrub Hill Quarter regeneration initially focuses on the main heritage assets on the Lower Yard and creating the new public realm link. This is broken down into the following project proposals:

- a) **public realm** to provide a new connection between the Shrub Hill Railway Station and the city centre funded through the City Council's Towns Fund grant;
- b) **Residential development** alongside the canal supported by the BLRF grant;
- c) Redevelopment of **Isaac Maddox House** supported by Worcester City's Towns Fund grant;
- d) Associated **public realm** within and around the above projects;
- e) Modest provision for **parking** will also be created to support the commercial and residential developments.

Image 2: a plan highlighting the area of Phase 1



21. Phase 1 consists of a number of different land components, investments and activations which when delivered in a coordinated and coherent manner which will form a substantial first phase of a revitalised Shrub Hill area. Phase 2 which would likely be made up of the LUF bids proposed for the Engine Shed and the Station.

22. Considering the different components of Phase 1 there is a need to consider the ongoing role of the Councils, Developers and Operators in delivering the constituent parts. It will be important to understand developer appetite to some or all of Phase 1.

23. Worcestershire County Council is seeking to undertake market engagement in relation to Phase 1 with the developer market ahead of a formal recommendation and potential procurement of a developer partner.

24. External commercial advice is required to support the evaluation of the market engagement, including undertaking an evaluation of delivery options, viability assessments, financial modelling and business case development. The cost of advisors would be funded from Strategic Infrastructure Reserve.

25. The resulting options appraisal will provide a recommendation to Cabinet on the best route for redevelopment of the first phase of Shrub Hill Quarter.

Overview and Scrutiny

26. This has not been considered by an O&S Panel or the Board

Legal, Financial and HR Implications

27. The County Council procured the site as part of its 2020/21 Capital Programme from borrowing. The case for the site procurement did identify a risk related to the rental income which worsened during COVID. This has resulted in a potential deficit on the site without regeneration. This is further complicated due to the age and condition of the site. Thus, it is vital that a vision and development take place, ideally with significant external grant/investment. Moving forward with development advisors will help assess affordability risk and mitigation strategies. The cost of advisors would be funded from the £2m Strategic Infrastructure Reserve.

28. The table overleaf identifies the funding that has been secured in support of the regeneration of the Shrub Hill quarter

Funding Source	Scope	Bidding Authority	Bid Value (capital)	Funding Secured/ announcement expected	Time Constraints	Conditions
Getting Building Fund	Business Case development and Land Acquisition	WCC	£850,000	Yes	31/03/2022	
Brownfield Land Release Fund	Unit 16 - demolition and remediation	WCC	£985,000	Yes	31/03/2024	land released for residential development (76 units)
Towns Fund	i) Enterprise Centre (IMH) ii) Public Realm (Pheasant St to Shrub Hill Road)	WoCC	£9,330,000	Summer 2022	31/03/2026	£5,000,000 match funding from SHIE acquisition
TOTAL SECURED FUNDING			£11,165,000			
Levelling Up Fund (Round 2)	Transport Bid: Shrub Hill Station Phase 1; Active Travel to Kempsey and Powick	WCC	£20,000,000	Autumn 2022	31/03/2026	10% match funding
Levelling Up Fund (Round 2)	culture/ regeneration bid: SHIE Engine Works	WoCC	£8,000,000	Autumn 2022	31/03/2026	10% match funding

TOTAL BIDS IN PROGRESS/AWAITING OUTCOME	£28,000,000	
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29. A further report will be brought back to Cabinet with further appraisal and advice aligned to options.

Risk Implications

30. Risk to delivery and consequences are as set out in the Cabinet report of 19 November 2020 relating to value for money/valuation, risk in current market, affordability/revenue and development viability.

Joint Equality, Public Health, Data Protection and Sustainability Impact Assessments

31. Joint Impact Assessment (JIA)'s will be completed on a project-by-project basis as sufficient details of the schemes emerge.

Supporting Information

- Appendix 1: Shrub Hill Quarter development timeline

Contact Points

Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Strategic Director for Economy and Infrastructure) the following are the background papers relating to the subject matter of this report:

[Report on Land Acquisition to Cabinet 19 November 2020](#)