

## **CABINET**

### **28 March 2024**

## **SHRUB HILL UPDATE**

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### **Relevant Cabinet Member**

CMR for Economy, Infrastructure and Skills: Cllr Marc Bayliss  
CMR for Corporate Services and Communication: Cllr Adam Kent

### **Relevant Chief Officer**

Strategic Director for Economy and Infrastructure: John Hobbs  
Strategic Director for Commercial and Change: Andrew Spice

### **Local Member(s)**

Cllr Lynn Denham (Rainbow)  
Cllr Allah Ditta (Nunnery)

### **Recommendation**

- 1. The Cabinet Member with Responsibility for Economy, Infrastructure and Skills recommends that Cabinet:**
  - (a) Notes the feedback from the Soft Market Testing;**
  - (b) Authorises the Strategic Director for Economy and Infrastructure in consultation with the CMR for Economy, Infrastructure and Skills to agree a set of evaluation criteria that reflect the Vision for Shrub Hill and County Council objectives set out in the Gamechanger 2 Land Acquisition Cabinet Paper;**
  - (c) Authorises the Strategic Director for Economy and Infrastructure and the Strategic Director for Commercial and Change in consultation with the CMR for Economy, Infrastructure and Skills to commence the procurement of a developer for the Lower Yard (excluding Isaac Maddox House) of Shrub Hill Industrial Estate;**
  - (d) Subject to a viable proposal, Cabinet receive a further report, including entering into a Development Agreement, following the procurement process.**

### **Why this decision is important now**

- 2. This decision is being sought now in order to maintain momentum on the redevelopment of Shrub Hill, to take forward the work on market engagement**

approved by Cabinet in July 2022 and to fulfil the commitment made at that Cabinet to bring back a report following the market engagement.

3. This report advises that Cabinet receive a further report following a procurement process to identify a developer for Shrub Hill.

4. A delay on making this decision now could put grant funding secured to date at risk and would reduce the benefit of the early market engagement undertaken in 2023.

## Background

5. Worcestershire County Council purchased the Shrub Hill Industrial Estate (SHIE) on 30 November 2020 through the delegation mandated in the 19 November 2020 Land Acquisition Cabinet paper.

6. Within the November 2020 Cabinet paper it made clear that the proposed course of action on acquiring a Gamechanger 2 Site was to develop a vision and a development specification and then invite developer interest.

7. In June 2021 an advisory group for developing the vision and leading the implementation of the Regeneration of Shrub Hill was formed. The representation is made up from Worcestershire County Council, Worcester City Council and Worcestershire Local Enterprise Partnership. This is not a formal decision-making body but provides consultative input to feed into the decision-making processes of the respective Councils.

8. The Shrub Hill Quarter is a wider area than Worcestershire County Council's landholding and includes the Retail Park on Tallow Hill, Shrub Hill Station, Elgar House and the Cromwell Road Bus Depot (see Appendix 1).

9. In July 2022, Cabinet authorised the Strategic Director for Economy and Infrastructure subject to express approval of the CMR for Economy, Infrastructure and Skills, 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 to bring back a further report to Cabinet following the market testing, on the proposals for the development of SHIE (this report).

10. In October 2023, Worcestershire County Council agreed to enter into a Funding agreement with Worcester City Council to deliver:

- I. **Public Realm Enhancements:** Commissioned by Worcester City Council, the public realm scheme will be designed and delivered by Worcestershire County Council making use of existing term contracts.
- II. **Enterprise Centre (in Isaac Maddox House):** the refurbishment and any related works on WCC land will be procured by WCC.

11. The Council secured Brownfield Land Release Fund (BLRF) grant of £0.985 million in order to bring forward the parcel of land occupied by Unit 16 on the Lower

Yard for housing (see Appendix 2). The BLRF grant is to enable local authority owned brownfield land to be released for housing.

12. In January 2024 Worcester City Council approved the consultation on a Supplementary Planning Document (SPD) for the Shrub Hill Quarter based upon the Vision and Blueprint. This will provide a planning framework for development within Shrub Hill and it should be noted that options will need to be consistent with the SPD if adopted.

## Shrub Hill Vision and Blueprint

13. Worcestershire County Council, Worcester City Council and the Worcestershire Local Enterprise Partnership published a joint Vision for Shrub Hill which can be found on the WCC website [Shrub Hill \(worcestershire.gov.uk\)](https://www.worcestershire.gov.uk/shrub-hill)

14. The Vision is:

*'With transformed national connectivity, inspiring heritage and high quality spaces, Shrub Hill will evolve as a vibrant new neighbourhood for Worcester.*

*It will be a home in the city for new, high quality employment and enterprise, and a desirable and inclusive place to live and spend time.*

*Supporting our wider investment and growth aspirations for Worcester and Worcestershire, Shrub Hill will become established as an exemplar for successful and inspiring urban renewal and investment.'*

15. The Vision is built around three overarching ambitions. All three of these ambitions are highly interlinked and are underpinned by three separate technical studies: the Shrub Hill Spatial Blueprint, the Shrub Hill Economic Strategy Principles and the Shrub Hill Station Masterplan. To succeed, a coherent and balanced approach to delivery will be required which progresses each of these ambitions in tandem:

- **Ambition 1:** Shrub Hill will be known as a high quality and distinctive neighbourhood, with new residents, new employment and new leisure activities.
- **Ambition 2:** Shrub Hill will establish a diverse and productive economy, catalysing the growth of the city's future economy.
- **Ambition 3:** Shrub Hill will transform its connections within Worcester and beyond, with the station establishing the new neighbourhood's gateway character.

16. An illustrative masterplan, or Blueprint, established that in the next 20 years the area could provide:

- I. Up to 5,000 jobs
- II. 500+ homes
- III. A new gateway to Worcester city centre
- IV. 2 hectares of new public space

17. The Vision and Blueprint is the basis for the draft Supplementary Planning Document (SPD) for which Worcester City, as the Planning Authority, is consulting on.

### **Development Phasing**

18. Shrub Hill has five unique plots as show in the diagram in Appendix 1 taken from the draft SPD

19. The first phase of development will be the Lower Yard. This consists of:

- I. Refurbishment of Isaac Maddox House to create an Enterprise Centre (Towns Fund Grant)
- II. New public realm connection from Pheasant Street to Shrub Hill Road (Towns Fund Grant)
- III. Demolition of the unit adjacent to the canal (BLRF)
- IV. Redevelopment of the remaining parts (subject to securing a developer)

20. These can be seen in the diagram in Appendix 2 showing Phase 1 broken down by funding sources.

### **Market Engagement**

21. Market engagement took place in Summer 2023 in the form of a Prior Information Notice through the Councils Procurement Portal. Respondents were sent a pack of background information and a questionnaire. They were also offered the opportunity to have a face-to-face discussion.

22. Views were specifically sort on the development of the Lower Yard area of the Shrub Hill Quarter, as can be seen in Appendix 1 as well as their view on the Quarter as a whole.

23. 35 respondents registered with the portal, of these 20 could be regarded as developers as opposed to other interested parties (architects, agents etc). Ten completed questionnaires were received, and eight parties expressed an interest in taking part in a procurement exercise.

24. The respondents generally specialise in larger scale regeneration projects, with a focus on placemaking and the additional scale created by the potential inclusion of future phases would enable this to a greater degree. This aligns with the desire of some parties to secure greater quantum in order to enhance viability.

25. Respondents were asked about their interest in phase one (the redevelopment of the Lower Yard not already covered by grant funding). There was strong interest in phase one but it was clear from the discussions that it was the opportunity at Shrub Hill as a whole that was of interest rather than just phase one on its own.

### **Options**

26. It was noted in paragraph 10 that WCC secured £0.985 million BLRF grant for the release of Unit 16 for housing. This is consistent with the recommendations within the Shrub Hill Blueprint, draft Supplementary Planning Document and Shrub Hill

Vision. If the land does not come forward for housing, then the grant may need to be repaid. It is also likely that the loss of the grant would impact on the viability of the site.

27. The options are:

- I. **Do nothing**, this is likely to require the repayment of the BLRF grant (which has been partially spent) and the Council would incur revenue costs associated with maintaining the unit or capital costs to demolish it.
- II. **Disposal of the Lower Yard** for redevelopment. As a disposal the Council would have no control over the type and pace of development beyond what would be required in planning.
- III. Commence **procurement for a developer** to initially develop the Lower Yard in line with the Shrub Hill Blueprint, draft Supplementary Planning Document and Shrub Hill Vision with the ability to widen the development agreement for future phases of Shrub Hill and bring back a final recommendation to Cabinet for approval.
- IV. The Council **redevelop the Lower Yard directly** and in line with the Shrub Hill Blueprint, draft Supplementary Planning Document and Shrub Hill Vision without the involvement of a developer. This would incur significant time, short term revenue funding, capital funding and risk.

28. It is recommended to Cabinet that Option III above, commence procurement of a developer, is taken forward with a final recommendation for progression to Cabinet in the Autumn.

## Procurement approach

29. The Council would be the Contracting Authority under any procurement as it the party with the land holding (Shrub Hill Industrial Estate).

30. The procurement will be designed to allow further packages of land to be added at a later date on the same commercial basis as the initial site.

31. The proposed procurement route is Competitive with Negotiation.

32. The evaluation criteria will be designed such that they reflect the Vision for Shrub Hill and County Council objectives set out in the Gamechanger 2 Land Acquisition Cabinet Paper. These will be agreed by the CMR for Economy, Infrastructure and Skills prior to commencement.

33. There will be an initial supplier selection stage whereby tenderers will be asked to demonstrate their experience in completing similar developments.

34. Four Developers will then be invited to submit tenders which will be subject to negotiation.

35. The recommendation is that the Council undertakes a Competitive with Negotiation procedure to procure a developer for the Shrub Hill Quarter. This will provide the opportunity to ensure maximum exposure to the market, enable innovation and flexibility in order to be most able to secure our objectives concerning

place making whilst still ensuring that the process is fully competitive and able to demonstrate value for money.

36. The procurement process will take approximately 26 weeks. Given the significance of the project, it is proposed to report the outcome of the Tender assessment to Cabinet for final decision. It is noted that due to the statutory procurement process, the options would be to award to the Tender scoring most highly, or not award the contract.

37. The form of contact would be a Development Agreement. This provides the flexibility to include additional land and the ability to govern how this is drawn down.

## **Legal, Financial and HR Implications**

38. The Council, through its Open for Business (OfB) programme, have allocated £0.1 million of reserve funding towards the market engagement of developers for Shrub Hill. The OfB allocation will be sufficient to cover marketing and procurement costs, including external legal and commercial advice, and no additional funding is being sought relating to the proposals within this paper.

39. Cabinet will be advised of any anticipated income from a potential capital receipt in the follow up and recommendations report along with any further revenue or capital implications for the County Council.

40. The Council is taking development value advice prior to commencing procurement so that it is able to ensure Best Value considerations are taken into account prior to a final recommendation.

41. A Development Agreement is highly complex and specialist area and external legal advice will be required to support this process. The Council is required to follow statutory procurement processes. The Council as owner of the site has power to redevelop it but it must secure the best value that can reasonably be obtained in any disposal (s.123 Local Government Act 1972).

## **Risk Implications**

42. Lack of market interest: Soft Market Testing in 2023 anticipates that there will be developer interest in Shrub Hill. The earlier the Council takes the opportunity to market the more likely that interest is likely to follow through. If developer interest falls away through the procurement process or is not in line with the Vision for Shrub Hill, then the follow up report to Cabinet will identify all options for the Council's consideration including a cost / benefit analysis, risk assessment and financial and value for money implications.

43. Site not viable: the Council has already exploited a number of grants in order to address viability issues within Shrub Hill. If these are insufficient for a developer to bring forward a viable development, then the follow up report to Cabinet will identify all options for the Council's consideration including a cost / benefit analysis, risk assessment and financial and value for money implications.

44. Payback of BLRF grant: if a developer is not secured and the site of Unit 16 is not released for housing then there may be a requirement to extend the delivery timeframe or repay the grant.

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

Full Equality and Public Health and Sustainability Impact Assessments have been carried out (Appendix 1).

No negative impacts have been identified for Protected Groups.

Other impacts have been identified which relate to the construction elements of both projects. Every effort will be made to mitigate these where possible during construction and this is being reviewed prior to contract award so that they can be stipulated within the development agreement.

## **Supporting Information**

- Appendix 1: Shrub Hill Quarter plots
- Appendix 2: Phase 1
- Appendix 3: Full Equality and Public Health and Sustainability Impact Assessments

## **Contact Points**

County Council Contact Points  
County Council: 01905 763763

Specific Contact Points for this report  
Penny Unwin, Strategic Programme Manager  
Email: [punwin1@worcestershire.gov.uk](mailto:punwin1@worcestershire.gov.uk)

## **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:

- [Previous Cabinet reports](#)