

Wiltshire Council

Cabinet Capital Assets Committee

15 November 2016

Subject: East Wing redevelopment proposal

Cabinet Member: Cllr Fleur de Rhé-Philippe
Economic Development, Skills, Strategic Transport and
Strategic Property

Key Decision: Yes

Executive Summary

This report provides an update on the work undertaken to explore redevelopment options for the East Wing site in Trowbridge.

It sets out the regeneration objectives of the East Wing site, alongside the potential opportunities provided by the redevelopment of a strategic, council-owned site within Trowbridge town centre.

Recent work has demonstrated the potential for the site to deliver a mixed use development opportunity. This has been the subject of feasibility testing. The work completed to date has informed an indicative delivery programme and the recommendation to seek a delivery partner for the site.

This report seeks Cabinet approval for the proposed approach for further work.

Proposals

That Cabinet:

- (i) Notes the work completed to date on exploring the redevelopment opportunities for the East Wing site.
- (ii) Approves the recommended approach for taking the work forward as set out in Table 1 and in the Next Steps section of this report (from paragraph 30).
- (iii) Delegates authority to the Associate Director People and Business in consultation with the Cabinet Member for Economic Development, Skills, Strategic Transport and Strategic Property, the Associate Director Economic Development and Associate Director Finance, to complete negotiations for the acquisition of Rothermere House in line with the approach set out in **Appendix B (confidential - not for publication)** and subject to acceptable financial terms.

- (iv) Delegates authority to the Associate Director Economic Development and Planning, in consultation with the Associate Director Finance and Cabinet Member for Economic Development, Skills, Strategic Transport and Strategic Property, to progress the project as detailed; to be brought back to Cabinet for key updates and decisions, as required.

Reason for Proposals

To provide an update on progress and seek Cabinet's support for the recommended approach to progress work in relation to the redevelopment of the East Wing site.

Dr Carlton Brand
Corporate Director

Wiltshire Council

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Subject: East Wing redevelopment proposal

**Cabinet Member: Cllr Fleur de Rhé-Philippe
Economic Development, Skills, Strategic Transport and
Strategic Property**

Key Decision: Yes

Purpose of Report

1. To update the Committee on the options being explored for future redevelopment of the East Wing site and obtain approval for the proposed approach for further work.
2. To delegate authority to the Associate Director Economic Development and Planning, in consultation with the Associate Director Finance and Cabinet Member for Economic Development, Skills, Strategic Transport and Strategic Property, to progress the project as detailed; to be brought back to Cabinet for key updates and decisions, as required.

Relevance to the Council's Business Plan

3. The Council's Business Plan commits to continue to rationalise and make better use of its land and property portfolio in order to support the delivery of its priorities.
4. The redevelopment of a strategic site within council control has the potential to deliver against the core vision of the Business Plan, to *create stronger and more resilient communities*.
5. Trowbridge is a principal settlement in the Core Strategy and a focus for new development and regeneration in Wiltshire. East Wing site redevelopment is an opportunity to contribute to the Business Plan priority *to boost the local economy* through the regeneration of a strategic site.

Main Considerations for the Council

6. The Trowbridge Masterplan (2014) identifies the East Wing site as a strategically important regeneration opportunity that can deliver high quality, vibrant and mixed use development which supports the vision for the town centre.

7. The regeneration objectives of the East Wing site are set out in the Trowbridge Masterplan. In summary they are:
- Comprehensive redevelopment of the East Wing / Court Street Car Park site which delivers high quality, vibrant and mixed use development.
 - Contribute to town centre regeneration with development that encourages linked trips and complements destinations along the river corridor at St Stephen's Place and Cradle Bridge.
 - Construct a new pedestrian/cycle bridge over the river (considered to be a priority bridge link)
 - Consolidate car parking, minimise its impact on the streetscape, enhance the public realm and create pedestrian friendly spaces.
 - Maximise active development frontage onto the River Biss Corridor and Bythesea Road.
 - Align the east-west link with the symmetrical layout of County Hall and established pedestrian desire lines.
8. The Masterplan sets out land use considerations for this site:
- Comparison retail - The site is sufficiently sized to accommodate small or large scale retail developments. Development should complement the adjacent leisure development at St Stephen's Place and support the potential for linked trips. Any future development should demonstrate how it forms part of a new retail circuit for Trowbridge Town Centre.
 - Housing - The principal of town centre living is supported; however, large scale residential development is not considered a primary use. The site is sufficiently sized to accommodate a range of residential types and tenures, including both market-led and sheltered housing. Residential development could be considered as part of a mixed use development which would add to the vitality of the town centre.
 - Leisure uses - The site is sufficiently sized to accommodate leisure development, on a scale which could meet all of the leisure requirements for the town. This would establish the area as a new southern gateway to the town centre.
9. The redevelopment of the site also presents an opportunity to meet local needs for public service uses (e.g. health care).

Options development

10. The redevelopment opportunities for East Wing have been the subject of feasibility testing, including an initial financial viability appraisal. A range of options have been considered spanning proposals for large scale leisure-led development, through to residential-led schemes.
11. The objective of this work has been to test a series of options that can be refined into a mixed use scheme, which responds to Council and regeneration objectives for the site and represents a viable development opportunity. The potential opportunity for a health and wellbeing centre on the site, as part of a mixed use development, has been a requirement for each of these options.

12. Combining large scale leisure facilities within a mixed use scheme has been shown to leave a significant financial development gap, due to the capital costs involved. Resolving the necessary funding and financial arrangements to address this is a key constraint for this option and presents a risk to timely delivery of redevelopment on the site. During the next stage of project development there is a requirement to identify suitable external funding that could support delivery of leisure uses.
13. Further options have tested the scope for residential, retirement, retail and car parking to provide complementary uses to a health and wellbeing centre and generate value from the site. The mix of uses has been varied in density and configuration, and consideration has been given to the potential to incorporate smaller leisure elements alongside health.
14. In summary, this work has demonstrated that the site can support a mix of residential accommodation types (e.g. flats, townhouses and retirement accommodation), and that residential uses are important in terms of generating positive land values for a mixed use scheme. The site layout can also be configured to allow for the option of public uses (e.g. healthcare) to be developed independently.
15. An indicative scheme for the site which is illustrative of this work is attached in **Appendix A** (not for publication).
16. NHS Wiltshire Clinical Commissioning Group has commissioned a strategic study to examine the requirements and options for new primary care facilities in Trowbridge. This work is part-funded by the One Public Estate (OPE) programme and will support the decision making process on the nature and location of new health care facilities. The outcome of this work is expected in early 2017.
17. Other potential uses on the site could stem from requirements for extra care accommodation in Trowbridge and the housing team has been consulted in order to feed any such requirements into the options appraisal.

Delivery route

18. The options development work has used soft market testing to understand the likely market demand for different uses on the site and market response to different delivery routes.
19. This report recommends engagement of a development partner as the preferred route to delivery. This enables the Council to maintain a level of control over the development scheme and allows the potential to benefit from enhanced land value post-development. It also reflects the significance of the site for town centre regeneration and the opportunities to deliver new public facilities.
20. A joint venture approach will be considered as there are indications that this would generate interest from potential investors depending on the mix of uses to be delivered. The alternative will be to enter into a development agreement. In both cases the procurement and legal implications will need to be carefully considered in the next stage of project development, along with any actions to mitigate risks to the Council.

21. Within a partnership approach, the ability for the Council and / or its partners to identify external funding sources or enter into leasehold agreements will be an important enabling factor in delivering the public-use opportunities on the site.
22. There is some commercial interest in part of the site. This indicates the potential to divide the site into plots for either sale or development by the Council itself. This has the benefit of generating capital receipts for the Council and potentially to deliver new housing owned by the Council; however, the risk with this approach is that this will have an impact on the potential to meet other end user requirements and to deliver a comprehensive redevelopment of the site.

Development constraints

23. Rothermere House (formerly housing the Probation Service) is owned by the Ministry of Justice and occupies part of the East Wing site. Among the rights granted to the owners are access rights from the mini-roundabout on Bythesea Road. Third party ownership currently places some constraints / restrictions on future development proposals for the East Wing site and potentially significant costs during future construction phases.
24. Rothermere House has recently been put up for sale on the open market. A potential sale of the property to a third party introduces a number of additional risks to the East Wing project due to the potential for incompatible development proposals alongside the existing constraints/ restrictions from ownership rights.
25. It is anticipated that the acquisition of the property would overcome these constraints and enhance the development potential of the East Wing site. Officers consider that it would be prudent for the Council to take advantage of the opportunity to acquire the site. It is therefore recommended that authority should be delegated to the Associate Director People and Business in consultation with the Cabinet Member for Economic Development, Skills, Strategic Transport and Strategic Property, the Associate Director Economic Development and Associate Director Finance, to complete negotiations for the acquisition of Rothermere House in line with the approach set out in **Appendix B (confidential - not for publication)** and subject to acceptable financial terms.
26. Preliminary work has identified contamination and ground issues, flooding and drainage, potential service diversions and ecology as existing site constraints for the East Wing redevelopment. Highway access improvements may also be required and the addition of a pedestrian bridge over the River Biss is among the key design principles for the site.
27. Work regarding highways issues (e.g. options around access, movement, parking and traffic flows) has been commissioned with One Public Estate funding.
28. Redevelopment of the East Wing site will impact on current staff car parking arrangements as a significant area of the site is currently used for staff parking (315 bays in March 2016).

29. A parking/travel strategy for County Hall needs to be in place prior to any land disposal. This should be in line with Wiltshire Council's existing travel plan policies.

Next steps

30. Options development work has explored the development potential of the site and produced an indicative scheme which demonstrates a viable development opportunity.
31. An outline delivery programme (see table 1) has been produced to show how this work will be taken forward up to the selection of a development partner. The appointment of a development partner will be subject to cabinet approval.

Table 1: East Wing – indicative delivery programme

Stage	Tasks	Timescales (estimated)
Stage 1 Options development	Site appraisal Soft market testing Feasibility / viability testing	Complete
Stage 2 Business case development *NHS CCG decision on healthcare requirements	Procure Strategic Outline Business Case Pre-procurement advice (legal and procurement) Pre-application advice (planning) Outline planning application Securing investment partners	November 2016 to April 2017
Stage 3	Formal procurement to appoint a developer partner – <i>delivery model to be agreed in Stage 2.</i> Procurement phase to award contracts for construction works. Appointment to be subject to cabinet approval	(6 months)
Stage 4	Preliminary works start on site	Autumn 2017

32. The next stage is to refine the indicative scheme through development of a strategic outline business case. The output of this work will be an optimised scheme based on the options development work already completed and additional market considerations. Stage 1 feasibility testing has indicated that such a scheme would require a quantum of residential, and can accommodate public use (e.g. healthcare) with a smaller leisure element in order to derive positive development value from the site.

33. It will be important during stage 2 to establish whether external funding can be secured to enable larger scale leisure to be considered as a viable option.
34. It is recommended that a separate piece of work will be necessary to establish the likely impact of loss of parking and to consider future requirements and solutions for the site and Wiltshire Council operations. This could be undertaken in-house or commissioned if funding is available.
35. The option for health care provision on the site will be facilitated by supporting the NHS CCG (through OPE funding and stakeholder input) to undertake a strategic study into healthcare planning / requirements and enabling an area of the site layout to be flexibly defined to accommodate this option.
36. Advice will be sought from legal services and the corporate procurement hub to assist in defining an appropriate delivery model and procurement process for a development partner. This has implications for the duration of stage 3, which currently sets an ambitious six month programme and which will vary depending on the complexity of the process undertaken.
37. Further work will also be undertaken to progress delivery of the site by submitting an outline planning application. The intention is to fund this work programme through the One Public Estate funding allocation for Trowbridge.

Background

38. The Trowbridge Masterplan, produced in 2014, sets out the context and development objectives and principles for three key opportunity sites in central Trowbridge; East Wing, Court Street Car Park and Cradle Bridge. (The former Bowyers site was not included at this time as planning permission had already been submitted and approved).
39. Cradle Bridge is currently being developed in accordance with the Masterplan and it will deliver new retail and leisure uses, complementing those at St Stephens Place.
40. The redevelopment of East Wing and Court Street Car Park represents a further regeneration opportunity for this central area. Various land uses have been considered for these sites (set out below).

Leisure

41. As cited in the Masterplan, a large scale leisure facility on the site would serve to establish the area as a new southern gateway to the town centre. A local aspiration is the creation of a new hub; combining wet and dry sports and leisure facilities with healthcare, in a location that complements the services and community uses at County Hall. The incorporation of other retail and leisure uses at Court Street could help link the site with the town centre.
42. Initial discussion with Sport England, through the One Wiltshire Estate Partnership, has demonstrated its support for a Health and Wellbeing centre for Trowbridge and a commitment to play a part in its delivery.

43. The current Wiltshire Council leisure offer in Trowbridge is provided by Places for People at the Council sites in Castle Place and Clarendon Sports Centre. The Castle Place site in particular is a major income earner and will be key for the Council's Leisure Services when it comes in-house on 1 April 2018. A new hub would therefore be a critical element in the delivery of health improvement to the local population as the income derived will support targeted schemes to address health inequalities. This approach is consistent with the Department of Culture, Media and Sport and Sport England strategies and hence their commitment to the proposals.

Health care

44. The One Wiltshire Estate Partnership has identified the East Wing site as an opportunity to expand primary care capacity, and co-locate services, with the added benefit of contributing to the wider regeneration of Trowbridge town centre.
45. Through this partnership and with One Public Estate (OPE) funding, a project team is working with NHS Property Services and the Clinical Commissioning Group (CCG) to explore the option of a new primary care facility on the East Wing site. This forms part of the aspiration for a health and wellbeing centre which could co-locate GP and primary care facilities with fitness and leisure functions.

Housing

46. The Masterplan cites the potential for residential uses, of a range of types and tenures, as part of a mixed use development (see paragraph 8).
47. Relocating health care facilities from the current hospital site in turn would release additional land for potential residential development.
48. There is also potential to deliver housing, e.g. starter homes, on the land that is freed up through this co-ordinated approach.

Retail

49. The Masterplan identifies potential for small or large scale retail developments (see paragraph 8). This use could complement the adjacent leisure and retail developments at St Stephen's Place and Cradle Bridge and support the potential for linked trips.

Works to date

50. In July 2015, Cabinet Capital Assets Committee (CCAC) approved the Phase One demolition of the East Wing complex. This extended to all buildings on the site with the exception of the Chapmans Building. Contractors were appointed in November 2015 and the first phase of demolition is now complete.

51. The Chapmans Building was excluded at the time both in terms of cost and in light of the fact that services were utilising the building. Relocation of these services has since been agreed and the Chapmans Building became vacant in September 2016.
52. Whilst the Chapmans building is empty, there is a significant risk of breaking and entering and vandalism. The Council has a duty of care to secure the site and in particular take significant measures to prevent harm arising from the presence of asbestos in the building. Steps have been taken to secure the site and mitigate associated risks. This may involve keeping under review the need to remove the asbestos, without demolishing the building to mitigate this risk further.

Overview and Scrutiny Engagement

53. Formal consultation with Overview and Scrutiny has not been undertaken at this stage whilst options have been under development.

Safeguarding Implications

54. No direct safeguarding implications arising from this report have been identified. Should the eventual development of the site include new facilities to provide services for children, young people and vulnerable adults then safeguarding implications will need to be considered again with the engagement and support of the relevant service areas.

Public Health Implications

55. The provision of new health care and leisure facilities on the East Wing site is among the opportunities being explored through the One Public Estate programme in conjunction with relevant partners. The proposed approach for delivery of the site will enable this option to be developed further.
56. A comprehensive redevelopment of the site, as envisaged by the Trowbridge Masterplan, will provide opportunities for more linked trips within the town centre and enable people to walk and cycle into and through the town rather than drive. This approach therefore presents new opportunities to improve both wider health and wellbeing and the environment.

Procurement Implications

57. The contractual engagement of a development partner will require a procurement process (EU procurement, if over EU threshold – currently £4,322,012). This is linked to the ability of the Council to specify elements of the development and introduce protections to encourage delivery.
58. A range of delivery models including a direct contract, Joint Venture, etc., will be considered in appointing a suitable delivery partner.
59. The specific procurement route to be followed will be the subject of legal and procurement advice. Any procurement that arises will be undertaken in compliance with the Council's procurement rules and with the engagement and support of Legal Services and the Strategic Procurement Hub, who will deliver the procurement projects.

Equalities Impact of the Proposal

60. There are no direct equalities implications at this stage as proposals are still under development. The intention is to undertake an equality analysis alongside the next stages of project development as a firm proposal is brought forward.

Environmental and Climate Change Considerations

61. No direct environmental and climate change implications arising from this report have been identified. There will, however, be an impact from the eventual development of the site. It is envisaged that further consideration will be given to these issues as a development proposal for the site is refined and in particular matters such as ecology, flood risk, sustainable transport and sustainable energy will be addressed at the design and planning stage.

Risk Assessment

62. There are a number of high level risks and issues which need to be managed and considered as part of refining the development opportunity for the site and the recommended partnership approach to delivery.
63. The table below captures the risks together with impacts and probability assessments and mitigation measures.

Risk / issue	Impact (0-4)	Prob (0-4)	Total	Mitigation
Failure to progress the project in a timely manner will impact on revenue budgets	2	1	2	- Delivery programme and OPE funding in place to support the preparation and marketing of the site
Delays in appointment of delivery partner due to level of interest and/or market conditions	2	2	4	- Demolition works have cleared the majority of the site to make it development ready - Soft market testing to inform selection of delivery route - Preliminary work to be undertaken to support development opportunity e.g. outline planning application
Risk of vandalism to void premises on site	1	2	2	- Majority of buildings demolished - Due diligence completed, hoardings and security measures in place to manage void premises

Risk / issue	Impact (0-4)	Prob (0-4)	Total	Mitigation
Challenge on procurement	3	1	3	- Specialist legal and procurement advice to be sought on the procurement/selection process to appoint a delivery partner
Site constraints impact on viability and/or determination of planning	2	2	4	- Pursue opportunity to acquire Rothermere House. - Site appraisal completed during feasibility work to identify key constraints. - Early engagement through pre application advice.
Complexity of aligning disposal/delivery programme across OPE partners	2	2	4	- Establish partner requirements. - Utilise OPE funds to facilitate strategic planning study for NHS CCG. - OPE round 4 bid to support delivery of Trowbridge development package.
Financial constraints for leisure elements	2	3	6	- Engagement with Sport England on potential funding sources. - Soft market testing potential for private investment.
A programme for disposal will need to address the impact on current staff car parking arrangements	1	1	1	- Initiate work to identify parking options and develop a parking strategy for the East Wing redevelopment.

Financial Implications

64. Options development work and an initial financial appraisal on an indicative scheme has shown that there is potential for redevelopment to deliver positive land values depending on the mix of uses.
65. It is anticipated that a development partnership approach will enable the Council to share in the uplift in value from development of the site. The nature of the scheme and terms of any future agreement are to be determined and therefore it is not possible to predict what this may be at this stage. A Cabinet decision will be sought before entering into any such agreement.
66. The demolition of the East Wing complex has been treated as a Cost of Asset Disposal with the intention to recover the cost from site disposal. £0.346 million has been committed for Phase One demolition of East Wing.

67. Cost of Asset Disposal is capped at 4% of the Gross Capital Receipt. Therefore, in order to treat the committed costs for Phase One as a Cost of Asset Disposal a disposal route would need to be taken and a Capital Receipt generated of circa £8 million.
68. This paper recommends that the site is not disposed of through a straight land sale but that a development partner is engaged to enable delivery. The costs already committed for Demolition (£0.346 million) would have to be funded through the Council's general funding streams or added to the overall budget for the redevelopment for the site. It may also be possible to seek external funding for demolition.
69. All revenue costs associated with the East Wing complex were captured as savings and removed from the 2014/15 budget. Existing revenue spend remains a cost pressure, any continued revenue spend will also be unfunded and presents a cost pressure.
70. The revenue costs associated with keeping Chapmans in place and managing it as a 'void' premises are as follows:
- £37.5k per annum - non domestic rates
 - £500 per annum - maintain connection of essential utilities (water)
 - £5k per annum - security and inspections
 - £50k one off payment - perimeter hoardings
71. There is a need to identify funding and/or investment to enable some of the aspirations and regeneration objectives to be delivered. This will need to include revising the capital programme to afford this.
72. The One Public Estate programme will provide revenue grant funding of up to £185,000 for feasibility and related studies to support the objective of releasing public sector land in Trowbridge. It is the intention to use this funding to bring forward the work programme outlined in this paper for the East Wing site.
73. The financial implications for the potential acquisition of Rothermere House are set out in **Appendix B (not for publication)**.

Legal Implications

74. Legal Services will be engaged in the next stage of project development to inform delivery and partnership options.
75. The main legal implications at this stage relate to the selection of an appropriate procurement route and selection process through which to engage a development partner.
76. This will be informed by consultation with Legal Services and the Strategic Procurement Hub and supplemented where necessary with additional specialist advice if required.

Options Considered

77. Options development work has demonstrated that the East Wing site offers a number of potential mixed use redevelopment opportunities. The options tested range from proposals for large scale leisure-led development, through to residential-led schemes. Those options which incorporate an element of residential have indicated the most potential to deliver positive land values depending on the mix of uses. Further work will now be undertaken to refine the development opportunity for the site.
78. Locating a health and wellbeing centre within the mix of uses on the site remains a feasible opportunity, whilst the inclusion of this in the resultant development is currently dependent on a number of factors. The outcome of NHS CCG healthcare planning activities is a key factor and further work is to be concluded on health care requirements, site suitability and delivery timeframes before a definite proposal can be brought forward. The extent to which public leisure facilities could form part of any scheme requires funding issues to be addressed.
79. The option to dispose of the site through a straight land sale would compromise the ability of the Council to influence the development of a key opportunity site for the regeneration of Trowbridge town centre. It would also have a negative impact on the potential to deliver a comprehensive redevelopment of the site and facilitate the opportunities for public uses outlined above.

Conclusions

80. This report provides an overview of the work undertaken to date on the redevelopment options for the East Wing site and recommends a programme of action in order to progress with delivery up to the selection of a development partner. The appointment of a development partner will be subject to Cabinet approval. Funding has been identified through the One Public Estate programme to progress the next stage of this work.

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The following documents have been relied on in the preparation of this report:

None

Appendices

- Appendix A - Feasibility model and indicative scheme (**not for publication**)
- Appendix B - Rothermere House proposal (**not for publication**)