



**COUNCILLOR
ANGELA DAVIES**

CABINET

26 NOVEMBER 2018

BIRKENHEAD COMMERCIAL DISTRICT

Councillor Angie Davies, Portfolio Holder Jobs & Growth, said:

“Regeneration sits at the core of this administration’s economic growth and development plans. This report seeks approval to initiate broad consultation on Wirral Growth Company’s proposed redevelopment of Birkenhead town centre as part of our wider programme for economic growth in Wirral. By listening and engaging with local residents and businesses we will shape a Birkenhead town centre masterplan which will benefit local business, improve opportunities for residents and deliver thousands of new jobs.

“At the heart of a thriving Birkenhead town centre will be a commercial district which includes Grade A office space, a new market and retail options, and an improved leisure offer. Creating a vibrant commercial district will attract new businesses to Birkenhead, provide space for existing Wirral firms to grow, and also offers the opportunity for our borough’s largest employer, the public sector, to consolidate its real estate and office requirements in line with One Public Estate policies. Currently Wirral Council alone has in excess of 1,700 administrative staff spread across a range of sites and buildings. This report therefore also supports the proposal to consolidate many of these staff into premises which support greater efficiency in the delivery of support services and reduce the cost of expensive leases and maintenance of buildings which could free resources to be better used to meet the needs of residents in other ways.

“Wirral Growth Company will submit a Partnership Business Plan in early 2019, informed by the consultation and the emerging ideas for Birkenhead Commercial District. This is anticipated to attract an investment of up to £150m – the largest single investment in Wirral ever made – and this report seeks approval for officers to identify suitable funding and investment providers, including exploring opportunities with Merseyside Local Government Pension Fund and other social and ethical sources.

“Finally, our ambitions for Wirral Growth Company are anchored in our desire to see economic, social and environmental opportunities increase for Wirral residents.

“Through the schemes it delivers Wirral Growth Company will support us in meeting these social values – including generating job and training opportunities, providing local supply chain procurement, building affordable homes and improving the public realm in our town centres.

Our plans for Wirral are ambitious and progressive. To ensure we deliver these social outcomes and they are recognised as central to the ethos and actions of Wirral Growth Company, I am delighted to be recommended to serve as Chair of the Board of Directors for Wirral Growth Company.”

1. REPORT SUMMARY

- 1.1 The purpose of this report is to initiate an extensive consultation programme to support the development of Birkenhead Commercial District. This development is intended to drive the wider regeneration of Birkenhead through the provision of Grade A office space together with a new leisure and market offer. The consultation will shape how and when these developments might be brought forward.
- 1.2 The report is supported by two business cases. There is a draft business case for Birkenhead Commercial District to demonstrate that it is a viable proposition for WBC. It is intended that a significant proportion of the commercial office space will be taken by private sector businesses. The business case evidences demand for Grade A office space across Merseyside. In addition it is the council’s ambition to create a public sector hub where services from a range of organisations can be co-located to provide residents with more joined up and integrated services. Attached to this report is a business case for the consolidation of Wirral Borough Council back office services into a single building in Birkenhead. Whilst the majority of staff would be relocating from elsewhere in Birkenhead, the business case illustrates the financial benefits of moving away from the council’s current aging asset base.
- 1.3 The simple economics are that to achieve a regeneration of Birkenhead requires an increase in the numbers of people who work and live in the town. The proposal to develop Birkenhead Commercial District will create the space for 2000 additional employees to work in the town centre.

2. RECOMMENDATION/S

- 2.1 It is recommended that Cabinet:
 - 2.1.1 Agree to initiate a consultation programme with a view to informing a Masterplan for the Redevelopment of Birkenhead recognising that the Commercial District will be a key element.
 - 2.1.2 Agree draft Business Case for Birkenhead Commercial District that will be refined through public consultation and engagement with a funder.
 - 2.1.3 Agree the recommended funding approach and authorise the S151 Officer to initiate work on a Forward Funding model of finance with Wirral Growth Company.

- 2.1.4 Agree the Staff Relocation Business Case with a view to moving administrative functions to Birkenhead whilst retaining front line services in communities. This will result in disposal / development / termination of lease/s of 14 existing sites
- 2.1.5 Agree to appoint the Portfolio Holder for Jobs & Growth to Chair WGC Board of Directors.
- 2.1.6 Note that Wirral Growth Company is also proposing to progress public consultation in Moreton, Bebington and West Kirby, as well as with stakeholders for Bromborough's Industrial Estate, to inform future development plans and masterplanning.
- 2.1.7 Approve capital expenditure from the budget set aside for strategic acquisitions to complete land assembly within the BCD redline boundary.

3. EXEMPT INFORMATION

- 3.1 This report contains exempt information in the Background Paper as defined in Schedule 12A of the Local Government Act 1972. It is in the public interest to exclude the press and public under Paragraph 3 'Information relating to the financial or business affairs of any particular person (including the authority holding the information).
- 3.2 The following Appendices are commercially sensitive and therefore exempt:

Appendix 1: Birkenhead Commercial District Full Business Case (& appendices)

Appendix 2: Staff Relocation / Asset Consolidation Full Business Case (& appendices)

Appendix 5: Strategic Acquisitions within redline boundary.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Many former industrial towns and inner city areas remain blighted by unemployment, poor housing and some communities are socially excluded from more prosperous districts.
- 1.2 The Council has through its 2020 Pledges committed to the urban regeneration of the largest towns in the Borough. The priority for Birkenhead is to reverse decline in the town by both improving its physical structure and, more importantly, the economy of the area.
- 1.3 The proposed Birkenhead Commercial District is intended to create over 300,000 sqft of Grade A commercial office space with 70% destined for private sector occupancy. The emerging idea is to achieve this through four new office buildings on Europa Boulevard/Conway Street. These would be high quality offices offering the IT connectivity to make them attractive to a range of businesses. Within the Commercial District, it is planned to introduce a public service hub where residents can access a range of integrated services more easily.
- 1.4 One of the most important factors in creating more vibrancy in the town centre, and in so doing supporting regeneration, is to improve the retail and leisure offer. The Business Case for the Commercial District generates sufficient surplus to additionally build a new market and also a new leisure centre. It is considered that these developments will make the office accommodation more attractive and also provide more amenities to Wirral residents. The market has traditionally sat at the heart of Birkenhead and there was a real sense of pride in the range and quality of goods that it sold. Our ambition is to support the creation of a new retail offer.
- 1.5 The Birkenhead Commercial District Business Case details prevailing conditions in terms of office lets. We believe there is demand for Grade A office space in Birkenhead. In addition to the provision of retail and leisure improvements, the transport connectivity offered, makes the location of the Commercial District desirable.
- 1.6 Birkenhead Commercial District will be delivered through Wirral Growth Company, the council's partnership with Muse Developments. The business case explores how this would work. Additionally, the case explores the different third party funding options that are available. It concludes that a forward funding model would offer best value for money and ensure that the project was deliverable and of least risk to the Council.
- 1.7 These proposed changes will have a significant impact on Birkenhead. It is important that they are shaped by the residents in Birkenhead and across Wirral. The Business Cases within this report illustrate that the proposals are viable and they will be revised further with feedback from the consultation exercise.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Historically, attempts to regenerate Birkenhead through speculative building have not achieved the desired outcomes. To continue in this way will not meet the needs

of the council, its partners and residents and risks endangering Wirral's future prospects.

Asset Consolidation Options

2.2 With regards to our current operational estate, 2 main issues need to be addressed:

- the Council's current buildings are part of an aged infrastructure, incur high maintenance liabilities and are of diminishing value; and
- they are no longer fit for purpose in enabling the authority to embrace more modern, agile working practices with partners to improve service delivery for residents.

2.3 A number of options were considered to address these issues and are detailed in full in the attached business case (Appendix 2: Staff Relocation / Asset Consolidation Full Business). In summary, the options considered were:

Option 1 - Do nothing

Option 2 - Key site refurbishment

Option 3 - Rent office space

Option 4 - Build new accommodation

2.4 Each option was assessed against the following success criteria:

- supports the Delivery of the Wirral Plan
- supports the Council's modernisation agenda (new ways of working) with partners
- supports the economic regeneration of the area
- supports improved service delivery across the public sector
- long term sustainability of Council services
- positively contributes towards the Council's Medium/Long Term Financial Strategy
- attracts new investment into Wirral
- is attractive to partner organisations
- supports the delivery of the Council's asset strategy
- is environmentally sustainable
- supports the delivery of the One Public Estate Programme

2.5 The option which scored most highly and therefore the recommended option was Option 4 - Build New Accommodation. The benefits and financial viability of this option are demonstrated in the attached business case.

Birkenhead Commercial District Funding Options

2.6 It is anticipated that the relocation of staff to new offices in the Birkenhead Commercial District will support the development and regeneration of the borough. Through a proposal for the Council to take a head lease on office accommodation, a capital surplus will be produced which will enable development of a new market facility, new leisure facilities and enhanced public realm.

2.7 A number of funding options to deliver this have been considered and are detailed in full in the attached business case ([Appendix 1: Birkenhead Commercial District Full Business Case](#)).

2.8 In summary, the following funding options are being considered:

Option 1 –Forward Funding / Annuity Funding Model

Funding for the gross capital expenditure of this option is 100% sourced from the private funding market – typically a Pension Fund. Essentially this means all the capital expenditure is provided by the funder and repaid through the annual lease payments.

Option 2 – Hybrid Model – Part forward funding /Part Council Funded

This option assumes that 50% of the gross capital expenditure is funded through private funding sources from the market, similar to option 1, with the balance of funding provided by the Council directly, using PWLB as a funding source.

Option 3 – Self-development - 100% PWLB Funded

In this option the Council fully funds the gross capital construction costs of development through prudential borrowing including the construction of a new market and Leisure facility on site.

2.9 All options have been financially modelled and assessed, full details are included in the attached business case. Option 1 (Forward Funding / Annuity Model) on a straight 30 year comparison provides the greatest benefit on a net present value basis. This provides the greatest capital surplus back to the Council, after provision of a new market and leisure facility. This is also considered to be more deliverable and present less risk to the Council. However as the Council will become the owner of the asset at the end of any headlease period, it has the option to spread the costs of capital over a longer period than 30 years. This may have additional revenue benefits and some additional technical accounting work and advice is required to explore this option further.

3.0 BACKGROUND INFORMATION

3.1 On 19th June 2017, Cabinet considered and approved a Full Business Case (FBC) which set out a proposal to create a Property Company ('Wirral Growth Company'). The Corporate Director for Business Management was authorised to commence and conduct an OJEU works concession competitive dialogue process to identify a private sector partner with which to form a joint venture vehicle to develop sites and areas within Wirral to meet the Councils strategic objectives.

3.2 Following Cabinet's approval, an OJEU notice was issued on 4th July 2017 and the procurement process commenced. A four stage competitive dialogue process was followed and on 3rd January 2018 Final Tenders were received from two short-listed bidders. Bidders were scored against a series of questions each with set criteria and weightings. Key areas tested were stakeholder engagement, sales and marketing approach, assets management, business planning, programme and supply chain management, approach to social value, masterplanning /design and financial modelling.

- 3.3 Specifically, bidders were required to provide RIBA 1 masterplans for 5 sample schemes, one of which being Birkenhead town centre. This specification included the development of a new integrated public sector hub.
- 3.4 On 28th February 2018, Cabinet agreed to award the works concession to Muse Developments and to form a JV LLP between Muse Developments and Wirral Borough Council ('Wirral Growth Company')
- 3.5 This was created to lead the regeneration of a number of places within the borough. Wirral Growth Company is proposing to progress public consultation in Moreton, Bebington and West Kirby, as well as with stakeholders for Bromborough's Industrial Estate, to inform future development plans and masterplanning.
- 3.6 This company will play a significant role in the regeneration of Birkenhead and it is expected that the investment made into and by the Wirral Growth Company will help deliver the Council's ambition to become a thriving town centre of choice: a destination in its own right, a celebrated waterfront, with amenities and a range of quality retail and leisure offers that would enable significant inward investment to take place.
- 3.7 The Council is now working alongside Muse on key developments across the Wirral. Initial plans have been drawn up for Birkenhead Commercial District which could include the development of 4 office buildings, a new market, new leisure facility and improved public realm.

4.0 FINANCIAL IMPLICATIONS

- 4.1 On a 30 year comparison basis a forward funding annuity model provides the best return on a net present value basis. This reflects the value of early receipts of monies and the cash flow benefits of timings of payments.
- 4.2 The Council will become owners of the assets after the headlease period ends. This does give an opportunity to the Council to spread its costs of capital under the PWLB funded option 3 over a wider timeframe. The spreading of such costs would have a revenue benefit in lowering the payment profile charged to the revenue budget. This would impact particularly in the early years of the scheme. Further technical accounting work and advice will be required to fully assess this variation to the option 3 approach. This could mean the advantages gained from this may outweigh those of option 1.
- 4.3 The analysis of an extended charge period for option 3 can be undertaken at the same time work on developing the forward funding option is taking place.
- 4.4 All options involve a number of assumptions relating to the cost of financing. Assumptions are based upon best knowledge of market and loan rates that would apply at the time the BCD scheme is under construction. Movements in rates would impact on the profitability of the scheme.
- 4.5 The proposal involves some risk as detailed in section 7 of this report. Rental income needs to exceed the annual costs being incurred that council commits to. There is a risk that rents will not cover costs, but also an opportunity that profit can be achieved on rental income.

4.6 Cabinet has already agreed a budget for Capital expenditure to allow for strategic land assembly. This report seeks approval to acquire an asset within the redline boundary to complete that process.

5.0 LEGAL IMPLICATIONS

5.1 The Wirral Growth Company Joint Venture with Muse Developments is supported by a suite of corporate legal documentation, an overview of the principle documents can be found in [Appendix 3](#).

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The staff relocation business case recommends the relocation of approximately 1700 administration staff currently dispersed over 14 locations in the Wirral. It is recommended that staff are relocated to one or more offices within the Birkenhead Commercial District. There are no changes to job roles or functions recommended as part of this business case; however it is assumed that an agile approach to working will be adopted. In addition, the opportunity to co-locate council staff with partners will enable a more collaborative approach to providing services to our residents. 'Front line' staff who provide services within communities or through one-stop shops are not being considered for relocation.

6.2 The sites which are vacated could either form part of the development plans for Wirral Growth Company or be disposed of to obtain a capital receipt for the Council.

7.0 RELEVANT RISKS

Risks associated with the proposed Birkenhead Commercial District development and relocation of staff and asset consolidation are explored fully in the attached business cases.

Some of the more significant risks are highlighted below:

Risk	Mitigating Action	Impact
7.1 There is a risk that the views and aspirations of local residents, businesses and key stakeholders are not fully understood or used to inform future regeneration programmes, undermining public support.	A thorough Consultation, Outreach and Engagement programme is proposed to generate both a robust qualitative and quantitative evidence base, but also to generate wide support for regeneration with key audiences across Wirral.	High
7.2 There is a risk that vacant buildings are not disposed of / developed promptly leading to additional costs, e.g.,	Developments and staff relocations will be phased. A Staff Relocation Plan and Asset Disposal Plan will be designed in accordance with this ensuring that buildings are made available at the	Medium

business rates, security, etc.	appropriate stages in the construction programme.	
7.3 There is a risk that the office accommodation offer will not be attractive to the market and lettings are not sufficient to be viable.	All office space will be designed to meet standards expected by the commercial market. A lettings strategy will be developed to maximise commercial opportunities.	Medium
7.4 Design changed to meet revised client requirements	Regular User Group meetings to be held to review design and agree Schedule of Accommodation from the outset. Stakeholders, funders and end users to sign off design and cost plan at each stage. No changes to be made before time and cost implications have been fully assessed. All changes to be managed through a change control process reporting into the JV Board.	Medium
7.5 Unexpected events or unknown conditions adversely impact costs and potential viability of any site or phase.	This will be managed through: <ul style="list-style-type: none"> • Programme governance arrangements, e.g., reporting and control mechanisms, ongoing risk and issue management, etc. • Sensitivity analysis on the financial calculations. • Ensuring that surveys are accurate. • Contingency costing will be informed by Site Development Plans (SDP's). 	Medium

8.0 ENGAGEMENT/CONSULTATION

- 8.1 To be successful in our regeneration and economic growth ambitions we must generate awareness, interest and support with residents, businesses and other key stakeholders.
- 8.2 Our strategy will be informed by in-depth public consultation, outreach and engagement into the needs of Birkenhead with local residents, workers, businesses and visitors.
- 8.3 To be able to do this we propose a bespoke consultation, outreach and engagement strategy which is tailored to the area, the community and their social, economic and environmental circumstances.
- 8.4 Our Consultation, Outreach and Engagement Plan will inform an ambitious set of projects which respond to the many challenges and opportunities identified.

There will be an extensive public outreach / consultation programme on the proposed designs for Birkenhead Commercial District. This proposal is included as Appendix 4.

- 8.5 The principal needs from the bespoke consultation, outreach and engagement are:
- 8.6 Produce Evidence Base: Develop and deliver primary research to provide qualitative and quantitative evidence from a significant sample of residents, businesses and communities on key topics and issues. This evidence base would confirm what local people and visitors to Birkenhead think of the town and how its offer could be improved.
- 8.7 Generate Awareness, Excitement and Support: Host a range of events and activities across the town to understand the ambitions and aspirations of local people for Birkenhead. Capitalising on events already planned, such as the Borough of Culture schedule and other activities, this work would enhance and build upon the outreach already undertaken by 'Wirral Well Made' engagement programmes to generate awareness, excitement and support for the regeneration and transformation of Birkenhead Town Centre.
- 8.8 In addition, further consultation will take place as part of the planning process.
- 8.9 Staff and partners will be engaged and consulted throughout the process of defining the office requirements to ensure all building and floorplate designs are fit for purpose.

9.0 EQUALITY IMPLICATIONS

- 9.1 Equality Impact Assessment can be found at -. <https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/delivery>

REPORT AUTHOR: Stewart Halliday

REPORT SPONSOR: Brian Bailey

APPENDICES

Appendix 1 – **EXEMPT** Birkenhead Commercial District Full Business Case

Appendix 2 – **EXEMPT** Staff Relocation & Asset Consolidation Full Business Case

Appendix 3 – Overview of Principal Legal Documents

Appendix 4 – Approach to Public Consultation

Appendix 5 – **EXEMPT** Strategic Acquisitions within redline boundary.

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Strategic Options Report to Cabinet	27 th February 2017
Property Company Full Business Case to Cabinet	19 th June 2017
Wirral Growth Company: Preferred Bidder Report	28 th February 2018