

## Part A

**Report to:** Cabinet

**Date of meeting:** 18 January 2021

**Report author:** Managing Director

**Title:** Town Hall Quarter

### 1.0 Summary

- 1.1 As part of its ambitions to ensure Watford builds on its reputation as a thriving, diverse and creative town, Watford Borough Council has recognised the potential of the area around the Town Hall to deliver an exciting, major regeneration programme. The Town Hall Quarter (THQ) programme will transform the area, securing a thriving new quarter with new homes, employment and public space, which will be underpinned by a revitalised creative, cultural and heritage offer
- 1.2 Since the initial development of the Watford High Street (North) Cultural Hub draft Masterplan in 2019, a number of critical factors have impacted and influenced the original programme. Our new forward looking and delivery focused Council Plan 2020-24 recognises the potential this project has to transform, not just the Town Hall area, but to provide a catalyst for new employment opportunities, a strengthened culture and heritage offer and to drive real change in the way the Council works and delivers services. Covid-19 has given impetus to this change, with the THQ programme now an important part of the town's plans for renewal and rejuvenation.
- 1.3 Through this significant transformation programme the Council is seeking to deliver the following outcomes:
- **rejuvenate two of the town's most important heritage buildings** – the Town Hall and Watford Colosseum, securing the long-term future of these landmark buildings and exploring ways they can make a greater contribution to the town's cultural, economic and business life, recognising the council will work in a more agile, flexible and efficient way, freeing up space for new and innovative uses for the Town Hall
  - **review and renew the town's Museum and Heritage service**, learning from the best, to secure an exciting, inventive and accessible offer for Watford that celebrates the town's diverse history, bringing it to life for the community and visitors and exploring a new base for the service within this revitalised quarter
  - **enhance the town's reputation as a regional centre for culture and the arts**, making more creative uses of Watford Colosseum, so it provides a catalyst for a range of entertainment encouraging a varied programme mix from professional performances to community and up and coming artists
  - **create a vibrant and attractive new neighbourhood** with well-designed homes, new work opportunities and welcoming public spaces for people to meet, spend time and relax, improving the linkage between the area and the rest of the town
  - **explore the development of a new innovation and incubation hub**, which would enhance the town's offer for business, providing inspiring, productive and connected working space

and investment in kit for businesses, all to accelerate business growth, collaboration, learning and wellbeing

- **reflect the Council's drive to be commercially focused**, generating positive returns on our investment so we can reinvest in the future of our town and in the services and facilities that local people value, whilst making better use of the land and buildings we own
- **transform how the Council works as an organisation, including its office accommodation**, so we are an outstanding and inspirational workplace that sets the standard as an enterprising, forward looking and supportive working environment and which our community recognises for excellent services and customer experience.

1.4 The THQ programme, which will deliver the vision outlined above, comprises seven projects:

- **Regeneration project** – will deliver the housing and regeneration aspects of the programme
- **Town Hall Development project** – will focus on how best to refurbish and use the Town Hall asset
- **Colosseum project** – will oversee the refurbishment of this historic building and broaden its use for both Watford residents and cultural organisations
- **Innovation and Incubation Hub project** – will assess how best we can support acceleration of business growth locally.
- **Museum and Heritage Service project** – will re-imagine the Museum and Heritage service and develop a service fit for the future
- **Culture project** – will provide an assessment of requirements for Watford's cultural organisations' use of the Colosseum and shape the design investment proposals accordingly
- **Transformational Change project** – will review the way the council works and where it works.

1.5 This report provides the rationale for the programme and explains in more detail the component projects of the programme which will help deliver the Council's vision for the THQ and articulates their associated benefits and costs.

1.6 Cabinet is asked to endorse the recommendations allowing officers to progress the programme and proceed to the next phase for each project and authorisation of £2.1m expenditure from existing capital budget allocations.

## 2.0 Risks

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
The effect of Covid-19 on the Economy	Reduced overall viability	Manage programme with economic cycle  Use development partner expertise to manage sale risk	Tolerate and keep under review  If the scheme becomes unviable, then review development strategy	Likelihood = 3 Severity = 3  Total risk = 9
Local Government Reorganisation	Office accommodation requirements for Council could change	Focus of programme is to reduce office requirements for council staff and ensure refurbishment of Town Hall provides office space suitable to a wider market	Treat by means of ensuring refurbished office space is commercially desirable by market	Likelihood = 2 Severity = 2  Total risk = 4
Procurement	Unable to secure a development partner	Soft market testing has suggested that the scheme will be attractive to market	Treat: Use commercial advisers to ensure that project is attractive to potential tenderers  Treat: Ensure that tender process is not overly onerous	Likelihood = 2 Severity = 3  Total risk = 6
Development and Construction Risk	Joint venture means that Council is exposed to significant development and construction risk and project causes financial loss	Choose highly experienced joint venture partner and use their expertise to manage risk Ensure that business plan is risk assessed and frequently reviewed for extent of risk.	Treat: Use procurement process to ensure securing a suitable development partner  Treat: maintain development strategy under continuous review	Likelihood = 2 Severity = 4  Total risk = 8

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
Financial risk of the regeneration scheme not achieving its predicted return	Ultimately if the regeneration project does not generate the predicted return the project may not be able to cover all the projected costs	Soft market testing and external expert advice has been sought and confirms potential projections.	Treat: Engage external advice	Likelihood = 2 Severity = 3  Total risk = 6

### 3.0 Recommendations

3.1 The recommendations for Cabinet are listed below with a reference to where the detail can be found in the main body of the report. The recommendations are to:

1. Agree the overall vision for the THQ (see section 9)
2. Agree the terms of reference for the Members Steering Group to oversee the THQ programme as set out in appendix A (see section 10)
3. Confirm that the preferred commercial delivery structure for the Town Hall Quarter regeneration project would be to enter into a joint venture limited liability partnership with a private sector development partner (see section 11.2)
4. Authorise officers to proceed with the procurement for the appointment of a development partner for the Regeneration project via a procurement process under the Public Contract Regulations using the competitive dialogue procedure delegating authority to the Mayor in consultation with the Member Steering Group and the Group Head of Place Shaping to approve the following elements of the procurement process namely: the project objectives, the selection criteria, the evaluation criteria and the short-list of tenderers selected to proceed to invitation to participate in the dialogue and following the procurement to seek Cabinet approval of the appointment of a joint venture partner (see section 11.2)
5. Agree to the Head of Property and Regeneration undertaking commercial negotiations with the landowners across the site to acquire their land interests and integrate those buildings and land into the proposals to undertake comprehensive development of the Town Hall Quarter site, and if terms are agreed to either enter option agreements or subject to Council approving expenditure of the necessary funding undertake those acquisitions (see section 11.3).
6. Authorise officers to proceed with the development of an Outline Business case and supporting design work for the redevelopment of the Town Hall and bring this back to Cabinet in Autumn 2021 or earlier if possible (see section 12).
7. Authorise officers to proceed with the development of an Outline Business case and supporting design work for the comprehensive refurbishment of the Colosseum and bring this back to Cabinet Autumn 2021 (see section 13).
8. Authorise officers to proceed with the development of a Strategic Business case for the development of an Innovation and Incubation Hub project and bring this back to Cabinet in Summer 2021 (see section 14).

9. Note the appointment of the Museum and Heritage Service Review Consultants and authorise officers to proceed with the development of an Outline Service Plan for the redevelopment of the Museum and Heritage service and bring this back to a future Cabinet (see section 15).
10. Authorise officers to work with Watford cultural organisations' to understand their requirements to inform the future redevelopment of the Colosseum (see section 16).
11. Authorise officers to proceed on developing Transformational Change organisation strategy for how the Council staff operate and develop Communications plans to integrate with and complement the other projects in the THQ programme (see section 17).
12. Recommend to Council a budget of £2.1m for officers to progress the programme (see section 18).

#### 4.0 Timetable of decision making

- 4.1 During the course of 2021 there will be a series of key programme gateways, when further decisions by Cabinet will be required. These decisions will include:

Timeframe	Decision
Quarter 2	Commence the procurement process for a joint venture development partner
	Proposals regarding innovation and incubation hub in the Town Hall
Quarter 3	Proposals regarding future location of the Museum and accompanying Heritage service plan
Quarter 4	Business plans, design proposals and delivery routes for the Town Hall, Colosseum and Museum
	Seek Cabinet authority to appoint joint venture development partner and seek allocation of funding to the project
2022	Confirmation of detailed business plan for regeneration project
	Establishment of joint venture LLP and associated governance structure
	Commence works on Town Hall and Colosseum

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**Report approved by:** Donna Nolan, Managing Director

## 5.0 Introduction and Background

- 5.1 This report updates Members on the plans the Council has for the development of what is known as the Town Hall Quarter (THQ) programme. The THQ Programme has previously been presented to Cabinet as the Watford High Street (North) and Cultural Hub draft Masterplan in 2019. That plan focused on the regeneration of the north end of Watford High Street. Phase 1 of the previously proposed masterplan is the area around the Town Hall as illustrated in the photograph below.



- 5.2 In October 2019 the masterplan was adopted and officers were instructed to progress further feasibility work and develop an implementation plan. The Cabinet Decision of October 2019 also suggested that there may be an opportunity to move the Museum up to the Town Hall area to help create a cultural hub. Over the course of 2020, the Council has carried out further design work for the area around the Town Hall, liaised with key landowners (in particular the NHS and HCC), considered the viability for a potential regeneration project and undertaken soft market testing with potential development partners. This has enabled the preparation of an outline business case and delivery plan to achieve regeneration through redevelopment of the land around the Town Hall Complex, Library and Leisure Centre. Part of this work has involved considering potential options for the future of the Town Hall.
- 5.3 In parallel with this, the Council has been considering the future of the Colosseum, which is in need of significant refurbishment works and where there is an opportunity to enhance the way that it performs and the consequential revenue that it could generate. During 2020 the Council procured Mace to carry out design work to identify in detail the works required and how improvements in performance could be achieved. Recognising the interlinkages and synergies between the various work streams, it is now proposed to bring these together to form the basis of the THQ programme as a holistic approach to regenerating the area around the Town Hall, giving the existing heritage buildings sustainable futures and improving Watford's cultural and heritage offer. The entire project will have the additional benefits of delivering at least 300 new homes and enable the Council to improve the way it operates and rationalise its own space requirements.
- 5.4 The work considering the regeneration and redevelopment of the land around the Town Hall Complex, Library and Leisure Centre is now sufficiently advanced for officers to present a delivery plan to Cabinet. Further work in developing business cases for the other elements of the programme is needed. We are seeking authorisation to be able to spend money to develop these business cases further as well as seeking authorisation to proceed with the procurement of a development partner for the regeneration project aspect of the programme and negotiating with other landowners to integrate their landholdings into the development.

5.5 The Council has also made a funding bid to the Government's Public Sector Decarbonisation Scheme to carry out energy efficiency improvement works to the Town Hall and Colosseum. This would help significantly improve the environmental performance of these buildings. If this bid is successful, then works will be carried out on the buildings during this coming year

## 6.0 Why are we doing this?

6.1 This THQ programme will radically transform the area around the Town Hall, securing a thriving new quarter with new homes, employment and public space, which will be underpinned by a revitalised creative, cultural and heritage offer. It will revitalise Watford, providing a huge economic boost post Covid. Our current estimates are that the regeneration project element of the programme will generate a circa £9m return, which will enable us to invest in the heritage and cultural aspects of the programme.

6.2 Clearly with a programme of this size and nature, there is a **significant** financial risk. In order for us to get to a position where we can properly assess the longer term financial and economic benefits of this ambitious programme we need to commit expenditure to develop a series of business cases for the projects in this programme. We are budgeting to cover early architectural and design work for the Town Hall and Colosseum, the cost of employing staff to work up detailed business cases for each project, and critical professional advice that programmes of this nature require (e.g. financial, commercial, legal and development advice) as well as covering the cost of a procurement process to secure a development partner. Our current estimate of the cost is in the region of £2.1m.

6.3 There is a risk that ultimately the programme may not be viable but this will not be known until we have done the detailed work on the business cases and undertaken the procurement exercise. In terms of the regeneration project, "soft" market testing of the scheme we are proposing has given us reasonable confidence that elements of the programme are workable and will generate the returns currently projected (which will be covered in Part B of the Cabinet report). Members will be aware there is always a risk that markets change and the programme may ultimately not be viable.

6.4 Cabinet need to be advised that capital spent to date and additional monies being allocated from this report will need to be converted from capital to the revenue budget if the projects described do not proceed. This would create a significant financial pressure and a potential impact on front line service delivery. At present we are assuming that the regeneration project will contribute towards the funding of the Town Hall and Colosseum, if the regeneration project is not profitable during the delivery phase of the regeneration programme this would not be the case.

## 7.0 What are we asking of Cabinet?

7.1 To progress to the next phase of each project of the programme it will be necessary to allocate funding for design work, support the procurement of a JV partner and enable the business case work to be undertaken. We estimate the funding required at present to be in the region of **£2.1m, such capital is already allocated within the capital programme**. This funding will be used primarily to develop the necessary business cases as well proceed with the procurement of a development partner for the regeneration project aspect of the programme. Further details of the funding requested can be found in the Financial Business Case section (section 18) of this report.

## 8.0 THQ Programme

8.1 Since the initial development of the Cultural Hub Masterplan in 2019, a number of critical factors have impacted, and influenced, the original project. Our new forward looking and delivery focused Council Plan 2020-24 recognises the potential this project has to transform, not just the Town Hall area, but to provide a catalyst for new employment opportunities, a strengthened culture and heritage offer and to drive real change in the way the Council works and delivers services. Covid-19

has given impetus to this change, with the project now an important part of the town's plans for renewal and rejuvenation.

- 8.2 The review of the Cultural Hub Masterplan in 2019 recognised that the project was much broader and complex than a single regeneration project, taking in a number of additional elements. In view of this, it has been reset as a joined up and comprehensive programme, bringing together seven projects. Together, these projects both through their individual successful delivery and by capitalising on the full potential of their links and connections, will achieve the ambitious and transformational vision for the THQ.

## 9.0 Vision

- 9.1 As part of its ambitions to ensure Watford builds on its reputation as a thriving, diverse and creative town, Watford Borough Council has recognised the potential of the area around the Town Hall to deliver an exciting, major regeneration programme. This programme will transform this area at the top of Watford's High Street, securing a thriving new quarter around a new town square with new homes, employment and public space, which will be underpinned by a revitalised creative, cultural and heritage offer.

- 9.2 "Town Hall Quarter: Vibrant, Inspiring, Creative and Collaborative"

Through this significant transformation programme the Council is seeking to:

- **rejuvenate two of the town's most important heritage buildings** – the Town Hall and Watford Colosseum, securing the long-term future of these landmark buildings and exploring ways they can make a greater contribution to the town's cultural, economic and business life, recognising the council will work in a more agile, flexible and efficient way, freeing up space for new and innovative uses for the Town Hall
- **review and renew the town's Museum and Heritage service**, learning from the best, to secure an exciting, inventive and accessible offer for Watford that celebrates the town's diverse history, bringing it to life for the community and visitors and exploring a new base for the service within this revitalised quarter
- **enhance the town's reputation as a regional centre for culture and the arts**, making more creative uses of Watford Colosseum, so it provides a catalyst for a range of entertainment encouraging a varied programme mix from professional performances to community and up and coming artists
- **create a vibrant and attractive new neighbourhood** with well-designed homes, new work opportunities and welcoming public spaces for people to meet, spend time and relax, improving the linkage between the area and the rest of the town
- **explore the development of a new innovation and incubation hub**, which would enhance the town's offer for business, providing inspiring, productive and connected working space and investment in kit for businesses, all to accelerate business growth, collaboration, learning and wellbeing
- **reflect the Council's drive to be commercially focused**, generating positive returns on our investment so we can reinvest in the future of our town and in the services and facilities that local people value, whilst making better use of the land and buildings we own
- **transform how the Council works as an organisation, including its office accommodation**, so we are an outstanding and inspirational workplace that sets the standard as an enterprising,



forward looking and supportive working environment and which our community recognises for excellent services and customer experience.

## **10.0 Town Hall Quarter Programme Structure**

10.1 The programme comprises seven projects which are described in the sections 11 to 17. In summary the projects are:

- Regeneration project
- Town Hall Development project
- Colosseum project
- Innovation and Incubation Hub project
- Heritage Service Project
- Culture project
- Transformational Change project

10.2 The THQ programme will be managed in line with the Council's corporate approach to programme management and via the Council's internal governance arrangements, with a designated Programme Board overseeing delivery which is also carefully monitored by the Council's EPMO Assurance Group and the Leadership Board and regularly reported to Members.

10.3 As it is progressed, the programme requires regular political oversight. To this end, it is recommended that a Member Steering Group is established that will oversee the progression and delivery of the whole programme. Terms of reference for that group are included as Appendix A. This group will enable continuous political oversight of this important programme. Cabinet will of course be regularly appraised of progress and there will be fixed points at which proposals will come back to Cabinet.

## **11.0 Regeneration Project (Sponsor – Tom Dobrashian, Group Head of Place Shaping)**

### **11.1 Background and work-to-date**

11.1.1 This part of the THQ programme has been running for some time and has been presented at various stages to Cabinet under the guise of the Watford High Street (North) and Cultural Hub draft Masterplan. At Cabinet in October 2019, officers were instructed to prepare an implementation plan for Phase 1 of the draft Masterplan, which focussed on the area around the Town Hall.

11.1.2 The area under consideration concerns land that is bounded by Rickmansworth Road (on the south east side), A411 (on the north east side), Peace Prospect and Hyde Road (on the north west side) and the boundary between the Colosseum and the Peace Hospice (on the south west side). Over 50% of the land is owned by Watford Borough Council and most of the rest of the land is owned by other public sector organisations. The proposals exclude any changes to the Leisure Centre or the Library Building that both sit within the defined boundary.

11.1.3 In order to develop the implementation plan, the Council instructed a design team and commercial advisers (Montagu Evans) to help prepare a concept masterplan, carry out viability analysis on a variety of options and soft market test the proposals with potential future development partners. This fed through to the formulation of an outline business case including a delivery strategy and financial analysis of a preferred option. The latter has been carried out by Grant Thornton. In

parallel with this work, the Council has liaised with the other key public sector landowners, Hertfordshire County Council and the Hertfordshire Community NHS Trust, to ascertain whether they were supportive of the proposal to redevelop the land.

- 11.1.4 When reviewed in the context of planning policy and the sustainability agenda, the land around the Town Hall, behind the Colosseum, around the Watford Library building and the Avenue Car Park is manifestly under-used, given its central location and high accessibility. There is an opportunity to deliver significant regeneration of this area, to improve the quality of the public realm providing a much better environment for pedestrians through development of the surface car parking, reclaiming land used for highways, replacing some of the buildings and building on other unused land area. The concept masterplan work suggests that at least 300 new homes could be built here with a supporting mix of other uses to activate the public realm. It is incumbent on the public sector owners of the land to make much more effective use of this area of town.
- 11.1.5 The concept masterplan envisages comprehensive regeneration of the area involving building new homes and other premises on all the surface car parking area, involves the potential demolition of the Town Hall Annex (behind the Colosseum) and would involve demolition of the portacabins that are connected to the Town Hall. The area around the sides and back of the Library Building would also be redeveloped, including demolition of the Avenue Clinic and replacement of the health facilities elsewhere within the project.
- 11.1.6 The masterplanning work suggests that there is an opportunity to create a new active town square between the Town Hall and the Library Building, which celebrates the top of Watford's High Street. The development of the area can facilitate finding sustainable futures for the heritage buildings and re-provide the existing facilities (such as health facilities) in more suitable premises.
- 11.1.7 This concept masterplan is subject to change, once a development partner is procured to provide their expertise.
- 11.1.8 The business case work involved consideration of various options for redevelopment of the area, including development of discrete plots of land or individual landownerships. The conclusion has been that comprehensive regeneration gives rise to the greatest level of benefits, best meets the objective to improve this part of Watford town centre and represents the most viable proposition.
- 11.1.9 The development would be mostly paid for through the creation of value generating property such as new homes (private and affordable), commercial office space, the potential for a new hotel and active ground floor uses, such as cafes and other food and beverage combined potentially with a live music venue.
- 11.1.10 The Council has embraced the need to respond to the climate emergency and this also represents an opportunity for the Council to champion sustainability through extending the economic life of heritage buildings, help to reduce reliance on cars by improving the pedestrian access to the town centre and promote energy efficient design. The project itself will create economic activity within a highly accessible location, thereby being inherently less reliant on privately owned road transport. As the design of the project is progressed, the Council will explore ways to deliver refurbished and new buildings that are exemplary in energy efficiency.
- 11.1.11 Having identified a preferred option, consideration has then been given to the delivery strategy for the project and how this might be procured. This has been further supported by financial analysis to consider the potential impact of the project on the Council's medium term financial strategy; this latter work has been carried out by Grant Thornton.

## 11.2 Proposal

11.2.1 Based on the business case work and drawing on the commercial advice by Montagu Evans and Grant Thornton, the proposal for the Regeneration Project is to proceed with comprehensive regeneration of the whole identified area. Given that the Council does not have the in-house expertise, nor the appetite to take on the financial risk alone to deliver this ambitious regeneration scheme, it is proposed that the Council seek the assistance of an experienced private sector development partner to with a proven track record in progressing complex multi-phase urban regeneration projects of this nature.

11.2.2 There are various ways in which the Council could achieve regeneration with a private sector development partner. Given the high profile, town centre location of the project and importance of this scheme to the revitalisation of Watford town centre, the Council wishes to ensure that it is delivered to a high quality. In order to achieve this, the two options that most closely meet the Council's aspirations are through a development agreement with a private sector developer or by means of a joint venture with a developer. These are compared further in the table below.

<b>Development Agreement</b>	
<b>Pros</b>	<b>Cons</b>
<ul style="list-style-type: none"> <li>▪ This has the potential to generate a capital receipt from the sale of the land</li> <li>▪ The Council could choose to use the capital receipt fund some the scheme e.g. to pay for non-value items, such as cultural benefits or Town Hall refurbishment.</li> <li>▪ There is no development risk to the Council.</li> <li>▪ A development agreement requires simpler governance arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The development partner takes all the profit from the development and there is a relatively lower return to the Council.</li> <li>▪ The Council would have less control over quality and design decisions for a high profile project where quality will be very important.</li> <li>▪ The Council would have less influence over programming.</li> <li>▪ A development agreement is less flexible to adapt to a changing economic environment or any changes driven by planning consent. If changes are required, this can lead to the need to re-procure a development partner thereby causing significant delay.</li> </ul>
<b>Joint Venture</b>	
<b>Pros</b>	<b>Cons</b>
<ul style="list-style-type: none"> <li>▪ It is anticipated that a surplus will be generated by the project.</li> <li>▪ There is potential to put this surplus back into the scheme to pay for non-value items, such as cultural benefits or Town Hall refurbishment to ensure the Town Hall redevelopment is cost neutral, or to increase the percentage of affordable</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council is required to take development risk together with a JV partner. A more involved and complicated governance structure is required to make the project successful.</li> </ul>

<p>housing or use the surplus for other Council priorities.</p> <ul style="list-style-type: none"> <li>▪ The Council's land value is matched by development partner, so typically the Council does not need to contribute any funding until later in the project delivery.</li> <li>▪ The Council will have equal control with the developers on decisions over quality, design decisions and final outcomes, because decision-making will be based on 50/50 voting rights.</li> <li>▪ The Council would likewise have more influence over programming.</li> <li>▪ Through the JV's business planning cycle, the project is capable of major adaptation to changing economic and other circumstances without need for re-procurement.</li> <li>▪ The Council has had a positive experience of joint venture arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council would be required to take construction and sales risk as part of a joint venture.</li> </ul>
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11.2.3 Having considered the options for delivery, a joint venture arrangement with a suitably experienced private sector developer is recommended as providing the Council with the best outcomes.

11.2.4 In choosing to look for a development partner and establish a joint venture, the Council will be taking a share of the development risk. The key mechanisms for managing this development risk are:

- procure an experienced private sector development partner with appropriate expertise to ensure that the project is competently delivered and ensure that the development partner is equally exposed to financial risk;
- ensure that suitable development management and other professional services are provided to the joint venture vehicle;
- this project will take up to 10 years to deliver and will be progressed over at least one economic cycle – the project can therefore be programmed to take advantage of the economic cycles to ensure that housing sales take place at appropriate times;
- thorough risk assessment of the business plan and phases of development; and
- suitable contingencies should be assumed within viability work to cater for minor changes in values and construction costs and address any cost increases.

11.2.5 In suggesting this approach, it should be noted that Watford has experience with joint venture commercial arrangements and will use the experience from these to shape the commercial structure for the Town Hall Quarter programme. Joint ventures between private and public sector partners have become an approach that is regularly used by the public sector to deliver complex urban regeneration projects. There is now a body of documentation developed in the market to set out the commercial, financial, and operational structures for this type of vehicle and which most developers and their advisers are familiar and comfortable with.

- 11.2.6 These arrangements allow the public sector to draw on the experience and expertise within the private sector without giving away all the surplus that could be generated from a project, and without losing control of the project. Typically, the value of the land contributed by the Council will be matched with cash by the private sector partner. In this case, this will likely mean that the private sector partner would pay for all the pre-development design and planning work. Only once this matched contribution has been expended in adding value to the project does the Council need to start contributing capital to the project. Thereafter, the Council and the private sector partner contribute 50% each to the project, receive 50% each of any surplus generated and govern the project on a 50/50 basis. This type of arrangement allows the Council to retain considerable control of all aspects of delivery of the project and to ensure that such a high-profile project is delivered to a high quality for the benefit of the residents of Watford.
- 11.2.7 In addition, the Council is not under obligation to transfer land to the joint venture unless and until the JV (as developer) has satisfied all the necessary pre-conditions for a transfer of land (e.g. planning, funding, pre-lets, viability). Further, in selecting a joint venture partner it is possible but not an absolute requirement to appoint a partner with relevant construction and other limbs to their business which may complement the joint venture and the scheme. This can add benefits in terms of delivery.
- 11.2.8 Based on the advice given by its advisers, the Council proposes that the joint venture arrangement should be a limited liability partnership (LLP). As the Council will be entering into the joint venture in order to pursue primarily regeneration purposes, a LLP is lawful and has a tax advantages over a limited company. This is because LLPs established under the Limited Liability Partnerships Act 2000 are tax transparent vehicles. In other words, LLPs are 'transparent' for direct taxes (including corporation tax and capital gains tax) which means, for example, any profits of the LLP will be taxed in the hands of its members rather than in the LLP itself. The Council will be able to rely on its local authority exemption from corporation tax in relation to those profits.
- 11.2.9 Through the procurement process, an initial business plan for the project would be prepared for adoption by Cabinet at the time of appointment of the preferred development partner, typically with more detail on any first phase. Thereafter, a more detailed business plan would be prepared by the joint venture for confirmation by Cabinet together with appropriate governance arrangements to ensure that the Council retains sufficient control of the project as it proceeds. It will only be at this point that a formal commitment is required by the Cabinet to recommend to the Council a formal commitment of capital to the joint venture.
- 11.2.10 The Council has further considered the best route to secure a joint venture development partner. Due to the value of the proposed works the council will have to comply with the Public Contract Regulations. Advice from our commercial and legal advisors is using the competitive dialogue procedure will secure the best opportunity to get the right development partner for this project. Whilst there are various frameworks available that could be used and which might make the process slightly faster, these all constrain the type of contract that can subsequently be entered into and thereby prevent the Council from tailoring the future commercial structure in a way that is optimal for this project.
- 11.2.11 The advice received is that the council should use competitive dialogue (CD) (and not competitive procedure with negotiation (CPN)). None of the other procurement processes (i.e. open or restricted) are suitable. This approach has maximum flexibility and is especially preferable when looking for a joint venture partner. However, it is recognised that there is a risk of protracted dialogue that can cause programme delay and an escalation of costs. The way to mitigate against this is through careful preparation at the outset and using commercial advisers and legal teams who are well versed in procurement for this type of commercial structure. The council has already procured Browne Jacobson as its legal advisers for this project and they with Montague Evans

commercial advisers and Grant Thornton financial advisers will work with the council to achieve an optimum procurement process.

### **11.3 Land Assembly Requirements**

11.3.1 In order to progress a comprehensive regeneration project for the identified area, the Council will need to reach agreement with the other landowners to acquire their land. In the first instance, in order to provide confidence to potential tenderers as part of a procurement process, the Council will need to seek to enter into in-principle agreements with respective landowners to demonstrate that there are no impediments to progressing the project.

## **12.0 Town Hall Project - (Sponsor – Andrew Cox, Group Head of Transformation)**

### **12.1 Background and Work to date**

12.1.1 Through progressing this programme, the Council wishes to ensure that the both the Colosseum and the Town Hall have sustainable futures and can help to improve Watford's cultural and employment offer. The Council will also need to decide on the future of the Town Hall Annex – whether this is a useful building in its current form or whether there is more value in its redevelopment as part of the regeneration project.

12.1.2 The Town Hall, as currently configured, has been recognised as not fit-for-purpose to meet the future accommodation requirements of the Council and the current use of the space is very inefficient. Additionally the Town Hall is not considered to be desirable rental space in its current configuration and condition, although following work over recent years it does have a suitable energy rating to be rented to third parties. There are also some essential works that need to be completed due to elements of the building being end-of-life, which will be required regardless of the buildings' future. All of these factors need to be addressed to give the building the desired sustainable future.

12.1.3 Through adaptation of the Town Hall building, there is an opportunity for the Council to compress its space usage, reduce operating costs, enhance its operations and at the same time free up space within the building for other purposes. The Council's space requirements will be defined through the Transformational Change Project to ensure that the space needed reflects the post-Covid culture and way of working that our staff have told us they want and which the Council aspires to deliver best in class services to residents.

12.1.4 Other purposes that have been identified as options for the Town Hall include making space for Watford Museum and providing flexible, easy-in-easy-out office space for other organisations such as the creative industries and voluntary sector. Alternatively there is the potential to turn the Town Hall and/or the Annex into an Innovation and Incubation Hub, an idea that is being explored as a separate project (see Innovation and Incubation project below).

12.1.5 Business case preparation and supporting design work is required to fully explore the available options and identify a preferred future for the building(s). This project is being linked with and managed alongside the Colosseum project (see below) as it is likely to be cheaper to deliver the works at the Town Hall at the same time as the Colosseum

### **12.2 Proposal**

12.2.1 Further detailed work is required to develop an options appraisal and a subsequent Outline Business Case for redevelopment of the Town Hall. As part of this work a set of requirements will be developed for the Town Hall. These will be sourced from the work being carried out on other THQ projects work specifically, the Museum and Heritage Service project exploring the potential move the museum to the Town Hall), the potential for an Innovation and Incubation Hub being

based at the Town Hall and the Transformational Change project (this will determine the amount of space required for Council staff within the Town Hall).

- 12.2.2 The proposal is to work up a detailed planning and business case document for the Town Hall redevelopment in the first nine months of 2021 with a view to bringing this back to Cabinet in early Autumn.

### **13.0 Colosseum Project - (Sponsor – Andrew Cox, Group Head of Transformation)**

#### **13.1 Background and Work to date**

- 13.1.1 Earlier this year the Council commissioned a design team to assess the standalone refurbishment requirements for the Colosseum to both address elements of the building that are “end-of-life” and to enhance the use of the building for a future operator. The initial design work, has been completed; however, it is thought that there are further opportunities to make even better use of the building (see Culture Project below). There may be further synergistic uses between the Colosseum and a re-purposed Town Hall and we are keen to explore whether these have any merit.
- 13.1.2 This project will develop requirements for the refurbishment of the Colosseum in parallel with the requirements and business case developed as part of the Culture Project (see below) and, once agreed, will deliver the refurbished Colosseum.

#### **13.2 Proposal**

- 13.2.1 As part of this work a set of requirements will be developed for the Colosseum. These will be fed by other work such as the Town Hall redevelopment project, the Heritage Service project and the Culture project.
- 13.2.2 The proposal is to work up an Outline Business case and supporting design work for the Colosseum redevelopment in the first nine months of 2021 with a view to bringing back to Cabinet a business case in early Autumn 2021.

### **14.0 Innovation and Incubation Hub Project - (Sponsor – Vivien Holland, Interim Executive Head of Commercial and Finance)**

#### **14.1 Background and Work to date**

- 14.1.1 This project is to explore the feasibility of an innovation and incubation hub to be located in Watford, followed by steps to implementation in the event it proves to be viable and fundable.
- 14.1.2 There are several such hubs around the country, delivered by different providers. The purpose of these hubs in general is accelerated economic development. They are more than co-working spaces because they also provide infrastructure and support to growth businesses which then may go on to become major businesses in the town, supporting its economic growth and vibrancy and fulfilling the Council’s commitment to create a thriving, diverse and creative town. Typically the public or university sector provide space and in due course income could be achieved from the space usage.
- 14.1.3 Public sector funding is often required to support the establishment of a hub and having a business case prepared will enable us to bid for such funding.

#### **14.2 Proposal**

- 14.2.1 The first part of this project is to prepare a business case for the creation of an innovation and incubation hub within Watford, which, based on detailed understanding of Watford’s economy, will set out the key parameters for such hub – such as what economic sector(s) it will seek to bolster.

This will feed through to defining where such hub would best be placed (where the Town Hall is an option) and what spatial and other requirements are necessary to enable a hub to thrive.

- 14.2.2 If the Town Hall were to be a suitable site for a hub, then further analysis will be required to ascertain the funding requirements to deliver this ambition. If the Town Hall were to become the preferred option for an innovation and incubation hub, then further consideration will be required for the alternative uses of the Town Hall, including the Council offices and the Museum and whether these can be accommodated alongside the incubation hub or would need to be located elsewhere

## **15.0 Museum and Heritage Service Project - (Sponsor – Alan Gough, Group Head of Community and Environmental Services)**

### **15.1 Background and Work to date**

- 15.1.1 This project is reviewing the Museum and Heritage Service. The project will assess the options for the service and specifically:

- assess the requirement for the Museum in Watford, re-assess its purpose and value to the community;
- define new objectives for the Museum that set out its vision and determine what it should focus on in terms of its collection, where necessary rationalising the existing collection;
- define anew the objectives and remit of the associated heritage service;
- consider whether the Museum should remain at the current location (Benskin House) or whether it would better be relocated to a refurbished Watford Town Hall and Watford Colosseum site as part of the Town Hall Quarter (THQ) project at the top of the town; and
- re-assess the opportunity to seek lottery funding to improve the existing building, storage, displays and wider experience.

- 15.1.2 The objective of the project is to re-imagine the Museum and Heritage service and particularly bring the Museum experience up to modern standards. The project will then implement the changes to the way the heritage service is run and deliver the physical change.

- 15.1.3 A tender exercise has been completed and a company is in the process of being appointed to carry out a review of the Museum and Heritage service.

### **15.2 Proposal**

- 15.2.1 The appointed consultants will, in conjunction with officers, develop an Outline Service Plan for the Museum and Heritage service in the first quarter of 2021.

## **16.0 Culture Project - (Sponsor – Alan Gough, Group Head of Community and Environmental Services)**

### **16.1 Background and Work to date**

- 16.1.1 This project is focused on the cultural offer and future operation of the Colosseum. As with the Museum and Heritage Service project, there is potential to make better use of the Colosseum space to support local cultural organisations.

- 16.1.2 We appointed design consultants Mace to review the Colosseum and the design work that has been carried out to-date by Mace has sought both to identify a refurbishment strategy for the



Colosseum and, critically, to identify ways that the building could generate more income by making it much more attractive to operators for example allowing them to increase income from food and beverage, and merchandising.

- 16.1.3 There is potential for even better use of the Colosseum to be made through making the facilities more useful to local theatre, performance, art and dance organisations. This would increase the activity in the building during the daytime and outside of major events, and potentially generate further income.

## 16.2 **Proposal**

- 16.2.1 The project will provide an assessment of requirements for Watford's cultural organisations' use of the Colosseum. It will then feed design requirements through to the design brief for the Colosseum with a supporting business case. In addition it will prepare for a new operator for the Colosseum.
- 16.2.2 Once a proposed approach has been confirmed, then procurement will progress for a future operator.

## 17.0 **Transformational Change – (Sponsor – Kathryn Robson, Executive Head of Strategy and Communications)**

### 17.1 **Background and Work to date**

- 17.1.1 The Council recognises that the Town Hall Quarter programme presents an outstanding opportunity to link the sustainability of the Town Hall to the direction of the 'future Council', which seeks to build on the adaptable, flexible and collective way we have worked this year. As a bold, forward looking Council we know that our future success will depend on matching our ambitions to the way we work. This will need to be underpinned by a robust and organisation-wide transformational change programme that has staff at its heart and that works alongside them, and members, to shape and embed our 'future Council' vision. This vision will reflect the type of Council we want to be, focusing on areas that we know are critical for successful and thriving workplaces such as collaboration, innovation, creativity and employee wellbeing and which our residents and community recognise for excellent services and outstanding customer experience.
- 17.1.2 This project is being led by the Executive Head of Strategy and Communications, with support from the Executive Head of Human Resources and Organisational Development. Additional expertise in organisational change and transformation will be secured to support the project, bringing in best practice from both the private and public sector as well as the latest thinking in embedding the ethos of 'work is what you do, not a place you go' but the Council, and its staff, will drive this project to secure the culture and ways of working that meets our goals and Council Plan ambitions.

### 17.2 **Communications and Engagement**

- 17.2.1 The Council recognises that timely, accurate and transparent communications and engagement will be a vitally important part of the successful delivery of the THQ programme and its component projects. As this is such a significant and transformational programme for the local community, staff and members, other identified stakeholders and the town overall, the Council is committed to keeping people informed, up to date and involved in the programme as it progresses.
- 17.2.2 An initial communications and engagement plan has been developed to support the programme and, given the scope of the plans, it is proposed that a dedicated resource works on this aspect, linking both external and internal communications and engagement. The dedicated role can also provide resource to the specific project areas as needed. It is envisaged that they will work closely with the Communications and Engagement team, taking responsibility for identifying effective opportunities to engage the community and keep them up to date, developing a proactive and

informative schedule of communications throughout the life of the programme. This will include reaching out to those groups within the community who may find it harder to engage through usual channels.

### **17.3 Proposal**

17.3.1 This project will work up plans to support the significant transformational change for the Council and develop and manage the Communications plan.

### **18.0 Implications**

#### **18.1 Financial Issues**

18.1.1 Part B Appendices D, E and F are attached to this report and they include financial and commercial advice from Grant Thornton (Appendix D) and Montagu Evans (Appendix E) plus a high level financial summary (Appendix F).

18.1.2 The strategic business case for the regeneration project indicates that there is potential for a return of circa £9m by year 10 of the programme. Further work is required to develop the detailed business cases for the Town Hall redevelopment, the Colosseum development and the potential relocation of the Museum though it should be noted that these projects do not impact on the financial return from the regeneration project.

18.1.3 The cost of developing these business cases plus the costs of carrying out the procurement of a development partner to deliver the regeneration project we estimate will be circa £2.1m. We are seeking approval to use an equivalent proportion of the existing £11M capital budget for the Town Hall/Colosseum to fund developing detailed business cases for all of the projects in the programme and taking the regeneration project through the procurement process for a development partner. Specifically it covers the following costs:

- procurement of a development partner - £500k
- design and business planning for the Town Hall and Colosseum - £1m
- staffing all projects - £500k
- contingency - £100k

18.1.4 Should the full project not proceed there is a risk that a proportion these costs would not be able to be charged to the capital programme and would have to be met from revenue reserves.

18.1.5 The key financial risks around the regeneration project include:

- Inflation may rise more than planned
- Sales values may be lower than forecast
- Construction costs may be higher than forecast
- Interest rates may go up
- PWLB / State Aid implications

18.1.6 Soft market testing has given some confidence in respect of these and they will be covered in more detail within the final business case.

- 18.1.7 In terms of funding already available the capital programme already has £11m identified towards the refurbishment of the Town Hall and Colosseum. However it is recognised that to deliver the ambitions set out above in this comprehensive and transformational programme we will need to borrow additional funds from the Public Works Loan Board, which it is planned will be offset against the projected £9m income generated by year 10 of the regeneration project. The requirement to borrow arises largely from the desire to carry out works to the Town Hall and Colosseum ahead of the delivery of the final housing. Additional funding could come from the sale of the current Museum building. This should allow the potential relocation of the Museum to be cost neutral.
- 18.1.8 Members should also be aware that there may be a need for us to return so seek further capital funding at some point in the future. This should become clear once we have completed the various business cases and we have undertaken the procurement for a JV partner.
- 18.2 **Legal Issues** (Monitoring Officer)
- 18.2.1 The Council has instructed Browne Jacobson LLP to provide advice for the regeneration project their advice in full is set out in the attached appendix.
- 18.2.2 Section 1(1) of the Localism Act 2011 introduced the “general power of competence” for local authorities, defined as “the power to do anything that individuals generally may do” and which expressly includes the power to do something for the benefit of the authority, its area or persons resident or present in its area. The generality of the power conferred by subsection (1) is not limited by the existence of any other power of the authority which (to any extent) overlaps the general power. This is subject to the proviso that where a council undertakes activity for a commercial purpose it must do so through a company (meaning a limited liability company that will be subject to corporation tax in the usual way). This statutory requirement is designed to ensure a level playing field where councils engage in purely economic activity.
- 18.2.3 In relation to the recommended delivery structure for the regeneration project as a joint venture limited liability partnership (LLP), provided the purpose of the Council in pursuing the scheme (and in entering into the LLP with the selected development partner) is not a commercial purpose, a LLP will be lawful. Where the purpose of the Council is predominantly a commercial purpose, a company structure would be required for the reasons given in that advice.
- 18.2.4 In the case of *Peters v London Borough of Haringey* (2018) EWHC 192 (Admin) it was confirmed that a Limited Liability Partnership (LLP) structure can legitimately be used to create joint ventures with the private sector to promote regeneration objectives (being for a non-commercial purpose). It does not matter for these purposes that the LLP itself may generate profit, it is the dominant purpose of the council in being a member of the LLP that matters.
- 18.2.5 Although the council has Housing Act powers, it may also rely on the Localism Act 2011 for the purpose of this project and in doing so (and in any event) would need to have regeneration purposes in mind (not commercial purposes) to form a LLP.
- 18.2.6 In addition to the general power, Section 111 of the Local Government Act 1972 enables the Council to do anything which is calculated to facilitate, or is conducive to or incidental to, the discharge of any other of its functions, whether involving expenditure, borrowing or lending money, or the acquisition or disposal of any rights or property. This further supports the lawfulness of the recommended approach. The Council has powers under the Housing Act 1985 to provide housing accommodation and therefore is a legitimate function to which section 111 would attach.
- 18.2.7 Where applicable, the Council, as a contracting authority, must adhere to the rules set out in the Public Contracts Regulations 2015. The threshold above which the award of public services contracts must comply with the full rigour of the Regulations is £189,330 and for works contract

the sum is £4,733,252. For over-threshold contracts, contracting authorities must, among other things, publish a contract notice, which from 1 January 2021 will no longer be in OJEU but in the replacement Find a Tender. This project will exceed these thresholds and would qualify as a works contract because that represents the main object of the procurement (i.e. construction of the scheme). In conducting the procurement, the Council would be bound to observe the general principles enshrined in the Regulations, namely openness, transparency, non-discrimination, and confidentiality. The observance of the Council's procurement procedures in the selection process would provide compliance in this regard.

18.2.8 In electing to adopt a competitive dialogue procedure under the Regulations, the Council must be satisfied that one of the grounds for using that procedure apply; here the justification (under regulation 26) being that "the contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them". Browne Jacobson confirm the availability of this justification in relation to the procurement.

18.2.9 When considering whether to adopt the recommendations of this report, the decision maker will be exercising discretion and should therefore have in mind the following principles of administrative law:

- the decision must be within the Council's powers;
- all relevant information and consideration, including the Council's fiduciary duty to the Council Tax payer, must be taken into account; and
- all irrelevant considerations, including unauthorised purposes, must be ignored.

### 18.3 Equalities, Human Rights and Data Protection

18.3.1 Under s149 (1) of the Equality Act the Council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

18.3.2 The Council has carried out an Equalities Impact Analysis (EIA) of the current stage of the Town Hall Quarter Programme. The analysis is attached as Appendix C to this report. The EIA found that, the overall programme, will have positive impacts for the Watford community as it is providing new public spaces for the community, opportunities to celebrate Watford's diverse community, accessible facilities that will appeal to all ages and interests as well as accessible places to work that will provide employment opportunities for those of working age. Whilst negative impacts have been identified in the EIA mitigations have been proposed.

18.3.3 The EIA also makes the following recommendations:

**Recommendation 1** - All projects identified within the programme to carry out EIAs. The Programme Manager should be responsible for ensuring that each project team undertakes a robust and comprehensive EIA.

**Recommendation 2** - All projects to take into account Watford's community, demographics and protected characteristics.

**Recommendation 3** - The Transformation Change and Town Hall development projects should be underpinned by staff data and information. Staff should be fully engaged in these two projects in particular and kept up to date on the programme overall.

**Recommendation 4** - Where consultation and engagement is undertaken, the project leads should ensure that, as far as possible, they reach out to harder to hear groups within the community, learning from recent experiences of effective engagement. Relevant demographic questions should be included in any surveys.

18.3.4 Article 1 of The First Protocol of the Human Rights Act 1998 provides that every person is entitled to the peaceful enjoyment of their possessions and that no one shall be deprived of their possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law. These provisions do not impair the rights of the state to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties.

18.3.5 Having had regard to the Council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

#### 18.4 **Staffing**

18.4.1 The Council has a team engaged to progress this work but will need to recruit additional project management support and to procure specialist consultancy support to enable delivery.

18.4.2 The Council will need to extend the existing contracts with Mace (providing multi-disciplinary engineering and design support in relation to the refurbishment of the Colosseum and Town Hall) and with Montagu Evans (acting as commercial advisers for the Regeneration Project).

#### 18.5 **Accommodation**

18.5.1 The proposals involve changes to the Council's office accommodation, seeking to reduce the amount of office space used by the Council and thereby reduce the Council's operating costs. The proposals will give rise to more flexible and agile working arrangements and will need to be discussed with Council staff as they are progressed.

#### 18.6 **Community Safety/Crime and Disorder**

18.6.1 Section 17 of the Crime and Disorder Act 1998 requires the Council to give due regard to the likely effect of the exercise of its functions on crime and disorder in its area and to do all it reasonably can to prevent these.

18.6.2 The proposals to regenerate the area around the Town Hall will lead to changes to the public realm. Secured by design principles will need to be actively embraced to ensure that design proposals inhibit crime. Given that there is a high footfall passing through this area on a daily basis, consideration will need to be given during construction works to ensure the public is safe at all times.

#### 18.7 **Sustainability**

18.7.1 This project will deliver more activity in a very central, highly accessible location, which will inherently be beneficial from a sustainability perspective in travel and transport terms. There is an

opportunity to champion energy efficiency in the building design and the Council will actively seek central government funding to help improve the design performance of the heritage buildings. In addition to this, the Council will explore whether a central heating system for the whole new development would be beneficial in terms of energy delivery.

18.7.2 The Council has made a funding bid to the Government's Public Sector Decarbonisation Scheme to carry out energy efficiency improvement works to the Town Hall and Colosseum. This would help significantly improve the environmental performance of these buildings. If this bid is successful, then works will be carried out on the buildings during this coming year.

### **Appendices**

A - Member Steering Group – Terms of Reference (Part A)

B - Legal advice from Browne Jacobson (Part A)

C - Equalities Impact Assessment (also referenced in section 18.3 of the report) (Part A)

D - Grant Thornton Report (Part B)

E - Montagu Evans Report (Part B)

F – High level Financial Summary (Part B)