



# Doncaster Council

## Report

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Date: 30<sup>th</sup> June 2020

To the Chair and Members of the Cabinet

### **FUTURE HIGH STREET FUND (FHSF) FULL BUSINESS CASE WATERDALE AND SPRING GARDENS**

<b>Relevant Cabinet Member(s)</b>	<b>Wards Affected</b>	<b>Key Decision</b>
Cllr B. Mordue	ALL	No

#### **EXECUTIVE SUMMARY**

1. Doncaster Town Centre is entering a new and extremely exciting era of positive change and growth; however, an enormous change has taken place in retail. The traditional pattern of making purchases in retail stores has been profoundly disrupted by the growth of on line shopping. Town centres need urgently to transform in a way that drives growth, improves experience and ensures future sustainability.
2. To help meet these challenges, the Council is seeking £21.06m from the Government's FHSF to invest in the repurposing of Waterdale, Spring Gardens and potentially the site of St James' Baths in conjunction with private sector. Already at draft Full Business Case stage, the deadline for submission of the final Full Business Case is 31<sup>st</sup> July 2020.
3. Since first drafting the Full Business Case in early 2020, relevant landowners, external experts and Council officers have made significant progress on this innovative and ambitious £49.19m scheme.
4. While there is speculation about the impact of Covid-19 on Doncaster's economy after lockdown and within the scheme delivery period 2021 to 2024, key research points to an upturn in the economy from 2021. The private sector contributors (in the scheme) have indicated that their investment plans are proceeding, however the objective of this scheme is to lay the foundations for the repurposing of Waterdale and remains vital if the town centre is to recover from the impact of changing shopping habits and the Covid-19 crisis.

## **EXEMPT REPORT**

5. There are a number of legal, financial and commercial matters contained within Appendix 1 of this report which are commercially sensitive information. Therefore Appendix 1 is NOT for publication because it contains exempt information by virtue of Paragraph 3 of Part 1 of Schedule 12 (a) of the Local Government Act 1972 (as amended) information relating to financial or business affairs of any particular person (including the authority holding that information).

## **RECOMMENDATIONS**

6. It is requested that Cabinet approve the following recommendations:
  - R1. That Doncaster Council applies for £21.06m from the Future High Street Fund (Appendix 1) which represents a 43% contribution to the total cost of £49.19m to develop business, leisure, culture and arts, retail space and associated infrastructure and public realm in Waterdale, Spring Gardens and potentially the site of St James' Baths.
  - R2. Subject to receipt of FHSF, the Council will
    - a) Commit FHSF resources to the repurposing of Waterdale and Spring Gardens in line with investment profiled in Appendix 1;
    - b) Enter into Heads of Terms with landowners identified in Appendix 1;
    - c) Commence negotiations with interested parties to identify options for the redevelopment of Copley House and the old library site.
  - R3. Authority be delegated to the Director of Economy and Environment (or in his absence the Assistant Director of Economy) and Director of Corporate Services (or in her absence the Assistant Director of Finance) in consultation with the Mayor and Portfolio Holder to conclude satisfactory funding agreements with both the Ministry of Housing, Communities and Local Government (MHCLG) and where appropriate facility agreements with the private sector.

## **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

7. A thriving centre is key to the success of any place, but it does not just happen. For the centre of Doncaster to drive our borough's economy, it must support enterprise, a diverse array of companies and employment, whilst delivering an outstanding retail, leisure, culture and residential offer built on accessibility and inclusiveness. Put into context:
  - The consolidation of the retail core gives the opportunity to look positively and refine other parts of the centre with a new 'all age' purpose;
  - Doncaster's Urban Centre Masterplan highlights town centre as playing key role in sustained economic regeneration and increasing productivity;
  - There is massive potential and space for offices and work spaces that can attract thousands of quality, well paid jobs;
  - Enables Doncaster to build on its role as a 'gateway' city and serve a wider labour and market catchment based regional and national connectivity;
  - A resetting standards for urban living and urban greening will make Doncaster a better place to live, work and invest;

- Through strategic interventions (e.g. acquisitions, demolition, site preparation and infrastructure), Waterdale will offer a leading investment location.
8. Supported by the refreshed Urban Centre Masterplan and run in conjunction and in sync with the Council's Towns Deal, this impressive investment portfolio will help create the conditions for sustainable and inclusive growth in the town centre. For this reason, it is proposed to join the governance arrangements for the FHSF and Towns Deal, using one assurance and scrutiny framework.

## BACKGROUND

9. Three prominent town centre sites need transformational spatial development and investment:



### Waterdale and Spring Gardens

- Depressed area with high voids (60%) and under-supply of quality office space has led to big footfall reduction;
- Causing disconnect between station, transport interchange, retail core and the new Civic & Cultural Quarter (CCQ);
- There is a need to radically change the feel of the environment to raise the quality and provide a new sense of place.

### City Gateway site

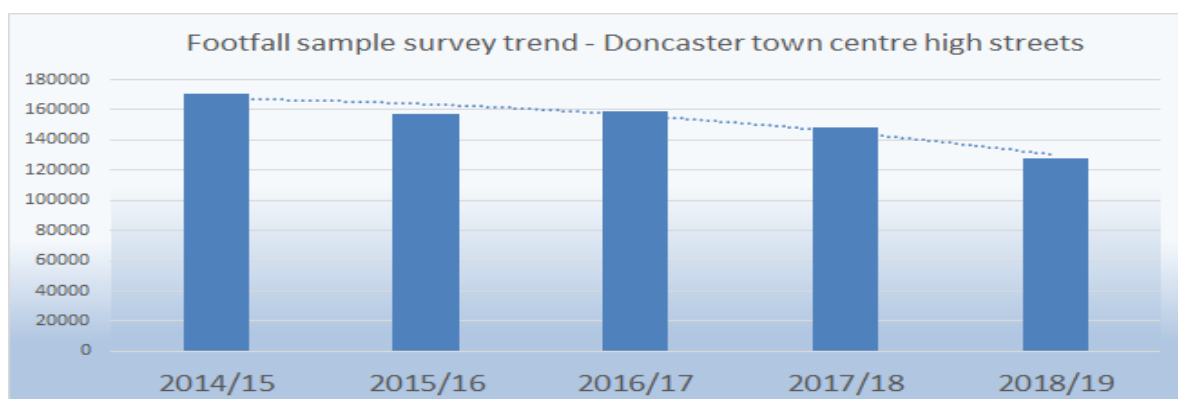
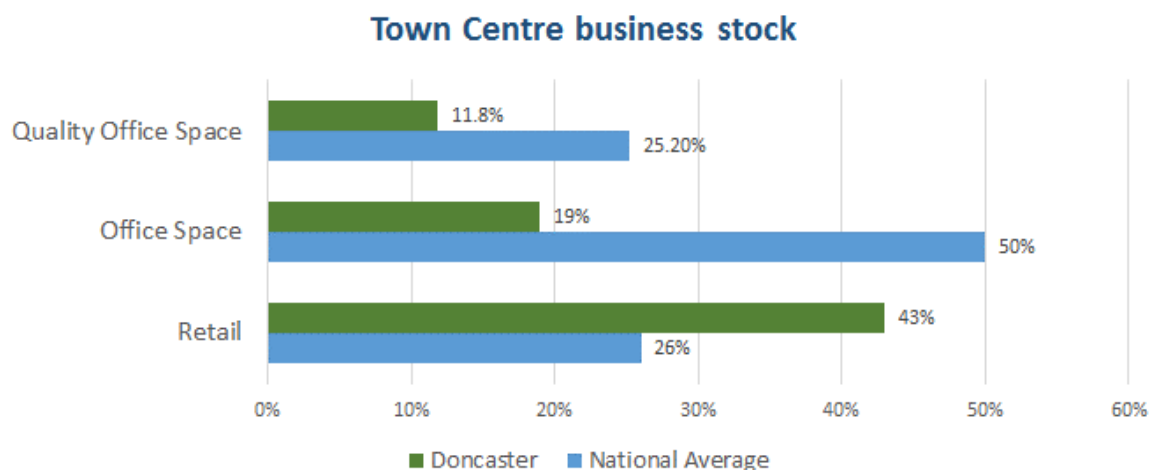
- Perfect area for town centre business and rail gateway office park;
- Superb connectivity so could help reverse net exporter of labour role

## Waterfront

- Undeveloped brownfield, but huge potential as waterside destination;
- New College hub, marina and some infrastructure already complete;
- Walking distance from train station;
- Ideal site for hospital and campus.

## Addressing Key Challenges in Waterdale

10. Similar to many large market towns, Doncaster's high streets (such as Waterdale) have suffered due to the impacts of out of town and online shopping;
- Many retail businesses have suffered from low footfall due to a lack of people working in the town centre;
  - This has left many empty units on the periphery which are no longer required for retail use;
  - Overall town centre voids at 20% (11.9% nationally);
  - Voids in Waterdale are close to 60% (prior to the recent demolition);
  - People are choosing a more cohesive and vibrant destination, providing a mixed use environment of leisure, work and culture;
  - Digital connectivity and infrastructure is not future proof.



## Intervention

11. The recent £80m investment in the Civic and Cultural Quarter by Doncaster Council has refocused efforts to create a new identity for Waterdale and attract investment through:
- Demolition and site preparation and acquisition;
  - Public realm, quality streets and infrastructure (in part using Transforming Cities Fund);
  - Commercial investment in business and residential accommodation;
  - Culture, Leisure and Arts provision;
  - Refurbishment of existing assets;
  - Seeking new digital 'hot spot' in Waterdale and Spring Gardens in partnership with a national digital provider.
12. In addition, private sector investment is underway in Spring Gardens. Together with major proposals for investment in Cleveland Street and Duke Street in design stage, these high profile investments and benefits are captured in the FBC.

## Timeline

13.

Final Full Business Case submission	30 <sup>th</sup> June to 31 <sup>st</sup> July 2020
FHSF Award	September to October 2020
FHSF Contract Completed	January to March 2021
1 <sup>st</sup> FHSF Payment	April 2021
Annual Claim Profile	April 2022/April 2023/April 2024
FHSF Expenditure Deadline	31 <sup>st</sup> March 2024

## Benefits of the Scheme to Doncaster

- Increased footfall by opening connector route and attracting additional visits to the town centre;
- Creation of a mixed age destination which is accessible and inclusive;
- Taking advantage of adjoining developments to provide a critical mass offer;
- Not dependent on Urban Centre Masterplan delivery or Towns Deal;
- Integration with the emerging themes and priorities in the Towns Deal such as urban greening;
- New connecting route from CCQ to station and city gateway project;
- Uplift in asset value and business rates;
- Increase in town centre residential offer leading to increased footfall;
- Quality business accommodation offer leading to increased footfall;
- Increase in GVA (Gross Value Added);
- Quality meantime units and pop up retail/maker spaces;
- Decline in voids and obsolete infrastructure;
- More quality jobs for resilient economic growth – based on the Inclusive Growth Strategy;
- Reduction in Anti-Social Behaviour and crime – Waterdale was a ASB hotspot;
- Improving the commercial viability - critical mass offer with CCQ;
- Supporting local SMEs (manufacturing/leisure offers);
- Ability to roll out new digital infrastructure and services across the site.

- Every town has its own unique set of cultural assets – from historic buildings and arts centres to festivals and local crafts. The creative industries is the fastest growing sector of the UK economy. We have the legacy, the talent and the opportunity to do more, and to use culture to unite communities, encourage investment and accelerate economic growth.
14. In response to feedback from MHCLG on the draft Full Business Case in April 2020, the final Full Business Case has been substantially strengthened by:
- a) Capturing more of the investment in Spring Gardens and adjoining sites to bring the total investment portfolio to £49.19m (see Appendix 1);
  - b) Readjusting of public realm costs to reflect external advice;
  - c) Generating new designs for Waterdale and Spring Gardens;
  - d) Completing a full option analysis and value for money (Benefit Cost Ratio - BCR) assessment;
  - e) Producing a set of Heads of Terms for three private sector landlords;
  - f) Greater cohesion with the Towns Deal (including governance and reporting);
  - g) Increased commercial interest in Copley House and old library site;
  - h) Securing a cultural offer based in Waterdale;
  - i) Covid-19 addendum highlighting the continuing need for the project in helping Doncaster overcome the impact of Covid-19.

## **OPTIONS CONSIDERED**

- 15.
- (a) Submit a Full Business Case (FBC) seeking £21.06m from the Future High Street Fund (as detailed in Appendix 1);
  - (b) Leave to market – two decades of underinvestment in Waterdale has resulted in a gradual decline into a dilapidated state. History shows that the market will not pump prime the site and it will continue to stagnate without public intervention;
  - (c) Do Nothing - leave this area of the town centre in a dilapidated state, with the ensuing detrimental impact on the Civic and Cultural Quarter.

## **REASONS FOR RECOMMENDED OPTION**

16. As one of three prime investment locations in the town centre (Waterdale, Gateway and Waterfront), the ability of the Council to renovate and rejuvenate Waterdale is restricted by:
- the lack of funding to pump prime building and infrastructure;
  - control of the site is predominantly in private ownership;
  - State aid regulations set levels of public intervention.
  - High abnormal costs including repurposing or demolition of the ABC cinema, construction above the underground car park and demolition of Copley House and the old Library site.
17. The FBC must demonstrate that it will meet the main metrics required by MHCLG which are:
- Increased footfall
  - Reduced vacancy rates (voids)
  - Business Diversity – change of use and shrinking retail footfall.



18. The Future High Street Fund offers a four-year programme up to 31<sup>st</sup> March 2024 and the opportunity to use FHSF to help repurpose Waterdale and Spring Gardens and create a vibrant business, leisure, cultural and retail destination.
19. In recommending the scheme detailed in Appendix 1, the Cabinet will be seeking the most the ambitious portfolio put together by the Council and landowners.
20. Analysis of the Doncaster Talks (2019) responses highlights the concern felt in communities that the town centre should be the focus of “regeneration and investment”. There is now an opportunity to build on the momentum (created by the completion of CCQ) to help secure a new purpose for Waterdale.
21. A signed Heads of Terms has been received from landowner (A).
22. Moving forward in the wake of the Covid-19 crisis, Doncaster Council (as a member of Team Doncaster) is in the process of developing a recovery and renewal plan based on four initial themes 1) humanitarian; 2) Economic; 3) Environment and Infrastructure and 4) Resilience. As part of the Urban Centre masterplan, the repurposing of Waterdale is a place based response with a role to play in addressing all four themes of the recovery and renewal plan - meeting the challenges and creating opportunities presented by Covid-19 Within the Doncaster (and Sheffield City Region Recovery Plans), Waterdale is an opportunity to rethink space and inclusive growth, driven by the desire to create development platforms that will make Doncaster one of the most desirable places to invest and live in the North.

## IMPACT ON THE COUNCIL’S KEY OUTCOMES

23.

Outcomes	Implications
<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	<p>Whilst the focus will be on achieving the broadest growth possible across our economy, we believe growing our industry specialisms is essential for achieving this ambition for growth in businesses, jobs, productivity and earnings. Achieving this is dependent upon reducing local economic inactivity rates and attracting and retaining skilled workers.</p> <p>Comprehensive redevelopment and repurposing of a high street located on the linear route between Doncaster Station and the Civic and Cultural Quarter helps to reduce retail outlets and voids and replaces it with housing, business space.</p>
<p><b>Doncaster Living:</b> Our vision is for Doncaster’s people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating</li> </ul>	<p>The scheme is in line with the objectives of the Inclusive Growth Strategy by:</p> <ul style="list-style-type: none"> <li>• Improving the quality and liveability of the town centre;</li> </ul>

<p>heart of Doncaster</p> <ul style="list-style-type: none"> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure the town centre is a driver for growth through the creation of employment sites.</li> <li>• Improve access to work by locating employment opportunities in the heart of the town;</li> <li>• Building a stronger service economy;</li> <li>• Build a new leisure, arts and cultural destination that will complement CCQ.</li> <li>• Substantially increase footfall by at least 30%.</li> </ul>
<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>	<p>The Council is working with the arts and cultural sector to secure a learning and community location in Waterdale.</p>
<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes.</li> </ul>	<p>One of the focuses in the repurposing of Waterdale and Spring Gardens is to provide new residential accommodation for all age groups. Bringing a multi-generational living into the town centre.</p>
<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	<p>The Council is pursuing a relationship with landowners in Waterdale in order to promote the best use of assets for the benefit of residents of Doncaster.</p> <p>All resources allocated to the project will be assessed for value for money and deliverability prior to the commit of resources in line with operating within our resources and delivering value for money.</p> <p>We do not underestimate the significance of this challenge, as many of the weaknesses in our economy are deeply entrenched. Nevertheless, we believe that there are exciting opportunities ahead and through co-ordinated partnership working, they will benefit all.</p>



## RISKS AND ASSUMPTIONS

24. MHCLG are seeking to intervene in those High Streets selected under the FHSF programme, however this decision will be based on:
  - Value for Money (Weighting 50%);
  - Strategic Fit (Weighting 20%);
  - Deliverability (Weighting 30%);
25. Investments described in Appendix 1 are subject to confirmation of funding from the Future High Street fund and the private sector.
26. The Full Business Case will also capture investment in the Civic and Cultural Quarter from April 2019.
27. The final Full Business Case must be submitted by 31<sup>st</sup> July 2020, however the Council expects to submit near to the original deadline of 30<sup>th</sup> June 2020 in anticipation of an early decision from MHCLG in autumn 2020.
28. While the majority of the Waterdale footprint is under private sector ownership, Doncaster Council owns three prominent sites adjacent to Sir Nigel Greasley Square namely, Copley House, the old Library and Children's Library and St James' Baths.
29. The scheme will rely on the permission of the private sector to include their assets in the draft Full Business Plan and contractual commitment prior to the final submission before 31<sup>st</sup> July 2020. Heads of Terms have been drafted for each landowner and will be included in the full business case.
30. At this stage, it is not known if the old ABC cinema on Cleveland Street can be repurposed - as the building has stood empty for over 30 years. If there is proven funding viability gap in repurposing or demolition of the building, it might be possible to use FHSF to bridge this gap within the limitations of state aid.
31. The Council received a FHSF development award of £150,000 in August 2019 which has been used to commission:
  - Leonard Designs to undertake spatial planning designs for Waterdale and Spring Gardens;
  - Lambert Smith Hampton to undertake a market demand study including a baseline/market overview and analysis;
  - Gleeds (a leading property and construction consultancy) to advise on financial forecasting, risk assessment, due diligence and mitigation.
  - East Street Arts to provide a cultural and arts input into the FBC with provision for expanding their offer into a Waterdale location.

## **LEGAL IMPLICATIONS [Officer Initials SRF**

**Date 17/06/20]**

32. Section 1 of the Localism Act 2011 provides the Council with a general power of competence, allowing the Council to do anything that individuals generally may do. Section 111 of the Local Government Act 1972 gives an Authority power to purchase goods and services.
33. As this project moves forward further specific legal advice will be required particular in relation to property matters. It is likely that the Council will be required to sign a funding agreement in relation to these funds and any actions taken must be in accordance with those terms and conditions if funding is not to be withheld or clawed back.
34. Going forward, any spend by the Council using these funds must comply with Contract Procedure Rules, Procurement Regulations and the requirements of the funder. In order to progress the project agreements with the major landowners should be finalised as soon as possible in line with the Heads of Terms.
35. Any grant funding received will need to be expended in manner compliant with State Aid rules, each part of the investment will need to be addressed separately and a number State Aid compliant options are available under the General Block Exemption are likely to be relevant. Specific further legal advice should be sought as the project progresses.

## **FINANCIAL IMPLICATIONS [CA..... Date 10.06.20]**

36. There are no financial implications as a direct result of the recommendations in this report. The Council was awarded £150k for feasibility costs for the submission of the FHSF bid and this allocation has not been exceeded.
37. The financial estimates for the Scheme are shown in Appendix 1. The Council funding outlined is a combination of approved capital projects and other external funding bids within the vicinity. There is no capacity in the budget to fund additional capital or ongoing revenue borrowing costs, therefore the business plan for any additional Council funded investment (to replace any assumed commercial investment) would need to stack up i.e. external income would need to cover the cost of borrowing, taking into account any FHSF subsidy.
38. Depending on the redevelopment model for Copley House and the former Library, the financial implications will need to be set out in full as part of any decision to borrow, taking into account estimates for the design and build and the corresponding level of income that can be achieved. The Council will need to consider the level of risk it is prepared to take in terms of security of income (length of leases etc.).
39. The additional ongoing revenue costs associated with public realm and the adopted highway are still to be quantified.

## **HUMAN RESOURCES IMPLICATIONS [Officer Initials AA Date 09.06.2020]**

40. There are no immediate HR implications arising from the approval of this report and the proposed plans, however, any future changes that impact on the workforce will require HR engagement and would involve separate approval as

appropriate.

#### **TECHNOLOGY IMPLICATIONS [Officer Initials PW Date 12.06.20]**

41. There are no direct technology implications at this stage. However, ICT will need to feed into the design phases for the proposed repurposing of Waterdale, Spring Gardens and the site of St James' Baths to advise in relation to the required infrastructure to support the proposals such as public access WiFi, CCTV and provision or changes required to the Councils private fibre optic network (DPON). Any associated ICT costs would need to be met from the overall scheme budgets.

#### **HEALTH IMPLICATIONS [Officer Initials.....CT .....Date ...10.06.2020.....]**

42. Public Health supports the recommended option to submit a draft Full Business Case. The creation of good quality public spaces provide people many opportunities to come together and engage with the community. Successful public spaces are inclusive of the diversity of people present in our communities and create a social space for everyone to participate. Improved public spaces and places can contribute to people's health, happiness and well-being. Connectivity to and from key development areas across the Town Centre, such as the rail/bus interchange, college and Waterfront, by walking and cycling is crucial to positive redevelopment of the area. It can have multiple interrelated effects on health and wellbeing such as physical activity, the reduction in noise and air pollution and safer streets due to increased pedestrian/cyclist usage. Place based development also contributes to improved economic outcomes for residents and businesses.
43. The Director of Public Health recommends that health and wellbeing is considered as plans develop and requests Public Health is included as part of stakeholder discussions. Since the original comments were made in March the borough, its economy and our residents have experienced an unprecedented level of negative impacts due to Covid 19 therefore the Director of Public Health would also like to see how this project fits in with the Council's recovery programme going forward.

#### **EQUALITY IMPLICATIONS [CF 08 June 2020]**

44. Decision makers must consider the Council's duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have 'due regard' to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic.
45. This report is the ratification of the proposal and due regard will be considered as part of the implementation of the proposal. In developing the approach to be adopted for the consultation on the scheme it will be important to ensure that this targets different communities and groups, including protected characteristics.

## CONSULTATION

- In November 2019, the Council established a working group with the aim of developing a scheme to repurpose Waterdale. This group includes Economy and Environment, Strategy and Performance, Landowners and Consultants.
- Initial spatial designs were presented to the Doncaster Design Review Panel in January 2020. The Panel supported the initial designs.
- Report to Directors and the Executive Board in March and June 2020.
- Joint development of assurance and scrutiny framework with Towns Deal Board in June/July 2020.

## BACKGROUND PAPERS

There are no background papers, however the Government's Future High Street Fund Prospectus can be found at:

<https://www.gov.uk/government/publications/future-high-streets-fund-call-for-proposals>

## GLOSSARY OF ACRONYMS AND ABBREVIATIONS

**FHSF** – Future High Street Fund

**MHCLG** – Ministry of Housing, Communities and Local Government

**GVA** – Gross Value Added

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