

Cabinet



Date of meeting:	18 March 2024
Title of Report:	City Centre Skills Hub
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Anthony Payne (Strategic Director for Place)
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Your Reference:	CC 18.03.24
Key Decision:	Yes
Confidentiality:	Part I - Official

1. Purpose of Report

This report seeks approval to accept grant funding and enter into agreements with City College Plymouth (CCP) and Urban Splash (US) which will enable the delivery of a new skills hub in the city centre.

2. Recommendations

It is recommended that Cabinet:

- (i) Approves the Council entering into an agreement for lease with City College Plymouth in relation to parts of the Civic Centre.
- (ii) Approves the allocation of £8.5m of the Levelling Up Funding (LUF) received (L44 23/24) to support future capital works that would enable the occupation of the lower floors of the Civic Centre by City College Plymouth.
- (iii) Notes that a further report will be submitted by Autumn 2024 outlining agreed terms for a lease to City College Plymouth and a capital budget, programme and funding options for stage 2 of the works including cladding the building.
- (iv) Approves the strategy as set out in the briefing at Appendices 1 and 2 for the Council to take back ownership and control of the Civic Centre to enable the first stage of restoration works to progress within the Future High Streets Fund (FHSF) grant window.
- (v) Approves the freehold purchase of the Civic Centre from Urban Splash for £1.00.
- (vi) Approves the virement of £2.45m of FHSF grant from the Civic Centre project to the Guildhall project, therefore releasing corporate borrowing of £2.45m to be earmarked for a future programme of works at the Civic Centre.
- (vii) Notes the financial appraisal at Appendix 2i and the requirement for the Council to provide a financial underwrite until additional gap funding and / or investment has been secured.

- (viii) Grants authority to the Service Director for Economic Development in conjunction with the Section 151 Officer to approve the terms of the property agreements and associated hand over arrangements, as well as any contracts for works, consultant appointments, warranties and any other legal agreements required to progress the skills hub and other works associated with the refurbishment of the Civic Centre, and to seek the most economic funding arrangement from agencies and other relevant partners to support project delivery which would reduce the Council's exposure to financial risk.

3. Alternative Options Considered and Rejected

(i) Do nothing:

CCP would not be able to expand their teaching facilities and the provision of much-needed students that are trained in skills relevant for the growing green and blue sectors in Plymouth would lag behind. £19m of FHSF and LUF grant would be lost. Without intervention the Civic Centre project would be mothballed and the building would continue to decline. Doing nothing offers no long-term solution.

The closing date for the commitment of FHSF grant is September 2024 and the LUF must be spent by 31 March 2026. Urgent action is required to ensure the existing grant allocation is spent in the most productive way and in accordance with a plan for the full restoration of the building.

(ii) The Council takes back the building end of December 2024:

Under the terms of the current funding agreement for Civic Centre between the Council and US, the Council is able to re-purchase the building at the end of the calendar year.

However, waiting until December adds additional build cost inflation and risk without the Council having control. A "holding position" for 9 months also adds risk to the draw down of grant funding and reprogramming of works in order to meet the requirements of CCP.

(iii) The Council abandons the refurbishment and looks to Historic England to revise the listing or even de-list the building on the grounds that the project is not viable.

This is not at this stage considered practical. There would be no guarantee that this could be achieved and the consequential disruption to the programme risks the loss of the existing funding and the current negotiations with CCP would be put at risk.

4. Background Summary and Objectives

During the reconstruction of the City Centre in the 1960s, the development of the Civic Centre and the adjoining Civic Square and Gardens were seen as the centrepiece of the post-modern reconstruction. The reoccupation and re-use of this iconic building is a priority for the Council to build confidence in the wider City Centre regeneration programme.

The Council has secured £10.5m of gap funding through the Governments FHSF programme to bring this building back to life. Around £2.5m of that funding has been spent to date.

Since the building was sold to US in 2015 they have obtained planning consent and listed building consent that will allow the building to be transformed into apartments in the tower and around 45,000sqft of commercial space in the “podium” (the basement, ground and first floors). Since obtaining planning consent US have carried out strip out works to the inside of the building and have secured contract prices for the first stages of concrete repairs and refurbishment works.

Aligned to the growth of the marine and defence industries in Plymouth, and to help address the skills shortages in these areas, CCP are proposing to establish a new blue/green skills hub that would take up all of the commercial space in the building. The hub would offer 60 new courses and teach up to 2,000 new students per annum, including training:

- engineers to work across the blue/green production cycle from design to manufacturing;
- for the nuclear sector, including safety culture, construction practices, project management and leadership;
- for net zero, including green energy, sustainable futures and retrofit; and
- in green energy sources, including solar, hydrogen, battery storage and energy management systems.

CCP’s vision for the Civic Centre will be supported by an allocation of £8.5m of LUF. The restoration of the building continues to be one of the Council’s highest regeneration priorities in the city centre and the ambition to accelerate the completion of the project is shared by a number of government departments, including Homes England and the Department for Levelling Up, Housing and Communities (DLUHC). As a result of the increase in public investment in the project (through FHSF, LUF and CCP), it is considered that it would be more appropriate for the project to be delivered directly by the Council. It is therefore proposed that the freehold of the building will be transferred to the Council for £1.00, allowing the Council to directly procure the works and enter into an agreement for lease with CCP.

Careful consideration has been given to the risks associated with this project which are highlighted in the background papers. Whilst the challenges should not be understated, the goal of bringing this iconic building back into life and reuse is considered achievable and the prize would be to kickstart the residential revival of the City Centre with new homes and bring a new skills and training centre into the heart of the City focussed on building capacity in Plymouth’s future blue and green industries.

In order to mitigate risk, future works to the building would be split into 3 stages:

- Stage 1, 2024/25: scaffolding, concrete repairs and minor demolitions to former 1970s extensions. The cost of these works will be covered by the FHSF grant.
- Stage 2, 2024/26: removal of existing cladding, installation of new cladding, roof repairs, fire protection, services and public realm / landscaping. This stage will complete the external works to tower and allow handover of the podium to CCP. Part funded by LUF, corporate borrowing transferred from the Guildhall and capitalised income from CCP rent. These works will make the building watertight and will de-risk the future delivery of the housing.
- Stage 3, 2026 onwards: Residential fit out. Expected to be cost neutral.

The Council’s priorities will be to:

- Reprofile the FHSF grant programme to ensure full draw down within the funding window.
- Negotiate and agree a new lease agreement with CCP to enable their occupation of the podium. £8.5m of LUF grant to be secured to help deliver the building in time for their occupation.
- Install District Heating that will serve not only this building but also the Theatre Royal and Council Chamber.
- Identify and secure additional gap funding and / or investment.

- Ensure compliance with current legislation including the Building Safety Act and identify, manage and mitigate associated risks.
- Take back legal ownership and establish contract management to deliver the works programme.

5. Relevance to the Corporate Plan

The City Centre was rebuilt in the 1960s largely to service the needs of visitors and shoppers. Today however a new vision is emerging of transforming the Centre into a place where people choose to live and work. Armada Way which links the station to the sea is the backbone of the City Centre, and the Civic Centre and the public square adjoining are the centrepiece.

The Civic restoration project has strong correlation to the Plymouth Plan, adopted in 2021 which sets out a plan for growth for the City until 2034. The policy framework has a strong emphasis on sustainable growth, the three leading policies being:

GR01 Creating the conditions for Economic Growth

GR02 Delivering Skills and Talent Development

GR03 Accelerating the delivery of New Homes

This project aims to deliver skills and training opportunities through the proposed collaboration with CCP who will also promote new active frontage uses such as the proposed cookery school restaurant. The 2,000 students attending daily courses along with 200 residents who will occupy the new homes in the building will bring new life and vitality to this area.

6. Implications for the Medium Term Financial Plan and Resource Implications:

The briefing papers attached at Appendices 1 and 2 highlight some of the financial challenges this restoration project faces. These include abnormal costs associated with the listed status of the property, new fire safety regulations and the need to carry out extensive concrete repairs, rising construction costs, rising interest rates and softer investment yields on both resident property and commercial space.

The current estimate of costs to complete the project (including the housing) is £51.2m. The Council has secured external funding of £19m of external funding, of which £16.5m remains available, made up of the unspent FHSF (£8m) and the LUF (£8.5m) grants.

Pressure on programme and the added complication of being drawn into the regulatory framework of the Building Safety Act means the scope (and cost) of the early stage works will be reduced. To avoid the risk of having to pay back part of the £8m FHSF grant it is proposed that £2.45m is transferred to the Guildhall project which will release the Council's capital investment in that project of a similar value. This would be earmarked for reinvestment into the Civic at a later stage.

The staged programme enables costs and funding to be apportioned between phases and accordingly minimises commercial risk. For example, the commitment to proceed with stage 2 (which includes the cladding works) will only be made once an agreement for lease has been exchanged with CCP. The proposed stages can be summarised as follows:

Stage / Programme	Description of Works	Estimated Cost (£m)	Funding (£m)	Gap (£m)
1 2024-25	Scaffolding, concrete repairs and demolitions	5.55	5.55 (FHSF)	0
2 2024-26	Removal of existing cladding, installation of new cladding, roof repairs, fire protection, services and public realm / landscaping – completes external works to tower and allows handover of podium to college	25.65	14.52 (8.50 LUF, 2.45 corporate borrowing, 3.57 service borrowing)	11.13
	sub-total for works before residential fit-out	31.20	20.07	11.13
3 2026+	Residential fit out	20.00	20.00 (value)	0
	total project costs	51.20	40.07	11.13

These costs are provisional and will be subject to variation.

It would be appropriate to assume at this point that, once the building has been re-clad and made weathertight, the residential scheme to fit out the interior of the tower is cost/value neutral. The appraisal shows a 13% surplus which would in a commercial context represent developer profit. Rental values and yields are estimated based on local agents' advice and UK market indicators respectively.

This is a relatively high level assessment and there are many risks that are at this stage unquantifiable. It is therefore proposed to seek further approvals from Cabinet in the Autumn to progress with the stage 2 works, at a time when it is expected that the transfer of the building from US will have been completed, the CCP lease agreement finalised and the building cost, programme and funding position is clearer.

Taking back the project in house will have an impact on support costs and staffing. The intention is to employ an internal project director along with an external Project Manager / Quantity Surveyor. Existing contracts with US will be novated to the Council as part of the transfer agreement.

The Section 151 Officer has stipulated that before any further commitment to additional corporate borrowing they need to be satisfied that all other funding avenues have both been pursued and maximised before any future stages can proceed. This includes Maximising all grants available, further applications to grant funders, to also include a full review of our existing assets and any sales opportunities. There needs to be a clear gateway process to ensure full visibility of any future financial risks in the event that external borrowing is required.

The Place directorate will seek to cover any potential gap from within its own resources wherever possible and will look to take opportunity of all possible funding sources. Failing that, the overall capital programme review will consider how any remaining gap will be dealt with, using composite solutions, maximising opportunities and managing creatively.

7. Carbon Footprint (Environmental) Implications:

Identifying a viable reuse of this building is the most environmentally sustainable approach. The Grade II listing ostensibly prevents redevelopment but a concrete structure of this nature and scale has a significant embodied carbon footprint.

The upgrade of the building specification to meet modern building regulations means creating a new thermally efficient envelope through the proposed recladding and re fenestration. Added to that, this building will be connected to the City Centre District Heating system which will also feed the Council Chamber and Theatre Royal.

On site car parking will be limited and future residents will be encouraged to use alternative means of transport to car ownership. It is intended to provide access to an on-site car club and electric vehicle charging for use by residents and students.

In terms of minimising the impact of the “build” on the environment this will be in the Council’s hands in considering the appointment of contractors and supply chain.

8. Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

The Building Safety Act which came into force in October 2023 has already been mentioned in this report. In a post-Grenfell world and with recent RAC collapse scares in schools it is essential that the Council ensures that this restoration project is fully compliant with the new regulatory framework.

In practice, this means that designs for the re-use of the building must be approved before the majority of the work can start on site; it is envisaged that initial works under stage I will therefore be limited to concrete repairs, demolition, installation of drainage, etc.

9. Appendices

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>										
		1	2	3	4	5	6	7	8	9	10	11
1	Part I Briefing Paper											
2	Part II Briefing Paper, Viability Assessment, Cashflow & Risk Register			x								
3	Equality Impact Assessment											
4	Carbon Assessment											

Background papers:

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member: Anthony Payne											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 27/02/2024											
Cabinet Member approval: Date approved: 06/03/2024											