

**Cheltenham Borough Council**  
**Asset Management Working Group – 26<sup>th</sup> September 2019**  
**Cabinet – 8<sup>th</sup> October 2019**  
**Workshop Cheltenham**

<b>Accountable member</b>	<b>Rowena Hay, Cabinet Member for Finance and Assets</b>
<b>Accountable officer</b>	<b>Mark Sheldon</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>A collaboration of creative entrepreneurs, working with Creative England and the Gloucestershire LEP, approached the council to facilitate the creation of ‘Workshop Cheltenham’, an innovative concept offering low cost start-up space for the creative industries and an economic growth hub, housed in remodelled shipping containers.</p> <p>The site identified for Workshop Cheltenham is Chester Walk car park which is situated behind Cheltenham’s central library building, adjacent to St Mary’s churchyard. The car park is owned by Gloucestershire County Council (GCC) and currently used for parking by key social services staff working out of GCC’s St George’s Road offices in Cheltenham.</p> <p>Workshop Cheltenham will be the home for a tier 2 Growth Hub, mirroring the model in other towns in Gloucestershire and supporting business development and growth.</p> <p>Workshop will also include event space and food and beverage units, enhancing the offer to visitors and residents by providing something different to the current town offering. This will help retain and attract more people to Cheltenham, including younger people who have a tendency to leave the town and move to other urban areas which are perceived to be more creative.</p> <p>The council has been working with Workshop Cheltenham, GCC and the LEP to find a solution to accessing Chester walk car park in order to facilitate the delivery of the proposal in this location. Following lengthy dialogue, GCC and CBC are proposing a land swap between Chester Walk car park and part of St George’s road car park to release the Chester Walk site. CBC will then enter into a lease with Workshop Cheltenham in order to allow them access to Chester Walk to construct the Workshop facility.</p> <p>This report outlines the proposals for Workshop Cheltenham and the Growth Hub and the following recommendations facilitate its development.</p>
<b>Recommendations</b>	<p><b>It is recommended that Cabinet:</b></p> <ol style="list-style-type: none"> <li><b>1. Approves the proposal for facilitating the Workshop Cheltenham project, including a tier 2 growth hub, on Chester Walk car park;</b></li> <li><b>2. Approves the freehold disposal of that part of St George’s Road car park (shown edged red on Plan 1) to Gloucestershire County</b></li> </ol>

**Council as consideration for the acquisition of land at Chester Walk (shown edged on Plan 2);**

- 3. Delegates authority to the Director of Corporate Projects, in consultation with the Cabinet Member for Finance and Assets and the Head of Property and Asset Management, to settle Heads of Terms for the exchange of land referred to in recommendation 2) above and for the grant of a lease, not exceeding 10 years from the date of grant, at a rent representing the best consideration that can reasonably be achieved;**
- 4. Authorises the Borough Solicitor to enter into any legal agreements considered necessary or desirable for the Council to put into effect the recommendations in this report.**
- 5. Approves the necessary capital expenditure on works at St George's Road car park pursuant to the land swap, as per paragraph 5.2 and delegates' authority to the Head of Property and Asset Management to agree and implement the works with GCC.**

<p><b>Financial implications</b></p>	<p>The creation of Workshop scheme itself will be the responsibility of an independent organisation known as Workshop Cheltenham and will be financed independently by a loan from Creative England, plus other privately raised finances.</p> <p>CBC will enter into a lease with Workshop Cheltenham, which will include a provision securing an annual rent to the council, linked to the turnover achieved at the site, plus the potential for additional rent linked to the profits of Workshop Cheltenham and the site.</p> <p>The land swap and car park changes include proposed mitigations which reflect the displacement of public car parking, with potential revenue implications included in the financial implications in Appendix 6, including lost revenue opportunities to CBC due to the mitigating actions.</p> <p>There are capital costs to segregate and upgrade St George's Road car park (some of which were already identified as required) and Stamp Duty Land Tax (SDLT) that will be required due on the land swap. These are also included in the financial implications to the Council in Appendix 6.</p> <p>Workshop Cheltenham is likely to enhance Cheltenham's offering as a place to live and work and should have a positive economic impact on Cheltenham as a result of being able to retain and attract more creative workers and visitors to the town.</p> <p>The net financial implications for the council are outlined in Appendix 6 (exempt due to commercial confidentiality).</p> <p><b>Contact officer: Andrew Knott,</b>  <a href="mailto:Andrew.knott@publicagroup.uk">Andrew.knott@publicagroup.uk</a>, Tel: 01242 264121</p>
<p><b>Legal implications</b></p>	<p>The Council has a statutory duty to obtain best consideration when disposing of an interest land (either freehold, or by way of a lease exceeding 7 years - s.123 Local Government Act 1972) and has the power to acquire land, but must act prudently in so doing.</p> <p>Although it is anticipated that no money will pass upon the exchange of land, SDLT will be payable, calculated by reference to the value of the land acquired.</p> <p>It is proposed that the transaction will be structured so that Workshop Cheltenham will be under a legal obligation to enter into the lease, once CBC has acquired the freehold. As with any other grant of a lease, there is a risk that at some time in the future, the tenant will not be able to sustain its liabilities under the lease, whereupon the leased property (and its inherent liabilities and responsibilities) may revert to the Council.</p> <p>As the Council will be entering into the contract for the works to St. George's Road car park, the Council's contract rules must be followed when procuring the contractor(s).</p> <p><b>Contact officer: Rose Gemmell,</b>  <a href="mailto:rose.gemmell@tewkesbury.gov.uk">rose.gemmell@tewkesbury.gov.uk</a> Tel 01684 272014</p>

<b>HR implications (including learning and organisational development)</b>	<p>The proposed land swap will result in the displacement of a number of staff parking spaces. HR will work with the parking team to reallocate other designated town centre car parking spaces to those staff affected.</p> <p><b>Contact officer: Julie McCarthy HR Manager,</b>  <a href="mailto:julie.mccarthy@publicagroup.uk">julie.mccarthy@publicagroup.uk</a> Tel 01242 264355</p>
<b>Key risks</b>	<b>See Appendix 1</b>
<b>Corporate and community plan Implications</b>	<p>Workshop Cheltenham supports the council's vision for 'a town where culture and creativity thrive', through the provision of easily accessed start-up spaces, principally for young, creative entrepreneurs at the early stages of their careers.</p> <p>More generally, it is anticipated that the work spaces will help attract and retain creative people in the town.</p>
<b>Environmental and climate change implications</b>	<p>The buildings which will house Workshop Cheltenham will be made from recycled and remodelled shipping containers, helping to minimise the carbon footprint relating to the creation of the spaces.</p> <p>The location is also well placed in the town centre, reducing the need for travel by car.</p> <p>The use of Chester Walk car park to locate Workshop Cheltenham will introduce activity into the area adjacent to St Mary's churchyard. This is expected to have many positive benefits, including a likely reduction in the level of antisocial behaviour which currently takes place within the churchyard.</p>
<b>Property/Asset Implications</b>	<p>The land swap is based on swapping an area of land of equivalent value, currently used for public car parking, based on external property valuations undertaken by Bruton Knowles. Both properties were valued on the same valuation principle of Existing Use, i.e. car parks. Chester Walk car park (0.36 acre) was valued at £1.19m and St. George's Road car park (0.6814 acre) was valued at £1.95m. Therefore 61% of CBC's freehold interest in St. George's Road car park will be transfer to Gloucestershire County Council (GCC) and 100% of the freehold interest of Chester Walk car park will be transferred from GCC to CBC.</p> <p>Workshop Cheltenham will be responsible for the creation of the space and will access the Chester Walk car park under a lease from CBC. The management of the spaces will be the responsibility of Workshop Cheltenham.</p> <p>The Growth Hub will occupy a number of containers under a contract directly with Workshop Cheltenham.</p> <p>There has been a separate statutory consultation regarding proposed changes to the Borough Parking Order, including the proposed changes at St George's Road, which has been the subject of a separate report to Cabinet with associated decisions made on September 10<sup>th</sup> 2019.</p> <p><b>Contact officer: Simon Hodges</b>  <b>simon.hodges@cheltenham.gov.uk 01242 264349</b></p>

## 1. Background

- 1.1 Research undertaken by Nesta found that Cheltenham's 1,027 creative businesses constitute nearly 11% of the town's businesses, but currently employ only 4.5% of its workforce and contribute just 6% of its Gross Value Added (GVA). Cheltenham's creative sector is significantly underperforming in comparison to towns of equivalence such as Slough, Reading, Oxford, High Wycombe, Bath and others. The town's poor showing in terms of its knowledge and talent capabilities makes a compelling case for additional and urgent intervention, such as support for the Workshop Cheltenham project.
- 1.2 A collaboration of creative entrepreneurs, working with Creative England and the Gloucestershire LEP, approached the council to facilitate the creation of 'Workshop Cheltenham', which is an innovative concept offering low cost start-up space for the creative industries and an economic growth hub, housed in remodelled shipping containers.
- 1.3 The site identified for Workshop Cheltenham is Chester Walk car park which is situated behind Cheltenham's central library building, adjacent to St Mary's churchyard. The car park is owned by Gloucestershire County Council (GCC) and currently used for parking by key social services staff working out of GCC's St George's Road offices in Cheltenham.
- 1.4 The council has been working with Workshop Cheltenham, GCC and the LEP to find a solution to accessing Chester walk car park in order to facilitate the delivery of the proposal in this location. Following lengthy dialogue, GCC and CBC are proposing a land swap between Chester Walk car park and part of St George's road car park to release the Chester Walk site. CBC will then enter into a lease with Workshop Cheltenham in order to allow them access to Chester Walk to construct the Workshop facility.
- 1.5 In 2018, the council, working closely with its cultural partners, submitted a bid to the Government's Cultural Development Fund to help finance the development of Workshop Cheltenham. Despite being unsuccessful, this aligned partner organisations behind the scheme, which they felt further enhanced Cheltenham's cultural offer.

## 2. Workshop Cheltenham

- 2.1 Workshop Cheltenham is a private company, based in Cheltenham. The company's vision is to provide low cost, flexible and sustainable office, co-working and entertainment spaces, which aim to:-
  - address the lack of support and opportunities in Cheltenham for self-employed individuals, start-ups and SMEs across all business sectors;
  - provide space to support the growing community of cyber security businesses;
  - reverse the loss of Cheltenham's young talent to other regions, as well as attracting new talent to the town;
  - increase economic output, drive prosperity and enhance social well-being for the local community and the county;
  - provide a cultural and financial link between economically and demographically disparate parts of the town;
  - facilitate the 'rediscovery' of a historically and culturally vital area of the town centre that is currently underutilised, out of sight and largely ignored;
  - enhance footfall to treasured institutions such as Cheltenham Minster, The Wilson and Cheltenham Library, helping to revitalise and re-energise that part of the Lower High Street;
  - provide a new mixed-use 'destination', located on a site that is currently undervalued, helping to encourage access, thereby increasing footfall and spend in the town centre;
  - create a new 'state of the art' entertainment destination for residents and visitors, that offers an alternative experience to the current offering in the town centre;
  - Provide enhanced training, education and community space.

Specifically, for new businesses, the project aims to:

- establish a new and unique, mixed-use and business friendly 'destination' for Cheltenham, that complements and enhances its local environment;
- create a low cost, town-centre entry point for self-employed individuals and new and emerging businesses from all sectors;
- serve as a platform for innovation and creativity and an incubator for the town's entrepreneurs;
- be a springboard for innovators and creatives, to help establish and evolve new businesses, thereby driving job creation and social mobility through the establishment of a business community in which entrepreneurial and creative talent can develop and flourish locally.

Workshop will provide a new home for Cheltenham Festivals and a state-of-the-art performance venue, which will provide a permanent new town centre cultural and entertainment destination, delivering a year-round calendar of cultural events to showcase local talent and enhance Cheltenham's reputation as a leading cultural destination, both domestically and internationally.

**The Overall Scheme is anticipated to include:**

- 20,000 sqft overall scheme size
- 10,000 sqft of office, co-working and retail space
- 2000 sqft event / performance space
- over 60 new businesses
- over 200 jobs projected annual footfall of not less than 500,000 resulting in increased footfall and spend in the town centre.

The location identified for the creation of Workshop Cheltenham is Chester Walk car park, which is currently owned by GCC. GCC has requested that CBC undertakes a land swap with GCC to release the Chester Walk car park land to CBC in return for part of St George's Road car park. CBC will then grant a lease to Workshop Cheltenham, which will be responsible for the creation of the space, including the placement and ownership of the shipping containers.

### **3. Cheltenham Growth hub**

**3.1** Workshop Cheltenham will also be home to a tier 2 growth hub, mirroring the model in other towns in Gloucestershire and supporting business development and growth, as detailed in Appendix 5.

Workshop Cheltenham has undergone and passed a due diligence process with the Gloucestershire LEP.

The Growth Hub Component, housed within the Workshop Cheltenham scheme, will aim to deliver:-

- at least 10,000 unique visitors within 5 years;
- at least 2,000 businesses / individuals engaged within 5 years;
- at least 200 new business starts within 5 years;
- at least 6,500 light / medium touch business support interactions within 5 years;
- at least 175 businesses referred for high growth business support interactions within 5 years;
- at least 300 new FTE jobs created within 5 years (in addition to the 200 at the wider site);
- at least 150 business support providers engaged with businesses within 5 years;
- at least 75 students / graduates placed with businesses within 5 years;
- at least 60 businesses receiving follow-on funding within 5 years – even if they only received £25k each on average this would total £1.5m.

Gloucestershire LEP will contract directly with Workshop Cheltenham for the use of the space within the overall Workshop Cheltenham proposal.

## **4. Financial appraisal**

- 4.1** The following is a summary of the net potential impact on CBC of the proposal to facilitate Workshop Cheltenham at Chester Walk car park. The detailed financial projection is attached at Appendix 6 (exempt due to commercial confidentiality).
- 4.2** Since the scheme involves the displacement of car parking spaces, there is a potential impact on car park income which will be mitigated against where possible. Proposed mitigation measures are set out in more detail in Section 5 below.
- 4.3** The council will receive a rent from Workshop Cheltenham, which is intended to reflect best consideration. It is anticipated that this will be achieved through a link to the net turnover plus operating profit from the management of the space, with a minimum guaranteed rent per annum.

## **5. Parking implications**

- 5.1** The land swap involves the exchange of 61% of St George's road car park for Chester Walk car park. GCC will take ownership of part of St George's Road car park and GCC staff working out of the St George's road offices and who currently park in Chester walk car park will, following the land swap, park in a segregated area of St George's Road car park which will not then be available to the general public. GCC staff parking being relocated to St George's Road car park will enhance the efficiency of social worker caseload management.
- 5.2** CBC will retain 32 public car parking spaces at St George's Road, with an additional 2 mobility spaces.
- 5.3** CBC and GCC propose to equally fund the works to segregate St George's Road car park, including boundary treatments, resurfacing, relining and new signage. It is estimated that the cost of these works will be around £75k. The layout of the residual car park will result in improvements to the parking provision, including improved mobility space provision and resurfacing. CBC's 50% share of the costs will be met from the existing 2019-20 car park capital budget, for which formal approval is sought at recommendation 5 above.
- 5.4** Currently, 7 staff have parking permits to park on St George's Road car parks and there are a further 58 staff permits at Chelt walk car park. The proposal is that these members of staff will be issued with permits for other CBC car parks, thereby releasing around 65 spaces on Chelt Walk car park and the retained area of St George's Road car park.
- 5.5** These measures effectively mitigates the reduction in public parking spaces on St George's road car park and officers are confident that cars displaced as a result can be accommodated on other council off street car parks, where there is still some spare capacity. The potential net financial implications of car parking displacements are included in the detailed financial model at Appendix 6 (exempt due to commercial confidentiality).

## **6. Reasons for recommendations**

- 6.1** The proposal has the potential to support key outcomes within the Cheltenham Place strategy, through the creation of a workspace concept which facilitates and enables creative industries to thrive, helping to retain young and creative people in Cheltenham. This will help support the long term economic wellbeing of the town.
- 6.2** The proposal also meets with the wider aspiration for retaining and attracting young people in the Gloucestershire Vision 2050.

## 7. Alternative options considered

- 7.1 Other locations have been considered and discounted, on the basis that they would have less of an overall impact on the ambitions of the proposal, primarily due to the proposed prime location for the development.

## 8. How this initiative contributes to the corporate plan

- 8.1 The proposal delivers against one of the key strands of the council's corporate plan, which is that Cheltenham seeks to be a town where culture and creativity thrive.

## 9. Consultation and feedback

- 9.1 Workshop Cheltenham has undertaken considerable engagement with and received support from various stakeholders, including Gloucestershire County Council, Cheltenham Borough Council, Cheltenham Chamber of Commerce, Alex Chalk MP, Cheltenham Festivals, Cheltenham BID, Cheltenham Development Task Force, The Cheltenham Trust, Creative England, Cheltenham Minster, University of Gloucestershire, Cheltenham Library, the UK Digital Retail Innovation Centre, CyNam, Harper Sheldon, Bamboo Technology Group Ltd. and Crowe Clark Whitehill.
- 9.2 The proposals required a change to the town wide borough parking order, which was subject to a three week statutory public consultation. The consultation raised no significant issues which were considered to impact on the town's parking arrangements and the recommendations concerning the new parking order were approved by Cabinet on 10<sup>th</sup> September 2019.

## 10. Performance management –monitoring and review

- 10.1 The outcomes from the Workshop project will be monitored by both the LEP and the council and will be considered in the review of the lease with WSC after 5 years of operation.

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<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Risk Assessment</li><li>2. Workshop Cheltenham Business Plan</li><li>3. Site layout – ground floor</li><li>4. Site layout – first and second floor plans</li><li>5. Growth Hub proposal</li><li>6. Financial projection (exempt)</li><li>7. Plan 1 – St Georges Road car park</li><li>8. Plan 2 Chester Walk car park</li></ol>
<b>Background information</b>	

Risk Assessment

Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likely-hood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If CBC and/or GCC cannot facilitate the delivery of this widely supported project with a relatively quick intervention / catalyst scheme (in the context of the place strategy and 2050 aspirations) to help retain young people in the county, then there is likely to be negative PR	Mark Sheldon	01/12/2018	4	2	8	accept	CBC and GCC Cabinet support the development of Workshop Cheltenham and agree to the land swap to facilitate the development		Comms team	
	If CBC and/or GCC cannot facilitate the delivery of this widely supported project, then there will be a negative impact on the cultural sector in Cheltenham.	Mark Sheldon	01/12/2018	2	3	6	accept	CBC and GCC Cabinet support the development of Workshop Cheltenham and agree to the land swap to facilitate the development		Mark Sheldon	
	If CBC and/or GCC cannot facilitate the delivery of this widely supported project, then there will be a negative impact on CBC/GCC partnership working, given future bigger challenges around the Place and Growth agenda;	Mark Sheldon	01/12/2018	2	2	4	accept	GCC / CBC to collaborate to deliver the project		Project team	
	If there is a substantial public objection then the Parking order may not be	Mike Redman	01/06/2019	3	2	6	accept	Consultation on the parking order complete and no negative		Mike Redman	

	made, leading to a re-think of the cost mitigation activities							feedback to proposed changes to St George's road car park			
	If reducing the number of public car parking spaces available adds to public perceptions of inadequate parking provision in the town centre, it could have a reputational impact on CBC;	Mike Redman	09/07/2019	2	3	6	accept	Member seminar on 1/8/19 raised no concerns re changes to parking order affecting St Georges road car park		Mike Redman	
	If there is an Asset of Community Value (ACV) application then the delivery of Workshop Cheltenham project could be jeopardised.	Mark Sheldon	3/9/19	4	3	12	Accept	The decision making process and communications strategy needs to articulate the overall benefits of Workshop Cheltenham to the town. Legal documents will need to reflect the implications of an ACV application.		Rose Gemmell	
	If WSG senior management are too stretched to deliver with their other work in local area then operational launch will be delayed.	Mark Sheldon	26/9/19	3	4	12	Accept	CBC and LEP have undertaken due diligence exercises including a review of the director profiles.		Mark Sheldon	
	If WSG do not secure all funding during the period of Nov19 – May20 required completing the build then unquantifiable delay may occur leading to further risk of not completing the project.	Mark Sheldon	26/9/19	4	3	12	Accept	CBC and LEP have undertaken due diligence exercises.		Andrew Knott	

	If CBC/GCC complete land swap transaction and WSG decline to proceed with project then CBC will suffer opportunity value loss for significant asset development.	Mark Sheldon	26/9/19	3	5	15	Treat	Agreement to lease and exchange procedure developed to treat and protect CBC.		Rose Gemmell	
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**Explanatory notes**

**Impact** – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

**Likelihood** – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

**Control** - Either: Reduce / Accept / Transfer to 3rd party / Close