

Request for Change



Black Country LEP

Document Details			
Change Title	Extend the date of March 2017 for this project to achieve the target output of 14 <i>Businesses Assisted</i> to March 2021 and amend the error in <i>New Construction Jobs Created</i> output.		
Project Name	Woods Lane	Change Number	CR001
Project Number	[PMO to complete]	Date	14 July 2016
Project Manager	Craig Sorrill	Version	004
Sponsor	Sandwell MBC, Philippa Smith		

1. Description of proposed change, including reason for change

In summary this change request is to extend the date to achieve the target output of 14 *Businesses Assisted* from March 2017 to March 2021. Sandwell MBC (SMBC) is committed to achieving this output, but the current achievement date of March 2017 is not achievable given that the programme for site assembly and the delivery of new housing outputs is working to March 2021. It is therefore considered prudent and realistic for the business assist output to be aligned with that of the March 2021 date.

In addition, an error has been identified pertaining to the way in which the *New Construction Jobs Created* output of 144 was calculated at the time the OBC was prepared. It is not what methodology was used to calculate the current figure, but since the release of the 'Output Metrics' which offers a definition for 'Construction Jobs Created' and using the CITB Benchmarks Matrix this figure should actually be 10. SMBC therefore propose that this error be amended within the grant agreement and relevant schedules.

Sandwell MBC has been awarded £5.14m to enable the development of a major housing site in Cradley Heath. This was to be achieved by conducting demolition work to Cradley Heath Factory Centre & Shakespeare Forgings to firstly accommodate a new access road required for a residential development; and secondly to clear an area of the site to enable a first phase of residential development which will then act as the catalyst for the remaining site to be assembled and developed.

To date the project has made significant progress in-terms of filling the identified viability gap and bringing the Woods Lane site forward to the private sector market for residential development. The demolition and remediation of the Cradley Factory Centre site to facilitate the construction of a new access road and enable phase I residential development is well underway with demolition phases I, Ia & III being 87% complete. The new access road and drainage design is complete and a contractor to construct the road is scheduled to be appointed at the end of July 2016, with construction set to commence September 2016.

In addition to the physical transformation of the site, the project has been successful in attracting the interest of developer Galliford Try. Galliford's commitment to bringing the site forward to deliver 351 homes to date can be demonstrated by them entering into an Exclusivity Agreement with the majority land owner to acquiring the land in the next few months. SMBC land will also be parcelled up with this through an Option Agreement. The Option Agreement essentially assembles the land required for a phase I residential development and will be the catalyst for Galliford's to complete the land purchase and to assemble the remainder of the site.

To this end the site now has outline planning consent for circa 351 residential dwellings and Galliford's have submitted an indicative layout to deliver circa 94 new homes in phase I with the remaining 257 units in subsequent phases. The remaining site and subsequent residential development phases are likely to be acquired/assembled by Galliford Try and will entail the relocation of 14 businesses currently occupying the site.

The SMBC Project Team proportioned some of the grant to assist these businesses in their relocation from the Woods Lane site and to also to acquire one particular business that represents a constraint to the site coming forward for residential development. The activities of this particular business Smout & Sons Ltd generates significant noise levels which would negatively impact on residential development. Smout's have a relocation site identified and have provided a valuation of their premises. SMBC will have their own valuation by mid-August and is therefore confident that subject to negotiations Smout's can be relocated during the next 12 months.

Galliford's are aiming for planning consent and land ownership of phase I by the end of 2016, with a view to commencing the construction of phase I residential development (circa 94 units) in early 2017. They have also commenced liaison with adjoining land owners to assemble the remainder of the site. The actions of Galliford Try provide SMBC confidence that the 351 residential outputs can be delivered by March 2021 along with the assistance to 14 businesses, 10 new construction jobs and the remediation of 9.26ha of brownfield land.

SMBC's current programme of works is as follows:

- Demolition phases I, Ia & III complete August 2016;
- Demolition phase II commences September 2016;
- Demolition phase II completes February 2017;
- Road Construction commences September 2016;
- Road Construction completes February 2017;
- Site hand over to Galliford Try February 2017.

Galliford's have advised SMBC of their current programme for residential development:

- Complete Randcrown & SMBC land purchase by December 2016;
- Obtain full planning consent for phase I development (circa 94 units, 257 in subsequent phases) by December 2016;
- Commence construction of phase I residential development during 2017 (circa 94 units);
- Begin negotiations to acquire/assemble the remainder of the site i.e. the 14 identified businesses 2017;
- 71 residential units complete 2018;
- 23 residential units complete 2019;
- 128 residential units complete 2020;
- 129 residential units complete 2021.

2. Impact of Change

2.1 Scope

The impact of the change to the scope of the project is limited to the date of the 14 businesses being assisted from March 2017 to March 2021, and to the reduction in number new construction jobs created which is an error and it is regrettable that it wasn't identified through the due diligence process of grant award.

The scope of physical interventions to enable the development of a major housing site remains unchanged. Target outputs of achieving 351 residential units and 9.26ha of remediated brownfield land are unaffected.

2.2 Delivery Timeline - specify Milestones affected

The impact on project milestones will be negligible. This is due to the fact the impact from granting the change request is limited to milestones relating to the relocation support provided to businesses. Such milestones would be amended to reflect March 2021, and no other milestones would be affected due to the limited impact this proposed change has on the physical interventions to enable the development of a major housing site.

2.3 Costs and cashflow – specify changes to grant funding requested / projected cashflow; in year and whole project

No change to the £5.14m of grant funding is being requested. The extension to the date of achieving 14 business assists to March 2021 will however result in a positive change to the grant spend profile. A summary table is provided below but more detail is enclosed in the spend profile appendices.

Eligible Expenditure	Original Est (Up to Mar'17)	Current Forecast Cost (Up to Mar'17)	With change (Up to Mar'17 but Mar'21 for Business Assist)
Demolition and Remediation works	£1,800m	£2,595m	£2,595m
Road Infrastructure works	£1,500m	£1,440m	£1,440m
Business assists and one acquisition	£1,500m	£0	£976,000
Sandwell In house Officer Fees recharge into LGF	£340,000	£129,00	£129,00
Total	£5,140m	£4,164m	£5,140m

2.4 Outputs/Outcomes/Benefits (as identified in Business Case)

The impact to the outputs should the change be approved would be as follows:

- Remediated Brownfield Land = 9.26ha **no impact**
- Residential Units = 351 **no impact**
- Enterprises receiving grant = 14 **no reduction but achieved by Mar'21 as opposed to Mar'17**
- Construction Jobs Created = 144 > 10 **(error in grant agreement)**

3. Implications of not making Change

In any event, as detailed in section 1, 14 businesses cannot be assisted by March 2017, but this can be achieved by March 2021. The implications to the project are therefore dependant on the actions taken by BC LEP and Accountable Body.

For example, should the request be rejected the BC LEP and Accountable Body may decide to reduce the level of grant to reflect the reduction in output that cannot be achieved by March 2017. This will have consequences as to whether the remaining outputs pertaining to housing units, construction jobs and brownfield land remediation, can be fully achieved given the scope of demolition and road construction activities would also need to reduce to reflect the available grant. This in-turn may result in Galliford Try walking away from the site and their proposals given the current level of grant fills the viability gap to residential development. Any reduction may make the site once again unviable to them and any other future interest.

It is the view of SMBC that granting the change request has minimal impact, whilst not granting the change (depending on what is imposed) could have significant impacts.

4. Steps required to Deploy Change

- 1) Approval of the Sub Group;
- 2) Amendments to Grant Agreement schedules.

5. Comments and Recommendations from Programme Office

6. Project Sponsor endorsement of Change

Endorsed by Philippa Smith, 14.07.16.

7. Approvals

Name/Role	Signed	Date
LEP Board		
Working Group		
Advisory Board		
Joint Committee		