



Black Country Executive Joint Committee
Dudley, Sandwell, Walsall and Wolverhampton

REPORT OF THE CITY DEAL AND GROWTH DEAL ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE

ON

7 September 2016

Black Country Local Growth Deal
WHARF APPROACH, ALDRIDGE

Site Investigation

Key Decision:	Yes
Forward Plan:	Yes

1. PURPOSE OF REPORT

- 1.1 To provide the Black Country Executive Joint Committee with details of the proposal to award grant funding from the Black Country Growth Deal 2016/17 programme to the site owners (Horton Estates) of Wharf Approach, Aldridge, Walsall to enable site investigations to be carried out as this potential employment site. The Joint Committee is asked to consider the proposal in line with the recommendation in 2.1 in order to support delivery of the Black Country Place Pipeline.
- 1.2 This project was approved by the LEP Board on 18 July 2016, endorsed by the Working Group on 22 July 2016 and the Advisory Board on 22 August 2016.

2. RECOMMENDATIONS

- 2.1 The Joint Committee grant approval for the Accountable Body for the Growth Deal (Walsall Council) to proceed to a Grant Agreement with **Horton Estates to the value of £16,300** to deliver the Local Growth Fund (LGF) funded elements of Wharf Approach, Aldridge Site Investigation – with delivery to commence in the 2016/17 financial year.

3. REPORT DETAIL

- 3.1 The Wharf Approach site in Aldridge, Walsall is a development opportunity of circa 2,975 sqm which has the potential to reclaim 1.3ha of employment land, and create circa 30 new or safeguarded jobs. The applicant, Horton Estates, have identified this site within their portfolio as having development potential but further information about the site is required.

- 3.2 It is understood that subject to the outcome of the site investigations then Horton Estates will either determine that the redevelopment of the site is viable or will re-engage with the Black Country Local Enterprise Partnership (LEP) to apply - subject to a robust business case - for further public sector intervention in the form of viability gap funding to support the delivery of the project.
- 3.3 At its meeting 18th July 2016, the Black Country LEP received and endorsed a recommendation to award £16,300 on the basis of a due diligence assessment by Property Consultants, Thomas Lister. The LEP's approval was made on the basis that the grant would need to be drawn down by 31st March 2017 and would be subject to a clawback provision (see section 5) and due diligence by the Accountable Body. The Working Group endorsed this report on the 22nd July 2016 and the Advisory Board endorsed the report on the 22nd August 2016.
- 3.4 A full review of the Place Pipeline has been conducted over the summer – by Thomas Lister and the Black Country Place Group - and the results of this work have been presented to Working Group to inform future prioritisation and subsequent investment to bring forward projects in the agreed pipeline. This project decision is being requested as a result of that work.

4. FINANCIAL IMPLICATIONS

- 4.1 All costs associated with the proposal form part of the Growth Deal 2016/17 programme. A mechanism is in place (see 5.1) whereby the investment made in the site investigations- a revenue defined activity- can be clawed back from the grantee if they are unable to realise a capital asset at the end of the grant programme. It has been agreed by the LEP and Joint Committee that a funding award can be 'written off' as Growth Deal investment if the site investigations identify that the costs to remediate are in excess of reasonable market assumptions that render a development project wholly unviable. Such an assessment would be carried out by a RICS qualified valuer and a recommendation formed to the LEP and Joint Committee at the appropriate time.
- 4.2 For accounting purposes this 'written off' funding would still need to be accounted for by the Council's mainstream revenue budgets. For the Wharf Approach project, this will be covered by revenue budgets identified at Walsall Council.

5. LEGAL IMPLICATIONS

- 5.1 An appropriate form of grant agreement exists for Growth Deal grants and the terms of this agreement will be utilised by the Accountable Body to include all conditions passed onto the LEP by Government, together with all terms, conditions, performance measures and sanctions as required by the approvals/conditions received from Government or approved by the LEP Board or the Joint Committee.
- 5.2 No separate legal agreement is needed to enable the Accountable Body to secure a clawback arrangement as set out in 4.1 above. The existing provisions in the Growth Deal Grant Agreement about withholding and repayment of grant should offer sufficient protection. These matters will now be subject to final grant arrangements.

6. RISK MANAGEMENT

6.1 The key risks associated with the project are:

- Failure to complete the necessary site investigations and development study within 2016/17 - This is being mitigated by a process of due diligence undertaken by the LEP's Property Consultants at the point of application and then subsequently reviewed by the Black Country Place Group. Simultaneous due diligence is also being undertaken by the Accountable Body whilst the decision to award a grant are being taken through due process. The prospective grantee therefore continues to operate at risk, having obtained the necessary quotations for works ahead of Joint Committee decision.
- Failure to realise the capital asset at the end of the grant period - Whilst there is a risk to the Joint Committee and the Accountable Body that the revenue related activity carried out by the prospective grantee does not result in a capital asset at the end of the grant period, this can be managed by the clawback clauses in the grant agreement. This will seek to recover the grant if the grant hasn't subsequently led to remediation and/ or redevelopment of the site. In addition, the due diligence assessment by Thomas Lister and the Black Country Place Group has reviewed the risks to non-delivery and concluded that subject to the costs of remediation being reasonable in current market conditions, that the site offers the opportunity for redevelopment of a size and scale that is in line with current occupier demands, in an existing local high quality employment area, with adjacencies to other development sites in the Black Country Place Pipeline. The risk of non-delivery due to the results of the SI showing a funding gap beyond the level of potential grant available or a negative impact on commercial interests is mitigated against as outlined at 4.2.

6.2 With regard to the management of risks at a project and programme level then this is being managed through the on-going monitoring of individual projects by the Black Country Consortium Programme Office where an grantee's ability to deliver the required spend profiles and outputs for the programme as agreed with LEP Board and the Joint Committee is undertaken.

7. EQUALITY IMPLICATIONS

7.1 There are no equality issues arising from this report.

8. CONSULTATION

8.1 The proposal has been through a method of due diligence and consultation with the Black Country Place Group- officers of the four Black Country Councils whom have a planning policy and regeneration/ development delivery focus.

8.2 Any proposed development resulting from the land owner's site investigations will be subject to a planning application which will need to follow the statutory process with the Local Planning Authority and as that time the proposals will be subject to public and statutory consultation; no consultation of this nature has therefore taken place at this time.

8.3 Legal and finance colleagues at Walsall Council have been consulted as part of the development of this report as reflected in the completed consultation sheet.

Background papers

- Approval of Resources for Programme Management, Development & Support –
Advisory Board Report 8th June 2016

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