



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

22 APRIL 2015

BLACK COUNTRY LOCAL GROWTH DEAL – WOODS LANE
PROJECT APPROVAL

Key Decision: Yes

Forward Plan: Yes

1. PURPOSE OF REPORT

1.1 To present the recommendations of the Advisory Board of the Joint Committee in relation to the Woods Lane Growth Deal application by Sandwell Metropolitan Borough Council. To ask the Joint Committee to note as recommended by the Advisory Board a now revised Green rating for this project, and approve movement to full approval and contracting and subsequent grant agreement by the Accountable Body. To ask the Joint Committee to note the recommendation from the Advisory Board that, should funding become available in the 2015/16 financial year, the project start date be brought forwards to 2015/16.

2. RECOMMENDATIONS

2.1 That the Joint Committee notes the movement of the Woods Lane Project from its current Amber to a Green rating following the recommendation of the Head of Regeneration for Sandwell Metropolitan Borough Council to the Advisory Board.

2.2 That the Joint Committee grants approval for the Accountable Body for the Growth Deal (Walsall Council) to proceed to a Grant Agreement with Sandwell Metropolitan Borough Council to deliver the Local Growth Fund (LGF) elements of the Woods Lane project – with delivery to commence in the 2016/17 financial year.

- 2.3 That the Joint Committee notes the recommendation of the Advisory Board that, should funding become available in the 2015/16 financial year, the project start date be brought forwards to 2015/16.

3. REPORT DETAIL

- 3.1 The Joint Committee received a report on the 17th September setting out the background and work so far in the development of the Black Country Growth Deal Round 1, approving a way forward for the 15 projects involved, utilising the individual Red Amber Green (RAG) ratings system for each project proposal.
- 3.2 To ensure that these RAG ratings were as accurate as possible, each project business case was further scrutinised by specialists and officers (October 2014), culminating at the Advisory Board Star Chamber on the 10th November 2014, where representatives from 13 of the 15 projects were further questioned by members of the Advisory Board and the Working Group of the Joint Committee. The remaining two projects were scrutinised at the Advisory Board on 19th November. At the meeting on 3rd December, the Joint Committee gave approval to proceed to contracting for 8 of those 15 projects, with the remaining 7 given 'in principle' approval subject to further work being undertaken.
- 3.3 At the last meeting on 18th February, the Joint Committee approved 4 of the remaining 7 Amber projects to move to the contracting phase. The 3 projects remaining at an Amber rating were Bentley Lane, Woods Lane and Managing Short Trips.
- 3.4 The Joint Committee is now requested to consider the recommendations of the Advisory Board on the updated status of projects following further work by the applicants – for Woods Lane, as presented to the Working Group and Advisory Board by the sponsoring Head of Regeneration for Sandwell Metropolitan Borough Council. The Joint Committee is requested to grant approval for the Accountable Body for the Growth Deal (Walsall Council) to proceed to a Grant Agreement with Sandwell Metropolitan Borough Council to deliver the Local Growth Fund (LGF) elements of the Woods Lane project – with delivery to commence in the 2016/17 financial year. The Joint Committee is asked to note the recommendation of the Advisory Board that, should funding become available in the 2015/16 financial year, the project start date be brought forwards to 2015/16.
- 3.5 The revisions arising from this additional information are included in the amended Business Case for the project, set out within the attached Appendix 1, with the evidence substantiating this change to be held on file by the Accountable Body (Walsall Council).

4. FINANCIAL IMPLICATIONS

- 4.1 The costs associated with this development work and the delivery of projects that form part of the LGF round 1 will be covered by allocations from government associated with this programme. This includes the use of any interest accrued by the Accountable Body to cover costs associated with the delivery of Accountable Body functions, as approved by its (Walsall Council) Cabinet and the Joint Committee.

5. LEGAL IMPLICATIONS

- 5.1 The appropriate Grant Agreements are being prepared by the Accountable Body (Walsall Council) and will 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.

6. RISK MANAGEMENT

- 6.1 Risk is being managed through the on-going assessment of individual projects and their ability to deliver the required spending profiles and outcomes for the programme as required or agreed with Government and set into place by the LEP Board or the Joint Committee.

7. EQUALITY IMPLICATIONS

- 7.1 None at the time of drafting

Background papers

- The Black Country Strategic Economic Plan (SEP)
- Business Cases for each Individual Project
- Aspinal Verdi Woods Lane Viability Report, February 2015
- Aspinal Verdi Woods Lane Acquisition Schedule, February 2015

Attachments

- Appendix 1 – Woods Lane Project Headlines and Outline Business Case RAG Rating

Contact Officer & Author**Nick Bubalo**

Director of Regeneration & Economy
Sandwell Council
Freeth Street, Oldbury
B69 3DB
Email: nick_bubalo@sandwell.gov.uk
Telephone: 0121 569 4253

Mark Lavender

Joint Committee Programme Manager
Walsall Council
Civic Centre, Darwall Street, Walsall.
WS1 1TP
Email: mark.lavender@walsall.gov.uk
Telephone: 01922 654772

Appendix 1 – Woods Lane (Housing) Programme, Project Headlines and Outline Business Case RAG Rating

Project Description

- LGF investment will enable a new road junction to be created, facilitating access to an allocated development site for up to 358 new homes, together with the relocation and demolition of at least three key manufacturing businesses and environmental improvements to the River Stour.
- This project will lever £49.16m of private sector funding, regenerate 9.43 hectares of low quality and underused industrial land and create 0.6 km of new open space along the River Stour Corridor.

Start date: 2016/17. However the programme can be re-profiled with a start date which can commence during the 2015/16 financial year, with LGF spend completing in the following 2016/17 financial year.

Headline Outputs Include: Levering of £49.16m of private sector funding, constructing up to a maximum of 358 homes, creating up to 150 construction jobs and safeguarding up to 250 jobs, with up to 45 businesses assisted.

Funding Profile: Total Project is estimated at £54.84m, LGF requested of £5.14m of which £2.425m in 2016/17 and the balance of £2.715m in 2017/18, an intervention rate around 10%. A revised LGF funding profile is below:

LGF spend profile	2016/17	2017/18	Total LGF
	£2,425,000	£2,715,000	£5,140,000

March 2015 Update and Revised RAG Rating

PROJECT MANAGEMENT ●

This has now moved to Green, as governance and PM arrangements are established, together with an agreement in principle (3 year option agreement) with the landowner of a major part of the site to work in collaboration with the Council’s landholdings. Relocation strategy for existing businesses across the site has now been finalised, complete with phasing and a full schedule and plan of freeholder compensation. This has also been completed for the residential units which are within the site boundary. This information supports further the relocation strategy that was completed in December 2014.

The acquisition schedule was completed by Aspinal Verdi in February 2015. It details the amount of land and property that is required over all four phases of housing delivery. The Woods Lane project funding profile is proposed to start from April 2016/17. However, with the viability report now complete together with pre-approved procurement arrangements in place to carry out demolition and site investigations the project does have the ability to spend from 2015/16 in the event that there is any slippage to the overall LGF programme.

ECONOMIC OUTPUTS ●

Independent property consultants, Aspinal Verdi have now completed a final report on the overall viability of the Woods Lane programme. The study includes assessment of demand levels and potential values and sales rates for the project. The proposed business relocation strategy will seek to retain existing levels of employment, and projected job outputs have been supported by this work. The scheme will deliver a minimum of 5% affordable housing. Though the viability study confirmed the

deliverability of the project, it is important to note that Option 2 will be taken forward which includes the delivery of 351 new homes, a slight reduction of 7 units from the original OBC.

FUNDING ●

The 2015 viability study proposes a variety of intervention funding scenarios. SMBC have selected Option 2 that aligns most appropriately with the LGF allocation. The report has been carried out by independent regeneration consultants and all information is accurate at the present time. SMBC are confident that the development appraisal demonstrates a viable solution in order for the scheme to benefit from confirmed LGF funding .

The report takes into account the current economic conditions and provides the necessary adjustments to costs relating to demolition and remediation since the original 2010 projections. In addition, the property acquisitions have been calculated on a compulsory purchase basis which provides a ‘worst case’ scenario. Experience shows that many businesses take the opportunity to negotiate a relocation/sale outside of a CPO therefore saving on potential disturbance, legal and professional fees

OVERALL RATING PROPOSED

GREEN ●

Recommendation – That the Joint Committee grants approval for the Accountable Body for the Growth Deal (Walsall Council) to proceed to a Grant Agreement with Sandwell Metropolitan Borough Council to deliver the Local Growth Fund (LGF) elements of the Woods Lane project – with delivery to commence in the 2016/17 financial year.

OUTLINE BUSINESS CASE (Including October Revisions)

PROJECT TITLE: Woods Lane

PROJECT SPONSOR: Sandwell MBC

October 2014 Re-Assessment Update and Outstanding Scrutiny Issues

October 2014 Update and Revised RAG Rating

PROJECT MANAGEMENT ●

Remained at Amber throughout the process, governance and PM arrangements are being established, together with an agreement in principle (3 year option agreement) has been reached with the landowner of a major part of the site to work in collaboration with the Council's landholdings. Relocation strategy for existing businesses across the site is still being finalised.

ECONOMIC OUTPUTS ●

Remained at Amber throughout the process, a market appraisal and viability study is being commissioned to determine demand levels and potential values and sales rates for the project. At present it remains unclear whether this project can deliver the projected housing outputs within the current level of LGF support. Business relocation strategy will seek to retain existing levels of employment.

FUNDING ●

Remained at Amber throughout the process, current level of LGF support is based on previous site assessment by Halcrow (2010). The revised viability study is intended to update this assessment and provide a revised position on intervention requirements and delivery strategy.

July 2014 Assessment

PROJECT MANAGEMENT ●

Senior Responsible Officer (SRO): Ian Thom, Planning & Regeneration

Governance and project management arrangements have yet to be defined but it is understood that the Council will directly procure the road scheme, the intrusive site investigations and the environmental improvements. The relocation of individual businesses will be managed by the Council's Business Relocation Officer. The Council has considerable delivery experience in all of these elements of the project,

Growth Point funding has previously been used to address some project delivery risks and a risk register has been provided which indicates a number of potential risks reflecting the current status of the project. This includes risks associated with facilitating business relocations to enable sites to be brought forward for housing development by the private sector. Further clarity is required on the strategy for business relocation.

The Council can control the relocation of one of the businesses but is reliant upon agreement with an adjacent landowner to secure the relocation of two other businesses. No evidence of a landowner agreement to govern project delivery and returns has been provided and further details are required.

A high level programme has been provided and a revised profile of key milestones has been requested to take account of the re profiling of LGF funding.

ECONOMIC OUTPUTS ●

The economic outputs (profiled below) from this project were not included in the LEP submission for the Growth Deal and the outputs below are as originally put forward by the Council in their outline business case.

Headline outputs	Total
Houses	358
Jobs created	144
Jobs safeguarded	56
Businesses assisted	4

Housing outputs are based on estimates contained in the Site Allocations Document DPD for Sandwell. While the project promoters are confident about the housing market context for the site, further evidence is required that can confirm levels of interest, potential values and sales rates that can provide reassurance on the timing of delivery.

It is understood that the jobs created and safeguarded outputs are based on the relocation and expansion of businesses from Woods Lane and further clarification on the definition and calculation of these outputs has been requested.

FUNDING ●

The LGF funding (profiled below) is slightly higher than originally requested, however the profile of LGF funding has now changed, effectively pushing back the 2015/16 allocation into 2016/17. This is referred to in the Growth Deal document as a "provisional" allocation.

LGF spend profile	2015/16				All 2015/16	Future years	Total LGF
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar			
	£0	£0	£0	£0	£0	£5,140,000	£5,140,000

Public sector match funding comprises a contribution of land by the Council with an estimated value of £0.54m. Private sector match funding comes through the value of investment in new housing and commercial premises for relocations.

LGF funding is allocated toward the costs of implementing the road scheme and contributing toward the costs of business relocations and intrusive site investigations. These costs will be refined as further design work is progressed and the Council has indicated its willingness to invest in these activities in order to maintain the momentum of the projects

On the basis that LGF funding is allocated to works that are intended to reduce a development cost value gap, ongoing viability appraisal will be required to confirm the development funding gap and thus the level of LGF intervention required to unlock the development of the site.

The Council has acknowledged that there are potential State aid issues to be considered in determining the approach to project funding via LGF and the Council has confirmed that legal advice will be sought to ensure a State aid compliant delivery structure.

KEY ISSUES & RISKS

Overall risk rating: 

This project has been appropriately positioned as a 'pipeline' project. A range of key risks remain to be resolved. The relocation strategy for the existing businesses on the site remains largely unspecified along with relocation costs. Further evidence is required on the arrangements for relocation and the proposed relocation sites.

Development appraisals should be prepared at the earliest opportunity to ensure that the financial viability issues associated with the project are fully understood and reflect up to date market values and development cost profiles, including abnormal costs associated with site remediation for housing development purposes.