

REPORT OF THE CITY DEAL AND GROWTH DEAL ADVISORY BOARD**TO****BLACK COUNTRY EXECUTIVE JOINT COMMITTEE – 3 December 2014****BC LOCAL GROWTH DEAL PROJECT APPROVAL RECOMMENDATION**
– BENTLEY LANE REMEDIATION PROGRAMME

Key Decision: Yes**Forward Plan: Yes**

1. PURPOSE OF REPORT

- 1.1 To present the recommendations of the Advisory Board in relation to the Bentley Lane Remediation Programme by the Regeneration Directorate within Walsall Council, seeking permission to grant in principle approval and setting out the next steps required to secure full approval.

2. RECOMMENDATIONS

- 2.1 That the Joint Committee grants in principle approval for the Bentley Lane Remediation Programme, asking the Advisory Board to present its recommendations once the revised financial viability assessment of the site has been completed and assessed.

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, set out in section 3.6 of that report, which utilises their individual RAG ratings and recommendations from the Advisory Board to the Joint Committee.
- 3.2 To ensure that these RAG ratings are as accurate as possible, each projects business case has been 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.

- 3.3 The recommendations of the Advisory Board, are set out in section 2 are based on the RAG ratings considered by the Star Chamber attached as Appendix 1, being Amber and the process presented to the Joint Committee on the 17th September in section 3.6.
- 3.4 The recommendation to grant in principle approval is based on the assessments completed so far. The project applicants are required to provide for scrutiny a revised financial viability assessment for the sites that demonstrates affordability within the resource levels available or acceptable alternative proposals. If accepted by the Advisory Board their recommendations can be presented and considered at a future Joint Committee meeting.

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 on the 29th October 2014.

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

Back Ground papers

The Black Country Strategic Economic Plan (SEP)

Business Cases for each Individual Project

Attachments

Appendix 1 – Bentley Lane Remediation Programme, Project Headlines and Outline Business Case RAG Rating

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Appendix 1 – Bentley Lane Remediation Programme, Project Headlines and Outline Business Case RAG Rating

Project Description

- Aims to create 11 hectares of high quality employment land in a key location for industrial development, by undertaking essential (viability) site remediation works.
- The site has known interest from a locally based national end occupier with an option to purchase in place, who is planning significant business expansion within the timeframes of this programme.
- Will create needed quality employment land for development and jobs for local people.

Start date: The first phase of works is expected to commence in September 2015, with completion during 2016/17.

Headline Outputs Include: 37,161 sqm of new floor space, leading to the creation of: 245 jobs, 91 Apprenticeships, 111 learners assisted, 10 Businesses assisted, together with 583 jobs safeguarded.

Funding Profile: Total Project Investment £40m, LGF requested of £8m of which £4m in 2015/16 and the balance of £4m during 2016/17, an intervention rate of 20%.

October 2014 Update and Revised RAG Rating

PROJECT MANAGEMENT



Remained at Amber throughout the process, as agreement with the end user is still in place, the intrusive site investigations have been completed and are being assessed by the end user's professional team to confirm remediation costs and site masterplan. Planning risks to the project remain pending formal planning applications for remediation and development works.

ECONOMIC OUTPUTS



- *subject to scheme and end user details*

Remained at Amber throughout the process, as no further information is available on end user to provide more certainty, due to an existing confidentiality agreement. As a result of this confidentiality agreement it's not possible yet to move past the stage of projections as to job outputs, therefore no evidence is available or been subject to any scrutiny.

FUNDING



- *subject to outcome of site investigations and viability review*

Remained at Red throughout the process as project is dependent on improvements to Bentley Lane to deal with traffic impacts, currently included in the 'Accessing Growth' LGF project. If this funding is not approved then these works will need to be borne by the end user. There also remains the risk that the site investigations indicate that the £8m LGF allocation is insufficient to address viability gap.

OVERALL RATING PROPOSED

AMBER



Recommendation – In principle only, with full Grant Agreement subject to a revised financial viability assessment being considered and accepted.

OUTLINE BUSINESS CASE (Including October Revisions)

PROJECT TITLE: Bentley Lane

PROJECT SPONSOR: Walsall Council

October 2014 Re-Assessment Update and Outstanding Scrutiny Issues

PROJECT MANAGEMENT

- Agreement with end user is still in place.
- Intrusive site investigations have been completed and are being assessed by the end user's professional team to confirm remediation costs and site masterplan.
- Planning risks to the project remain pending formal planning applications for remediation and development.

How are planning risks being addressed?

ECONOMIC OUTPUTS - subject to scheme and end user details

- No further information is available on end user given confidentiality agreement.
- Projected job outputs have not been evidenced or subject to any scrutiny.

Where are we with the potential end user, when do you expect any agreements to be made so that outcomes can be scrutinised..?

FUNDING - subject to outcome of site investigations and viability review

- The project is dependent on improvements to Bentley Lane to deal with traffic impacts. Funding for these improvements is currently included in the 'Accessing Growth' LGF project. If this funding is not approved then these works will need to be borne by the end user.
- There remains a risk that the site investigations indicate that the £8m LGF allocation is insufficient to address viability gap.

How will these funding risks be addressed?

July 2014 Assessment

PROJECT MANAGEMENT

Senior Responsible Officer (SRO): Simon Tranter, Head of Regeneration Development and Delivery.

The SRO role is in relation to project development and subsequently the provision and administration of LGF funding by Walsall Council to a third party landowner/end user/developer. It is understood that a potential end user has been identified, appointed a full project team and signed a conditional contract with the existing landowner at Bentley Lane to acquire the site. Acquisition is subject to the results of intrusive site investigations (SIs) due to be completed in September 2014 together with associated estimates for the cost of site remediation.

The site is currently allocated in the Local Plan as Green Belt and is being recommended for release for development as part of the Issues and Options consultation on the Council's Site Allocations Document.

The earliest date the site could be designated for development if there are no objections is understood to be September 2015. The current high level programme indicates a start on site for remediation works in 2015/16 with the construction of a new facility for the end user commencing later that same year.

It is not clear at this stage if or how the project would proceed if the potential end user did not complete the site acquisition following the results of the SI. It should be noted that access improvements to the Bentley Lane site are included as part of the Accessing Growth LGF funded project on the assumption that those improvements will be required should the development proceed. This is a project interdependency which will require ongoing consideration.

ECONOMIC OUTPUTS

The key economic outputs (set out below) are based on discussions between the Council and the potential end user. Jobs are safeguarded through relocations from existing operations elsewhere within the Black Country (which would be lost to the area without the new development) and new jobs would be created through an expansion in the overall operation from the new development.

Headline outputs	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Jobs created	0	0	245	0	0	0	245
Jobs safeguarded	0	0	583	0	0	0	583
Floorspace (sqm)	0	37,161	0	0	0	0	37,161
Business assists	10	0	0	0	0	0	10
Learner assists	0	20	91	0	0	0	111
Apprenticeships	0	0	91	0	0	0	91

It is understood that the floorspace output is based on preliminary assumptions on building plot ratios. Further clarification in terms of the calculation of all outputs and the profiling of their delivery over the period 2015/16 to 2020/21 has been requested from the Council. However, these are entirely dependent at this stage on the specific circumstances of the identified end user and these details cannot therefore be substantiated until such time as their commitment to deliver is confirmed.

FUNDING

The total LGF funding (profiled below) is as originally requested, however the profile of LGF funding was revised in the Growth Deal and is split equally over two consecutive years rather than in a single payment in 2015/16. Walsall Council has raised concerns regarding this profile given the difficulty of letting a single major remediation contract with a split of funding over 2 years.

LGF funding is allocated entirely to the cost of site remediation which has been estimated on the basis of a non-intrusive desk-top study with the addition of a 10% contingency. The actual level of funding required to unlock the development of the site by the potential end user cannot be confirmed until September 2014 at the earliest.

The level of private sector match funding for the project is dependent on the acquisition and redevelopment of the site by the potential end user and therefore the status of this funding is not confirmed at this stage, but is estimated at up to £40m.

LGF spend profile	2015/16				All 2015/16	Future years	Total LGF
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar			
	£1,000,000	£1,000,000	£1,000,000	£1,000,000			
					£4,000,000	£4,000,000	£8,000,000

The provision of a grant to a private sector landowner/end user/developer has potential State aid implications that need to be fully understood particularly in light of the revised General Block Exemption Regulation (GBER). This will impact on both the way in which the development is procured and the level of LGF capital funding that can be applied to the cost of the project.

KEY ISSUES & RISKS

Overall risk rating: 

The potential to secure an end user for the Bentley Lane site post-remediation is a key driver for LGF investment and the signing of a conditional contract is a positive step forward but significant risks to project delivery remain to be resolved.

The key outstanding risk relates to uncertainties over ground conditions and therefore the extent of remediation costs and the development funding gap. The £8m LGF allocation is a high level estimate and may be more or less than is actually required to unlock delivery.

Job outputs are based on the end user's retention and growth in the Black Country and further evidence should be obtained to confirm that the safeguarded jobs are at risk. Any subsequent grant agreement should require new jobs growth to be evidenced and monitored.

There are outstanding planning risks associated with the removal of the site from the Green Belt but these are not considered to be insurmountable with the support of the Local Planning Authority.

The project should be kept under review pending confirmation of remediation costs and subsequent commitment of the potential end user. Full consideration of State aid issues should be undertaken at that stage.