

REPORT OF THE CITY DEAL AND GROWTH DEAL ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIOVE JOINT COMMITTEE – 3 December 2014

**BC LOCAL GROWTH DEAL PROJECT APPROVAL RECOMMENDATION –
REGENERATION OF BILSTON CENTRE**

Key Decision:	Yes
Forward Plan:	Yes

1. PURPOSE OF REPORT

- 1.1 To present the recommendations of the Advisory Board in relation to the Regeneration of Bilston Centre by Wolverhampton City 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 Bilston Centre Regeneration 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 – The Regeneration of Bilston Centre, Project Headlines and Outline Business Case RAG Rating



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

ITEM 15

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Appendix 1 – The Regeneration of Bilston Centre, Project Headlines and Outline Business Case RAG Rating

Project Description

- Working together the HCA and Wolverhampton City Council have committed investment to provide further infrastructure, services and remediation to facilitate the release of further viable residential and employment development sites, generating a total of 580 houses.

Start date: The first phase of works is expected to commence in 2014/15, with the second and third phases, that utilise LGF funding starting in 2015/16 with construction phasing through to 2019/20.

Headline Outputs Include: the construction of 580 new homes and the creation of 80 new jobs.

Funding Profile: Total Public sector investment is around £10.9m. Other Public Sector funding is £7.65m, with LGF requested at £3.25m - which £2m is in 2015/16 and the balance of £1.25m during 2016/17, an intervention rate of 30%, which will be much lower if private sector investment is factored into the calculations.

October 2014 Update and Revised RAG Rating

PROJECT MANAGEMENT

Remained at Green throughout the process. The transfer of land from HCA to the Council and the funding for advanced infrastructure works has been agreed in principle. Tenders have been returned for initial works package and the Council is progressing ongoing design works for the package to be funded via LGF. There is an interdependency between this project and the 'Accessing Growth' LGF project which will require coordination and a plan B should this not be approved.

ECONOMIC OUTPUTS

Remained at Amber throughout the process. Preferred developers identified for Phase 1 of 77 houses (Kier), providing good market evidence. Property advisers are reviewing development appraisals for future phases to confirm the anticipated numbers and timing of housing development across the scheme. Developers of the commercial centre are progressing advanced discussions with occupiers.

FUNDING

Remained at Amber throughout the process. Confirmation of project viability is still subject to updated development appraisals, currently being prepared by Jones Lang LaSalle. On this basis, it remains unclear whether the level of LGF support will be sufficient to address cost/value gap in the scheme.

OVERALL RATING PROPOSED

AMBER

Recommendation – In principle only, movement to Grant Agreement conditional on receipt of a revised viability assessments have been considered and accepted.

OUTLINE BUSINESS CASE (Including October Revisions)

PROJECT TITLE: Bilston Centre

PROJECT SPONSOR: Wolverhampton City Council

October 2014 update and outstanding scrutiny issues

PROJECT MANAGEMENT

- Transfer of land from HCA to the Council and the funding for advanced infrastructure works has been agreed in principle.
- Tenders returned for initial works package and Council progressing ongoing design works for package to be funded via LGF.
- There is an interdependency between this project and the 'Accessing Growth' LGF project which will require coordination.

ECONOMIC OUTPUTS

- Preferred developers successfully identified for Phase 1 for initial 77 houses (Kier), providing good market evidence.
- Property advisers are reviewing development appraisals for future phases to confirm the anticipated number and timing of housing development across the scheme.
- Developers of the commercial centre are progressing advanced discussions with occupiers.

FUNDING

- Confirmation of project viability is still subject to updated development appraisals, currently being prepared by Jones Lang LaSalle.
- On this basis, it remains unclear whether the level of LGF support will be sufficient to address cost/value gap in the scheme.

July 2014 Assessment

PROJECT MANAGEMENT

Senior Responsible Officer (SRO): Kevin Moore (position tbc)

A Project Board has been established under a governance framework provided by the Bilston Urban Village Joint Venture Agreement between the City Council and the Homes & Communities Agency (HCA). It is understood that the HCA intend to exit this agreement following the transfer of its land at Bilston Centre to the City Council and a financial contribution to advanced works.

Consultant Engineers are retained to design and price the proposed advanced infrastructure works and procurement of these works is currently at OJEU PQQ. These works are programmed to commence in 2014/15 but no date has yet been confirmed.

A first phase of development to deliver 80 houses is currently out to tender with submissions due in July 2014. The current high-level programme indicates a start on site in 2014/15. A second phase of 350 houses is programmed for development in the period 2015/16 to 2016/17, with a third and final phase of 150 houses programmed for 2018/19 to 2019/20.

Commercial agents are retained to provide advice on development viability and marketing. A preferred developer, Stofords, has been selected for the delivery of the new commercial centre.

A risk register has been provided for the project and the key risk identified is a lack of developer demand due to market conditions which would lead to a delay in the delivery of new houses. This has resulted in a phased development strategy starting with the current tender for 80 houses.

It should be noted that access improvements in Bilston Centre are included as part of the Accessing Growth LGF funded project on the assumption that these will be required to support the viability of this proposed housing and commercial development. This is project interdependency will require ongoing consideration.

ECONOMIC OUTPUTS

The key economic outputs (set out below) are estimated on the basis of masterplanning work undertaken in 2012, subsequent allocations in the Supplementary Planning Document for Bilston Urban Village adopted in 2013, and the HCA Employment Densities Guide (2010). These estimates will be confirmed and/or revised on the basis of the approved tender for the first phase of 80 houses and any agreements reached with end users for the development of the commercial centre.

Headline outputs	Total
Houses	580
Jobs created	80
Floorspace (sqm)	1,454

Further clarification in terms of the profiling of outputs over the period 2015/16 to 2020/21 has been requested from the City Council however the precise timing and quantum of development will be subject to prevailing market conditions

Seven expressions of interest for the first phase of 80 houses were received indicating a positive response from the market and the City Council has highlighted the delivery of 166 houses on the adjacent Chestnut Walk development as further indication of market demand. End users have yet to be confirmed for the commercial centre.

FUNDING

The total LGF funding (profiled below) is as originally requested, however the profile of LGF funding has now changed with funding split over 2015/16 and 2016/17, rather than a single payment in 2015/16. A revised expenditure profile and a profile of monthly LGF spend for 2015/16 to account for this change has been requested.

LGF spend profile	2015/16				All 2015/16	Future years	Total LGF
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar			
	tbc	tbc	tbc	tbc			
					£2,000,000	£1,250,000	£3,250,000


Costs for advance infrastructure works are being refined through ongoing design work and the tender process currently underway. Intrusive site investigations are required for the future phases of housing development and further detailed design and cost estimates are required for the provision on a new electricity substation, public open space areas and improvements to Bankfield Road.

Public sector match funding for the project of £2.5m from the HCA and £5.15m from the City Council has been approved. Private sector match funding is dependent on the acquisition and development of the housing sites and the commercial centre and therefore the status of this funding is not confirmed at this stage.

Tender submissions for the first phase of 80 houses will provide further market intelligence on prospective values and sales rates and will need to be reflected in ongoing financial viability appraisals in respect of future phases on the basis that LGF funding is allocated to works that are

intended to reduce the cost-value gap.

KEY ISSUES & RISKS

Overall risk rating: 

The core delivery risk relates to development viability. Advanced infrastructure and environmental works funded by LGF in 2015/16 will help to reduce the cost-value gap in the project but further viability appraisal is required to confirm deliverability.

In any event, a clear marketing strategy for the housing sites release will be required to provide reassurance on housing output delivery. At this stage, delivery risks for the projected housing outputs remain relatively high.

Job outputs are dependent on the delivery of the new commercial centre. While potential uses have been identified, there are no agreements to lease or legal agreement between the proposed developer, HCA or end users. The delivery of these job outputs therefore remains a risk area for this project.