

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
– GOSCOTE LANE CORRIDOR (HOUSING) 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 Goscote Lane Corridor (Housing) Programme by the Regeneration Directorate within Walsall Council, seeking permission to proceed to grant agreement by the Accountable Body (Walsall Council) as set out below in section 2.

2. RECOMMENDATIONS

- 2.1 That the Joint Committee grants approval for the Accountable Body for the Growth Deal (Walsall Council) to proceed to a Grant Agreement to deliver the Local Growth Fund (LGF) funded elements of the Goscote Lane Corridor project – with delivery to commence in the 2015/16 financial year.

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 Green and the process presented to the Joint Committee on the 17th September in section 3.6.

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 – Goscote Lane (Housing) Corridor Programme, Project Headlines and Outline Business Case RAG Rating



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

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

Project Description

- The Investment of £87.39m in a transformational programme to bring forward a residential development of 735 houses on three related vacant brownfield sites, totalling 21 hectares within the Goscote Lane Corridor regeneration area in Blakenall, Walsall.
- Evidence of a strong market interest exists with whg having a contractual relationship with Keepmoat for Phases 1 and 2.

Start date: The first phase of development as part of an existing 6 Phase Delivery Plan which has already seen 134 new homes built is programmed to commence in October 2014 and deliver 138 new homes by March 2016. A second phase will run in parallel and deliver a further 327 homes by October 2018. A third phase of 270 units at the former Goscote Estate is programmed for commencement in January 2018 for completion in September 2021.

Headline Outputs Include: 735 Homes constructed, 1240 Construction Jobs created, 48 Apprenticeships, 40 learners assisted and 11 Businesses assisted.

Funding Profile: Total Project Investment £87.39m, LGF requested of £8.820m of which £1.5m in 2015/16 and the balance of £7.320m during 2019/20, an intervention rate of 10%.

October 2014 Update and Revised RAG Rating

PROJECT MANAGEMENT

The project has remained at Green throughout the assessment process, with all key partners in place, Phase 1 is on site. Some risks remain over the rebuilding of the Canal Bridge to facilitate Phase 2, but these are considered as deliverable by the Council as agreement is in place with the Canals & Rivers Trust, and planning permission will be sought. Proposed public realm works are on Council land and can be readily delivered.

ECONOMIC OUTPUTS

Green throughout the assessment process, with the initial phase of development now commenced and will deliver 76 units. Future phases are subject to development agreements but delivery milestones are not yet clear.

FUNDING

Green throughout the assessment process, master development appraisal has previously been scrutinised by the HCA as part of the Affordable Housing Programme confirming levels of LGF required to address viability gap. LGF requirements in future years will need to be kept under review as delivery progress is made in earlier phases.

OVERALL RATING PROPOSED

GREEN

Recommendation – Proceed to Grant Agreement.**OUTLINE BUSINESS CASE (Including October Revisions)****PROJECT TITLE:** Goscote Lane Corridor**PROJECT SPONSOR:** Walsall Council**October 2014 Re-Assessment Update and Outstanding Scrutiny Issues****PROJECT MANAGEMENT** ●

- Goscote Strategic Partners Board has been established, chaired by WHG with senior representation from local authority and developers
- Phase 1 development has commenced on site.
- Works to Canal Bridge to facilitate Phase 2 are yet to be fully designed but this will be procured by the Council. Agreement is in place with the Canals & Rivers Trust but planning permission will be required.
- Proposed public realm works are on Council land and can be readily delivered.

ECONOMIC OUTPUTS ●

- Initial phase of development has commenced and will deliver 76 units. Future phases are subject to development agreements but delivery milestones are not clear.

Question:

What delivery obligations are specified in the Development Agreement between WHG and Keepmoat to ensure that projected housing outputs can be achieved in this LGF programme timeframe?

FUNDING ●

- Master development appraisal has previously been scrutinised by the HCA as part of the Affordable Housing Programme confirming levels of LGF required to address viability gap.
- LGF requirements in future years need to be kept under review as delivery progress is made in earlier phases.

July 2014 Assessment**PROJECT MANAGEMENT** ●

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

The SRO role will be to act as the interface for LGF funding via Walsall Council to Walsall Housing Group (WHG), which is the lead delivery organisation. WHG has appointed EC Harris as Project Managers and they will be directly responsible for managing the lead Development Partner, Keepmoat. Within this governance framework Galliford Try has been appointed as developer for the first phase of housing development.

The first phase of development is programmed to commence in October 2014 and deliver 76 new homes by March 2016. A second phase will run in parallel and deliver a further 382 homes by October 2018. A third phase of 277 units is programmed for commencement in January 2018 for completion in September 2021.

A risk register has been provided. It identifies a number of risks in relation to funding, delays to infrastructure works and negotiations with third party interests (utilities, land owners, statutory bodies) but the likelihood of their occurrence is considered to be low at this point. Funding is now in place for the project (see below) and a feasibility study into the design of infrastructure works has been completed. This study is now being used as the basis for engaging third party interests.

ECONOMIC OUTPUTS

The key economic outputs (profiled below) are in accordance with the LEP submission for the Growth Deal. Housing outputs are based on an average of 35 units per hectare across the three phases and existing planning consents for two individual sites.

Learner assists and apprenticeships outputs are based on experience from recent residential developments in Walsall.

Business assists are understood to be based on supply chain promotional activities with building sub-contractors. The business created will be an Environmental Trust for the area.

Headline outputs	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Houses	138	131	82	114	106	164	735
Jobs Created (Added in October)	220	220	210	220	200	170	1240
Business assists	3	1	2	2	2	1	11
Business creation	1	0	0	0	0	0	1
Learner assists		10	10	10	10	0	40
Apprenticeships	10	6	10	10	6	6	48

This project is forecast to deliver over 55% of the total number of houses across the entire Growth Deal programme so market risks will need to be effectively managed. The appointment of a lead Development Partner is a positive reflection of market prospects and it is understood that through the developer procurement process the proportion of homes for outright sale has been increased to circa. 55%, reflecting market confidence.

The programme of delivery of outputs, particularly the housing units, will be dependent upon obligations being placed on WHG and through them to the development partner(s) specifying annual targets. It is understood that a "long stop" date has been agreed with the development partner(s) for the completion of the homes for sale on phase one.

FUNDING


The total LGF funding (profiled below) is as originally requested, however the profile of LGF funding has now changed, with less funding in 2015/16 and more in a second tranche in 2019/20. Walsall Council has raised concerns over this revised funding profile given that the project submission had identified £0.5m in 2015/20216 and £2m in 2016/17 but has confirmed that works can be brought forward to deliver the allocated expenditure in 2015/16 as set out in the Growth Deal.

LGF spend profile	2015/16				All 2015/16	Future years	Total LGF
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar			
	0	500,000	500,000	500,000	£1,500,000	£7,320,000	£8,820,000

WHG has secured Homes & Communities Agency (HCA) private developer grant funding of £3.68m for phases one and two, supported by WHG borrowing of £10.2m. The remaining private sector match funding comes through the investment and sale of homes across all three phases and the actual level will depend upon prevailing market conditions.

An important consideration for this project is the level of additionality and value for money in terms of cost per house delivered in relation to the second tranche of LGF investment in 2019/20. From the time this further £7.32m is invested only a further 270 houses will remain to be delivered. This should be kept under review as development proceeds and market conditions evolve.

KEY ISSUES & RISKS

Overall risk rating: 

The HCA funding approval, together with the previous procurement of Keepmoat and Galliford Try as development partners, provides a strong basis for project delivery. LGF will be provided via a grant agreement with WHG and will need to set out clear delivery milestones in bringing forward housing units.

In parallel, the LEP will need clarity on the obligations being placed on the development partners in terms of the delivery programme and keep under review the LGF requirement for phase three of the development in 2019/20 given the market conditions at that time and value for money considerations.