

## Council – 12 August 2013

### Phoenix 10 Project

#### 1. Summary

- 1.1 Council will recall that the Phoenix 10 project, within the Black Country Enterprise Zone, represents the key strategic employment development site in the borough which is intended to attract major investment leading to significant job creation. At its meeting 8 July 2013, Council decided to adjourn to enable the reports relating to the financial and delivery arrangement for the project to be received in public and for due discussion to take place. Therefore the purpose of this report is to advise Council further on these matters.

#### 2. Recommendations

- 2.1 Council to note the content of this report and its appendices.

#### 3. Report Detail

##### Background

- 3.1 At its meeting 8 July 2013, Council decided to adjourn to enable the reports relating to the financial and delivery arrangement for the Phoenix 10 project, as part of the Black Country Enterprise Zone, to be received in public. Therefore the purpose of this report is to advise Council further on these matters.
- 3.2 This report sets out the context and additional information to those reports that are attached as **Appendix A** (Cabinet Report 24 April 2013 'Phoenix 10 Project'-redacted) and **Appendix B** (Cabinet Report 24 April 2013 'Phoenix 10 Project-Supplementary Paper'-redacted). The reports have been redacted to ensure commercially sensitive information to the Council and its partners relating to the project are excluded.
- 3.3 The Phoenix 10 site, located off Darlaston Road/Reservoir Place, is the key development opportunity in the Darlaston part of the Black Country Enterprise Zone. The main 37 acre site is located to the east of the M6 motorway and is comprised of the former IMI Copper Works, owned by the Homes & Communities Agency (HCA), and adjoining Council owned land formerly used as a tip, while the HCA also owns other former IMI land amounting to 7 acres on the west side of the M6 motorway, accessed from the main site via a tunnel.
- 3.4 Enterprise Zones are a flagship Government initiative intended to assist areas with real potential to create the new business and jobs to support economic growth, generating positive benefits across the wider area. In respect of Phoenix 10 Enterprise Zone status brings with it the following benefits:
  - 100% first year enhanced capital allowances for the purchase of plant and machinery.
  - A simplified approach to planning through the Darlaston Local Development Order

- Support to ensure that superfast broadband is rolled out in the area.
- 3.5 In August 2011 the Black Country LEP submitted the Black Country Enterprise Zone portfolio to the Department for Communities and Local Government (DCLG). This document proposed that the Phoenix 10 site (comprising HCA and Council land) be included within the Enterprise Zone and this was subsequently confirmed in November 2011.
  - 3.6 Prior to the site gaining its Enterprise Zone status, the majority site was in the ownership of Advantage West Midlands (AWM) who undertook a process to identify a preferred purchaser of the site able to reclaim this significantly contaminated land. Following the abolition of AWM, the HCA took on responsibility of this asset and in doing so took a decision to continue discussions with the preferred purchaser. This enabled the Council to undertake similar discussions regarding the disposal of its land to that same party to form part of the comprehensive project.
  - 3.7 Discussions between the parties continued throughout 2012 and included further work commissioned by the respective landowners to understand the costs of reclamation and development potential of the site. In December 2012, these discussions ended when the preferred purchaser withdrew from the negotiations as they could no longer meet one of the conditions of the draft agreement with the HCA relating to a guarantee of delivery.
  - 3.8 In view of this the Council and HCA began to consider alternative means of progressing the reclamation and development of this key site. At its meeting on 23 January 2013, Cabinet noted the HCA decision to cease negotiations with the preferred purchaser, supported a review of the delivery mechanisms for the project and agreed to receive a report to its 13 March 2013 meeting setting out a preferred delivery model. DTZ, in their role as appointed Black Country Enterprise Zone management consultants, were then tasked with producing a project feasibility study.
  - 3.9 The feasibility study concluded that the site should be delivered through a contract for works for the reclamation through the method of comprehensive ground excavation, followed by the separate procurement of developer partner given that the costs associated with reclamation are likely to preclude a developer-led reclamation and delivery route. This is because the estimated costs identified in the feasibility study anticipate a funding gap that is so significant that public intervention may represent the only deliverable alternative. (As a result part of the feasibility study has been redacted due to commercial sensitivity and on-going negotiations). The feasibility study advised that the reclamation and delivery of key infrastructure items should be funded through prudential borrowing supported by business rates uplift across the Enterprise Zone, any possible grant support, and the reinvestment of capital receipts and from the disposal of the site and other revenues created by the project.
  - 3.10 This mechanism, provided by Government to Local Enterprise Partnerships, to utilise business rate uplift to support economic and growth priorities can be used to enable the public sector to address issues relating to viability. Government envisaged through its policy that LEPs and Local Authorities may use the future revenues generated by the uplift to pay for upfront enabling works to assist in the

implementation of projects within Enterprise Zones and Local Authorities would do this by borrowing funds repayable against any future uplift. This uplift is generated when sites are occupied and a new hereditament is created. In the context of Phoenix 10, this mechanism enables a funding gap to be reduced, facilitating the delivery of a regionally important site capable of supporting the creation of significant new jobs and investment.

- 3.11 At its meeting on 24 April 2013, Cabinet received details relating to further work that had been undertaken to understand costs and delivery methods, and resolved to receive a detailed business case which would explore this in greater detail in order that it can select a robust final preferred delivery route for the project. The project costs provided to Cabinet were estimated based on a worst case scenario and a number of broad assumptions, and followed significant due diligence and scenario testing to understand all costs associated with delivering the Phoenix 10 project. This exercise enabled Cabinet to:
- Compare these costs against those provided by the previous preferred purchaser.
  - Understand the costs associated with the disposal of non-soil materials which has considerable cost implications and has resulted from the Environment Agency reviewing its previous advice in relation to its regulations.
  - Understand the costs associated with the acquisition of third party land, the reinstatement of Primley Avenue Park, the delivery of improved site infrastructure and project management support costs.
  - Undertake a sensitivity analysis of the costs and revenues associated with the project to provide best and worst case profiles.

This estimate of cost provides a robust and comprehensive assessment based on information available to date. It is for these reasons that the project costs reported to Cabinet for the first time in April 2013 enable comparisons to be made with the costs that had previously been identified in 2011 by the preferred purchaser.

- 3.12 At its meeting 29 April 2013, the Black Country LEP Board agreed in principle to fund the estimated Phoenix 10 project costs subject to the outcomes of the tendering process and final business case through retention of business rate uplift generated in the Black Country Enterprise Zone and noted that a further report would be submitted to a future meeting setting out a detailed business case and confirmed costs for the project.

### **The Business Case**

- 3.13 Since the Cabinet and LEP decisions at their meetings in April 2013 work has been ongoing to move the project forward. This work includes the preparation of the business case in partnership with the HCA. The business case will be produced in line with HM Treasury's best practice 'Five Case Model' and the Green Book, as well as the Department for Business Innovation and Skills (BIS's) Impact Evaluation Framework and the Department for Communities and Local Government's (DCLG's) guidance on Assessing the Impact of Spatial Interventions and on Valuing Regeneration Benefits. The business case will explore from a strategic, economic, commercial, financial, and management

perspective a review of the options for the delivery of the project and the preferred way forward.

3.14 The business case will use the estimated costs as described in paragraph 3.11 in this report to further the Council and HCA's understanding of a preferred way forward and will enable recommendations to be made to Cabinet at its meeting 11 September 2013. The production of a final business case will however not be completed until the procurement and tendering process to select a contractor has been completed and final costs are known. At this time further reports will be prepared for Cabinet and Council; whereby Council will be asked to amend the Council's capital programme to fund the project during the 2014/ 15 financial year. Thereafter the Black Country LEP will be asked to commit investment from the Black Country Enterprise Zone Business Rate 'investment fund' towards the project.

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A handwritten signature in blue ink, appearing to be 'SN', written over a light blue circular stamp.

Simon Neilson  
Executive Director

12 August 2013

## **Cabinet – 24 April 2013**

### **Phoenix 10 Project**

**Portfolio:** Councillor Adrian Andrew, Deputy Leader, Regeneration

**Related Portfolio:** Councillor Chris Towe, Finance and Personnel

**Service:** Regeneration – Development and Delivery

**Wards:** Pleck

**Key decision:** Yes

**Forward plan:** No

#### **1. Summary**

- 1.1 Cabinet will recall that the Phoenix 10 Project, within the Black Country Enterprise Zone, represents the key strategic employment development site in the borough which is intended to attract major investment leading to significant job creation. At its meeting on 13 March 2013 Cabinet received a report presenting a series of principles that will guide the process of reclamation and development of the Phoenix 10 site.
- 1.2 Cabinet agreed a project delivery mechanism consisting of the Council acquiring the Homes and Communities Agency (HCA) land and procuring a specialist contractor to undertake the reclamation of the site via comprehensive ground excavation. It is proposed that the cost of the work is met by borrowing against future business rate uplift anticipated to be generated in the Black Country Enterprise Zone.
- 1.3 This report sets out the work that is being undertaken to progress the agreed project delivery mechanism in relation to land acquisition, financial arrangements and procurement.

#### **2. Recommendations**

- 2.1 That Cabinet recommends Council to approve capital expenditure (not currently identified in the capital programme), an estimate of which is set out in paragraph 3.6, to fund the comprehensive reclamation of the Phoenix 10 site subject to confirmation that the Black Country Local Enterprise Partnership Board will fully reimburse that expenditure from anticipated business rates from sites within the Black Country Enterprise Zone.

- 2.2 That Cabinet receives a future report on a detailed business case that sets out the actual capital expenditure to be incurred and makes a recommendation to Council accordingly.
- 2.3 That Cabinet notes the estimated project costs set out in paragraph 3.6 and supports a formal request be submitted to the Black Country Local Enterprise Partnership Board ('the LEP') in private session to fully fund the reclamation of the Phoenix 10 site from known and anticipated business rates to be retained by the LEP from sites within the Black Country Enterprise Zone.
- 2.4 That Cabinet recommends to Council the use of *(figure has been redacted as it contains information that is commercially sensitive to the Council and its partners)* revenue funds over the next 3 years to pay for interest costs on the prudential borrowing before business rates are generated, noting that these will be repaid over the 25 year life of the project, subject to LEP agreement as set out in 2.3 above.
- 2.5 That Cabinet approve spend as set out in paragraph 6.5 in advance of Council approval of the full business case up to a maximum agreed figure *(figure has been redacted as it contains information that is commercially sensitive to the Council and its partners)* to be funded from capital contingency.
- 2.6 That Cabinet approves the Heads of Terms for the Council's acquisition of the HCA's landholding, and delegates authority to the Executive Director Regeneration, in consultation with the Chief Financial Officer and the relevant Portfolio Holders, to make any minor amendments, agree a date for exchange of contracts and negotiate completion of the sale and purchase agreement.
- 2.7 That Cabinet agrees: *This recommendation has been redacted as it contains information that is commercially sensitive to the Council and its partners.*
- 2.8 That Cabinet agrees: *This recommendation has been redacted as it contains information that is commercially sensitive to the Council and its partners.*

### **3. Report detail**

#### **Background**

- 3.1 The Phoenix 10 site is a key development opportunity in the Black Country Enterprise Zone (BCEZ). This 44 acre site comprises the former IMI Copper Works, owned by the HCA, and some adjoining Council owned land formerly used as a domestic and industrial refuse tip. The development of the site will make a positive contribution to Walsall's employment land supply. The borough currently has an inadequate supply of readily available employment land and this serves as a constraint on investment and job creation. Bringing such a large area of land back into productive use can therefore make a significant contribution to economic growth and employment in the borough while also enhancing the local environment.

- 3.2 At its meeting on 23 January 2013 Cabinet was informed that negotiations between the HCA and a prospective purchaser had ceased and that as a result professional property advisors DTZ had been jointly tasked with reviewing the project by the Council and HCA in order to consider alternative means of progressing the reclamation and development of this key site.
- 3.3 At its meeting on 13 March 2013 Cabinet was advised that DTZ in its report had concluded that a comprehensive ground excavation was the most appropriate means of dealing with the ground engineering and reclamation issues at the site and that this should be secured through the procurement of a contract for reclamation works, followed by the separate procurement of a developer given that the costs associated with reclamation are likely to preclude a developer led reclamation and development route. This report also explained the options for how the project might be delivered concluding that the preferred option was that the Council acquires the HCA interest and leads the project, principally because of the ability to harness the considerable funds required to reclaim the site through the mechanism of the business rate uplift provided by the BCEZ. This is considered a more effective and pragmatic means of securing reclamation than pursuing any statutory process. It is recognised that the apportionment of future environmental liabilities will be a key issue for any proposed land transfer and this matter is addressed later in paragraph 3.9.

### **Financial modelling**

- 3.4 It is recommended that the reclamation of the site and associated costs are primarily funded through the prudential borrowing model supported by the anticipated business rates uplift generated by development across the BCEZ. Business rate uplift generated in the BCEZ is retained by the Black Country Local Enterprise Partnership (LEP) for use on economic priorities in the sub-region. At its meeting on 26 September 2012 the LEP Board agreed that the priority for use of business rate uplift would be supporting the delivery of BCEZ sites. A private report has therefore been prepared for the LEP Board meeting on 29 April 2013 setting out the anticipated overall costs associated with the project and seeking in principle approval to fund required costs through the use of business rate uplift.
- 3.5 Financial modelling work has been undertaken for Phoenix 10 and the i54 site in Wolverhampton North (identified as priority sites in DTZ's assessment of market demand) and similar work on the balance of the BCEZ sites is ongoing to complete this modelling for the BCEZ to form an investment strategy for the LEP (to be reported to the LEP in summer 2013). The model will work on the premise that local authorities will utilise prudential borrowing to invest in the removal of physical barriers to development by paying down such loans through income received from business rate uplift and other income streams e.g. values from land receipts. The BCEZ financial model will identify estimated infrastructure costs and test the affordability of required interventions across all of the BCEZ sites and suggest a prioritisation of these sites through a cost/benefit analysis. There is a need to understand whether the costs of intervention on any given BCEZ site can be funded by the business rates that will be generated once that site is developed and where this cannot be achieved what is the call upon surplus generated by other BCEZ sites to enable that intervention, thus testing the affordability of a proposed investment strategy.

- 3.6 *This section has been redacted as it contains information that is commercially sensitive to the Council and its partners.* On this basis, there would be a need to utilise business rate uplift from the wider BCEZ to fully cover costs. In order that the required business rates are generated there will clearly be a need for other BCEZ sites to be occupied in the early years of the programme.

*A table containing the estimated costs relating to the project have been redacted due to their commercial sensitivity*

The request to the LEP will therefore comprise both estimated capital and revenue costs associated with the project. The revenue costs relate to an increase in the revenue budget over the next 3 years to pay for interest costs on the prudential borrowing before business rates are generated.

It is anticipated that the costs set out above can be partially offset by income from coal receipts and disposal of the reclaimed site. An estimate of this income is provided in Table 2 below:

*A table containing the estimated income relating to the project have been redacted due to its commercial sensitivity.*

Sensitivity testing demonstrates how changes in costs/income determine whether the site generates a deficit or surplus over the business rate retention period. *A table containing sensitivity analysis relating to the project has been redacted due to their commercial sensitivity*

- 3.7 The above figures represent the project costs for the whole of the site, being the HCA land and the Council's existing land to the north of the HCA land. *This section has been redacted as it contains information that is commercially sensitive to the Council and its partners.* The opportunity of dealing with the two sites together also brings forward the opportunity to develop a large area of industrial land for future use for employment purposes.
- 3.8 On the basis that the LEP Board agrees in principle to the use of business rate uplift to meet the project costs then the Council can proceed with a procurement process to identify a specialist reclamation contractor and seek to conclude negotiations with the HCA regarding the acquisition of its land. Prior to the Council entering into any reclamation contract actual costs would be presented to a future meeting of the LEP Board seeking final approval for the use of business rate uplift mechanism. However, should the LEP Board make a formal decision that business rate uplift is not available to support the project then the Council would not be in a position to let a reclamation contract or proceed with any acquisition of the HCA land unless alternative sources of funding had been identified and therefore would not be in a position to undertake the project.
- 3.9 At this stage Cabinet is requested to note the estimated project costs and confirm its support for the request that has been submitted to the LEP Board (in private session) in respect of the funding model involving business rate uplift. Cabinet is also asked to agree in principle to the use of prudential borrowing to meet these project costs prior to future reimbursement from the LEP Board via business rate uplift. Subject to future LEP Board approvals regarding the use of business rate



uplift to meet these project costs Cabinet will receive a further report setting out the detailed funding arrangements for the project through use of the prudential borrowing model. While the anticipated costs to the public purse are considerable it has already been noted that these are expected to be partly offset by any income from coal receipts and disposal of the reclaimed site.

### **Sale and purchase agreement and apportionment of environmental liability**

- 3.13 *This section has been redacted as it contains information that is commercially sensitive to the Council and its partners.*

### **Reclamation of the site**

- 3.14 The reclamation of the site will be a highly complex task and project management support is required to advise on the technical issues that will arise. This support will be procured through a compliant national framework and it is intended that a brief for this commission will be prepared and circulated to members of the Environment Agency's recently established National Contaminated Land Consultancy Framework. The utilisation of this or another suitable framework will enable an appointment to be made to this role at the earliest opportunity. The technical advisor will provide support on tasks such as:
- preparation of the planning application
  - production of the specification and tender documentation for the reclamation contract
  - appointment of the contractor
  - obtaining relevant permits and approvals
  - supervising and monitoring the contractor for the duration of the contract
  - advising on environmental liabilities and warranties.
- 3.15 *This section has been redacted as it contains information that is commercially sensitive to the Council and its partners.*
- 3.16 Officers will continue to work with the wider Alumwell community to identify a programme of benefits that will supplement the project. In order to enable comprehensive ground excavation that maximises the development platform and potential revenues from the reclamation process it will be necessary for Primley Avenue Park to form part of the project. This means that the park will be out of use for a period of time but it will be fully reinstated following completion of the works.
- 3.17 Consideration of the means of procuring the future development of the site is at an early stage and further work will be undertaken, although to a large extent the preferred method is likely to be determined by prevailing market conditions at the point at which the land is reclaimed and the need to expedite development in order to take full advantage of the benefits applying to the BCEZ which in this case involves enhanced capital allowances to occupiers that must be sought by April 2017. However, the options which the Council can consider would include:
- direct disposal of the land to a developer/occupier.
  - entering into a joint venture arrangement with a developer.
  - undertaking development and disposal/lease to occupier.

## **Alternative Options**

3.18 *This section has been redacted as it contains information that is commercially sensitive to the Council and its partners.*

### **4. Council priorities**

4.1 The Council has committed to focus on three priorities in the Corporate Plan and one of these is the economy. Supporting the delivery of the Phoenix 10 site will lead to economic growth and job creation.

4.2 The proposal for the Council takes a direct role in the reclamation of the site is line with the following objectives as set out in the Marmot Review:

- Give every child the best start in life
- Enable all children, young people and adults to maximise their capabilities and have control over their lives
- Create fair employment and good work for all
- Ensure a healthy standard of living for all
- Create and develop healthy and sustainable communities
- Strengthen the role and impact of ill-health prevention

Reclamation of the Phoenix 10 site would enable its future development which would have a positive impact on the lives of local people by creating new job opportunities and improving the appearance of the local environment by reclaiming derelict land.

### **5. Risk management**

5.1 There is a risk that the procurement process will not identify a contractor to undertake the reclamation works. However, initial market testing has concluded that there are suitably experienced contractors in operation who would be capable of carrying out the work.

5.2 There is a risk that the LEP board will not agree use of business rate uplift for reclamation of the site. However, the LEP board has already agreed that the priority for use of the uplift will be to assist the delivery of the BCEZ sites and funding the reclamation of the site is in line with this decision.

5.3 There is a risk that there will be insufficient business rate uplift generated to meet the costs of reclamation. However, initial calculations have been undertaken which suggest that the level of uplift across the BCEZ should be of a scale to enable the Phoenix 10 costs to be met. The financial modelling continues to be developed and a more mature outcome is expected to confirm that there are sufficient resources. This is related to the risk that the reclaimed Phoenix 10 site will not generate significant investor demand and therefore that jobs and economic growth will not be generated. However, very recent work undertaken by DTZ on the likely market demand for the BCEZ sites suggests that Phoenix 10's size and location would make it an attractive proposition to potential developers, particularly given the profile generated by BCEZ status. This work

also emphasises the importance of taking action to make sites available for immediate development in order to facilitate business growth.

- 5.4 *This section has been redacted as it contains information that is commercially sensitive to the Council and its partners.*
- 5.5 There is a risk that the Council and the HCA are unable to agree terms for a land transfer. However, initial discussions indicate that the principle of such a transfer is acceptable to both parties.
- 5.6 There is a risk that costs will increase due to the uncertainties that exist in respect of the project. However, all cost information has been prepared on a worst case basis and therefore it is not expected that costs would increase significantly from current estimations.

## **6. Financial implications**

- 6.1 This scheme has significant financial uncertainties across the estimated worst-case cost of £ (*This section has been redacted as it contains information that is commercially sensitive to the Council and its partners*) for the reclamation works; those uncertainties also including the amount of any potential receipts for sale of the reclaimed land, the value of recoverable minerals and what support may be available from the HCA. Significant appraisal work will continue.
- 6.2 *This section has been redacted as it contains information that is commercially sensitive to the Council and its partners*
- 6.3 Although the funding of this reclamation project is intended to be achieved from business rates uplift from the LEP, the business rates will be received over a 25 year period. Most of the expenditure linked to the project will happen in the next 2-3 years. While a lot of uncertainties exist on the funding model, the Council would need to provide a total of circa £ (*figure redacted due to commercial sensitivity to the Council and its partners*) of revenue budget over the next 3 years to pay for interest costs on the prudential borrowing before business rates are generated and it is on this basis that this sum forms part of the request for overall project funding to the LEP.
- 6.4 Without alternative financial provision this project will impact on Walsall Council revenue budgets in the short and medium term and the impact of this is not currently in the medium term financial plan. In these circumstances the level of savings required by the Council would therefore increase.
- 6.5 It is anticipated that prior to full Council approval of the project funding package £ (*figure redacted due to commercial sensitivity to the Council and its partners*) would need to be expended on support costs incurred in the preparation of the full business case, planning application and specification for the reclamation works amongst others. (*This section has been redacted due to commercial sensitivity to the Council and its partners*) Discussions with the HCA are taking place regarding them making a 50% contribution to these costs.

- 6.6 Seeking contributions from HCA would provide another potential source of funding to bridge any projected shortfall in the funding of the project.

## **7. Legal implications**

- 7.1 *This section has been redacted as it contains information that is commercially sensitive to the Council and its partners.*
- 7.2 The Town and Country Planning (Environmental Impact Assessment) Regulations 2011 are likely to apply given the size and nature of the site, meaning any planning application for reclamation works and development would have to be supported by an Environmental Impact Assessment.
- 7.3 The Council's prudential borrowing powers are contained in section 1 of the Local Government Act 2003. The powers allow the Council to borrow money for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs.
- 7.4 The development of the former IMI Copper Works site for employment uses would be in accordance with the Black Country Core Strategy and the specific saved policy for the site (JP4.2) in Walsall's Unitary Development Plan. The development of the adjoining Council owned land will be required to comply with planning policy and this will include the retention and improvement of open space. Both sites are also within the mineral safeguarding area (MSA) identified in the Core Strategy, and any development on a site of their size within the MSA is required to consider the feasibility of "prior extraction" of minerals, in accordance with Policy MIN1.

## **8. Property implications**

- 8.1 The reclamation of the Council's land will create an asset while the acquisition and reclamation of the HCA land can generate an additional asset for the Council. However, given the existing pollution of the HCA land this will only become an asset to the Council if costs incurred are recovered through business rate uplift and any receipts the land generates.
- 8.2 *This section has been redacted as it contains information that is commercially sensitive to the Council and its partners*
- 8.3 Any future sale of the reclaimed land would initially generate a capital receipt and remove maintenance liabilities.

## **9. Staffing implications**

- 9.1 There will be a need to commit staff resources to progress the procurement processes.

## **10. Equality implications**

10.1 At this stage of the proposal there are no immediate equality implications. Equality analysis, legal requirements and good practice issues will be considered throughout the project, and include engagement and consultation when needed.

## 11. Consultation

11.1 Officers have been providing regular updates to ward councillors and local groups on the position in relation to the Phoenix 10 project. The significance of this project is recognised and to create effective engagement with the local community as the project evolves. It is intended that a formal Project Delivery Group will be established to act as a means of ensuring that they are advised of progress moving forward. Any future planning application will be the subject of a statutory consultation process.

## Background papers

Phoenix 10 Project Cabinet report – 13 March 2013.

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Portfolio holder – Regeneration

24 April 2013

24 April 2013

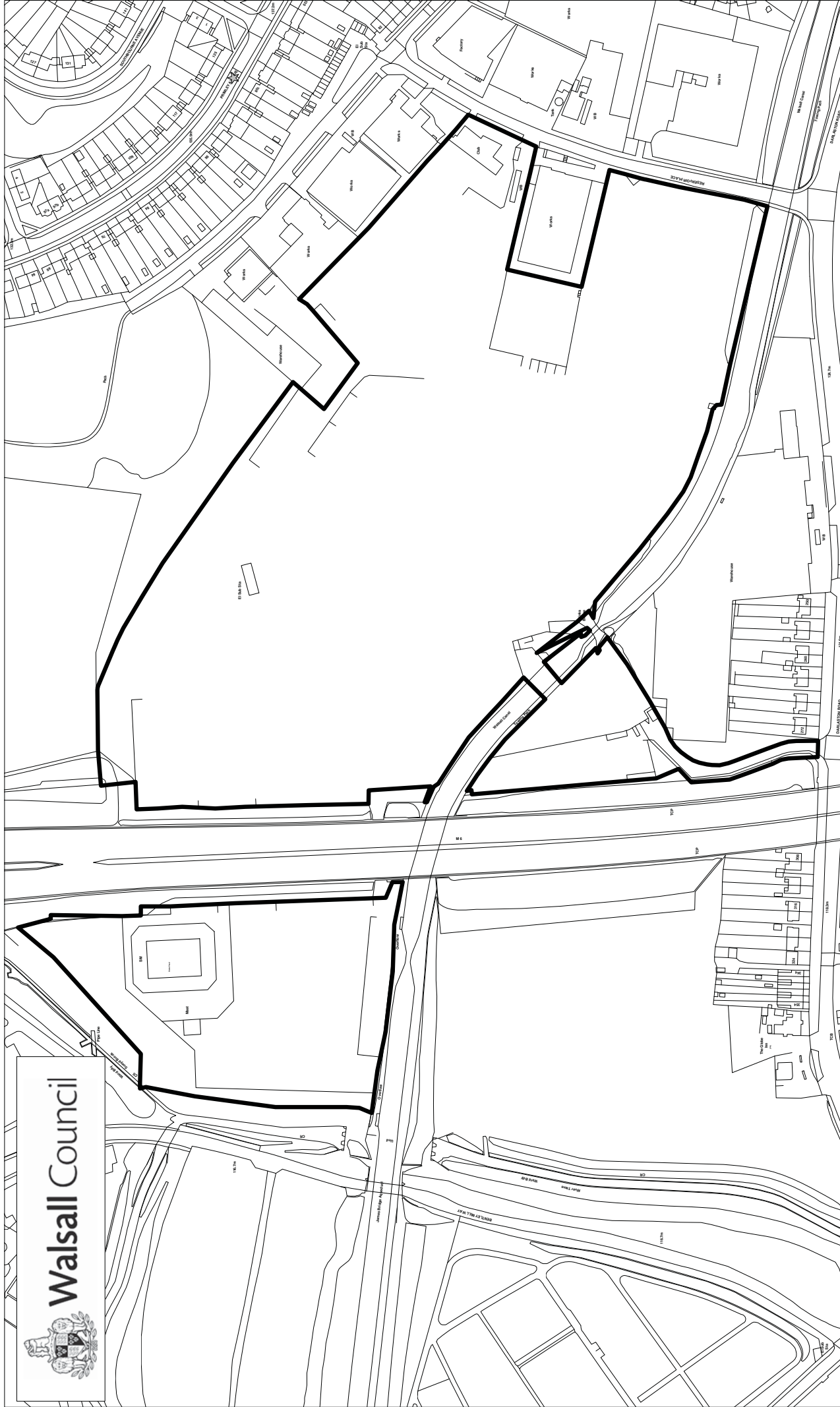
**Head of Terms**

**Former James Bridge Copper Works site**

*This section has been redacted as it contains information that is commercially sensitive to the Council and its partners*



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## **Cabinet – 24 April 2013**

### **Phoenix 10 Project – Supplementary Paper**

**Portfolio:** Councillor Adrian Andrew, Deputy Leader, Regeneration

**Related Portfolio:** Councillor Chris Towe, Finance and Personnel

**Service:** Regeneration – Development and Delivery

**Wards:** Pleck

**Key decision:** Yes

**Forward plan:** No

#### **1. Summary**

- 1.1 In order to provide Cabinet with greater clarity regarding the project, amendments have been made to the previously published recommendations which include an additional recommendation set out in 2.9 below. These amendments to the recommendations do not materially affect the rationale of the original report or the intentions of the project.
- 1.2 Paragraph 3.9 of the original report made reference to a need for Cabinet to agree in principle to the use of prudential borrowing to meet these project costs prior to future reimbursement from the LEP Board via business rate uplift. Further discussions with the Chief Finance Officer have confirmed that such approval would be a matter for Council approval and as such this requirement is not referred to in the recommendations.

#### **2. Recommendations**

- 2.1 That Cabinet recommends Council to approve, in principle, capital expenditure (not currently identified in the capital programme), an estimate of which is set out in paragraph 3.6, to fund the comprehensive reclamation of the Phoenix 10 site subject to confirmation that the Black Country Local Enterprise Partnership Board will fully reimburse that expenditure from anticipated business rates from sites within the Black Country Enterprise Zone and subject to approval of a detailed business case by Cabinet.
- 2.2 That Cabinet receives a future report on a detailed business case that sets out a cost/benefit analysis for the project and the actual capital expenditure proposed to be incurred and makes a recommendation to Council to approve the capital expenditure.



- 2.3 That Cabinet notes the estimated project costs set out in paragraph 3.6 and supports a formal request be submitted to the Black Country Local Enterprise Partnership Board ('the LEP') in private session for in principle support to fully fund the reclamation of the Phoenix 10 site from known and anticipated business rates to be retained by the LEP from sites within the Black Country Enterprise Zone and subject to the receipt of a future report setting out a detailed business case.
- 2.4 That Cabinet recommends Council to approve, in principle, the use of *(figure has been redacted as it contains information that is commercially sensitive to the Council and its partners)* revenue funds over the next 3 years to pay for interest costs on the prudential borrowing before business rates are generated, noting that these will be repaid over the 25 year life of the project, subject to LEP agreement as set out in 2.3 above.
- 2.5 That Cabinet approve spend as set out in paragraph 6.5 in advance of Council approval of the full business case up *(remainder of the recommendation has been redacted due to commercially sensitive to the Council and its partners)*.
- 2.6 That Cabinet approves the Heads of Terms for the Council's acquisition of the HCA's landholding, and delegates authority to the Executive Director Regeneration, in consultation with the Chief Financial Officer and the relevant Portfolio Holders, to make any minor amendments, agree a date for exchange of contracts and negotiate completion of the sale and purchase agreement subject to the conditions of transfer in the Heads of Terms.
- 2.7 That Cabinet agrees *(recommendation redacted due to commercially sensitive to the Council and its partners)*.
- 2.8 That Cabinet agrees *(recommendation redacted due to commercially sensitive to the Council and its partners)*.
- 2.9 The Leader of the Council, on behalf of Cabinet, writes to the appropriate Minister of State responsible for the Homes and Communities Agency, to confirm the levels of assistance they can provide to the successful delivery of the Phoenix 10 project.

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Executive Director

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**Head of Terms**

**Former James Bridge Copper Works site**

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