

## Cabinet – 20 June 2012

### Growing Places Fund: Noirit Site Infrastructure

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

**Service:** Regeneration, Development and Delivery

**Wards:** St Matthews

**Key decision:** Yes

**Forward plan:** Yes

#### 1. Summary

- 1.1 Gigaport is one of three strategic town centre projects aimed at creating transformational change in Walsall town centre, with its key aspiration of diversifying the economy by replacing some of the jobs lost in traditional industrial sectors with 3,000 new jobs in the business services sector. The Gigaport masterplan proposes the provision of up to 144,000 sq metres of new office floorspace in Walsall, to deliver the vast majority of the office floorspace target within the Black Country Core Strategy of 220,000 sq metres by 2026.
- 1.2 Over the last five years the Council has made significant capital investment to assist in bringing forward a key Gigaport site through a site acquisition and assembly programme involving the former Noirit foundry, Hatherton Saw Mills and public house (See **Appendix A** – Site Plan). This will conclude shortly in the demolition of the existing and now vacant buildings. Despite this investment in clearing this key site, it remains unviable for any potential developer or end-user(s). This is due to the estimated abnormal development and site preparation costs and current economic conditions leaving the site with a negative value. Subsequently, the traditional site disposal approach, without the Council's commitment to undertake site preparation works, would therefore be very unlikely to secure market interest and redevelopment.
- 1.3 To overcome this key obstacle to realising economic growth, Growing Places funding, administered and allocated by the Black Country Local Enterprise Partnership (LEP) for the purposes among other things of overcoming infrastructure barriers to economic growth, was applied for in March 2012 for grant funding (circa £1.065m) for the Noirit Site Infrastructure project (referred to as "Noirit" for the purposes of the bid application but covers the comprehensive site area shown in **Appendix A**). This funding will be used to finance the remediation and servicing (including drainage, access, car parking and landscaping) of the Council-owned site, to support its future development for two office buildings. The Council will act as the grant recipient for the Growing Places Fund for the project, with Sandwell MBC Sandwell MBC acting as the accountable body for the Growing Place Fund as awarded by Central Government. It is anticipated that the project will ultimately lead to the creation of

approximately 200 jobs through the provision of two office buildings providing in the region of 4,000 sq metres.

- 1.4 In accordance with the Grants Manual (2010) Cabinet approval is required for the submission of all external funding applications. Unfortunately due to the timescales and deadlines set for the GPF bidding round, a report to Cabinet prior to the submission of the GPF funding application for the Noirit Site Infrastructure Project was not possible; retrospective endorsement from Cabinet is therefore sought.

## **2. Recommendations**

- 2.1 That Cabinet agree to retrospectively endorse the submission of the Growing Places Fund (GPF) application for grant funding (circa £1.065m) for the Noirit Site Infrastructure project.
- 2.2 That Cabinet approves the Council acting as the grant recipient for the Growing Places Fund (GPF) funding allocation for the Noirit Site Infrastructure project.
- 2.3 That Cabinet delegate authority to the Executive Director for Regeneration, to sign or authorise the sealing of any deeds, contracts and other related documents in relation to the Growing Places Fund (GPF) funding award for the Noirit Site Infrastructure project.
- 2.4 That Cabinet delegate authority to the Executive Director for Regeneration, to authorise the procurement of the proposed works for the Noirit Site Infrastructure project and to sign or authorise the sealing of any deeds, contracts and other related documents in relation to the Noirit Site Infrastructure project works.

## **3. Report detail**

- 3.1 The Gigaport masterplan proposes the provision of up to 144,000 sq metres of new office floorspace in Walsall, to deliver the vast majority of the office floorspace target within the Black Country Core Strategy of 220,000 sq metres by 2026. The former Noirit foundry site is a key site in the Gigaport masterplan, owned by the Council, located adjacent to the recently opened Walsall Housing Group offices at the corner of Hatherton Street / Littleton Street East. The site has the potential to create approximately 200 jobs through the reclamation of 0.65ha of brownfield land and provision of two new office buildings totalling in the region of 4,000 sq metres.
- 3.2 Over the last five years the Council has made significant capital investment to assist in bringing the site forward through a site assembly programme, which will conclude shortly in the demolition of the existing and now vacant buildings. Despite this investment in clearing the site, it remains unviable for any potential developer or end-user(s). This is due to the estimated abnormal development and site preparation costs and current economic conditions leaving the site with a negative value; even if the Council were to consider using its best consideration powers in disposing of the site at nil value. Such abnormal development costs are anticipated on the basis that the site is located within a consideration zone for

a former limestone boundary; was formerly occupied for foundry purposes and is constrained by the Ford Brook culvert and an easement in favour of Network Rail.

- 3.3 Subsequently, the traditional site disposal approach, without the Council's commitment to undertake site preparation works, would therefore be very unlikely to secure market interest, as demonstrated through recent discussions with potential end-users. In these circumstances, two potential development schemes from interested parties have been independently appraised by valuers Lambert Smith Hampton, and these appraisals concluded that the site would not have a positive land value due to overall development costs, demand and rental returns. It is therefore considered necessary that the Council should undertake some site remediation and preparation works to make the development of the site viable and to secure the necessary investment and jobs.
- 3.4 Growing Places funding of £1.065m has therefore been sought for the Council to deliver the entire remediation and infrastructure servicing of the site, which will include installing an access road, car parking, landscaping and drainage infrastructure. Upon approval of the funding application and signing of contracts (expected mid to late June 2012), it is anticipated that the project will be practically completed within an 18-month timeframe, which factors in the timescale of obtaining appropriate planning consent for the works (see **Appendix B – Project Plan**). These works will consequently address the anticipated abnormal development costs and make the site a commercially viable development opportunity; thereby reducing the risk and uncertainty to the market and assisting in the site's future disposal and/or development for office uses.
- 3.5 Following implementation of the project it has been estimated that private sector investment in the development of new office buildings on the site will reach approximately £5.592m. The project will also support and assist in the transformation and diversification of Walsall's economy, as the resultant office-based jobs created will be in the economic growth sectors (likely financial/professional services and health/social care) identified within the Walsall Local Economic Assessment. The funding of the project will also make it more likely that additional investment and jobs will be attracted to Walsall, especially the Gigaport area.

#### **4. Council priorities**

- 4.1 The project aims to assist in preparing and bringing forward the former Noirit site to the market for office-based employment uses within the Gigaport area. Ultimately, the project will support investment and employment growth in Walsall and delivery of the Gigaport. The programme therefore contributes positively towards the Council's 'Economic' priority as set out in the Corporate Plan 2011/12 – 2014/15.

## **5. Risk management**

### **5.1 Risk 1 – The GPF bid application for the project is unsuccessful, or is successful but funds are ‘clawed back’ due to the project defaulting on the contract agreement**

(Medium Level Risk)

If the GPF bid application for the project is unsuccessful, then disposal of the site without remediation or site infrastructure works would make it unviable for development and be very unlikely to be acquired. In this case the site would remain in-situ as it currently is until suitable alternative funding or options (e.g. phasing site remediation and infrastructure) are secured.

If the application is successful, the Black Country LEP will issue a standard form contract for the Council to accept in order to receive the GPF funding. It is understood that the Council will not be able to negotiate areas of concern relating to the contract, particularly clawback. The contract will therefore be reviewed and scrutinised by Legal and Finance to ensure that risk of clawback is minimised and managed through the grant conditions. The accountable officer will be advised through this work as to whether to enter into the contract agreement. If accepted, to reduce the risk of clawback officers will ensure that works have been completed and evidenced to the required standard before payments and subsequent claims are made.

### **5.2 Risk 2 – The total project cost is greater than the level of funding that is received through the Growing Places Fund bid**

(Low Level Risk)

The Growing Places fund bid has been made for the total project value estimation that has been prepared by professional independent Quantity Surveyors. The cost estimation takes account of their professional existing working knowledge and experience of known abnormal ground conditions and current contractor costs for undertaking site infrastructure works. A greater understanding of the remediation and infrastructure design and specification requirements and subsequent costs will be known once the Site Investigation work has been completed.

The remediation and infrastructure works will be provisionally costed prior to seeking planning consent/tender quotations to ensure the required specifications and preferred designs are likely to be within budget and provide the most cost-effective use of funding.

In consultation with the Procurement team, consideration will be given to tendering for a contractor(s) on the basis of a defined budget. If it is not possible or suitable to disclose the set budget and tender prices subsequently exceed the budget available, then works would have to be prioritised and alternative funding opportunities would in turn have to be reviewed to see whether additional funding could be identified to support delivery of the whole intended programme of works.

**5.3 Risk 3 – Planning permission for the infrastructure works is not granted**  
(Low Level Risk)

Through the Gigaport masterplan, the Noirit site has an existing outline planning consent for office use, whereby the projects remediation works can be pursued through the discharge of condition. The infrastructure works (e.g. access road, car parking, landscaping and drainage) will however require the preparation of a planning application and for permission to be granted. Through a project team approach, the infrastructure works will be designed in close consultation with Highways Authority and other statutory planning consultees (e.g. Environment Agency, Severn Trent Water) prior to the submission of any planning application. This will assist in reducing and eliminating the risk of objections and potential for delays during the planning process.

**5.4 Risk 4 – There is a lack of end-user interest in the site once the works have been completed**  
(Medium Level Risk)

Officers have previously met, and will continue to meet, with interested potential end-users. Furthermore, at the time of writing the report, the site is currently being marketed, with a closing date of the 6<sup>th</sup> June 2012 for informal tenders. However, in its existing state, given the overall viability of the site, there are no current end-users or developers who would consider acquiring the site without the confidence that the proposed remediation and infrastructure works would be undertaken. There is however a good understanding of the end-user requirements which has helped inform and shape the project work requirements and will continue to do so during the design stages. Following completion of the project it is expected that the site will be more financially viable and therefore attractive to end-users or developers.

**6. Financial implications**

6.1 The bid made to the GPF to facilitate this project is for the estimated project value of £1.065m. The Council will act as the grant recipient for the funding. This funding is sought to carry out the site remediation and infrastructure works, including any costs incurred for design or appraisal work undertaken by officers internally. The funding will however not cover the revenue costs required for Regeneration officers to manage and administer the project; this will be carried out by officers as part of existing work programmes within Development and Delivery.

6.2 The estimated total project cost has been prepared by professional independent Quantity Surveyors, which takes account of existing working knowledge of known ground conditions in the area and experience and current contractor costs for undertaking such site infrastructure works. Once the site investigation works have been concluded, a better understanding of the remediation and infrastructure design and specification requirements and costs will be known.

6.3 Upon approval of the funding application discussions will be held as to how and when the Council will claim/receive the grant funding from the GPF, but is expected to be a staged grant payment of funds up to the total project value over

the project lifetime (estimated completion December 2013). Cashflow and payment structure will be considered and agreed in conjunction with Finance to ensure that this can be effectively managed in terms of payments and grant claims. The claims structure will be agreed and finalised as part of any grant funding agreement for the GPF funding.

- 6.4 The GPF bid is fundamentally about seeking gap funding to bring forward what is currently a commercially unviable proposition. As noted under paragraph 3.3, two recent proposals have been independently appraised by valuers Lambert Smith Hampton, and these appraisals concluded that the site would not have a positive land value due to overall development costs, demand and rental returns. It is therefore considered necessary that the Council should undertake some site remediation and preparation works to make the development of the site viable and to secure the necessary investment and jobs.
- 6.5 Once the site remediation and infrastructure project has been completed, the Council will dispose of the site to developers/end-users to undertake the necessary office development(s). Upon disposal there will be no further costs to the Council for maintenance or further project work for the site.

## **7. Legal implications**

- 7.1 Legal Services will be required to work closely with officers to ensure that all necessary legal processes will in place to minimise the risk to the Council of being the accountable body. Furthermore, an input will be required from legal services to secure the disposal of the site.
- 7.2 If the GPF bid is successful, the Council will enter into a legal Funding Agreement with Sandwell Council (on behalf of the Black Country Local Enterprise Partnership) as the body responsible for the expenditure of this funding pot.
- 7.3 Legal Services will need to be involved in the procurement and contracting of any works for the Noirit Site Infrastructure Project.

## **8. Property implications**

- 8.1 The Noirit site is owned entirely by the Council. All the existing buildings on site are vacant and scheduled for demolition shortly, funded by the Regeneration Capital Programme.
- 8.2 The project will be a key component in the disposal and redevelopment of the site for office purposes.

## **9. Staffing implications**

- 9.1 The Executive Director for Regeneration will be the nominated accountable body officer for this grant funding project.

9.2 The programme will be led and managed by officers within the Development and Delivery service as part of the Regeneration Directorate, in conjunction with colleagues in Asset management, Legal, Procurement, Finance, Engineering and Transportation, Highways and Planning.

## **10. Equality implications**

10.1 An Equalities Impact Assessment has been undertaken for this report, with the outcome stating that no major change is required to the project.

10.2 As part of the Equality Act 2010 officers will be seeking to ensure that wherever possible the project ensures that a positive impact is made on people / communities using the “protected characteristics”:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race
- Religion and belief
- Sex
- Sexual orientation

10.3 Any consultants or contractors appointed by the Council to carry out works on this project will be expected as a minimum to support the Council’s equality and diversity policies.

## **11. Consultation**

11.1 The GPF bid was prepared in consultation with the Executive Director for Regeneration. Initial consultation has been held with Legal, Procurement and Finance officers and will continue throughout the preparation and delivery of the project, with input sought from other appropriate officers when required.

11.2 Consultation with potential end-users and developers will continue throughout the project, particularly after the identification of preferred bidders.

## **Background papers**

None

## Author

Caroline Glover  
Senior Regeneration Officer  
☎ 653692  
✉ [glovercaroline@walsall.gov.uk](mailto:glovercaroline@walsall.gov.uk)



Tim Johnson  
Executive Director  
Regeneration

25 May 2012

Richard Chadwick  
Team Leader: Development Team  
☎ 652576  
✉ [chadwickr@walsall.gov.uk](mailto:chadwickr@walsall.gov.uk)



Councillor Adrian Andrew  
Deputy Leader  
Portfolio Holder: Regeneration

20 June 2012



