

REDDITCH GATEWAY – FUNDING APPLICATIONS

OPEN

Relevant Portfolio Holder	Cllr David Bush, Deputy Leader and Portfolio Holder for Economic Development, Town Centre and Commercialism
Portfolio Holder Consulted	√
Relevant Head of Service	Kevin Dicks, Chief Executive
Ward(s) Affected	Winyates
Ward Councillor(s) Consulted	
Key Decision / Non-Key Decision	Non Key decision

1 SUMMARY OF REPORT

- 1.1 The report sets out information relation to the Redditch Gateway employment scheme and the rationale for the Council to support the delivery of the project by applying to the Local Enterprise Partnerships for grant funding for enabling infrastructure works.

2 RECOMMENDATION(S)

The Executive Committee is requested to RESOLVE THAT:

- 2.1 That delegated authority is given to the Executive Director of Finance & Resources to prepare and submit applications for grant funding for highway infrastructure works on the A4023 to relevant Local Enterprise Partnerships following consultation with the Portfolio Holder for Economic Development, Town Centre and Commercialism, Head of North Worcestershire Economic Development & Regeneration and Head of Legal and Democratic Services.
- 2.2 Should the relevant funding applications be successful, that delegated authority is given to the Executive Director of Finance & Resources to enter into any grant agreements as necessary following consultation with the Portfolio Holder for Economic Development, Town Centre and Commercialism, Head of North Worcestershire Economic Development & Regeneration and Head of Legal and Democratic Services.
- 2.3 That delegated authority is given to the Head of Legal and Democratic Services for the Council to enter into an agreement under section 278 of the Highways Act

1980 or such other agreements as Warwickshire County Council as the relevant highway authority reasonably requires to allow the highway infrastructure works to be undertaken.

- 2.4 That delegated authority is given to the Head of Legal and Democratic Services for the Council to enter into any ancillary contractual arrangements with the developer that may be required to ensure the highway junction scheme is monitored and delivered and that the Council's position is appropriately protected.

3 KEY ISSUES

Financial Implications

- 3.1 The Council will need to ensure that there will be no clawback provisions in the proposed grant funding Agreement which requires it to reimburse the funds drawn down. The Council does not have direct control over the wider scheme and therefore can not be held responsible for its delivery. In addition, the Council would not be liable for any potential cost overrun and, if this were to occur, then any additional cost would need to be borne by the developer. The Council would not project manage the delivery of the new junction, it would merely act as an agent to ensure that the monies were properly provided to the relevant highway authority (in this case Warwickshire County Council).
- 3.2 The developer has indicated that it would provide the relevant monitoring of the grant monies through the appointment of a suitably qualified technical team. The Council would be provided with independent monthly reports so that the monitoring of the delivery of the scheme would not be at a cost to the Council. Furthermore, the developer has confirmed that any cost overruns would be its responsibility. It is proposed that the details regarding the monitoring of the scheme and the responsibility for cost overruns will be covered through a separate agreement with the developer.

Legal implications

- 3.3 The project for the purposes of the LEP grant funding applications will be the highway infrastructure works. The works are predominantly to be undertaken within the existing Highway extents but some of the land required is in the ownership of the development land owners. Although these works will facilitate development of the Redditch Gateway site, their delivery is not contingent on subsequent development of the Redditch Gateway site.
- 3.4 The Council proposes to apply only for grant (not loan which is being separately sought from the LEPs by the developer to provide 'working capital') funding from the LEPs. The funding will become repayable to the LEPs only if the project (the highway works) is not delivered. As grantee, the Council will be responsible for

any repayment. The Council should not draw down any grant funding unless the highway works are fully funded and deliverable (including legal agreements being in place between the relevant landowners and the highway authority for the dedication as public highway of all required non-highway land).

- 3.5 Once completed the highway works will become part of the adopted highway. The Council will have no proprietary interest in them. Nor will RBC have any claim over any resulting inflation of surrounding land (particularly the Gateway site) values.
- 3.6 Whilst the completion of the highway works will facilitate development of the Redditch Gateway site, no direct legal obligation will be placed on the developer and/or the landowners to bring forwards the Redditch Gateway scheme. The developer and/or the landowners may choose not to develop the site fully (or at all) or bring forward a different development scheme to that which is currently proposed.
- 3.7 Independent legal advice to confirm that the proposed grant fully complies with State Aid requirements is currently being sought.

Service / Operational Implications

Background

- 3.8 The Redditch Gateway site is an important employment site and straddles three local authority boundaries, Bromsgrove, Redditch and Stratford-on-Avon. The site totals approximately 25.5 hectares (net developable area) and is strategically positioned in terms of its proximity to the region's major transport infrastructure. The site is allocated in the Bromsgrove, Redditch and Stratford-on-Avon District Local Plans as employment land to meet Redditch's employment needs. A plan of the site is attached at Appendix 1.
- 3.9 The land to the north of the A4023 sits primarily within the district of Bromsgrove (circa 9ha) with the remainder of the northern site (circa 6ha) within Stratford-on-Avon. The entire northern site is owned by the Gorcott Estate. The land to the south of the A4023 sits entirely within the district of Stratford-on-Avon and is known as the 'Winyates Triangle'; this site is in the ownership of Homes England (formerly the Homes & Communities Agency) and extends to circa 10.5ha. Both land owners have collaborated to appoint a single developer, Stoford Properties Ltd (Stoford's) to bring forward the promotion and development of the site in a comprehensive manner. A masterplan has been developed for the site which identifies a potential configuration of units on the site – see Appendix 2.
- 3.10 The Council's adopted Economic Priorities identifies the development of the site as a key priority. The site is identified as an economic 'game changer' by the Worcestershire Local Enterprise Partnership (LEP) and the North Worcestershire Economic Development & Regeneration (NWedR) service and has the potential

to create almost 1 million square feet of high quality commercial floorspace, 2,000 new jobs and attract £100m of private investment once it is fully built out and occupied.

- 3.11 The Council, NWEDR and Worcestershire County Council (WCC) have worked pro-actively with the land owners and site developer to promote the site and a high level Project Board initiated by the Council's Chief Executive has helped to drive forward the development of the project over the last two years. The Council is also working with the developer to ensure that the marketing of the site focuses on attracting high value businesses and sectors, so that it can deliver on the ambition of being a game changer site.

Infrastructure requirements

- 3.12 The site now has the benefit of an outline planning consent for B1/B2/B8 employment uses and full consent for the proposed highway junction, granted by Bromsgrove, Redditch and Stratford-on-Avon Councils. Before the site can be developed, there is a requirement to install a substantial amount of infrastructure.
- 3.13 A key condition of the planning consent will be the provision of a new highways junction on the A4023 to open up access to both the northern and southern parcels of the Redditch Gateway site - the proposed design for the new junction is attached at Appendix 3. The cost of the new highways junction is estimated at approximately £3.0m In addition, further infrastructure is required to service the site including the provision of incoming utility services, earthworks, internal access roads, drainage, landscaping and ecological works.
- 3.14 The developer has identified that the cost of the new highways junction affects the overall viability of the scheme, and is in the process of submitting its viability assessment to the LEPs for their review to justify the circa £2.75m grant support being requested. If the cost of the infrastructure work was borne entirely by the developer at the outset then the site will not be commercially viable and the resultant economic benefits will not be achieved. Therefore, without further public sector grant support and the Council's intervention the site development would not progress and deliver the much needed benefits to the economy of Redditch

Funding process

- 3.15 Over the last 12 months, the Council has indicated a willingness 'in-principle' to potentially act as the applicant for a grant application to the LEP to support the cost of the new highways junction. There is a clear rationale for the Council to do this, as this is effectively a public infrastructure scheme with works to be undertaken predominantly within the current highways boundary.

- 3.16 An Expression of Interest for funding was submitted by the Council to GBSLEP for the Redditch Gateway project in autumn 2017. The project has been evaluated by the GBSLEP against 'strategic fit' with the aims and objectives of its Strategic Economic Plan (SEP) and was assessed as an 'A rated' project which means it is considered as critical to the success of the SEP. In parallel, there have been discussions between the Council and Worcestershire LEP regarding the potential to apply for grant funding from its Local Growth Fund programme. Worcestershire LEP has confirmed that it is willing to consider such a request but a report would need to be presented to its Board before a final decision could be made.
- 3.17 GBSLEP has now invited the Council to progress the funding application through its two stage application process, which firstly entails preparing an outline business case (OBC) and then a full business case (FBC) which is required to be compliant with HM Treasury's Green Book Appraisal model. A copy of the LEP's outline business case template is attached at Appendix 4.
- 3.18 Furthermore, discussions have also taken place with representatives of the Coventry & Warwickshire LEP (CWLEP) to identify the potential for it to contribute funding given that a substantial portion of the site is located within the Stratford-on-Avon administrative boundary. However, it is considered that the prospect of securing funding from the CWLEP is low, mainly due to the fact that CWLEP wish to prioritise bids that support culture and tourism, and therefore a funding application will not be progressed at this time.
- 3.19 In summary, it is proposed that the Council should progress a grant funding application to GBSLEP and Worcestershire LEP (apportionment between the LEPs to be determined) to fund the new highways junction on the A4023.
- 3.20 It is important to note that a local authority bid for LEP funding needs to be signed off by the Section 151 officer before submission. As the Council has no previous experience of submitting a funding bid of this scale, it is considered appropriate to request the Executive committee to approve delegated authority to the Executive Director of Finance & Resources to submit the relevant funding applications to Worcestershire and GBSLEP and should the bids for funding be successful, to enter into any funding agreements as necessary.
- 3.21 Should the FBC be approved by both GBSLEP and Worcestershire LEP, the Council would be required to enter into a legally binding funding agreement. The potential for a single funding agreement covering both LEPs is currently being explored. The agreement will include details of any conditions that need to be met in advance of the project starting or during project delivery, project milestones and clauses setting out the impact of non-delivery. The LEPs will expect the scheme to deliver certain output targets in return for the financial investment. Delivery of these outputs will be critical in ensuring that the funding justified and to mitigate the potential for any claw back of funds from the LEP.

Scheme delivery

- 3.22 The delivery of the new highways junction and associated works will be undertaken by Warwickshire County Council (WCC) as highway authority. WCC will retain responsibility for the procurement and management of any contractor through its own Procurement Policy and will be required to ensure that best value is achieved through the tendering process. WCC will be responsible for taking all steps to design and deliver the highway junction scheme through to practical completion.
- 3.23 If the Council is successful in securing funding from the LEPs, then it will need to enter into an agreement with the highways authority to ensure that it has certainty that the scheme will be delivered in a timely manner and in line with any LEP funding conditions and to set out the mechanism for the Council to reimburse WCC for the cost of the capital works; in turn these costs would then be recouped by the Council from the LEPs over the agreed duration of the project. The Grant will be capped at the sum contracted and any increases in costs will be met by the developer.

Timescales

- 3.24 It is proposed that the Council will submit the outline business case to GBSLEP by the end of July. The appraisal and approval process could be lengthy and it could take up to 6 months to secure approval for the scheme and execution of a funding agreement. A very indicative timetable is provided as follows:
- Outline business case submitted to LEPs – July 2018;
 - LEP Approval – August 2018;
 - Tender process for the highways work begins – August 2018 (Note: the Tender process for the construction of the highways work will be undertaken by Warwickshire CC)
 - Tender returns and submission of Final Business Case to the LEPs – September 2018;
 - Works commence on site: November 2018.

Note that this is only an indicative timetable and is dependent on the processes of external parties, particularly the LEP's approval processes for funding.

Summary

- 3.25 The Redditch Gateway is a key employment site which has the potential to provide significant economic benefits to the Redditch economy, creating high value new jobs and new investment. The site developer has identified a funding gap due to increasing infrastructure costs, which without public sector intervention will affect project viability. The Council has the opportunity to facilitate the delivery of the scheme by applying for grant funding from GBSLEP

and Worcestershire LEP and this funding will support costs associated with the new highways junction required to open up access to the site.

Customer / Equalities and Diversity Implications

3.26 The report has been compiled following consideration of implications in relation to equalities and diversity. It is not considered at this time that there are any major issues that need to be addressed.

4. RISK MANAGEMENT

4.1 The key risks are considered as follows:

RISK REGISTER	Impact (H/M/L)	Likelihood (H/M/L)	Risk Rating (R/A/G)	Risk Mitigation
LEPs do not approve grant application	H	L	A	GBSLEP has already assessed the project and ranked it 'A' on strategic fit and has now invited the Council to submit a business case. Worcestershire LEP has identified the site as an 'economic gamechanger' and has indicated in-principle support to providing a grant.
Cost of proposed highway works exceeds available grant	H	L	A	The aim will be to identify a firm price for the highway works through a competitive tendering process (led by Warwickshire County Council) and the final cost will be reflected in the full business case. Any cost over-runs will be met by the developer.
Non delivery of the scheme and/or poor performance of contractor-reputational risk to the Council	H	L	A	Warwickshire County Council (as the responsible highways authority) will take responsibility for the procurement and management of a contractor to deliver the works and is highly experienced in managing such schemes. The Council will ensure that regular updates on scheme delivery are provided by WCC and the developer and will ensure that appropriate project management controls are in place.
Risk of grant clawback should the project not deliver the contractual outputs with the LEP	H	L	A	Appropriate project management and monitoring controls will be put in place by the Council to monitor that the project is delivered in a timely fashion and can deliver agreed outputs.

RISK REGISTER	Impact (H/M/L)	Likelihood (H/M/L)	Risk Rating (R/A/G)	Risk Mitigation
Economic conditions decline which affects the wider delivery of the Redditch Gateway scheme	M	L	L	Economic conditions will be kept under review by the Council. The developer will provide a project programme and progress on delivery is reported to a high level Project Board.
The developer withdraws from the scheme.	M	L	L	<p>The current developer has been working on this emerging project for over 6 years and so has heavily invested in securing the successful development of the scheme. The developer also has a 'commercial imperative' to see the scheme complete and officers will continue to work closely with the development team to ensure that the scheme is delivered.</p> <p>If the developer were to withdraw, the Council will look to the land owners to select and appoint new developers through a competitive process to ensure that the scheme can continue to be delivered.</p>

5. APPENDICES

Appendix 1 – Site Plan

Appendix 2 – Redditch Gateway Illustrative masterplan

Appendix 3 – Proposed design of new highways junction on A4023

Appendix 4 – LEP Outline Business Case template

6. BACKGROUND PAPERS

- Redditch Economic Priorities and Action Plan – report to Executive Committee – February 2018
- Borough of Redditch Local Plan No. 4 – adopted 30th January 2017 (refer to Policies 30 to 33)

AUTHOR OF REPORT

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