

ROTHERWAS FUTURES

PORTFOLIO RESPONSIBILITY: ECONOMIC DEVELOPMENT & HIGHWAYS AND TRANSPORTATION

CABINET

7TH SEPTEMBER, 2006

Wards Affected

Countywide

Purpose

To receive a report on the content of the Rotherwas Futures study and to approve the recommendations arising from it.

Key Decision

This is not a key decision

Recommendations

THAT

- (a) **negotiations on a joint venture agreement with Advantage West Midlands in order to deliver the Rotherwas Futures Project be commenced; and**
- (b) **a further report be made to Cabinet setting out the details of the final agreement for approval.**

Reasons

Rotherwas Industrial Estate is the principal industrial area of Hereford. Formerly a wartime munitions depot the Estate comprises approximately 123 hectares which over time has been subject to piecemeal redevelopment. The majority of existing buildings were built pre-war and immediately post war, although significant development did occur during the late 70's early 80's.

The Estate is home to over 125 companies but further development is restricted by poor access, flooding, contamination and some parts are in a poor environmental state.

Considerations

Background

1. In 2005 GVA Grimley, Peter Brett Associates and FPCR were commissioned to investigate the feasibility of further regeneration and development at Rotherwas Industrial Estate Hereford.
2. The work was jointly funded by Herefordshire Council, Advantage West Midlands (AWM) and South Wye Single Regeneration Budget.

3. A steering group comprising representatives from AWM, The South Wye Partnership and officers from Herefordshire Council guided the work of the consultants.
4. In summary the brief to the consultant team was:
 - To understand the development potential of Rotherwas Industrial Estate;
 - To identify barriers to delivery;
 - To identify a number of options for delivery;
 - To identify a preferred option and set out the economic impact, financial structures and a delivery plan.
5. The study considered a range of constraints and opportunities including interlocking policy, the property market, and the physical issues impacting on Rotherwas Estate.
6. A number of options for the regeneration of the Estate were developed. Discussions with the steering group and evaluation by the consultant team led to the emergence of a preferred option for the site.

Summary of proposals

7. The key components of the preferred option of the Rotherwas Futures proposals are set out below and indicated on a plan which will be tabled at the meeting of Cabinet:
 - Implementation of the Rotherwas Access Road creating a new junction with Holme Lacy Road/Straight Mile.
 - Reservation of a 'corridor' for the possible extension of the Rotherwas Access Road northwards.
 - Inclusion of special wildlife areas respecting policy in the Herefordshire UDP along the former railway corridor and adjacent to Reynard Close.
 - A Phase 1 of development consisting of a series of development plots amounting to 8.73ha gross. The majority of these are along the Straight Mile and offer potential to create high quality development along this frontage acting as a key entrance to the Estate and combining with some of the better quality buildings on the estate.
 - A Phase 2 of development on the "Southern Magazine site" to be accessed from an extension to an internal Estate Road. This development would accommodate an area of structural landscaping and habitat creation for Newts along its southern boundary. A number of mature trees within development plots would be retained (subject to detailed survey). Two former bunkers required as mitigation measures for the access road would be retained. All other bunkers would be removed. The development area of Phase 2 would be some 5.68 ha.
 - A Phase 3 of development accessed via a new road link extending from Campwood Road. This includes a land reservation to enable a bridge to be constructed to enable the railway line to be re-opened (in line with Policy T4 of Herefordshire UDP). Given the nature of the site and the extent of existing vegetation the proposal seeks to maximise the environmental quality of the location by incorporating large areas of structural landscaping. The total area

for Phase 3 measures some 8.28ha.

- Phase 4 is a longer-term aspiration and would require the redevelopment of some existing buildings of poorer quality. This would create a development area of 0.08ha.
8. Additionally the preferred option envisages the refurbishment of currently vacant buildings at Tarsmill Court, Wallbrook Court and some Romney huts.
 9. After taking into account redevelopment of existing buildings the preferred option would create 96,000 m² of additional floorspaces, 46% more than currently exists on the Estate.
 10. The report proposes that relatively unconstrained plots be brought forward immediately. The report also advises that rather than seeking an overarching planning consent a series of outline consents should be sought.
 11. This phased approach to development will provide a continual supply of serviced development plots over the next 15-20 years.

Funding Position

12. Since the study has been completed the Government has confirmed that the Council's application for LTP funding for the construction of the Rotherwas Access Road has not been successful. There is therefore not sufficient funding available to deliver all of the proposals set out in the Rotherwas Futures Study which it is estimated would cost in excess of £20 million. Discussions with AWM suggest that it would be possible to negotiate a package of proposals up to a total cost of £17.5 million with a maximum contribution of £9.5 million from AWM. The Council is also seeking developer contributions towards these costs. Any balancing funds required will need to be met from the Council's Capital Programme.

Financial Management Issues

13. This section of the report highlights the key strategic financial management issues that Cabinet needs to consider in taking the decision to commence negotiations with AWM on a joint agreement to deliver the Rotherwas Futures project and the financial considerations that the detailed report referred to in recommendation b) would need to cover.
14. The Council's draft Medium Term Financial Management Strategy (MTFMS) highlights the pressures on Herefordshire's relatively scant capital resources. The draft MTFMS identifies the Rotherwas Relief Road as a potential pressure for the future depending on the outcome of the Local Transport Plan (LTP) funding decision for the scheme. The project outlined in this report is larger in scope than that currently envisaged when the draft MTFMS was approved for consultation purposes by the Cabinet.
15. The draft MTFMS also proposes that all new capital schemes are included in future capital programmes on the basis of a corporate scheme selection process and that capital resources are treated as a corporate resource. The approach set out in the report for Rotherwas Futures will mean that this project by-passes this system, with this project becoming the Council's top priority and therefore having first call on available capital resources. The implications of this on other highly desirable priorities needs to be considered by Cabinet.

16. Based on the figures available, there is a funding gap of £8 million for the Rotherwas Futures Project towards which the Council is seeking a developer contribution. The Council will need to underwrite any funding gap that emerges if this level of developer funding is not achieved or the cost model changes which could have consequences for the approved capital programme.
17. For added clarity, AWM has stipulated that 50% of their potential £9.5m contribution to Rotherwas Futures will be classed as an investment and that they will expect to see a financial return on it in due course. They may decide to re-invest their return in Phase 3 if the project proceeds that far. Should developer funding not be secured to the level anticipated the Council may have to set aside funding from the capital receipts generated by the project. The £9.5m financing contribution from AWM is not therefore a 100% grant contribution.
18. Clearly there are a lot of financial details to work through. The valuations used in the consultants reports will need to be refreshed. The detailed report referred to in recommendation b) will include a full financial appraisal, including the cashflow implications for the Council over the medium- to long- term as this will have an adverse impact on the revenue account that is not reflected in the draft MTFMS.

Next Steps

19. The key proposal is that AWM's contribution could be secured through a public joint venture/partnership.
20. Integral to such a joint approach between AWM and Herefordshire Council would be:
 - Agreement by the Council to invest in existing stock with the additional revenue being re-invested in the Estate.
 - Agreement by the Council and AWM to a revised management and marketing strategy.
 - Investment by AWM to support the implementation of Rotherwas Access Road and Phases 1 and 2 of development at an estimated cost of £17.5 million.
 - A review of the costs of Phase 3 upon completion of Phase 2 with a view to further investment by AWM.
 - The Council would seek developer contributions towards the overall package.

Risk Management

Tenders for the project are greater than anticipated or overall costs escalate due to unforeseen circumstances. Mitigation – Ensure robust project management systems in place.

Unanticipated delays in project construction leading to AWM funding not being spent within the next 18 months. Mitigation – Robust project management to minimise delays and impact of construction industry inflation.

Alternative Options

Do Nothing

Under this Option, the current access arrangements and Estate constraints remain unchanged with the resultant underdevelopment of this key industrial site.

Consultees

The Rotherwas Futures proposals have been developed in consultation with AWM.

Background Papers

None identified.