

ROTHERWAS FUTURES

PORTFOLIO RESPONSIBILITY: ECONOMIC DEVELOPMENT AND HIGHWAYS AND TRANSPORTATION

CABINET

28TH SEPTEMBER, 2006

Wards Affected

Countywide

Purpose

To seek approval to enter into a funding agreement with Advantage West Midlands (AWM) in order to progress the Rotherwas Futures Project.

Key Decision

This is a key decision because it is likely to result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000. It is significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards.

Recommendations

That Cabinet agrees that the Council enters into a co-operation agreement with Advantage West Midlands (AWM) in order to deliver the Rotherwas Futures Project.

Reasons

At the Cabinet meeting held on 7th September 2006, Members were briefed on the recommendations arising from the Rotherwas Futures Report. Cabinet agreed that officers should commence negotiation on a joint venture/cooperation agreement with AWM in order to deliver the Rotherwas Futures Project. This report sets out the details of the proposed agreement.

Considerations

1. The estimated cost of delivering the Rotherwas Futures Project, which includes building the Rotherwas Access Road, the refurbishment of key buildings on Rotherwas Industrial Estate and Phases 1 and 2 of the preferred option recommended in the Rotherwas Futures Report is approximately £17.5 million.
2. AWM are committed to contributing up to £9.5million, to be secured through a co-operative agreement. A full copy of the draft Agreement is attached for Members attention. The key elements of the agreement are as follows:
 - Agreement by the Council to complete a full conditions survey of existing property holdings on the Estate;
 - 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 £17.5million;
- ❑ Agreement by the Council to contribute the £8million balance of the £17.5million package. The Council will seek developer contributions, recycle capital receipts and use its Capital Programme in order to achieve this contribution.
- ❑ A review of the costs of Phases 3 and 4 upon completion of Phase 2 with a view to further investment by the Council and AWM.

Financial Management Issues

3. This section of the report highlights the key strategic financial management issues that Cabinet needs to consider in taking the decision to complete the co-operation agreement with AWM to deliver the Rotherwas Futures project.
4. 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 Access 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 Cabinet.
5. 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.
6. 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.
7. 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.

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 proposal has been developed in consultation with AWM.

Background Papers

None identified.