

WIRRAL COUNCIL

CABINET

19 SEPTEMBER 2013

SUBJECT:	PURCHASE OF FORMER TRANSFOOD PROPERTY, ABBEY STREET, BIRKENHEAD
WARD/S AFFECTED:	BIRKENHEAD AND TRANMERE
REPORT OF:	HEAD OF UNIVERSAL & INFRASTRUCTURE SERVICES
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR ADRIAN JONES CENTRAL AND SUPPORT SERVICES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 To report the terms agreed for the acquisition of a site in Abbey Street, Birkenhead, to facilitate the development of business accommodation for the offshore wind sector.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 Cabinet has received a report previously (March 14th 2013 Agenda Item 10) outlining the current energy challenges facing the UK and how nationally, there is a clear focus on renewables. The offshore wind industry is seen by Government as a key growth sector reflecting the fact that the UK is recognised as the most attractive place in the world for investment in offshore wind (Arup, 2010). Given the level of investment going into this industry, the Government is seeking to ensure that UK based suppliers are able to provide at least 50% of the content of future offshore wind farms.
- 2.2 The offshore wind sector presents a huge opportunity for Wirral. The Crown Estates are bringing forward sites for offshore wind farm developments and Wirral coast already hosts some of the largest offshore windfarms in the UK at Burbo Bank and Gwynt y Mor. Further investment is now taking place into Round 3 sites, which have a strong focus on the Irish Sea. Here 1,000 turbines are planned, the value of which is estimated to be in the region of £18bn and with an industry calculation of 4.5 jobs per installed turbine (Renewables UK), capturing a share of this market will bring immediate jobs, but also open up supply chain and export opportunities in this expanding industry.
- 2.3 Recognised as a priority sector within Wirral, companies are already active in this industry. In 2011 Cammell Laird agreed a contract with energy company RWE npower Renewables to provide a construction base and engineering support for the development of the Gwynt y Mor wind farm. Work is now taking place for the installation of 160 wind turbine foundations over the next two years.

3.0 REGIONAL GROWTH FUND

- 3.1 In June 2012 Wirral Council, working closely with Cammell Laird, submitted an application to the third round of the Government's Regional Growth Fund (RGF) for resources to support the development of the offshore wind sector. RGF was established to invest in business projects that create growth and support a rebalancing of the economy and £1bn was made available for Round 3. The Government received over 400 applications totalling well over £2bn and in mid October Wirral Council was informed that it had successfully secured £5 million to be invested over the next three years.
- 3.2 Part of this RGF award was identified to provide support to local businesses that wish to expand and diversify to take advantage of related supply chain opportunities. In addition RGF monies will be used to attract new inward investment to Wirral within this sector. This may include attracting investment from cable manufacturers, foundations fabricators and other supply chain companies.
- 3.3 However, attracting new investment and supporting existing companies in Wirral to expand has an element of risk. Since 2008, the property market in Wirral has been affected by the global economic conditions and the double dip recession currently being experienced by the UK has impacted significantly. Whilst there has been some movement within the property market locally, the demand for medium sized workspace units actually outstrips the supply of such premises. Developer confidence is very low across Merseyside and the wider North West and even with pre-let agreements, developers are suffering from significant financial viability 'gaps', ie the end value of the completed development is significantly lower than the cost of the actual development.
- 3.4 Wirral has facilitated several schemes using ERDF resources to bridge this 'gap' but despite this, supply of such premises is poor. The main impact of this is that with so much sector potential in Wirral to support key supply chains, inward investors are put off by this lack of supply. Indeed, Wirral companies looking to expand and relocate have to look outside of the Borough and inward investment enquiries are lost as a consequence.
- 3.5 As Wirral is marketing the area for Offshore Wind and other advanced manufacturing investment, the lack of supply is a fundamental issue. Officers recently held a well attended developers workshop designed to stimulate interest from the development community in key sites. The session was designed to look at how to better match opportunity and need. Whilst moderately successful and feedback was good, new investment opportunities are limited.
- 3.6 In order to address this supply issue and provide a kickstart to the local property market, Officers have identified an opportunity to develop business accommodation for the offshore wind sector, using a mixture of Regional Growth Fund resources and other grant sources.
- 3.7 In line with the principles agreed by Cabinet in March (Minute 222), a site has been identified for the development of new business accommodation for companies operating in the Offshore Wind sector. The proposal is to purchase the land, clear the site and demolish existing buildings, procure a private sector development partner to bring forward phased building on the site using a set amount of Regional Growth Fund resources as 'GAP' funding.

3.8 The scheme responds to local demand and address the viability gap by removing the profit margin normally made by developers and limiting the risk by absorbing any actual remaining gap using the RGF monies. The main benefit is that it will restore some confidence to a marketplace where latent demand is evident, but financial viability prevents any sort of speculative development. The March Cabinet report identified Chrysalis as a potential funder for the project, but the model has evolved slightly and Chrysalis will be approached when a private sector development partner has been appointed.

4.0 THE PROPERTY

4.1 The property identified is the former Transfood site located in Abbey Street, Birkenhead. The site extends 1.12 acres and includes warehousing accommodation of 19,849 square feet and offices of 5,749 square feet. The property is on the market priced at £500,000 but, following negotiation, a purchase price has been agreed at £350,000. The property is in a prominent location and its value to the market lies in its existing use, even though the Council intends to demolish the buildings for redevelopment.

4.2 Vacant possession will be given on completion and each party will bear their own fees in the transaction.

5.0 RELEVANT RISKS

5.1 The main risk in this report relate to the speculative development of business accommodation. There is latent demand for such business accommodation which can be evidenced. However, the RGF legal agreement does not constrain the Council to just businesses within the offshore wind sector as long as key outputs are met. Priority will be given to businesses operating with this sector but the key overarching priority is to secure new jobs and investment.

6.0 OTHER OPTIONS CONSIDERED

6.1 Other sites were considered as part of this process, including a site located next to the main gates of Cammell Laird (Maritime Business Park). However, agreement could not be reached with the agent responsible for negotiating the land in line with the Councils value for money and valuation processes.

7.0 CONSULTATION

7.1 None.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 None.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 £400k has been identified for Maritime Business Park within the Capital Programme 2013/14 to facilitate the purchase of a site to provide new fit for purpose accommodation for businesses operating in the Offshore Wind market. The purchase price for the site has been agreed in principle at £350,000 and the balance of the

money within the Capital Programme budget will be used for demolition and clearance costs to make the site development ready.

Activity	Amount	Source
Purchase of Site	£350,000	Capital Programme 2013/14
Demolition and Clearance of site	Up to £50,000	Capital Programme 2013/14
Development GAP funding	Up to a maximum of £900,000	Regional Growth Fund (RGF) Allocations

10.0 LEGAL IMPLICATIONS

10.1 None

11.0 EQUALITIES IMPLICATIONS

11.1 Has the potential impact of your proposal been reviewed with regard to equality?

No because there is no relevance to equality.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 None

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 The site is identified on the Proposals Map with the Wirral Unitary Development Plan (saved by direction of the Secretary of State on 27 September 2007) as being within a Primarily Industrial Area. UDP Policy EM8 permits proposals for uses falling within Classes B1 (business), B2 (general industry) and B8 (storage & distribution) of the Town & Country Planning (Uses Classes) Order 1987, subject to adequate design and use controls.

13.2 While the purchase of land by itself does not require planning permission, however, the clearance and demolition of existing buildings and subsequent redevelopment of the site will require a planning application to be made and approved. The use of the site for business, general industry and storage & distribution purposes within Use Classes B1, B2 and B8 would be acceptable in principle. The proposed use of the site as facility to support the offshore wind sector would be particularly supported under Policy CS14 'Priority Sectors' in the emerging Core Strategy, which has been approved by the Council as a material consideration in the determination of planning applications.

13.3 There are no community safety implications arising out of this report.

14.0 RECOMMENDATION/S

14.1 That the property be acquired on the terms now reported.

15.0 REASON/S FOR RECOMMENDATION/S

15.1 To facilitate the development of business accommodation for the offshore wind sector.

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APPENDICES

Location plan

REFERENCE MATERIAL

No reference material has been used in the preparation of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet	14th March 2013