

WIRRAL COUNCIL

CABINET

14TH MARCH 2013

SUBJECT:	SUPPORTING THE OFFSHORE WIND SECTOR IN WIRRAL
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF REGENERATION, PLANNING AND HOUSING
RESPONSIBLE PORTFOLIO HOLDER:	CLLR PAT HACKETT REGENERATION AND PLANNING STRATEGY
KEY DECISION?	YES

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update members on the progress made to support the offshore wind sector in Wirral, highlighting two key projects linked to the Councils Regional Growth Fund (RGF) programme which require the authorisation of Cabinet to progress.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The current energy challenges facing the UK have prompted 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.

REGIONAL GROWTH FUND

- 2.4 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 totaling 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.
- 2.5 The funds will allow additional infrastructure improvements to be made in the engineering and load out facilities at Cammell Laird. This will allow for the handling and assembly of wind turbine components, foundations and associated structures, together with enhanced facilities for activities such as heavy fabrication, engineering and operations and maintenance work. This will support the company to secure investments from developers and Tier One suppliers that would otherwise potentially go to businesses elsewhere in Europe. For instance at the present time the Gwynt y Mor wind farm is supplied with turbines and foundation structures which have been manufactured in Germany and other European countries outside of the UK and are then delivered on a near 1,000 mile journey to Cammell Laird in order to be finally installed in the Irish Sea. These investments will help to develop and support Cammell Laird's entry into other associated complex and heavy engineering sectors, which require similar infrastructure and skills development. Sectors include offshore marine power generation from tidal stream and wave, new petro chemical opportunities in the North Sea.
- 2.6 Part of the RGF award will also be used 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.

KEY PROJECTS

- 2.7 Work has taken place to ensure that Wirral's strong assets – its geographical location, port infrastructure and skilled labour force etc, are recognised by potential investors. This has resulted in the designation by the Government of the area as a Centre for Offshore Renewable Engineering (CORE). There are six such centres across the UK and the LCR is the only one on the west coast. Wirral officers are playing a key role with BIS and UKTI to develop the CORE offer and to ensure that the areas profile is raised in key European markets with the aim of attracting investment.

Operations and Maintenance Facility

- 2.8 Cammell Laird has expressed an interest in a Council asset to develop a facility for Operations and Maintenance (O&M) in Wirral. Once developed, wind farms have an operational life of between 25-30 years. The turbines and other infrastructure require a high level of through life support during this period and the wind farm operators need base facilities for conducting this maintenance from. At present, O&M is conducted from multiple sites including Liverpool Docks and Mostyn in North Wales. Some O&M is conducted from the Southern part of the Cammell Laird site, this is predominantly to support the RWE's construction phase, with a strategy to see the O&M requirement for Gwynt y Mor, being transferred to Mostyn. However, securing an O&M facility in Wirral would have significant benefits, including direct job creation. However, there are other benefits, including the potential to develop links between the wind farm operators and Mersey Maritime in terms of a localized training programme recognizing the areas excellent facilities in the maritime sector. Officers are exploring the potential to develop a bespoke survival training facility, which could also accommodate high tech research and development facilities. The other benefits of securing an O&M facility include attracting the large energy companies to Wirral and part of the strategy is to increase the local engineering component parts of the turbines themselves in the area. An O&M facility would significantly increase the potential for this in the Irish Sea Zone 3 round
- 2.9 The site that Cammell Laird have expressed an interest in is Alabama Way, Birkenhead, near the Monks Ferry office park and right next to the Mersey Maritime facility. The Council currently holds the freehold interest in this site. The site is currently operational as a car park but usage and income is low. The benefit of the site is that it includes a concrete slipway into the River Mersey. Early proposals have identified the use of the car park, and the slipway, to form the basis of an O&M 'in river' facility which would operate state of the art crew transfer vessels, which carry the maintenance technicians and small spare component packages out to the windfarm, so that essential through life support can be effected..
- 2.10 The regeneration benefits resulting from such a facility are significant as outlined. Cabinet are asked to provide the authority for the Interim Director of Law, Asset Management and HR to negotiate the terms for an appropriate transfer of the site either by way of long term lease or sale, recognizing the long term regeneration benefits and employment opportunities that would result from such an arrangement. Cammell Laird would be required to obtain planning permission and other relevant consents.

Maritime Business Park

- 2.11 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.
- 2.12 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.
- 2.13 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.
- 2.14 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.
- 2.15 A site has been identified, known as Maritime Business Park which is a 4 acre plot of land between the A41 and Campbelltown Road in Birkenhead which is currently being marketed by Legat Owen. As Regional Growth Fund cannot be used for the purchase of land, an application was made to the Council's capital programme to fund the acquisition of a piece of land located near to the Cammell Laird site. A planning brief for the site has been developed.
- 2.16 The proposal is to purchase the land in line with values on the market but subject to the cap set in the Capital programme. A further amount of £1m of Regional Growth Fund monies to match at least £1m of Chrysalis resources will allow the Council to bring forward the development on the site. The Chrysalis Fund is the £30m fund that was established using ERDF monies in Merseyside to provide a sustainable 'loan' fund which is managed by igloo Regeneration, GVA Grimley and the Royal Bank of Canada.
- 2.17 A phased development scheme is proposed, bringing three 10,000sq ft units to the market. A full demand study is required as a next stage but there is a pipeline of Wirral companies and non-Wirral companies who are looking for new premises in the Borough, with a number of these operating in the Offshore Wind Sector.

- 2.18 The benefit of such a scheme, led by the Local Authority would be to respond 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 risk taken by the Local Authority is that any viability gap within the scheme, could and will be absorbed by the Regional Growth Fund.
- 2.19 Initial financial appraisals have identified that fully let this scheme would cover its costs and realize some return over the short term. Once built, the property could be retained by the Authority to generate a future income stream, or it could be sold to an end user or even an investment company, allowing the Chrysalis loan to be repaid in full. Any surplus RGF could be recycled into future projects.
- 2.20 Another significant benefit of this project is that the site and associated building that has been identified for acquisition by the Council will be able to be used as a venue for the International Festival for Business 2014. This festival is a 61 day programme of events that will take place in June and July 2014 in Liverpool and Wirral. At present, although this needs to be confirmed, the manufacturing quarter for the festival will be based within Wirral and to make this work close proximity to the Cammell Laird site is required.
- 2.21 Once purchased, RGF will be used to secure initial terms with the Chrysalis Fund and a specification will be agreed for the site in response to the quantified demand.
- 2.22 It is proposed that, at the end of the International Festival for Business, the development could be completed and handed over to an end user in late Summer 2014, timescales which fit in with our inward investment and local pipeline of projects which cannot currently be accommodated in Wirral due to the lack of quality commercial floorspace.
- 2.23 It is therefore recommended that Cabinet authorises the Director of Law, Asset Management and HR to enter into negotiation for the purchase of the Maritime Business Park site, Campbeltown Road, Birkenhead using resources identified within the Capital Programme 2013/14 up to the maximum set.
- 2.24 More details of the specific proposal will be brought back to Cabinet, including development costs, Chrysalis draft terms and also details regarding the purchase of the site.

3.0 RELEVANT RISKS

- 3.1 The main risks in this report relate to the Maritime Business Park. Cabinet are asked in para 2.23 to authorise the Director of Law, Asset Management and HR to enter into negotiation for the purchase of the Maritime Business Park in order to develop the site into suitable business accommodation for companies operating within the Offshore Wind Sector. If agreement cannot be reached in relation to the acquisition of this site by the Council, then alternative sites would be considered.
- 3.2 Relevant due diligence will be carried as part of any negotiations regarding the site, including identifying any contamination etc.
- 3.3 If the acquisition of the site is completed and the Council own the freehold interest, further work is required to negotiate terms from the Chrysalis Fund for the actual development at the site. Discussions held to date indicate that such an arrangement with the Fund is possible. The Chrysalis Fund monies will need to be repaid and the Council will ultimately be liable for the repayment of the funds if the business park is developed, but does not attract appropriate end users. In this instance, The Council would be expected to cover the liability in respect of the rental shortfall. Therefore, a further report will be brought back to members at the point of draft terms by the Chrysalis Fund being issued.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Offshore Wind is a key sector in Wirral and has the potential to create hundreds of new jobs and lever in significant new investment into the Borough. The strategy for doing this is to utilise our unique port facilities to attract this investment and the partnership between Cammell Laird and RWE announced in October 2011 was a significant first part of that strategy. Other options for securing economic benefit from the Operations and Maintenance of the offshore wind farms is to offer training and support to facilities in Liverpool and Mostyn but it is likely that more local facilities to these sites will be used.
- 4.2 In terms of stimulating supply into the local commercial property market, ERDF calls have taken place to provide GAP funding, but the timescales have not been right. New investment into the Cammell Laird site using Regional Growth Funding will in turn stimulate investment within the supply chain. It is critical that Wirral have a property offer that meets the timescales for this multiplier effect within the sector. If we do not, that investment will be made elsewhere.

5.0 CONSULTATION

- 5.1 This report is consistent with the principles of Wirral's Investment Strategy. Officers have worked with key partners and businesses to formulate the opportunities outlined within this report and consulted partners on the best options to realize these opportunities in a supporting role.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 None as a result of this report.

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

7.1 £5m of Regional Growth Fund money has been secured for the development of the Offshore Wind Sector in Wirral. Some of this money has been identified to invest in an Operations and Maintenance (O&M) facility in Wirral. Up to £1m could be invested, depending on the cost of the facility and state aid intervention levels. The site that Cammell Laird has identified for this facility, is a site in which the Council owned by the Council and negotiations for transfer of the asset either by long lease or sale will be undertaken by the Director of Law, Asset Management and HR .

7.2 Additionally, £1m RGF has been provisionally allocated to the development of a supplier park. Provisional discussions have been held with the Chrysalis Fund to use the RGF monies to explore options to lever in an additional £1m of repayable funds on terms that need to be attractive to the Council. As RGF cannot be used to purchase land, an application has been made to the Council's capital programme for the purchase of the land which has been identified. This has been provisionally agreed (Cabinet 18th February Agenda Item 8 Minute 204 (1) refers) as part of the Capital Programme for 2013/14, and negotiations cannot exceed the maximum set with the capital programme.

7.3 The average income from the Alabama Way car park over the last three years is £2,257 and this income would no longer be available to the Council and would need to be taken into account when determining income levels from Council car parks.

8.0 LEGAL IMPLICATIONS

8.1 S123 of the Local Government Act 1972 requires that any disposal of land by a local authority must be at the best price reasonably obtainable unless Secretary of State consent is granted, and taken into consideration as part of the negotiation of Alabama Way. State Aid must also be considered at the relevant point.

8.2 European Procurement rules will apply to the procurement of the works on the Business Park

8.3 The structure of the acquisition vehicle for the Park using Council funds and the Chrysalis loan fund will need to be explored as will the loan repayment mechanism. Further legal advice will be obtained as the next stages for both of these projects progress. Project plans will be drafted

and where necessary, specialist legal advice will be sought externally on matters relating to state aid and competition.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(a) Yes and impact review is attached

This links to the existing EIA conducted for Wirral's Investment Strategy
<http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010-0>

10.0 CARBON REDUCTION IMPLICATIONS

10.1 None as a result of this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 Alabama Way is designated as part of the Primarily Industrial Area and within the Coastal Zone on the Wirral Unitary Development Plan Proposals Map. Planning permission will be required for a new Operations and Maintenance Facility, including in-river access. A Marine Licence may be required for works in the river.

11.2 A development brief has been prepared for Maritime Business Park which is also designated as part of the Primarily Industrial Area on the Wirral Unitary Development Plan Proposals Map. Planning permission would be required for the erection of the new industrial units proposed for this site.

12.0 RECOMMENDATIONS

12.1 It is recommended that:

- i.) Cabinet authorise the Interim Director of Law, Asset Management and HR and the Assistant Chief Executive to enter into negotiations with Cammell Laird on arrangements for an appropriate transfer of the site either by long lease or sale for Alabama Way (Car Park and Slipway), Birkenhead. Any transfer would be dependant on planning permission being obtained.
- ii.) Cabinet authorise officers to progress the Supplier Park scheme for the Offshore Wind Sector as outlined within this report. A further report will be brought back to Cabinet by the Strategic Director for Regeneration and Environment with the exact details of the scheme in relation to other sources of finance and quantification of the demand from the private sector and any draft terms offered by the Chrysalis Fund.

- iii.) Cabinet authorise the Director of Law, Asset Management and HR and Assistant Chief Executive to enter into negotiation for the purchase of the Maritime Business Park, Campbeltown Road, Birkenhead using resources identified within the Capital Programme 2013/14 up to the maximum set and to enter into such arrangements as may be required by the Chrysalis Fund in respect of its purchase contribution and loan repayment including exploring the correct vehicle for acquisition.

13.0 REASON FOR RECOMMENDATION

13.1 To maximise the potential of a key sector within Wirral and support the delivery of the Regional Growth Fund (RGF) programme.

REPORT AUTHOR: **Alan Evans**
Strategic Investment and Partnerships Manager
Telephone: (0151) 691 8426
Email: alanevans@wirral.gov.uk

APPENDICES

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Budget Cabinet – Agenda Item 8 Capital Programme Financing 2013-16	18th February 2013