



CABINET
8TH DECEMBER 2016

Delivering Wirral's Growth

Councillor Phil Davies, Leader of Wirral Council, said:

“In 2020 Wirral has to be self-sufficient – the only money we will have to invest in our borough, in the services residents rely on, will be the money we can raise ourselves. This simple fact puts strengthening our economy, supporting businesses to grow and encouraging businesses to move here and create jobs, at the top of our agenda.

“We have big ambitions for Wirral and, working with our partners in the Liverpool City Region and throughout the North West, we must maximise the impact of the huge opportunities before us: downtown Birkenhead, New Brighton, Bromborough Business Park, Hoylake Golf Resort and more.

“This report proposes the development of a new company to drive these efforts. Building on the success delivered by Liverpool and Manchester over the past decade, this new company would provide Wirral with the ability to promote itself, attract investors and translate their interest into sustainable new businesses, economic growth and jobs for Wirral residents.”

REPORT SUMMARY

Economic development has become a major local government activity over the past two decades. This is because many cities and boroughs have recognised how important it is to support the growth in jobs in their area and in particular, have looked to attract highly skilled jobs which pay well.

To support this, a range of policies have been adopted in relation to land clearance, retail development, public transport, roads, housing, and marketing. Where councils initially concentrated on creating an environment for businesses to flourish, changes to the UK economy have prompted a more assertive and commercial approach to regeneration.

As government capital grant reduces and access to traditional bank finance becomes harder for the private sector to raise, councils are exploring opportunities for new ways to

lever in investment to support growth, including the use of their own property and land assets, borrowing, pension funds and more flexibility to be active in the bond markets.

The Localism Act 2011 introduced a 'power of competence' which further encouraged councils to introduce innovative trading models around development companies in recognition that the private sector and investors want to work with council's through specific company structures.

Wirral Council is no different. The implementation of the council's new operating model has put the organisation in a position where we are more able to understand and capitalise on the opportunity for growth in the borough: studies have been commissioned to understand how transport and infrastructure can be improved, strategic land acquisitions have been made and proposals are being developed for further land assembly. The council is regularly being contacted by leading investors and is working towards the launch of a compelling investment proposition to further drive awareness of and interest in Wirral as a place to do business.

Whilst the strategic leadership of the growth agenda will sit within the council alongside other related statutory functions such as planning, there is a need to create delivery structures which can more easily partner and work with the private sector. Through the council's Transformation Programme, work is being undertaken to complete an options appraisal to establish a property company (PropCo). This will be presented to Cabinet in February 2017. It is anticipated this company will lead the council's development activity and secure increased income for the council which can be used to support service delivery.

The preliminary work undertaken to develop this options appraisal for a property company has identified an urgent need to initiate further activity to:

- More effectively promote Wirral's growth agenda and potential to investors in a strategic, structured, highly professional and commercial fashion.
- Promote opportunities to existing businesses to secure improved and increased space.
- Ensure inward investment is managed in an integrated and strategic way with our partners
- Join up Partners, Council, Investors, Businesses and Residents around a single vision for Wirral's regeneration.

This paper recommends further work is undertaken over the next four weeks with a view to establishing the case for a wholly owned Local Authority company, in addition to the proposed PropCo, to undertake the work set out above. This activity supports the ambitions of the Wirral Plan, in particular the Pledges and priorities described within the Wirral Growth Plan. This matter affects all Wards within the Borough. It is not a key decision.

RECOMMENDATION/S

Cabinet are requested to:

- 1. Instruct officers to develop a business case and supporting business plan confirming the viability of the preferred option, to be considered by Cabinet at its meeting in January 2017.**
- 2. In the case of a viable arm's-length company, instruct officers to develop a legal framework and governance structure for approval.**
- 3. Authorise officers to assemble a project team to progress work on the set up of a new structure.**

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

Driving economic growth and ensuring Wirral is best placed to generate investment is crucial to the future of the borough. The recommendations ensure the council completes a robust business case, exploring all options, before final decisions are taken.

2.0 OTHER OPTIONS CONSIDERED

Other options are considered as part of this paper and will be further explored in the further report to Cabinet in January 2017.

3.0 BACKGROUND INFORMATION

The proposals contained in this report provide a direct contribution to a number of the Pledges within the Wirral Plan, including:

- Increase inward investment
- Greater job opportunities in Wirral
- Thriving small businesses
- Assets and buildings are fit for purpose

In order to make a step change in the regeneration of the borough, work is underway on an options appraisal to support the council in the set-up of a Property Company (subject to member agreement). It is proposed this company will work with investor partners to undertake development in the borough to:

- Accelerate growth in jobs and housing
- Secure additional private and government investment
- Create profitable and transparent relationships with developers and investors which deliver financial and regeneration benefits
- Maximise developments and minimise risk to the council by providing dedicated delivery arrangements and property and commercial expertise.

Work on the options appraisal will be presented to Cabinet in February 2017 and subject to agreement would lead to the full establishment of the company in September 2017. This is to enable development to commence in 2017. Whilst the options appraisal for the Property Company (PropCo) is being developed, it is recognised there is a gap in terms of how:

- The scale of opportunity to invest in Wirral's growth is defined and presented to investors
- Interest from investors and businesses is managed and coordinated
- A strategically targeted outreach, marketing and lead-generation campaign is developed
- Residents can play a meaningful role in the regeneration consultation process
- The opportunity can be articulated in a way that ensures that the right delivery vehicle (PropCo) is recommended

- Council services are changed to support business growth and to secure commercial opportunities.

In simple terms, the council has been strengthening, at pace, its strategic leadership of growth/regeneration work and through its Transformation Programme is developing the 'how' mechanism (PropCo) to deliver it. Currently underdeveloped is the work to translate the borough's strategic ambition into a detailed proposition which can be effectively 'sold' to investor targets.

It is imperative the council has an emerging proposition for investors by early 2017 and that by March 2017, when the MIPIM Conference takes place, is able to set out its offer to investors. This annual conference for investors is the key opportunity to meet and pitch to the world's major development investors and banks.

Having considered some of the strong local authority models including Liverpool City Council, Leeds City Council, Birmingham City Council and Manchester Council, it is clear this work needs to be progressed in a commercial way to ensure that the market is able to engage quickly with the council to exploit development opportunities. Best practice illustrates this is done through arm's length companies. In other places they have demonstrated that they can move quickly, embrace enterprise and innovation and generate their own income.

There are three approaches Wirral council could take;

- Undertake the work using in-house resources
- Commission the work
- Set up a structure to undertake the activity

In-house Delivery

The council has limited resources with the experience and skills to work with investors. Those it has are involved in developing the strategic framework for Birkenhead Regeneration and then will work on the wider borough's needs and opportunities. In order to deliver the work identified, further resource would need to be secured. In terms of the communications and marketing work, there are limited resources internally which would need to be supplemented by staff who have experience of a commercial investor/property environment.

Given the way in which multiple PR products will need to be secured, it is likely better value for money could be secured through a partnership arrangement rather than direct employment by the council. The real weakness with this option is it is difficult to bring a real focus to this work when it is a small part of the organisation's overall delivery agenda.

Commission the work

In the longer term, Wirral would wish to partner with others in the city region to undertake this type of work. Setting Wirral's ambition within the context of Merseyside and the North West is consistent with our approach.

However, there is not yet agreement across the city region as to how this work will be organised and delivered. Given the imperative to initiate work quickly and to

manage the dialogue with investors and residents, the council will need to make alternative arrangements in the interim.

Consideration has been given to commissioning the work outside of the North West but an understanding of the borough, its unique offer and growth potential is best expressed by an organisation based here.

Create a function to undertake the work

Experience from other councils shows the management of the investor interface and its associated lead generation work is most successfully managed as part of a discrete organisation at arm's length from the council.

The significant majority of councils who in the last year have announced significant private investment in development, including Aberdeen Council, have an arm's length interface promoting their offer to investors. It is a tried and tested approach that brings results particularly when partnered with a separate PropCo focussed on site specific development activity. It is this model, of two arm's length companies, steered by the council's strategic growth function that officers are bringing forward to members over the next few months.

Recommended Option for further work

It is recommended work is undertaken quickly to investigate the initial assumption a wholly owned arm's length company be established to:

- Turn the strategic Development Framework into a compelling case for investors in a way which is coordinated with the City Region and local businesses/partners, take the case to investors
- Develop the regeneration proposition for MIPIM
- Develop and lead the consultation framework for the Birkenhead Regeneration

4.0 FINANCIAL IMPLICATIONS

The financial implications for these proposals will be considered as part of the business case.

5.0 LEGAL IMPLICATIONS

The legal and governance implications for these proposals will be considered as part of the business case.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

The implications for these proposals will be considered as part of the business case.

7.0 RELEVANT RISKS

All risks associated with this programme will be identified and managed as part of the business case.

8.0 ENGAGEMENT/CONSULTATION

Where consultation is required, it will be delivered following any agreement of the business case in early 2017.

9.0 EQUALITY IMPLICATIONS

Equality implications will be considered as part of the business case development process.

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APPENDICES

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date