

DELEGATED DECISION**2 SEPTEMBER 2019**

REPORT TITLE	WIRRAL GROWTH COMPANY
REPORT OF	DIRECTOR OF FINANCE AND INVESTMENT

REPORT SUMMARY

This report seeks agreement for the release of funds Cabinet has previously agreed to be earmarked to fund its 50% share of Wirral Growth Company's initial working capital. The report also seeks agreement for the 3 key milestones within the Wirral Growth Company Partnership Agreement to be extended, as agreed between Wirral Council and Muse at the quarterly JV Board on 25th July 2019.

RECOMMENDATIONS

- 1 That working capital of up to £1.27 million (which is within limits previously agreed by Cabinet in February 2018) be made available by way of loan to Wirral Growth Company LLP (WGC) on an equal contributory basis with Muse Developments Ltd (Muse) in advance of an agreed Partnership Business Plan. The agreement is provided on the premise that in each case the Director of Finance is satisfied that the expenditure is reasonable and is necessary for WGC to incur in advance of any Indicative Drawdown Profile being agreed in an approved Partnership Business Plan or relevant Site Development Plan.
- 2 That the milestone date for the submission of the Partnership Business Plan by Muse (as Development Manager) to WGC Board for its approval be extended by agreement with Muse to a date no later than 30 November 2019.
- 3 That the milestone date for the approval by the Council of the Partnership Business Plan adopted by WGC be extended by agreement with Muse to a date no later than 31st January 2020.
- 4 That the approval of the Council and Muse to the Final Site Development Plan for Phase 1 of the Birkenhead Commercial District be extended by agreement with Muse from 21 to 24 months from the date of the execution of the Partnership Agreement (19 March 2019).

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 Wirral Council and Muse Developments Limited each hold a 50% share in Wirral Growth Company. Wirral Growth Company has been established as a joint venture with aims to undertake large scale regeneration within the Wirral area.
- 1.2 The Joint venture partners will be equally liable for financing project expenditure as per the terms of the Joint Venture Partnership Agreement.
- 1.3 Amongst the recommendations within the Wirral Growth Company Cabinet report of 28 February 2018 was the following:
‘Approve the release of up to £3m of capital funding already approved for strategic acquisitions to be invested in the JV. ‘
- 1.4 The recommendation in this report confirms the use of monies agreed on 28 February 2018.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The provision of working capital be considered only after the Partnership Business Plan has been approved and an Indicative Drawdown Profile been agreed.
- 2.2 This option was rejected as capital is required to support the development of the Partnership Business Plan (PBP) and supporting draft indicative Site Development Plans (SDPs.).

3.0 BACKGROUND INFORMATION

- 3.1 Wirral Council and Muse Developments Limited each hold a 50% share of Wirral Growth Company. Wirral Growth Company was established on 19th March 2019 as a joint venture with aims to undertake large scale regeneration within the Wirral area.
- 3.2 The Board met on the 25 July 2019 and agreed to seek the Council’s and Muse’s consent to the provision of working capital in advance of the approval of the Partnership Business Plan.
- 3.3 The Joint venture partners will be equally liable for financing project expenditure. As the JV moves forward Wirral will subject to necessary approvals contribute assets towards its share of financing. At this early stage of the partnership, no assets have been transferred and there will be a requirement for a cash contribution to fund working capital. Contributions will earn interest for the JV partners as per the terms of the Joint Venture Partnership Agreement.

- 3.4 Amongst the recommendations within the Wirral Growth Company Cabinet report of 28 February 2018 was the following:

‘Approve the release of up to £3m of capital funding already approved for strategic acquisitions to be invested in the JV. ‘

- 3.5 Muse Developments is formulating plans for the first phase of development. Details of these will be provided to Members in the coming weeks. Costs have been estimated at a maximum of £2.54 million by December 2019. Wirral’s contribution would be 50% i.e. £1.27 million. Some further detail is included within the attached exempt appendix. Approval is being sought to pay our contribution subject to necessary checks and verification. This is a maximum figure and allows work to progress to develop the Partnership Business Plan.
- 3.7 In addition, on 25th July 2019, the JV Board also agreed to the postponement of 3 Partnership Agreement milestone dates. Both parties agreed that the Partnership Agreement milestones should be extended in order to enable a sufficient amount of time for the best possible Site Development Plans to be developed.
- 3.8 Muse Developments have informed officers that they have received relevant approval to release their share of working capital towards the outlined expenditure.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The Council may be requested by WGC to provide up to £1.27 million of working capital for expenditure to 31st December 2019. Under the terms of the partnership agreement the Council and Muse will earn interest on working capital. (chargeable to the Wirral Growth Company).The working capital is being funded from the capital programme as agreed by full Council on 4 March 2019.

5.0 LEGAL IMPLICATIONS

- 5.1 The Partnership Agreement (Clause 7.6) requires Muse and the Council to contribute to WGC’s working capital on an equal basis in accordance with an Indicative Drawdown Profile in a Partnership Business Plan or Site Development Plan. Any provision of working capital in advance of the approved Partnership Plan would require the approval of WGC, Muse and the Council since the expenditure could potentially be abortive depending on the final content of the Partnership Business Plan.
- 5.2 The Partnership Agreement sets out in Schedule 12 milestone dates for approval by WGC and the Council of the Partnership Business Plan and the final Site Development Plan for Phase 1 of the Birkenhead Commercial District which will need to be altered by agreement with WGC, Muse and the Council if they are no longer considered to be realistic by all the parties concerned.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 There are no ICT or staffing implications arising directly from this report. The Wirral Growth Company regeneration may involve the acquisition, renovation and disposal of assets.

7.0 RELEVANT RISKS

- 7.1 Risks may relate to financial, legal and reputational aspects. Activities of Wirral Growth Company are overseen by governance arrangements involving both Wirral Members and Officers. This protects the Council investment within the joint venture. Engagement and consultation will also be undertaken and will influence decisions.

8.0 ENGAGEMENT / CONSULTATION

- 8.1 Wirral Growth company proposals are and will be subject to extensive engagement and consultation. The proposal in this report will enable activity to be funded leading to consultation and engagement.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are no direct equality implications from this report.

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APPENDICES:

Exempt Wirral Growth Company Approval total

BACKGROUND PAPERS

The Partnership Agreement between the Council and Muse contains details of working arrangements of the Joint Venture.

SUBJECT HISTORY Council Meeting	Date
Cabinet — Wirral Growth Company	28 February 2018