

CABINET**30 SEPTEMBER 2019****WIRRAL WATERS INVESTMENT FUND – APPLICATION FOR
FINANCIAL ASSISTANCE****Councillor Tony Jones, Cabinet Member, Regeneration & Growth, said:**

“We have a vision for a borough that has economic growth at its heart; a vision that will ensure residents are able to access good, high paying jobs in a stable and thriving economy.

We are aware that the area in and around the Birkenhead Dock system suffers from a number of interrelated market failures following decades of industrial decline and lack of investment. It is our responsibility therefore to provide mechanisms of support in order to drive forward increased investment and regeneration.

This report sets out the councils current and future role in transformation of Birkenhead, helping to bring more businesses and growth to the area.

Support of this scheme is crucial to contributing more widely to the success of the Wirral Waters development area, Woodside Waterfront and Birkenhead Town Centre regeneration initiatives.”

REPORT SUMMARY

Peel Investments (Intermediate) Limited (Peel) has applied for a grant from the Wirral Waters Investment Fund (WWIF) of £400,000 to help secure £2,100,000 of funding which has been agreed from the National Productivity Investment Fund (NPIF). This is in addition to £300,000 of project finance that Wirral Borough Council has already agreed to fund through its capital programme, £100,000 from European Structural and Investment Fund (ESIF) and £300,000 private sector contribution from Peel. The funding will be used to develop green infrastructure and public realm improvements in the Tower Road area of Birkenhead, an existing public highway on land already owned and adopted (maintained by obligation) by Wirral Council.

The ‘Civilised Street’ works will transform A554 Tower Road through wider pavements, shared surface areas and reduced carriageway widths, and will create some 1km of shared footway / cycleway. It will link to existing and proposed pedestrian / cycle routes and bus stops, facilitating access to wider areas, making Tower Road a high-quality destination for workers, students, residents and visitors accessing the area by these modes.

The 'Green Infrastructure' element of the scheme will see 130 new trees planted, comprising 90 large trees in pits located on grassed areas and 40 large trees in pits located on hard areas.

This scheme will integrate with recent sustainable transport improvements in the Wirral Waters area including recently completed shared footway/cycleways on Northbank East and Rendell Street. Funding has also been secured via ESIF for the extension of the Northbank East scheme along Northbank West to the Duke Street junction where it will meet with a further STEP funded cycle route. All works in the area including the Tower Road Public Realm scheme are future proofed to accommodate the implementation of a mass transit solution.

These works will enhance the physical environment and accessibility associated with several key development and investment locations including the Wirral Waters Campus of Wirral Metropolitan College, Egerton Square amenity village, Tower Road Office and Maritime Knowledge Hub. Further, the scheme provides direct access linking committed footway and cycleways to new housing within the Northbank / Tower Road development cluster totalling approximately 1,100 units planned to 2024, with key projects including Wirral Walters One/Legacy, Belong Village and Urban Splash. Tower Road is key gateway route connecting Wirral Waters with Birkenhead town centre to the south. As such, the application is recognised to be crucial to contributing more widely to the success of the Wirral Waters development area, Woodside Waterfront and Birkenhead Town Centre regeneration initiatives.

The Wirral Plan: A 2020 Vision sets out the vision for the borough and has economic growth at its heart to ensure residents are able to access good, high paying jobs in a stable and thriving economy. The Plan identifies 20 key pledges that the Council, and its partner agencies, must deliver and the application for financial assistance contained in this report directly supports the following pledges:

- Increase inward investment
- Workforce skills match business needs
- Greater job opportunities
- Thriving small businesses

This matter affects all Wards within the Borough.

The decision is regarded as a key decision.

EXEMPT INFORMATION

This report contains exempt information in the Appendices as defined in Schedule 12A of the Local Government Act 1972. It is in the public interest to exclude the press and public under Paragraph 3 'Information relating to the financial or business affairs of any particular person (including the authority holding the information).

Appendix 1 includes the report submitted to the Investment and Change Board and is commercially sensitive.

Appendix 2 includes the Wirral Waters Investment Fund Business Plan and is commercially sensitive.

Appendix 4 includes the Risk Register for this project and is commercially sensitive.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Approves a grant of £400,000 to Peel Investments (Intermediate) Limited through the Wirral Waters Investment Fund to support the improvements to public realm in Tower Road, Birkenhead.
2. Authorises the Director of Governance and Assurance in consultation with the Director for Economic and Housing Growth to draw up and sign a legal agreement between the Council and Peel Investments (Intermediate) Limited that is within State Aid regulations and subject to the conditions contained in Appendix 1 to this report.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 To enable the delivery of high-quality public realm and green infrastructure improvements at A554 Tower Road, to support the priorities of the Wirral Waters Investment Fund (WWIF).
- 1.2 To enhance the physical environment and accessibility associated with a number of key education, employment and housing development and investment locations at Wirral Waters in line with the objectives of the Wirral Plan and Growth Plan and Liverpool City Region sector priorities.
- 1.3 To positively contribute to the linking of the Wirral Waters development area to priority regeneration initiatives at Woodside Waterfront, Hind Street and Birkenhead Town Centre.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Council has considered a number of other options which were discounted as follows:

- a) Provide a loan rather than grant: An independent appraisal of the application has concluded that the project is not currently viable and therefore requires grant funding through WWIF to facilitate development.

- b) Adopt a 'do nothing' approach: Not providing WWIF funding:

The considerable benefits of this project would not be realised without the introduction of WWIF funding, which exists to support development viability, environmental improvements and infrastructure investment.

3.0 BACKGROUND INFORMATION

Wirral Waters Investment Fund Background

- 3.1 Cabinet approved the development of an investment framework for the reinvestment of business rate uplift within the Wirral Waters part of the Mersey Waters Enterprise Zone at its 12 March 2015 meeting (Minute 156 refers). A further report was taken to Cabinet on 5 November 2015 where Members formally approved the creation and operation of the Wirral Waters Investment Fund and the incorporation of the investment potential for Phase 1 (£16m by 2020) into the Council's Capital Programme (Minute 62 refers). The Cabinet report also identified potential for the Fund to enable longer-term investment of up to £47m by 2037.
- 3.2 The Investment Fund has been created on the basis of reinvesting uplifted business rates and/or prudential borrowing against future business rates into the Enterprise Zone up to 2037, to support new projects through grants and loans and generate further business rates income. This will support the growth aspirations of the Wirral Plan and Wirral Growth Plan.
- 3.3 The area in and around the Birkenhead Dock system suffers from a number of inter-related market failures following decades of industrial decline and lack of investment.

New development in the area is often not viable without some form of public sector support. The low values - and associated impact on viability - are caused by the historically poor external perceptions of the area, the lack of occupier confidence across all sectors and associated uncertainties about investment returns.

3.4 The Wirral Waters Investment Fund therefore provides a mechanism to support the following:

- **Development viability support** – funding support for commercial, industrial and residential development schemes, to close the gap between costs and values, allowing commercial development schemes to proceed.
- **Land remediation and servicing** – on-site and off-site works to address poor ground conditions through land remediation and the installation of key services.
- **Environmental improvements** – on-site and off-site works aimed at enhancing the quality of the environment across the Wirral Waters area including the improvement of road corridors and gateway locations.
- **Infrastructure investment** – on-site and off-site works targeting specific infrastructure weaknesses to enhance access and traffic flows.
- **High quality communities** – a programme of on-site and off-site investment aimed at enhancing amenity to create a sustainable environment for businesses and residents moving into the area.

Wirral Waters Investment Fund Business Plan (August 2018)

3.5 The latest Wirral Waters Investment Fund Business Plan (August 2018) included as Appendix 2 to this report provides an up-to-date investment appraisal of Phase 1 projects. It provides an update to previous business plans, based upon the refined assessment of the emerging pipeline of development projects.

3.6 The Business Plan sets out that intervention in the early years of the programme – if invested in the right projects and in the right cluster locations - will have a transformational impact in terms of attracting significant investment and enhancing the image of the area in and around Birkenhead.

Wirral Waters Investment Fund Process

3.7 Avison Young has been commissioned to provide expert advice and support for the assessment and appraisal of business cases submitted to the WWIF, ensuring robust due diligence is undertaken. This includes undertaking a site-by-site independent business case review; analysing the property market to support the public investment decision; and reviewing the financial returns to the Council.

The Project

3.8 Peel Investments (Intermediate) Limited has applied for a total WWIF allocation of £400,000, which comprises £100,000 of environmental improvement and £300,000 of infrastructure investment to support the delivery of the A554 Tower Road South Public Realm and Infrastructure Improvements project which has a total cost of £3,200,000.

3.9 The Tower Road South (TRS) Public Realm scheme consists of major public realm improvements to the A554 Tower Road, which is located in the Four Bridges

neighbourhood of Wirral Waters. It comprises a series of interventions, through the TRS Civilised Streets public realm works and Green Infrastructure works, to create a greener, more 'civilised' streetscape, which supports the shift towards a low carbon economy to enable the sustainability led regeneration of Wirral Waters.

- 3.10 The project covers a 0.5km length of the Tower Road corridor from a point 25m north of its roundabout junction with Canning Street and Rendel Street in the south to the Wirral Docks 'A' Bridge in the north. The 'Civilised Street' works are proposed to transform Tower Road through wider pavements, shared surface areas and reduced carriageway widths, and will create some 1km of shared footway / cycleway. It will link to existing and proposed pedestrian / cycle routes and bus stops, facilitating access to wider areas, making Tower Road a high-quality destination for workers, students, residents and visitors accessing the area by these modes.
- 3.11 The 'Green Infrastructure' element of the scheme will see 130 new trees planted, comprising 90 large trees in pits located on grassed areas and 40 large trees in pits located on hard areas. The location of the trees proposed as part of the ESIF works within Tower Road South are between the roundabout with Canning Street to the south and 'C' Bridge to the north.
- 3.12 It is important to note that while Peel is the applicant, all the works proposed are within the Wirral Council adopted highway boundary. The project will be procured and managed by Wirral Council.
- 3.13 This scheme will integrate with recent sustainable transport improvements in the Wirral Waters area including recently completed shared footway/cycleways on Northbank East and Rendell Street. Funding has also been secured via ESIF for the extension of the Northbank East scheme along Northbank West to the Duke Street junction where it will meet with a further STEP funded cycle route. All works in the area including the Tower Road Public Realm scheme are future proofed to accommodate the implementation of a mass transit solution.
- 3.14 A site plan showing the extent of the boundary is included in Appendix 3.
- 3.15 At its meeting of 25 July 2019, the Investment and Change Board approved to progress to Cabinet the approval of £400,000 grant funding to Peel Investments (Intermediate) Limited for this project Tower Road Public Realm and Infrastructure Improvements through the Wirral Waters Investment Fund, subject to the conditions set out in Appendix 1 to this report.

Project Benefits

- 3.16 The Tower Road Public Realm and Infrastructure Improvement scheme will deliver quality pedestrian and cycle facilities on Tower Road and link into the wider existing and committed pedestrian and cycle routes network. This will increase the mode share of these uses, reduce private car use, reduce congestion, reduce carbon emissions and improve local air quality and hence reduce average per journey carbon emissions.
- 3.17 This forms part of an overall Sustainable Transport Strategy for Wirral Waters to create exemplar pedestrian and cycle connections and public realm. Base mode share data in the Transport Assessment for the East Float Outline Application

indicated that cycling constituted 1.5% of journeys - around 230 daily cycle trips - but with improved connections and Travel Plans a 5% target is reasonable around 900 daily cycle trips. This would lead to a significant reduction in car trips and hence carbon emissions. The scheme will also reduce existing congestion to benefit carbon emission reduction.

- 3.18 The scheme will provide a high-quality public realm environment and improve the area's image to create market confidence for investment, therefore creating the right conditions for providing jobs and educational facilities. The proposed shared surface areas at existing junctions and future access points will provide better connectivity for key businesses and education facilities, including the Wirral Met College Campuses at Tower Road and Canning Street.
- 3.19 These works will enhance the physical environment and accessibility associated with a number of key development and investment locations including:
- Wirral Metropolitan College
 - Egerton Square Pop Up Village
 - Tower Road Office
 - Maritime Knowledge Hub
- 3.20 The scheme provides direct access linking committed footway and cycleways to new housing within the Northbank / Tower Road development cluster totalling approximately 1,100 units planned to 2024, with key projects including Wirral Waters One/Legacy, Urban Splash and Belong Village. The link will also connect new housing sites with employment areas and provide access to wider Wirral Waters housing.
- 3.21 Tower Road is key gateway route connecting Wirral Waters with Birkenhead town centre to the south. As such, the application is recognised to be crucial to contributing more widely to the success of the Wirral Waters development area, Woodside Waterfront and Birkenhead Town Centre regeneration initiatives.
- 3.22 External appraisal of the scheme by Avison Young recognises the importance of early delivery of infrastructure to catalyse wider commercial investment; in particular, the appraisal notes how important it can be to create the right environment and conditions to support business investment in an area.

Key Outputs

- 3.23 The 'Civilised Street' works will transform A554 Tower Road through wider pavements, shared surface areas and reduced carriageway widths, and will create some 1km of shared footway / cycleway. It will link to existing and proposed pedestrian / cycle routes and bus stops, facilitating access to wider areas, making Tower Road a high-quality destination for workers, students, residents and visitors accessing the area by these modes.
- 3.24 The 'Green Infrastructure' element of the scheme will see 130 new trees planted, comprising 90 large trees in pits located on grassed areas and 40 large trees in pits located on hard areas.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Avison Young has appraised the solvency of Peel Investments (Intermediate) Limited as the applicant and conclude that, although the company has been given a credit score of D-19 by Creditsafe and is considered to be a high risk, it is important to look at the parent company Peel Holdings Land and Property (UK) Ltd which has a strong credit rating. Peel Holdings Land and Property (UK) Ltd also has a good track record in delivering projects. A condition of the grant funding would be that a guarantor agreement will be put in place with Peel Holdings Land and Property (UK) Ltd to provide additional security to the Council that Peel Investments (Intermediate) Limited has the financial capacity to develop the project.
- 4.2 Project costs and funding arrangements are set out in Appendix 1 to this report. In addition to the grant request of £400,000 from the Wirral Waters Investment Fund, there will be £2,100,000 funding from Department for Transport, £100,000 from ESIF, £300,000 from the Council's Capital Programme and £300,000 of private sector contribution from Peel.
- 4.3 The financial implications set out above have been verified by the Council's finance service.

5.0 LEGAL IMPLICATIONS

- 5.1 The offer of financial assistance is always subject to State Aid consideration. State Aid rules exist in order to prevent any form of aid to a commercial undertaking distorting, or threatening to distort, competition within the European Community.
- 5.2 Legal support have advised on the State Aid implications of the proposed £400,000 WWIF grant in the context of wider state support for this project. The advice received is that funding does not constitute State aid for the following reasons:
- A) the Project activity can be classified as general public infrastructure for the benefit of the general public (without charge and on a non-discriminatory basis) since the Project involves developing pedestrian and cycle paths alongside an existing public highway on land already owned and adopted (maintained by obligation) by Wirral Council; and
 - B) Peel's contribution of £300k to the Project's delivery is towards the design costs of the public realm of the Project. This public realm is not specific to the adjoining Peel land and hence does not raise the risk of specific advantage to Peel (and hence State aid to it) and in any event a Peel contribution is positive towards reducing State aid risk rather than the opposite.
- 5.3 As a consequence the receipt of £2.9m by the Council from various Central Government sources (including MHCLG, DfT etc) is merely an intra-State transfer as the Council is not engaging in any "economic activity" (NB. providing public realm is normally recognised a general activity of the State).
- 5.4 It follows that since the proposed public funding may not involve State aid to begin with, the administration of compliance with a State aid Block Exemption Regulation or notification and receipt of pre-approval from the European Commission or another regulatory body is not necessary.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The monitoring and management of the grant will be resourced through the existing work programmes of officers within the Council's Place and Investment Team.

7.0 RELEVANT RISKS

7.1 Avison Young has carried out a risk assessment of the project and has identified appropriate mitigation measures. A full risk register is included in Appendix 4 to this report.

7.2 Avison Young has identified risks relating to increased costs being incurred, which could hinder the viability of the scheme and increase the Council's liabilities for additional costs. To mitigate this risk, Avison Young recommend that a fixed price construction contract should be sought in order to reduce uncertainty. Further, Avison Young recommend that clarity should be sought on who is liable in the case of overruns. The Council will mitigate this risk in several ways:

- a) Through the procurement process, over which it has control.
- b) Through a governance structure that includes regular reporting to the Tower Road Board, which controls the risk of overspend through dashboard reporting on project progress and spend profiles.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Tower Road public realm and infrastructure schemes have been subject to stakeholder consultations that invited feedback from all businesses located on Tower Road as well as those located in adjacent and adjoining roads that include Tower Wharf, Egerton Wharf and Morpeth Wharf.

8.2 This report is consistent with the principles of Wirral Council's Growth Plan and Strategic Regeneration Framework, which identifies Wirral Waters Enterprise Zone as an identified and agreed area of significant growth potential.

8.3 The Growth Plan and Strategic Regeneration Framework have been informed by consultation which has taken place with a number of private sector partners and local businesses through Wirral Chamber of Commerce sector forums.

9.0 EQUALITY IMPLICATIONS

9.1 The potential impact has been reviewed with regard to equality and links to the existing EIA conducted for Wirral's Growth Plan.

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2014-0>

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APPENDICES

Appendix 1: Report to Investment and Change Board – Application for Financial Assistance
25 July 2019 **EXEMPT**

Appendix 2: Wirral Waters Investment Fund Package 1 Business Plan (August 2018)
EXEMPT

Appendix 3: Site Location Plan **EXEMPT**

Appendix 4: Risk Register **EXEMPT**

BACKGROUND PAPERS

Appraisal Report

State Aid Advice

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet 'Enterprise Zone – Re-Investment of Business Rate Uplift'	12 March 2015 (Minute 156)
Cabinet 'Wirral Waters Enterprise Zone – Investment Fund'	5 November 2015 (Minute 62)