



## **ECONOMY REGENERATION & DEVELOPMENT COMMITTEE**

**Thursday, 4 March 2021**

<b>REPORT TITLE:</b>	<b>WIRRAL WATERS ENTERPRISE ZONE INVESTMENT FUND - MARITIME KNOWLEDGE HUB</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF REGENERATION AND PLACE</b>

### **REPORT SUMMARY**

The report seeks approval to provide a grant to the Council to enable the delivery of new high quality Maritime Knowledge Hub floorspace in Wirral.

The Wirral Plan 2025 sets out the Council's vision to secure the best possible future for our residents, defined by the community prosperity we create and supported by our excellent people and services. The application for financial assistance contained in this report directly supports the following key themes within that plan.

- Prosperous, inclusive economy where local people can get good jobs and achieve their aspirations; and
- Brighter futures for our young people and families – regardless of their background or where they live

Appendix 2 of this report is exempt from publication under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it contains commercially sensitive information.

This matter affects Seacombe, Bidston St James, Birkenhead and Tranmere Wards

The decision is a key decision.

### **RECOMMENDATIONS**

That Economy Regeneration and Development Committee request that Policy and Resources Committee approve the following recommendation:

1. Approve funding from the Wirral Waters Investment Fund to the Council to support the development of new high quality mixed use floorspace at the Maritime Knowledge Hub.

## **SUPPORTING INFORMATION**

### **1.0 REASONS FOR RECOMMENDATIONS**

- 1.1 To enable the Council working in partnership with Peel Land and Property Investments (Intermediate) Limited (Peel) to create a new, high quality Maritime Knowledge Hub, to support the priorities of the Wirral Waters Investment Fund.
- 1.2 The development will provide a new specialist sector facility to accelerate growth in the maritime sector including University led skills, research and innovation, intensive support for new enterprises, specialist offshore training and Grade “A” office accommodation for related industries. This will support business growth, regeneration and job creation and will include the renovation of a historic landmark building and the reclamation of approximately 2.3 acres of brownfield land.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 A number of other options have been considered and were discounted as follows: -
  - a) Provide a loan rather than a grant: An independent appraisal of the application has concluded that the project is not currently viable and therefore requires grant funding rather than loan funding.
  - b) Adopt a “do nothing” approach: The development could be jeopardised, as the project is reliant on securing funding from other public sources to meet the identified viability gap. The Wirral Waters Investment Fund (“WWIF”) grant will enable the delivery of a high quality development which will support the Wirral Growth Plan. Without grant funding the project may not proceed at all.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Cabinet approved the development of an investment framework for the re-investment of business rate uplift within the Wirral Waters part of the Mersey Waters Enterprise Zone at its 12 March 2015 meeting (Minute 156 refers). On 5 November 2015 Cabinet 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. The Wirral Waters Business Plan (August 2018) together with an updated summary note outlines the pipeline of projects that will be brought forward through the Investment Fund process.
- 3.3 The Business Plan sets out that intervention in the early years of the programme if invested in the right projects and in cluster locations will have a transformational

impact in terms of attracting significant investment and enhancing the image of the area in and around Birkenhead.

- 3.4 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.
- 3.5 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 targeted 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 Process**

- 3.6 The Council's Finance department oversees the management of the Wirral Waters Investment Fund. In addition, external advisors have 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 providing subsidy control advice (see Section 5 Legal Implications below); 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.
- 3.7 Key Project Details are set out in Exempt Appendix 2 attached.
- 3.8 The Council has applied for viability support funding through the Wirral Waters Investment Fund to support the delivery of the Maritime Knowledge Hub, which comprises 58,756 sq ft of commercial floorspace to accelerate growth in the maritime sector. The Maritime Knowledge Hub sits within the Four Bridges area of Wirral Waters. This is a mixed-use area that combines commercial training, education, cultural and ancillary retail uses within a high-quality landscape and is being delivered alongside the residential developments at NorthBank within Wirral Waters. The Maritime Knowledge Hub will create a world class centre of excellence for maritime business growth and sector development. It will bring together the region's

key maritime assets in business, research, education and training to address challenges around innovation and skills and build a high-profile centre.

- 3.9 A site plan showing the extent of the boundary is included in Appendix 1.
- 3.10 The detailed design of the building has not yet been finalised however the Council is keen to promote development using sustainable methods. This will be achieved through its design, selection of materiality, using renewable energy and careful procurement during the construction and operating stages.

### **Key Outputs**

- 3.11 The project will deliver approximately 58,756 sq ft of new commercial floorspace and will generate additional business rates within the Wirral Waters Enterprise Zone from practical completion until 2037. The project has the potential to create up to 1,062 gross direct and indirect jobs, with 621 FTE jobs following practical completion and 22 FTE jobs during the construction phases.
- 3.12 The project is projected to leverage other public sector investment during the construction phase and generate further investment by end users in the form of fit-out and ongoing operation.
- 3.13 The development proposals at Wirral Waters benefit from an outline planning consent. The Maritime Knowledge Hub project is included within and compliant with the outline permission. A reserved matters Planning permission would be required before development could commence as well as Listed Building consent given that the hydraulic tower is grade 2 listed.
- 3.14 The delivery of the Maritime Knowledge Hub project is addressed by a separate report included on the agenda for this Committee.

### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The financial information is set out in detail in Appendix 2 to this report. Appendix 2 is exempt from publication under Paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972 as it contains commercially sensitive information.

### **5.0 LEGAL IMPLICATIONS**

- 5.1 The offer of financial assistance is subject to the new Subsidy Control regime which as of 1 January 2021 replaced the previous EU State Aid rules. Subsidies awarded must satisfy 6 core principles, referred to as the "General Principles" which are to be found in Article 3 of the recently concluded UK-EU Trade and Cooperation Agreement ("TCA"). These core principles bear considerable resemblance to the sort of considerations already tested in EU State aid block exemptions. The new UK Subsidy Control regime is certainly no more restrictive than the current EU law framework.
- 5.2 The funding is proposed from Wirral Waters Investment Fund. This was established for the purpose of promoting investment and economic growth within the Wirral Waters priority regeneration area seeking to maximise the value of the designation of

the area as part of the wider Wirral Waters the aim of the fund scheme is to create jobs and attract investors, it aims to remedy social difficulty through regeneration of a locality its objectives appear to very clearly meet this principle. Article 56 of the previously applicable General Block Exemption Regulation (GBER) specifically addressed projects of this nature.

- 5.3 Although the GBER is not within the UK Subsidy Control regime, awards made under the GBER are subject to the same Common Principles under Article 3.4 of the TCA. GBER was painstakingly drafted to limit aid interventions to the scale and level that would deliver minimal distortions of competition only, and those that were considered balanced out against their distortive effects by their positive effects on investment and the economy, per type of activity. The limits of Articles 53 and 56 GBER were deemed appropriate for investments in restoring tangible cultural heritage and local infrastructure investments. Physical work on the project has not started and there is no risk that the subsidy will be compensating the beneficiary for works that the benefits would have funded in the absence of any subsidy. A project of this nature therefore is not likely to be deemed to have a material effect on trade between different states.
- 5.4 The subsidy is necessary because without it the development would not proceed since it would not be commercially viable and there are no other ways of achieving the objectives.
- 5.5 The subsidy is proportionate since it and the Strategic Investment Fund grant would not amount in total to more than what is required to fill the gap between the estimated cost and the estimated value of the project. The amounts to be apportioned between the cost of the works to the Hydraulic Tower and the commercial extension are compliant with the State Aid rules for investments in restoring tangible cultural heritage and local infrastructures permitted by Articles 53 and 56 of the GBER.
- 5.6 It is therefore considered that the subsidy's contribution to achieving the objectives outweighs the negative effects of distorting the market in commercial property developments particularly as that market is local and in any event has been stunted by the low market value attaching to a derelict area of dockland. The proposals within this report are considered to be compliant with subsidy control rules.

## **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. The drawing up of the legal agreement will be managed by the Council's Legal team.

## **7.0 RELEVANT RISKS**

- 7.1 The detailed risks of the project in relation to the funding are identified along with appropriate mitigation measures within the project details in Exempt Appendix 2.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 This report is consistent with the principles of Wirral Council's Growth Plan and Strategic Regeneration Framework and emerging Local Plan, which identifies Wirral Waters Enterprise Zone as an identified and agreed area of significant growth potential.
- 8.2 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.
- 8.3 There has been ongoing consultation with businesses on the need for the facility and Peel supported by Mersey Maritime have undertaken soft marketing to establish potential tenant interest and engagement. The Council has commissioned detailed demand studies. Further public consultation will take place as part of the planning application that will be submitted by Peel to the Council.

## **9.0 EQUALITY IMPLICATIONS**

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity. It is not considered that the Project will have an adverse impact on any persons with protected characteristics. On the contrary they would be likely to benefit from the increased employment opportunities generated by the Project if it is successful.
- 9.2 The potential impact of the Maritime Knowledge Hub development has been reviewed with regard to equality and links to the existing EIA conducted for Wirral's Growth Plan and no amendments have been made.  
<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2014-0>

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

- 10.1 This project will involve the redevelopment of 2.3 acres of brownfield land. In addition It will bring forward the refurbishment of a derelict listed building into economic use. The Council will work with Peel during the detailed design stage to ensure that regard is had to the Cool2 Policy.
- 10.2 The Specification for the new build elements of the development aim to be BREEAM Excellent. This will be as a minimum target and the aim is to maximise the sustainability offer, green credentials and performance of the project overall.
- 10.3 The Maritime Knowledge Hub will focus on addressing the technology challenges facing the maritime sector. Two major challenges currently facing the sector are decarbonisation and digitalisation; Maritime Knowledge hub will therefore focus the first stage operational plan on research and innovation in these technologies, supporting the borough in advancing climate emergency priorities within the wider business sector.

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## **APPENDICES**

Appendix 1 – Site Plan showing the site of MKH edged red being land to the east of East Float dock and west of Tower Road. The land edged blue will be retained in Peel ownership for the provision of a walkway.

Appendix 2 – Key project details - Exempt

## **BACKGROUND PAPERS**

A number of background papers to this report are exempt from publication under Paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972 as they contain commercially sensitive information.

Outline planning consent for Wirral Waters Reference OUT/09/06509

Wirral Waters Investment Fund Business Plan - Exempt

Amion Summary update note - Exempt

Avison Young WWIF Maritime Knowledge Hub report - Exempt

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
N/A	