



# LOCAL PARTNERSHIPS

## WALSALL COUNCIL

West Midlands Property Alliance


Using assets for growth



### 1. Old Square retail development, Walsall

#### 1.1 Background

Prior to the onset of the recent recession, it was clear that the Old Square shopping centre in Walsall town centre owned by Threadneedle Property was in need of urgent investment. Threadneedle started discussions with the Council, who were freehold owners of part of the centre, in 2006/7. Reflecting the sentiments of the property market at that time, the development proposals were comprehensive, including extensive retail and residential development.



When the recession struck, the project was radically down-sized by the developers to provide 44,000 sq. ft. of retail space for Primark and 9,500 sq. ft. for Co-op, both of whom had signed agreements for lease.

Members of the Council considered the go-ahead of this core scheme as absolutely crucial to achieving regeneration in this part of Walsall town centre. Securing the footfall generated by Primark and the Co-op was considered to be essential to ambitions to leverage future private sector investment in the next phase of the shopping centre redevelopment and in adjacent sites once the market improved.

Planning was granted for the reduced scheme in 2011 and the Council agreed to dispose of its land interest in the shopping centre in return for the development proceeding. However, Threadneedle missed its internal funding window and was not subsequently able to raise the necessary private finance. At this point, autumn 2012, the developers asked the Council for direct investment in order to rescue the scheme.

*Members agreed to intervene at the bottom of the market to help drive up values in order to improve the prospects that future phases of development will be fundable privately.*

## **1.2 Choosing the right investment option**

Different options for investment were evaluated and the most positive business case was for the Council to buy out the existing leasehold interests from Threadneedle for the part of the shopping centre concerned, and to directly develop the units itself. The Council used capital from reserves to fund the investment.

*The buy out of Threadneedle sees the Council as landlord of the two units for the 25 year period of the leases, with the rents and business rates more than covering the initial capital outlay with a payback period of 16 years.*

In principle agreement was given by the Cabinet of the Council in January 2013 to explore the delivery mechanisms and to pursue a construction tender process for undertaking the development directly. This process concluded when an overall target project cost of £7.8m was established, and in April 2013 Cabinet agreed to appoint contractor Morgan Sindall to undertake the development directly. By October the Council had secured unconditional agreements for lease with Primark and Co-op and secured the required land from Threadneedle.

*The Council entered into the building contract with Morgan Sindall in March 2014. Construction is underway with completion planned for March 2015. The retail units will open in Summer 2015.*

As anticipated, this action has triggered private sector interest and Threadneedle are in discussions with the Council about Phase 2, which will be funded by private sector investment, while a neighbouring retail scheme that had stalled is now moving forward again.

*Bold leadership has secured the hoped-for boost to the town centre and is bringing in further investment.*



### 1.3 Future aims

The Council has the opportunity to remain the landlord for the 25 year period of the new leases. However, once the units are built out there will be an option for the Council to sell on their interest to gain a capital receipt or to retain the income over the life of the leases. This decision will be taken on commercial terms and depending on the Council's priorities at the time.

## Smarter Workplaces Programme

### 1.4 Background

During 2009, Walsall was one of seven authorities within the West Midlands to participate in a ground breaking study of property and asset management sponsored by Improvement and Efficiency West Midlands (IEWM). This gave the Council the foundation and impetus to undertake a robust process of property review and portfolio optimisation planning. This culminated in a set of efficiency and improvement plans for the property portfolio.


The impact of this activity was the development of a programme to strengthen and embed good asset governance leading to opportunities to better serve customers, achieve financial savings, the chance to introduce a corporate landlord approach and the development of an ambitious plan to transform the use of office buildings.

The Smarter Workplaces Programme was identified as the vehicle for the transformation in how the Council uses office accommodation, focusing on the generation of efficiencies from the Council's property portfolio, whilst at the same time, strengthening alignment of property with the organisation's purpose, vision, objectives and future business needs, safeguarding priority front-line services and improving customer service.

### 1.5 Exceptional characteristics

The key project in the Smarter Workplaces Programme was the refurbishment of the Civic Centre from outdated, inefficient accommodation to a modern workplace environment. Overall the programme was designed to:

- ▶ Create changes to the way the Council worked to better serve customers
- ▶ Rationalise office accommodation from 25 buildings to 2 so that, in the future, more money can be prioritised to be spent on services
- ▶ Refurbish the Civic Centre and transform it into modern, fit for purpose office accommodation
- ▶ Maximise utilisation of available space – realising 57% space saving and introduce features and facilities to enable productive, shared work areas
- ▶ Provide innovative ICT solutions to support the development of a more change ready organisation and enable agile, flexible and mobile working utilising and sharing 1,234 desks/workstations
- ▶ Give staff better work environments and smarter technology
- ▶ Increase opportunities for staff to work from home and, at the same time increase desk sharing (10 people sharing 6.5 desks/workstations) on average

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- ▶ Reduce negative environmental impact – reduction in use of consumables, paper use, energy wastage and travel costs
  - ▶ Introduce robust ICT and information governance arrangements
  - ▶ Develop and drive an organisational cultural change and mindset shift to enable a more agile, dynamic, productive, empowered workforce more able to deliver improved services to customers
  - ▶ Create opportunities for staff to improve their work/life balance.

The Civic Centre now provides shared space and team zones to give staff a number of options for where and how they work. The new environment enables them to work from a variety of places within the building and gives them options for working in ways that meet their needs.

A combination of improved workplaces, new technology, and the right support enables teams to continue to remove outdated work practices and change the way they work. For most, this means agile working. Agility is about working within guidelines but without the boundaries found in traditional ways of working. It is about seeing work as a series of tasks and activities rather than a place or a specific building.

### **1.6 Key lessons learnt**

Whilst there was inevitably some reluctance from staff at first to accept the scale of change proposed, some key features have ensured its success.

Senior officers and members provided strong leadership of the programme, articulating how it was essential to achieve the Council's key objectives by spending money on its priorities not outdated buildings.

The right technology was procured to enable staff to work at home, on the move, anywhere in the Civic Centre and to begin to move to a paperless environment. This was backed up with taster sessions for staff and subsequent comprehensive training.

It was appreciated early on that this was a huge change programme and business change specialists were recruited from the outset.

Finally, as the change has bedded in, it has become clear that environment shapes behaviour. Smart design is positively influencing behavioural change and supporting teams to move to new ways of working better suited to serving customers, the Council's key purpose.



## 2. Unlocking stalled housing sites with NHB

### 2.1 Background

New Homes Bonus (NHB) was introduced as part of the Government's planning reforms and is intended to provide an incentive to local authorities to encourage the delivery of new housing development. NHB is calculated on the basis of the number of new homes completed in the authority's area. Payment will be made for a period of 6 years from the date that a home is first recorded as completed.

The Government confirmed that, as a reward for new homes built in the first 2 years of the scheme the Council would receive payment of c. £2.9m and that this was entirely 'new money'.

### 2.2 Exceptional characteristics

Walsall's Cabinet boldly agreed in 2011 to use this money to establish a Walsall Regeneration Fund, £1.7m of which was to be used to unlock stalled housing sites. A competitive process was established whereby developers of housing schemes of more than 10 units with full planning permission were invited to bid for repayable loans, or grants in exceptional circumstances, such as affordable housing provision. 2 rounds of the competitive process were run.

Bids were judged against one another by a Best and Final Offer process and the Council accepted a degree of risk of the loans not being repaid, as the best collateral available was a second charge on the development, with the primary financier taking the first charge.

In the 2 rounds £1.1m was allocated, all except £168K of which were loans to the private sector. The £168K was spent as grant to a developer on a mixed tenure apartment block to enable them to complete the landmark Walsall Waterfront development and consequently access additional HCA funding.

The first 2 rounds unlocked development of over £20m for 230 homes with 300 construction jobs created. More than 100 are now complete. In the majority of cases developers could either not access finance or could not do so at a competitive rate because the sites in their pre-developed state were not of sufficiently high value. The modest loans were used to kick-start development so developers had the option to refinance with assets on the sites and attract more competitive funding.

These were 'soft' loans, with 0-1% interest, and the first repayment of £245K has recently been made. This developer of 2 schemes, of 18 and 11 homes, reported that it could not have completed them without the help from the fund provided.

A non-competitive element of the fund was used to allocate grant of £225K to Walsall Housing Group, Walsall's largest RP, to enable them to secure HCA funding for 2 strategic sites, which will deliver mixed tenure housing of over 200 homes.

### 2.3 Key lessons learnt

One of the schemes has not yet started on site, despite adjustment of the longstop dates in the agreement. The developer of the 85 unit extra care scheme has so far been unable to access primary funding and has been given until June to start on site, or else the offer of funding will be withdrawn. That one out of the 5 allocated schemes has not so far gone ahead demonstrates that the market is still fragile and the fund is operating in the right area.

The relatively small amount allocated to each developer means that the Council's risk is bounded at an acceptable level. That the first repayment has happened and over 100 homes are complete indicates success for the initiative.

A round 3 competition was held but no allocations were made. Going forward the Council will consider options including continuing with a similar programme, concentrating NHB resources on a single strategic site or deciding that the market is now functioning well and consequently that this intervention is no longer needed.



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