

Report to: Cabinet
Regeneration Panel

Date: 26 June 2008
23 July 2008

Subject: Wigan Pier Quarter Project Budget

Report of: Director of Environmental Services

Contact officer: Simon Kensdale 01942 828987

Purpose / summary: To agree a revised budget for the Wigan Pier Quarter (Phase 3) Foundation EDZ regeneration project. This budget will be submitted, accompanied by a rewritten Business Plan, to Government Office North West (GONW) and the North West Development Agency (NWDA) for their final approval.

Alternative options considered and reason for selecting the one recommended:

There are 4 alternative options:

- 1 Suspend the WPQ project;
- 2 Continue to work to the existing budget;
- 3 Work to a smaller budget;
- 4 Work to a larger budget.

There is no desire or need to abandon the project, which has delivered some significant outputs on time and to cost. Working to the existing budget and seeking to draw down previously approved amounts of European funding is, however, likely to result in future clawback of grant. Working to a smaller budget will not deliver sufficient regeneration activity and results in missing significant opportunities for grant funding. Working to a larger budget would not increase these grants but would involve committing additional Council resources needed for other initiatives.

Recommendation / decision: That Cabinet agree the proposed revised budget and to substitute European Regional Development Fund (ERDF) funding allocated to the Pier Quarter, with resources from

receipts from the disposal of Trencherfield Mill and The Way We Were.

Key Decision:

This report involves a key decision within ground(s) 6.

The decision made as a result of this report will be published within **48 hours** and cannot be actioned until **seven working days** have elapsed, i.e. before 7 July 2008

This item is included in the Forward Plan.

Risks / Implications:

There is a substantial risk that if the budget is not agreed at recommended levels then grants allocated to the Council at agreed percentages of overall project spend will be withdrawn. However, the proposed budget limits the Council's long term exposure to claw back of ERDF, in reducing draw down from this source. There is also the risk that British Waterways and its partner for developing the Mayors Boatyard will withdraw from their scheme.

Financial:

£1,370,000 raised from capital receipts is used to match fund developments within Wigan Pier Quarter to ensure the successful regeneration of the area and to secure a grant package totalling £3,788,465.

Staffing:

N/A

Policy:

Wigan Pier Quarter.

Equal Opportunities - Has a Diversity Impact Assessment been conducted?

N/A – but all developments will comply with requirements related to disability legislation.

Wards affected:

Douglas.

Property Implications – Does the proposal involve a reduction, addition or change to the Council's asset base or its occupation?

No

If yes, have the property implications been agreed with the Corporate Property Officer?

Does this proposal have significant implications for the Council and the local population?

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure?

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Has the Service Director - Borough Solicitor confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? **Yes**

Has the Service Director - Corporate Services confirmed that any expenditure referred to within this report is consistent with the Council's budget? **Yes**

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

For Cabinet reports only :

Categorisation of the report:	x
Discussion leading to a decision	
Monitoring	
Sharing for corporate understanding	

	x
Discussion	
Decision	x
Information	

Tracking/Process:

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
Regeneration 18/04/05	18/06/07	26/06/08 28/06/07 19/01/06	

There are no Background Papers to this Report within the meaning of Section 100D of the Local Government Act 1972.

Proper Officer Martin Kimber

Date 9 June 2008

1.0 Background

- 1.1 Since the Wigan Pier Quarter project was created in 2003/4, a number of significant changes of direction have taken place. This is not unusual in the case of complex capital projects when they have to be delivered with partners over extended periods of time. The changes have resulted in a need to review the grant aid accessed by the Council. There is a need to substitute elements of the European Regional Development Fund (ERDF) allocated with some of the Council's own resources arising as capital receipts from the scheme. The resources identified for this substitution proceed from the disposal of Trencherfield Mill and the land surrounding it and from the reassignment of the lease on The Way We Were.
- 1.2 The most important change of direction occurs as a result of the Council's decision not to proceed with the construction of a performance venue in the Pier Quarter but rather to seek to invest its resources in a new cultural centre in Trencherfield Mill. Whilst previously an amount of £1.3million had been defined in the project's business plan as the cost of refurbishing space in Trencherfield Mill for future use by the Leisure and Culture Trust, the amount now proposed is £6.1million. Overall grant aid for the Mill allocated on a rigid percentage basis must therefore be recalculated.
- 1.3 The second significant change occurs because schemes for other Pier Quarter sites have not been implemented within the time available for accessing ERDF grant aid. Maryland Securities have not produced a viable or acceptable scheme for Eckersley Mills. The reassignment of the lease for the Way We Were has taken longer than first anticipated. British Waterways have not been able to progress plans for their Pottery Road Depot.
- 1.4 Thirdly, the direction the Pier Quarter is taking means that the project as a whole attracts less grant. The original concept of establishing a Wigan Pier Cultural Quarter offering opportunities for creative micro businesses and cultural organisations to establish themselves in the area, alongside a range of new facilities has been replaced with a simpler approach. The mixed use provision the project will now deliver consisting of offices and residential accommodation may prove more sustainable in the current economic climate but it is unlikely to prove to be a major visitor attraction.
- 1.5 Officers from Environmental Services working on the Pier Quarter project have substantially reworked its budget and consider it is possible to achieve many of the targets of the original Business Plan and also deliver the proposed Arts and Heritage Learning Centre at Trencherfield Mill. To achieve this all Regeneration Fund allocated has been claimed and the timescales for the Heritage Lottery funding have been extended.
- 1.6 Regeneration Fund has been spent against developments at Trencherfield Mill and on relocating Middleton and Wood. It has also been used at the vulcanite site and on public realm and public art works. It is used in the regeneration process to repair buildings, to reinstate workspace and to create jobs. However it must be matched by other funding streams and it only contributes 33.9% of overall project costs.
- 1.7 Heritage Lottery grant awarded under the Townscape Heritage Initiative (THI) is used on either listed buildings or buildings with heritage status. It can be used

to improve the public realm in conservation areas. In the Pier Quarter, THI monies have been allocated to Trencherfield Mill and will be allocated in future to the Mayors Boatyard, The Pottery Road Depot and The Way We Were. Like the Regeneration Fund, THI requires match funding and can only contribute a maximum of 25% of costs.

1.8 Table 1 below illustrates proposed changes to the budget.

	Previous	Proposed	Notes
Heritage Lottery THI	£1,503,027	£1,165,600	(£337k carried over to 2009)
Regeneration Fund	£1,748,465	£1,748,465	(full allocation now claimed)
ERDF	£2,570,000	£874,400	(to be spent by 30 Sept 2008)
Total Grants	£5,821,492	£3,788,465	
Wigan Council Contribution	-	£1,370,000	(obtained from capital receipts)
Total	£5,821,492	£5,158,465	

2.0 Trencherfield Mill Development

2.1 Grant aid totalling £4.0m was originally allocated to the Trencherfield Mill development. This consisted of £645k Heritage Lottery, £1.335m Regeneration Fund and £2.0m ERDF. Spend of the first 2 amounts is considered appropriate and there is little risk of clawback. However, ERDF funding is to be considered 'funding of last resort' – only to be used when there is no alternative. When the Council proposed building a performance venue contributing to the regeneration of the Pier Quarter there did not appear to be any further resources available for the Trencherfield development. It is clear that with the withdrawal from this initiative further funds are available. The grant allocation must therefore be reduced. In addition auditing of ERDF funding has increased in rigour meaning that where there is doubt, clawback is probable. It is prudent now to keep the use of ERDF to a minimum.

2.2 One of the difficulties faced in the reworking of the project budget is the calculation of how much of its capital receipts the Council should allocate to the overall project – an amount that will determine the amount of ERDF that can be applied for.

2.3 It has been agreed that an amount equivalent to the value of the Mill itself, together with 20% of the value of the first overage payment may be appropriate. The District valuer has placed an approximate value of £570k on the Mill. The Council has already received £1.0m in advanced overage for the whole development from Nuttall Construction/Stewart Milne Homes. As approximately 20% of the value of the overall development proceeds from the commercial elements (as opposed to the residential accommodation) 20% of £1m – a figure of £200k has been used. This results in a combined figure of £770k.

- 2.4 Middleton and Woods. This business was located at a strategic entry point on the Trencherfield Mill development. Originally it had been intended to acquire the site either through direct purchase or in the event of resistance through CPO. In the event it proved possible to provide an alternative site for the business to relocate. Resources that might have been used for the acquisition were used to pay for the construction of new premises at Rose Bridge. This approach was agreed by Cabinet at their meeting on 19 January 2006. The sum involved in this process £600k will attract grant support from the Regeneration Fund.
- 2.5 The combination of the £770k above and this £600k constitutes the Council's £1.37m contribution to the Wigan Pier Quarter project budget.
- 2.6 The Council has no option but to part fund the Middleton and Woods scheme directly from its own resources as the activity is not eligible for European funding or for Heritage Lottery support. (Originally it was thought that a combination of ERDF and Regeneration Fund might finance the compulsory purchase of the site).
- 2.7 It needs to be borne in mind throughout that in consequence of the limited eligibility of the Middleton and Woods scheme the budget proposed for ERDF funding differs from the actual total project budget (shown at table 1). The total presented for ERDF is only £4,558,465, i.e. £5,158,465 less £600,000.

3.0 Eckersley Mills

- 3.1 Despite being given every assistance in the form of officer time and community consultation meetings together with an initial grant allocation of £700k; Maryland Securities the owners of Eckersley Mills failed to produce a plan for the site which satisfied statutory requirements and the requirements of funding bodies and the expectations of the local community. This is due at least in part to the scale of the problem Maryland faced in dealing with the complex.
- 3.2 The bulk of the grant allocated through the Pier Quarter project budget (£550k) was Heritage Lottery. Before being approved Heritage Lottery awards have to be agreed by a community consultation group. The Wigan Pier Quarter THI Group whilst originally supportive of a plan for Mill No 1 revoked their decision. This was partly due to concerns regarding the ability of Maryland to implement the scheme and meet all the requirements of the grant scheme and partly because of the events surrounding the collapse of the roof of Mill No 2 in October 2006.
- 3.3 It also transpired that the scheme under consideration for Mill No1 involved too much basic repair work and was too commercially orientated to qualify for Heritage Lottery. Heritage Lottery awarded to the Council under the Townscape Heritage Initiative (THI) normally only targets 'conservation deficit' i.e. the additional costs faced in restoring listed or heritage status buildings over and above normal costs.
- 3.4 No European funding could be awarded. Officers were never confident that actual eligible expenditure would be incurred by the end of the ERDF programme. The withdrawal of Eckersley Mills from the Pier Quarter project reduces overall outputs of jobs created, floor space recovered and buildings

repaired and brought back into use. Repeated delays in bringing forward plans have resulted in increasing levels of dereliction throughout the mill complex.

4.0 The Way We Were

- 4.1 The Council had been in negotiations with a developer to reassign the lease of The Way We Were. They proposed converting the building into a creative industries centre similar to the one that has enjoyed success in Preston. Negotiations did not produce an outcome and in September 2006 the offer was withdrawn.
- 4.2 The building was marketed in June 2007 and another developer; Bruntwood was selected. Bruntwood were able to offer substantially more for the lease and are now on site. The Regeneration Fund closed in March and as the building works will not be complete by September no ERDF or Regeneration grant aid is available. (Some Heritage Lottery funding, from the amount carried over into 2009 may be allocated against appropriate activity).
- 4.3 Bruntwood's acquisition of the lease represents a considerable level of extra income for the Pier Quarter and could provide for almost 25% of the costs of developing the proposed Arts and Heritage Learning Centre in Trencherfield Mill. (The sum is not matched against ERDF but will be needed as match for Heritage Lottery funds extended for use in the Pier Quarter into 2009).

5.0 British Waterways Properties

- 5.1 Early plans for both the Mayors Boatyard and the Pottery Road Depot discussed with British Waterways managers had to be shelved when those managers were redeployed. Further plans under development in 2005 were also delayed.
- 5.2 Partly as a consequence of the direct intervention of the Wigan Pier Quarter THI community consultation group a British Waterway manager based in Leeds took responsibility for both sites. The Mayors Boatyard was successfully marketed in March 2007 to a construction design company now based in Warrington who intend to convert it into their headquarters.
- 5.3 Planning permission has now been obtained for the Boatyard and refurbishment work will begin shortly and should be completed by September and as a result will be eligible for ERDF funding.
- 5.4 It was not possible to bring forward any scheme for the Depot although an outline plan has been prepared. If a partnership can be established between British Waterways and Stewart Milne Homes, then an attractive and strategic redevelopment could take place early in 2009.
- 5.5 If Stewart Milne Homes choose not to collaborate it is likely that British Waterways will proceed independently to take advantage of an allocation of Heritage Lottery funding.

6.0 Conclusion

- 6.1 The various amounts of finance available to the Council in 2008/2009 are sufficient to cover costs – both of necessary regeneration initiatives and of the

new Arts and Heritage Learning Centre. However overall achievement will still depend on an overage payment in relation to the hotel at the Trencherfield development (£700k); the disposal of Drumcroon and a potential contribution from Planning Sec 106 monies of £150k.

- 6.2 There is also a risk of GONW not accepting the proposed contribution level of £570k in respect of Trencherfield Mill. This is considered unlikely. If this proves to be the case the budget will need to be reconsidered and presented to Cabinet on another occasion.

7.0 Recommendations

- 7.1 Members are recommended to agree to ring fence the capital receipt received for the reassignment of the lease of The Way We Were for use in the Pier Quarter.

- 7.2 Council's finance introduced into the Pier Quarter budget replacing ERDF is allocated to various initiatives, so as to achieve correct balances of match funding. Members are therefore recommended to agree financial contributions :

Trencherfield Mill development	£1,292,590
Mayors Boatyard and Pottery Road Depot	£29,520
Public Realm/Public Art	£19,390
Revenue Costs	£28,500
Total	£1,370,000

- 7.3 In the above allocations, £29,520 is allocated to British Waterways for the refurbishment of one building on the Mayors Boatyard, to ensure its continued use as a boat chandlery.
- 7.4 Members are recommended separately but in connection with the above to approve a grant totalling £160,000 to John Stuart, Managing Director of Construction Design Practice for the redevelopment of the principal building on the Mayors Boatyard. Mr Stuart's overall costs are estimated at £1.4m. Approving the above sum which is above the amount delegated for officer approval does not increase overall expenditure as the grant package would consist of £115,600 Heritage Lottery and £44,300 ERDF.

Martin Kimber
Director of Environmental Services
RP/ER/SK/LC/33.0P
9 June 2008

Diversity Impact Assessment form

Section: Environmental Services Department

Policy/Service Area: Regeneration and Protection Division

Person Completing Form: Simon Kensdale

Date:
06/06/2008

Do any of the below groups suffer specific disadvantage (please indicate)

	Yes	No		Yes	No
Race		x	Disability		x
Ethnicity		x	Gender		x
Age		x	Religion		x
Class		x	Sexual Orientation		x

Is there evidence of disadvantage or associated problems?

The Wigan Pier Quarter project takes place in a ward with a substantial level of social disadvantage.

How was the information collected and/or who have you consulted with?

Information used in compiling the business plan came from a very wide range of sources including specialist consultants. The preparation of the proposals contained in this report have required consultation with the local community and with business partners.

Action Plan – *What specific actions are planned to tackle any disadvantage identified?*

The overall improvement of the conservation area contributes to the on-going regeneration of the ward by preserving its assets and making the most of a number of significant buildings.

Is the policy in line with current equality legislation and relevant codes of practice?

Yes

Timescale

Responsibility

Comments

Are the actions specified included in any other documents/plans?

Departmental Service Plan	
Section/Team Plan	
Other (Specify)	

Date for further review
