

Regeneration, Culture and Adult Education Scrutiny Committee - 8 June 2011

Report of the Director of the Urban Environment

New Heritage Regeneration Ltd

Purpose of Report

1. To update the Committee on the activity of the arms length regeneration company New Heritage Regeneration Ltd

Background

2. This Select Committee has received a number of reports on Town Centre regeneration activity, most recently on the 26th October 2009. The Committee also considered a report on New Heritage Regeneration Ltd on the 7th September 2009. This report seeks to update the Committee on the activity of the Company in bringing forward regeneration activity in Dudley and Brierley Hill Town Centres

New Heritage Regeneration Ltd

3. The Arms Length Company was formed on the 6th August 2008 with the title New Heritage Regeneration Ltd (NHRL). It is a minority interest company with the Council represented on the company board by the Leader of the Council and the Leader of the Opposition.
4. In December 2008, following a national recruitment exercise, Bill Kirk was appointed as NHRL Chief Executive, taking up position on the 6th March 2009, and Robin Butler as company Chairman. Both appointments have brought considerable national experience and reputation in delivering major regeneration projects. Bill Kirk was formerly Chief Executive of Ilex, the urban regeneration company for Derry/Londonderry and has been Chief Executive of Sheffield One, the urban regeneration company for Sheffield, and Executive Director for the East Midlands Regeneration Agency.
5. Robin Butler was formerly Chief Executive and Deputy Executive Chairman of Lend Lease Europe and Development Director of Chelsfield PLC.
6. The Company aims to work at arms length to, but on behalf of, the Council and its public sector partners to provide a broad range of expertise in programme management and design, public and private finance, valuation, cost, commercial and legal advice, and funding. It is structured for a ten year life with a review in the fifth year and seeks, through close working with the Council, to achieve major regeneration via the complementary skills of the private and public sectors.

7. Since the appointment of the Chief Executive, the company has been staffed by a combination of secondments from within the Council and by consultancy appointments, which has provided a low risk and flexible approach whilst the Company business plan has been developed and approved by the NHR Board, and whilst significant external funding resources have been secured. It is the intention of the Chief Executive to commence a recruitment exercise upon the approval of significant external funding which is currently being sought.
8. Whereas NHRL brings the private sector expertise referred to in paragraph 6, it works closely with the Council and is able to operate in a very efficient manner by drawing the skills, experience and local knowledge of officers from a number of Directorates in the Council and using the Council's procedures and systems for risk, property, financial, payroll and human resources management. This approach has been recognised as best practice by a number of partner agencies
9. The role of NHR arose from the need to deliver the Dudley Town Centre Area Development Framework, and this priority has been approved as a result of reports presented to the Cabinet on a number of occasions. Cabinet on 11 June 2008 approved that the remit of NHR be extended to include delivery of the Area Action Plan for Brierley Hill. Subsequently on 17 June 2009, Cabinet approved the role of NHR in coordinating the regeneration proposals for the Castle Hill and Zoo project following the termination by the Council in January 2008 of its agreement for the development of this site with St Modwen Developments
10. The company's operational and strategic priorities are determined by its annual business plan, which is reviewed quarterly and progress monitored at meetings of the company board

Update on New Heritage Regeneration Ltd activity

Dudley Town Centre and Castle Hill

11. The Dudley Town Centre Area Development Framework (ADF) was adopted by the Council as Supplementary Planning Guidance in 2005. Its vision is to achieve comprehensive redevelopment of nine opportunity areas together with public and civic spaces which will act as a catalyst for the transformation of the town centre.
12. The ADF provides a means to address the economic decline of the town and provide a catalyst for complementary development within the town centre and the surrounding area.
13. Delivery of the ADF will also contribute to fulfilling the new role of Dudley town centre as set out in the recently adopted Black Country Joint Core Strategy (JCS). This statutory planning document addresses a wide range of activities and interventions that are required to create sustainable communities across the whole of the Black Country. It provides a framework for the regeneration and renaissance of the area, addressing its economic, transportation, social infrastructure and environmental needs whilst reducing its carbon footprint and helping to tackle climate change.
14. The JCS provides a vision for Dudley Town Centre based on family living in the rejuvenated market town; a tourism focus of regional and national repute based on Black Country Museum, Dudley Zoo, Dudley Castle and Dudley's geological and heritage assets. In the Centre's hinterland, the vision is for innovative high

quality industrial opportunities stretching towards the new strategic centre of Brierley Hill. The area will be set in an attractive environment, well connected by public transport through a new rapid transit system and served by significant new retail growth opportunities, office and leisure growth in Brierley Hill new strategic centre with high quality housing for all in and around both Centres as well as excellent green infrastructure through enhanced green spaces and parks.

15. Implementation of the Dudley Town Centre ADF is expected to bring significant benefits to the town centre including creation of:

- £15m of improvements to public and civic spaces and infrastructure
- new development worth £300m
- a catalyst for complementary development in and around the town
- 700 - 1000 residential units
- an additional population of between 1300 and 1800 residents in the town centre.

16. NHR is working with the Council and other partners on the following activities in Dudley Town Centre and Castle Hill

Public sector investment

17. A successful programme of land acquisitions in the town centre has been underway since 2007, funded by £5.9m of investment from AWM. This investment, focussed on the Wolverhampton Street/Priory Street/Tower Street area of the town centre, has acted to reduce development risk by bringing land within the control of the Council, and secured an income stream from rental income to support the running costs of NHRL. Furthermore, NHRL and the Council are in discussions with the Homes and Communities Agency (HCA) to secure resources to support the delivery of the HCA's Local Investment Plan, for which a key priority is Dudley Town Centre.

18. In addition, a further £2.39m has been secured for the Dudley Town Centre Townscape Heritage Initiative from the following sources;

- The Council
- Heritage Lottery Fund
- Department of Communities and Local Government (DCLG) Growth Points initiative
- English Heritage's Partnerships in Conservation Areas programme

19. Bids totalling £8m have been submitted under the European Regional Development Fund's Sustainable Urban Development programme, and in addition, support has been given by the Council and NHRL to funding bids totalling £3m submitted by Dudley Zoo to the Heritage Lottery Fund and the new Regional Growth Fund

Dudley Town Centre Partnership

20. The Dudley Town Centre Partnership has now been established and has met on a regular basis over the last 2 years. Its membership includes Elected Members and representatives from business, the community and other key stakeholders. It is anticipated that the Partnership will continue to play a key role in allowing

effective consultation and engagement with stakeholders as details emerge on individual projects within the ADF

Current development activity

Dudley College redevelopment

21. Dudley College is currently undergoing a major redevelopment of its property in the town centre. Of the college's six sites, four are to be disposed of either wholly or substantially. Two new buildings are to be constructed on two separate sites within close proximity of the college's main campus on The Broadway in the first phase. These two new buildings will be:
 - A Vocational Centre on the Tower Street West site providing for hair & beauty, sport & leisure, public services, creative and performing arts.
 - A Sixth Form Centre and attached Higher Education Centre on the Priory Road site
22. In addition, the college wishes to ensure the whole of its property strategy to form the new Town Centre campus is realizable before committing major funds toward the proposal. It therefore sought outline planning consent for the second phase of the proposal being a new Construction and Engineering Technologies Centre block on the existing Broadway site and this was granted in September 2010.
23. Further, the sites proposed to be vacated will also need certainty as to their redevelopment potential and to assist this, the College are seeking to obtain outline planning permission as part of the project programme. These sites are:
 - Mons Hill Campus
 - Wolverhampton Street Site
 - Castle View campus site (granted outline planning consent in February 2011)
24. Planning permission is currently being sought for the Sixth Form Centre and construction of the Vocational Centre, following the demolition of the Council's former ICT building at Tower Street, commenced in March 2011.
25. A significant benefit of the investment by Dudley College, and the resultant increase in town centre activity, is increased private sector confidence, and there is emerging evidence that positive investment decisions are being influenced by this development
26. Committee may also wish to note that the College development has had the impact of releasing the Castle View site for residential use, thereby bringing approximately 100 new residential properties into the town centre.

Tower Street East

27. Another key development project being brought forward by NHRL is that at Tower Street East. This project proposes the delivery of a 6,000 sq m (approx) food store and 400 space car park, with a high quality of design to respect both the frontage onto Castle Street and the backdrop to Dudley Castle which is consistent with the planning policy aspirations of the Town Centre. This project has been prioritised as a result of the need to secure significant investment and

footfall, and to provide high quality car parking in the heart of the town in advance, as set out in the ADF, of the redevelopment of existing surface level car parks in the town. A specialist development team has been assembled and market testing with selected foodstore operators has been completed, which has demonstrated that there is interest from operators in this development. Detailed designs for operator requirements have also been completed and negotiations are at an advanced stage.

Dudley Town Centre Townscape Heritage Initiative (THI)

28. The THI is a Heritage Lottery Fund (HLF) grant giving programme to assist the repair and regeneration of the historic environment within conservation areas in towns and cities. Its aims include:

- to use built heritage as a stimulant for economic regeneration;
- to contribute to the sustainability of local economies ;and
- to support the communities that live and work in each project area

29. The Council had previously been successful in securing £4.1m of grant from HLF and AWM for the 'Common Fund', plus a £150,000 contribution from the Council. A Project Officer was appointed and liaison has been underway with the occupiers of property interested in taking part in the initiative. However, the initiative suffered a major setback in August 2010 when Advantage West Midlands, following a strategic funding review, withdrew their £2.1m investment. Since that time strenuous efforts have been made to secure alternative funding, resulting in a revised funding package comprised of investment as follows;

- HLF (£1.9m, secured)
- The Council (£150k, secured)
- English Heritage (£140k, secured)
- ERDF (£500k, bid submitted and in appraisal)
- Growth Points (£191k, secured)

30. A revised programme of properties based on the above funding package has been assembled, and a number of grant offers have been made and are being prepared for 4 priority properties where statutory consents and tenders have been secured and suitable funding is in place. Further grant offers are expected to be made upon confirmation of the ERDF funding, for which approval is currently expected in July 2011. As a result of this, in addition to the completion of the renovation of the former Crown Public house in April 2010, work commenced on Bailie's Hall in April 2011 and work is due to start shortly on 168 High Street.

31. Following the completion of the Crown Public House THI project, lease terms have been agreed and planning consent applied for by an initial occupier of the first and ground floor, for which a decision is expected in June 2011. This occupation is expected to run for 12 months whilst an interested party completes scheme design and agrees lease terms. This longer term occupation is being timed for completion of work and opening in order to coincide with other developments in the town centre such as the College and Holloway Chambers.

32. Terms have also been agreed with tenants and solicitors instructed for the former Merlin's Wine Bar close to the Crown. THI funding is intended to be taken up

immediately upon the signing of the lease and planning consent is already in place for this property

33. 202 Wolverhampton Street, which lies between Merlin's and the Crown has recently been re-let by NHRL. The new tenant is currently carrying out improvements and is expected to take occupation directly. On this occasion THI funding has not been required.
34. Also adjacent to the Crown is the substantial Holloway Chambers building, for which a THI funded refurbishment package is being prepared for this large Edwardian property in order that it be made suitable for occupation by small businesses. The proposed works will include a refurbishment of the internal floorspace and the provision of new disabled facilities. Planning permission was granted for the refurbishment works in May 2011. A start on site is anticipated during the Autumn of 2011 with units being available to let on flexible terms during the Spring of 2012.
35. The programme also includes training programmes, planning guidance for shop owners on shopfront refurbishments, heritage trails, interpretation and successful contractor placement training schemes

King Street

36. NHR is seeking to refurbish and re-let shop units at King Street. The properties are in need of repair to bring them up to a lettable standard and dilapidations claims are being pursued against former tenants to fund the improvement works. As an interim measure, temporary vinyl displays are to be attached to the shopfronts to improve the street scene. A cost plan for the works is under preparation and New Heritage Regeneration is seeking to refurbish the first units for retail/commercial occupation during the Autumn of 2011.

Public Realm developments

37. A key element of the ADF is the enhancement of the town's public realm; its streets, squares, parks and gardens. Work is underway on the preparation of proposals for enhancements that will support safe, accessible and attractive public spaces. The role of these projects in revitalising the town has recently been reinforced by research such as that carried out by the Commission for Architecture and the Built Environment in its document *Streets Paved with Gold* which sets out empirical evidence that high quality public realm makes a direct contribution to economic vitality. The first of these to be brought forward is the Market Place project, for which an outline bid for £3m ERDF funding has secured approval. This flagship project, which aims to provide a high quality contemporary design but which respects the market place's long history, was subject to an extensive initial consultation exercise in March and April 2011. Subject to securing full ERDF funding approval later this year a further consultation exercise on the detailed design will take place, after which the scheme may proceed to implementation

Car parking and movement

38. An important issue major issue to be addressed in developing the above and future proposals is that of movement (both pedestrians and vehicles) through and around the town centre, and car park provision. Whereas the town centre

currently has a surplus of car park spaces, there is a clear relationship between car park use and distance from the centre, so that the more outlying car parks become less popular. In addition new development, temporary construction activity and the redevelopment of existing surface level car parking proposed in the ADF all have the potential to increase car park demand. These issues are being addressed via the preparation of an integrated movement strategy for the town centre and a model for predicting car park demand and supply over time so that development may be phased and transportation infrastructure planned for.

Castle Hill & Zoo

39. NHRL, in close coordination with the Council, and with the strategic engagement of Dudley Zoo, the Black Country Living Museum and the Dudley Canal Trust, is ensuring that ambitious proposals for this site are effectively integrated with town centre development. The proposals for the comprehensive redevelopment of the site are based on;

- an ambition to raise visitor numbers from the present 600,000 per annum to 1 million per annum, which would place the attractions on a level with Warwick Castle and the Eden Project, and twice that of Cadbury World
- a new access (for which planning permission was granted on the 2nd February 2010) from Tipton Road
- preparation of land for new and complementary tourism/leisure development
- further capital investment in the Zoo
- acquisition of further land required for development, for which compulsory purchase powers were secured in November 2009

40. A funding bid of £4.5m has been submitted under the European Regional Development Fund's Sustainable Urban Development programme. In addition, support has been given by the Council and NHRL to funding bids of £1m and £2m submitted by Dudley Zoo to the Heritage Lottery Fund and the new Regional Growth Fund

41. The Council has taken the opportunity to carry out acquisitions of strategic sites to support the delivery of this project, and in late 2010 secured the purchase of the former Gala Bingo and Royal Brierley sites. Proposals are currently being prepared for the former site, and the Council's Archives relocation is now proposed to be located on the latter. The change in proposed location from the Black Country Living Museum car park to the Royal Brierley site has secured a saving of approximately £1m to the Council and provided early and complementary development activity at the Castle Hill site

Brierley Hill

Brierley Hill Area Action Plan

42. The Council began work on the Brierley Hill Area Action Plan (AAP) in August 2006 as part of its Local Development Framework. The AAP will set the planning framework for the area, which will include Brierley Hill High Street, the Merry Hill shopping centre and the Waterfront business park. The AAP will be the basis by which planning decisions are made contains a vision, a series of objectives on how this vision will be reached, and allocates sites within the boundary for specific uses. Furthermore, it shows how the growth and regeneration of the

town centre is to be phased and implemented by stakeholders and partners. The Area Action Plan was subject to an Examination in Public in December 2010. This examination had a successful outcome and the plan is scheduled for adoption this summer. NHRL has made a significant contribution to the preparation of the Delivery Plan element of this document

43. In February 2008 the Council received outline approval from Advantage West Midlands (AWM) for £8.6m for the public realm improvements to the High Street and various land and property acquisitions. It was intended that this application would create the necessary conditions for growth by improving infrastructure, creating improved workspace & enhancing the environment and by stimulating investment into the locality, thereby creating necessary employment opportunities. However, following AWM's strategic funding review in July 2010 the funding for this project was withdrawn, and NHR is currently preparing a revised funding package based around a bid for ERDF funding, and this application is expected to be submitted later this year.

Enterprise Zone designation

44. In the 2011 Budget the Chancellor announced that Government would establish 21 new Enterprise Zones in Local Enterprise Partnership areas in England. The Budget named the first 11 'vanguard' areas with a focus on cities and those areas that have missed out in the last ten years. The Government recognises that other areas have potential for growth so a competition has been launched to identify a further 10 Enterprise Zones in England with Local Enterprise Partnerships (LEPS) asked to nominate the site of Enterprise Zones based on the economic rationale and potential for growth. The proposed zones would have a range of incentives available as follows:

- 100% business rate discount worth up to £275,000 over a five year period for businesses that move into an Enterprise Zone during the course of the current Parliament
- All business rates growth within the zone for a period of at least 25 years would be retained and shared by the local authorities in the LEP area to support their economic priorities;
- Government and local authority help to develop radically simplified planning approaches in the zone; and
- Government support to ensure super fast broadband is rolled out in the zone. This would be achieved through guaranteeing the most supportive planning environment and, if necessary, public funding.

45. The Council, working closely with NHRL, has submitted a proposal for an Enterprise Zone focused upon the new Strategic Town Centre for the Black Country at Brierley Hill, and delivering substantial immediate outputs together with a medium and long term development strategy in the context of a sustainable communities approach.

46. The proposal builds upon the recently adopted Black Country Joint Core Strategy and the Area Action Plan for Brierley Hill. Whilst according fully with the planning framework established by these documents, the Enterprise Zone will continue the achievements of the previous Enterprise Zone in the area, and expand this to deliver the wider aspirations of the Joint Core Strategy and the Area Action Plan in terms of built development, investment and jobs at a central and sustainable location.

47. This Zone sits wholly within the Brierley Hill Area Action Plan boundary. There is a clear, well articulated vision for this area which has gathered support through the execution of the planning process and the very considerable degree of consultation which has gone with this. Within the area (and the wider Brierley Hill area) there is the potential for up to 1.8 million square feet of commercial development along with the upgrading and regeneration of existing industrial land to facilitate high value manufacturing opportunities. Importantly, the proposal brings with it immediate delivery of investment through the early occupation of existing vacant employment space which is established, serviced and lettable.

Tax Increment Finance scheme.

48. In addition to the Enterprise Zone Brierley Hill is also a prime candidate for a Tax Increment Finance (TIF) scheme. This is a proposal from Government where local authorities will be allowed to borrow against the expected uplift in rates income brought about by new development following public investment such as infrastructure. The Council and NHRL have worked alongside Westfield to propose Brierley Hill as an early candidate for such an initiative, linked to the intended expansion of Merry Hill in line with the JCS and AAP referred to earlier in this report. ATIF initiative covering the wider Brierley Hill area would provide an opportunity to fund elements of infrastructure required to unlock expansion at Merry Hill along with High Street and other improvements which would previously been supported by AWM. Government is currently expecting to introduce TIF legislation towards the end of this year.

Crossways Faith Centre

49. This project proposes the creation of a community centre in Brierley Hill which will include an enterprise hub for the community, voluntary and not for profit groups as well as being a point for local people to access information about local statutory services and support. A feature of the centre will be its emphasis on encouraging local enterprise and entrepreneurial activity. The centre will also accommodate a 'sacred space' serviced and used by the local churches and other faith groups and available and accessible for local people to use for quiet reflection and prayer. This feature will also be a base for chaplaincy work in the town centre. A new build option is being pursued based on the creation of a 3,000 sq m building over 3 floors at a cost of approx. £7.5m
50. Synergy will be created between groups intended to co-locate within the new centre and groups operating in the new LIFT building as well as the new Stourbridge College campus.
51. The project is at an early stage with the focus of the Board being on establishing a Community Interest Company. A detailed feasibility study has been completed to scope the project and identify next steps.

Audit Commission report

52. The Arms Length Company was set up to have a targeted, efficient structure that could add significant value to the Council's economic regeneration. It can only achieve this by effective partnership working, and this was tested during scrutiny by the Audit Commission in its Governance of Regeneration Partnerships audit

between July and October 2010. The Audit Commission's report made 2 low cost and medium priority recommendations and in summary found that;

- NHRL operates within, and in accordance with, relevant legislation with legal arrangements covering its partnership, governance and funding
- The Council maintains a clear probity divide between itself and NHRL and this is understood, and respected by all relevant parties
- The Council's monitoring of NHRL's financial and budgetary arrangements is proportionate to the needs of the Company.
- NHRL has a clear, comprehensive and up to date business plan. It is delivering its business plan within its project and annual budget; the plan is sufficiently flexible to respond to changing issues, which it has done, but remains on track to deliver its objectives within the planned timeframe
- NHRL projects are well managed and project management is effectively overseen by the Council
- NHRL manages risk in accordance with Council procedures. NHR has adopted the Council's risk management process and its 2010 business plan confirms its commitment to risk management
- NHRL offers value for money by using the Council's legal, financial, communications and human resources expertise.
- NHRL adds value to the Council's activities by bringing in specialist expertise (identified as a gap in a previous Audit Commission report) and its lead individuals have a track record in understanding and delivering physical area regeneration

Finance

53. The principal contribution of the Council to delivery of the Dudley town centre regeneration programme is the value of its land and property assets within the town centre.
54. Funding assistance will be sought from funding agencies including the Housing and Communities Agency to support delivery of the regeneration of Dudley town centre. A mechanism for split of returns to all public sector funding contributors, including the Council, on final delivery of the regeneration of Dudley town centre is currently being negotiated.
55. Together with £140,000 Council revenue budget and the prospect of some funding from the HCA, the income generated by the Dudley town centre portfolio of properties will support management and maintenance of properties within the portfolio, the running costs of New Heritage Regeneration and other costs incurred by the Council associated with programme delivery
56. The Council will seek to minimise its risks within the context of its overall development aims and objectives and the potential to generate returns and to limit costs to within available resources.

Law

57. The Council may do anything which it considers is likely to achieve the promotion or improvement of the economic, social, or environmental well being of its area under S2 of the Local Government Act 2000.

Equality Impact

58. Delivery of the this regeneration programme would bring significant benefits to Dudley and Brierley Hill town cent. It would have a major positive effect on all users of the town centre including residents, visitors, businesses, investors and developers. Benefits would be achieved for people of all ages, including children and young people, and groups in society.

59. All work undertaken in connection with delivery of the Dudley regeneration programme would be carried out in accordance with the Council's Equal Opportunities Policy.

Recommendations

It is recommended that:

- The Committee note the contents of this report



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List of Background Papers

Select Committee on Regeneration, Culture and Adult Education (26 October 2009) Town Centre Regeneration, Report of the Director of the Urban Environment

Select Committee on Regeneration, Culture and Adult Education (7 September 2009) Town Centre Regeneration, Report of the Director of the Urban Environment

Cabinet Report (17 June 2009) 'Delivering the Masterplan for Dudley Town Centre', Report of the Director of the Urban Environment

Cabinet Report (11 June 2008) 'Delivering of regeneration in the Borough: a proposed arms length company', Report of the Director of the Urban Environment

Cabinet Report (31 October 2007) 'Delivering the Masterplan for Dudley Town Centre', Report of the Director of the Urban Environment

Cabinet Report (13 June 2007) 'Delivering the Masterplan for Dudley Town Centre', Report of the Director of the Urban Environment

Cabinet Report (13 December 2006) 'Dudley Area Development Framework: Cavendish Quarter Compulsory Purchase Powers', Joint Report of the Directors of the Urban Environment and Law and Property

Cabinet Report (15 March 2006) 'Appointment of Consultants in Connection with Dudley Town Centre Area Development Framework', Joint Report of the Directors of the Urban Environment, Law and Property and Finance

'Dudley Area Development Framework' (December 2005) Dudley MBC

Cabinet Report (21 September 2005) 'Dudley Area Development Framework: Compulsory Purchase Powers', Joint Report of the Directors of the Urban Environment and Law and Property

Executive verbal report (17 December 2003) 'Establishment of the Dudley Town Centre Partnership', Director of the Urban Environment.