

Investment Board

Date	13 November 2023
Report title	Royal Sutton Coldfield Town Hall
Portfolio Lead	Councillor Ian Courts
Accountable Chief Executive	Laura Shoaf
Accountable Employee	John Godfrey, interim Executive Director of Housing, Property and Regeneration
Report has been considered by	Investment Panel (1 November)

Recommendation(s) for action or decision:

The Investment Board is recommended to:

- 1.1 Approve WMCA investment of a maximum of £1m for the carrying out of emergency and enabling works to the Royal Sutton Coldfield Town Hall taking into account the assessment of doing so, and not doing so, as set out in the body of the report
- 2.1 Delegate authority to the Interim Executive Director of Housing, Property & Regeneration in consultation with the Executive Director of Finance and Business Hub and the Director of Law and Governance to agree the terms of the investment to be made with the Royal Sutton Coldfield Town Hall Community Trust (RSCTHCT) in accordance with the terms of this report and as approved by the Investment Board.
- 3.1 Note that the funding is required for the emergency and enabling works to proceed

Funding Conditions:

- a) To ensure delivery of any long-term obligations would require a legal charge or alternative adequate security. It should be noted that no security will be required for the delivery of the short-term obligations, i.e., delivery of the outputs noted below, as fund transfers in relation to these are to be made in arrears. The conditions do not propose a clawback mechanism for the short-term obligations, as a result of this.
- b) Funding agreement should contain standard obligations to be generally found in WMCA Funding Agreements
- c) Payment of funds to the applicant will be in arrears, based on costs incurred as evidenced by supporting invoices. WMCA reserve the right to request an independent review of the claims submitted at any time. In the event of any over claims or incorrectly supported claims being identified, further claims from WMCA are at risk of being withheld from the applicant until these matters are resolved
- d) Should the joint partnership option in **section 1.5.1** be pursued, WMCA will procure legal advice on the structure of the funding agreement.
- e) The funding agreement will give the following rights to WMCA:
 - Approval of the appointment of Project Manager, Contractor and Professional consultants
 - Requirement to receive access to all documentation in relation to the works and to visit site within reasonable notice
 - Rights to all significant decision making in relation to the works
- f) The funding agreement will contain an obligation upon the applicant to repay the grant if it disposes of the property or any part of it (other than by way of short-term lease) within a mutually agreed, reasonable time frame no less than 5 years. As an alternative the applicant shall have the right to procure that any disponent agrees with WMCA to observe and perform any long-term obligations in lieu of repaying the grant.

Pre-Conditions:

- a) Subject to securing necessary consents and satisfaction of trust covenant position/capacity prior to start on site (and general ability to implement the project).
- b) WMCA will undertake the appropriate due diligence checks in terms of the costs and appoint construction and project management specialists to undertake a review of the cost plan and all associated quotes submitted by RSCTHCT in the Application Form before the funding agreement is signed and any funds transferred.
- c) The review of the cost plan and associated quotes will be based on market-facing assumptions. This is to confirm that the level of support which has been requested, as noted above, is justifiable and required to enable the scheme to proceed. The costs associated with undertaking this work will be covered by the total budget of £1.0m.
- d) Overall, this cost plan Due Diligence review will determine if, based upon the present status of the scheme, that the investment of up-to £1.0m can be supported and complies with the terms as outlined above and in line with the IB-approved position.

e) The transfer of funds will be based on agreed milestones / deliverables, paid out in arrears and will be supported by invoices as independently verified by an appropriate Project Monitoring Surveyor or similar, prior to any payments being made.

1. Purpose

1.1 To ask Investment Board to consider approving a maximum of £1m funding to be made available from the Brownfield Land and Property Development Fund or similar fund to support the “Emergency and Enabling Works” to be carried out at the Royal Sutton Coldfield Town Hall (RSCTH)

1.2 This investment will enable The Royal Sutton Coldfield Townhall Community Trust (RSCTHCT) (**The Applicant**) which is the organisation responsible for delivery, to:
 Protect the existing 6 FTE operations¹ and 10 casual² venue staff
 Expand its operations team by 4 FTE staff including new 1-2 Apprenticeship posts and a further additional 5 FTE Casual Staff.
 In addition, to the venue jobs being protected/created, the independent office suite will employ 10 FTE posts who will operate the base plus create 7 new jobs and up to 20 apprenticeships. Details of the nature of these office suite jobs can be found in **section 2.7 - 2.8**.
 (Figures calculated by the applicant using the Employment Densities guide).

1.3 This application relates to priority emergency/enabling works comprising:

- 1.3.1 The critical replacement of the slate roof, felt, guttering and restoration of crumbling balustrades to prevent ongoing leaking and deterioration. Protecting 530sqm of employment floor space; safeguarding 16 FTE jobs and creating further 9 FTE jobs.
- 1.3.2 creation of a new anchor tenant facility providing 110sqm of Employment floorspace and 17 FTE jobs, plus up to 20 apprenticeships
- 1.3.3 Opening up and improving the public open space with a landscaped pedestrian walkway for commuters/visitors/commerce connecting Sutton Coldfield Railway Station/nearby Town Centre to the High Street, improving local connectivity.

Without this funding these works cannot progress. The table below notes the value for money impact from the use of WMCA grant by listing all outputs in relation to each grant funded package of works.

Roof	Anchor Office Suite	Landscaping
6 FTE operations staff safeguarded	17 FTE jobs created	Improving local connectivity
10 FTE casual staff safeguarded	Up to 20 apprenticeships created	
4 FTE operations staff (inc. 2 apprentices) created	100 sqm commercial space created from venue space to be used as a community hub (including café)	Approx. 92 sqm of land improved
5 FTE Casual staff created		
Improving quality of life		

1.4 If approved, it is intended that transfer of funds to the applicant will be in arrears, based on costs incurred as evidenced by supporting invoices. WMCA reserve the right to request an independent

¹ Operations staff can consist of: sales, marketing, event management/support, project development; creative programmes, maintenance, Finance, IT, general support

² Casual staff can consist of: Duty Managers, Bar Manager, bar/cellar staff, tea/coffee bar staff, building sets, event preparation

review of the claims submitted at any time. In the event of any over claims or incorrectly supported claims being identified, further claims from WMCA are at risk of being withheld from the applicant until these matters are resolved. This will justify that the expenditure is eligible prior to payment.

1.5 There are two potential delivery options under consideration which provide alternative risk mitigation and **security** measures. These are set out below:

1.5.1 A Joint delivery arrangement in which:

- Following a competitive tender process, WMCA and the Trust appoint a Project Manager to generally advise on construction costs, coordinate the completion of specification/scheme documentation, manage the procurement and implementation of constructions works (monitoring, CDM/Health & Safety, quality assurance, client reporting, advising on variations, approving completion of work packages and draw downs, managing practical completion and handover).
- WMCA will have rights to require an assignment of the benefit of all construction contracts and consultant appointments in the event of either the insolvency of the applicant or a failure of the applicant to complete the grant funded works.
- Funds are drawn down and paid in arrears upon completed work packages/milestones (pre-agreed and documented by way of a delivery programme and authorised at the point of draw down by both the Trust and WMCA)
- The proposed phased draw down is intended to facilitate project delivery and mitigates a significant (and potentially unsustainable) financial burden on the Trust in the event WMCA was to require a traditional funding allocation arrangement upon practical completion.
- In the event the Trust became exposed to significant financial/operational difficulties during construction, the scheme would continue to completion. In these circumstances WMCA would immediately step into the lead client role. (It would be expressly agreed that WMCA would have no liability for future ownership/operation of the building post scheme completion)
- The Trust would be prohibited from disposing/restructuring of its interests during construction and would be under an obligation to notify WMCA of any circumstances which impact on its ability to perform its joint client responsibilities.
- Pre-conditions to be met inter alia include securing necessary consents and satisfaction of trust covenant position/capacity prior to start on site (and general ability to implement the project).

1.5.2 Although a legal charge is usually the preferred security. In these special circumstances where WMCA grant is being utilised to fund the entire construction project, this option may not be considered suitable particularly if WMCA is faced with a scenario where the Trust fails, and construction works (including major roof repairs) are left partially completed. In these circumstances, the value of this partially completed site may be insufficient to cover the costs incurred and drawdowns made by the applicant at that time.

1.5.3 The joint delivery structure (1.5.1) is the preferred option. The joint client arrangement effectively mitigates delivery risk and ensures scheme completion through direct WMCA intervention if absolutely necessary. WMCA will seek external legal advice on the structuring of this arrangement.

1.6 The costs of the Project Monitoring Surveyor, Project Manager and any other external consultant are factored into the total project budget and form part of the approved costs.

1.7 The applicant is requesting £789k to cover the costs, as noted above (which exclude VAT) and the uplift in grant ask to £1.0m is to cover costs of project delivery by WMCA and relevant external advice; setting up the Partnership referred to above and potential uplift to costs for inflation which may be required once the project costs are fully assessed. The request of a maximum of £1.0m is to mitigate the need to come back to investment board for further funding once a full cost assessment has been completed.

2. Background

2.1 The Royal Sutton Coldfield Townhall is located on Upper Clifton Road, a high profile building within Sutton Coldfield with significant importance to the community. It is within the Sutton Coldfield High Street Conservation Area on a prominent hill overlooking the town and Sutton Park and adjacent to Sutton Coldfield Railway Station. It is a multi-purpose community-led Cultural/Arts/Performance Venue comprising 4 main function rooms currently used for local productions; national touring productions; arts exhibitions; business meetings and conferences; weddings and wakes; Youth Theatre and dance school; amateur drama. It has recently been used to serve the community in the form of COVID-19 vaccination centre and food distribution centre.

2.2 This is a heritage Building (Locally listed Grade A). In 2018 there was Community Asset Transfer of the Freehold from BCC to the Trust (applicant). The building was in operational deficit and the trust achieved breakeven by 2020. BCC sold the adjoining council offices for residential development in 2014.

2.3 This scheme is an opportunity for job creation and the delivery of inclusive growth, including the remediation and the restoration of an important community building within Sutton Coldfield. The building is less than 0.5 miles from Grace church shopping centre, for which an EOI is awaited related to a 700 residential unit and 500sqft commercial scheme, this presents a potential significant placemaking opportunity for the community which will supplement the Sutton Coldfield Town Centre Regeneration Masterplan 2020 of which RSCTH is part of.

2.4 The trust (applicant) owns the freehold via the Community Asset Transfer from Birmingham City Council who previously occupied the whole building for council offices/services and venue hire. In the early 2000s, the City Council disposed of the adjoining Council House which was sold and converted into residential apartments with additional land for private parking. The Council also disposed of another piece of incorporated land for the development of four town houses. The remainder of the building (venue/function space) was saved by a public campaign.

2.5 It is currently in need of emergency roof works and other upgrade elements, to safeguard current jobs; provide new jobs and continue to serve the community. The WMCA application consists of 3 discrete work packages.

2.6 This application relates to priority "emergency/enabling works" comprising replacement slate roof and restoration of stone balustrades in the Edwardian part of the building to prevent further leaking and deterioration; creation of a new anchor office tenant facility; and opening the public open space with a landscaped pedestrian walkway for commuters/visitors/commerce connecting Sutton Coldfield Railway Station/nearby Town Centre to the High Street, improving local connectivity. A planning application is not required for these works.

2.7 Lindridge Enterprises (LE) has been identified as the anchor tenant for the independent office suite. LE will create and develop a Community Hub that will service local communities and develop a centre that enables disadvantaged young people to follow a journey into employment. Lindridge Enterprises is the charitable arm of Trinity Specialist College. There is substantial potential of joint working with the RSCTHC Trust in a range of partnership projects to support employment and training.

2.8 This venture will respond positively to the RSCTHCT's commitment to engage positively with the local community and will provide LE with a safe space to bring forward a vital community service. The Community Hub will provide many opportunities including:

- Core team of 10 FTE outreach employees operating from this hub plus creating 6 new jobs for disadvantaged people and up to 20 new Apprenticeships
- a meeting place for information, advice, guidance and support for disabled/disadvantaged youth in all aspects of daily living
- a cafe where young people will volunteer or be employed and this will be an asset to the Town Hall and open to the public
- apprenticeships and partnerships with other local service providers to maximise the potential for work experience, education and employment
- to explore additional training offers in areas social media and the arts including theatre

This will be the flagship undertaking for LE. LE will work with many other organisations to develop this project over time in a phased approach including West Midlands Combined Authority, Sutton Coldfield Charitable Trust and Sutton Coldfield Town Council.

2.9 For context the Applicant has a full strategy that includes the modernisation of the whole building. This is a new comprehensive refurbishment/modernisation scheme which will open up extra function/exhibition space, anchor tenant facility, & Makers Spaces for micro-SMEs in allied arts sector industry. This future element of the Applicant's strategy is contingent on the "Emergency and Enabling works" from the WMCA funding. However, to be clear, this does **not** from part of the application and WMCA is **not** funding this.

2.10 This was originally brought forward under the Single Commissioning Framework (SCF). An expression of interest (EOI) was submitted in 2021 and a Full Application was submitted in July 2023. WMCA sent a 'letter of comfort' to the applicant in July 2023 which stated that 'WMCA has programmed an "in-principle" funding agreement this financial year, subject to progressing through the SCF gateway stages'. It is important to note that the letter of comfort is not legally binding and the Board could decide not to proceed with this investment. Such a decision not to proceed poses risks to the reputation of the authority as the applicant was given to believe that investment would be forthcoming.

3. Strategic Aims and Objectives

3.1 The scheme will have a profound benefit on the local economy, saving and providing many jobs including professional team advisers, apprentices, manufacturers, and supply chain partners.

3.2 The scheme responds to the aspirations of the Regional Design Charter alongside other WMCA quality objectives. Specifically, the proposed scheme would serve as an exemplar of the following Design Charter themes:

Character: The proposed development would revitalise significant parts of this historic building, enhancing the historic and cultural distinctiveness of the local area.

Connectivity and Mobility: The scheme supports sustainable intensification of commercial, residential and employment opportunities within Sutton Coldfield Town Centre. Its location at the heart of a major regional public transport node will encourage occupiers and users to prioritise active and sustainable methods of travel.

Future Readiness: Repurposing buildings and materials limits waste and the embodied carbon emissions of demolition and virgin material manufacture.

Engagement and Stewardship: The long-term management and maintenance of the development has been considered. Furthermore, the scheme secures long term maintenance of a culturally significant building currently in disrepair.

4. Financial Implications

4.1 The RSCTHCT Project Appraisal (July 2023) identifies the following costs to deliver this project:

Description	Construction Quote (£K)	Professional Fees (£K)	Total (£K)
Roof repair and restoration	484	18	502
Anchor Office Suite	229	8	237
Landscape works and footpath	48	2	50
Totals (exc. VAT)	761	28	789

4.2 Note these costs include 10% contingency within the construction costs quoted and, therefore, in the total costs. The applicant is requesting £789k to cover the costs, as noted above (which exclude VAT) and the uplift in grant ask to £1.0m is to cover costs of project delivery by WMCA and relevant external advice; setting up the Partnership referred to above and potential uplift to costs for inflation which may be required once the project costs are fully assessed. The request of a maximum of £1.0m is to mitigate the need to come back to investment board for further funding once a full cost assessment has been completed.

4.3 WMCA will undertake the appropriate cost estimate due diligence and appoint construction and project management specialists to undertake a review of the cost plan and all associated quotes submitted by RSCTHCT in the Application Form before the funding agreement is signed and any funds transferred.

4.4 The review of the cost plan and associated quotes will be based on market-facing assumptions. This is to confirm that the level of support which has been requested, as noted above, is justifiable and required to enable the scheme to proceed. The costs associated with undertaking this work will be covered by the total budget of £1.0m.

4.5 Overall, this cost plan Due Diligence review will determine if, based upon the present status of the scheme, that the investment of up-to £1.0m can be supported and complies with the terms as outlined above and in line with the IB-approved position.

4.6 The transfer of funds will be based on agreed milestones / deliverables, paid out in arrears and will be supported by invoices as independently verified by an appropriate Project Monitoring Surveyor or similar, prior to any payments being made.

5. Legal Implications

5.1 WMCA has the power to make this investment under Section 113(1)(a) of the Local Democracy, Economic Development and Construction Act 2009. This statute gives WMCA a power of competence appropriate for the purposes of carrying out any of its functions. This is being made under the WMCA's economic development and regeneration function to promote and accelerate further the achievement/fulfilment of the following WMCA objectives:

- 1) Increase creation of good jobs.
- 2) Increase the availability of enhanced reasonably priced office space
- 3) Support the regeneration of town centres.
- 4) Support levelling up objectives including supporting the sustainability of community organisations

The making of the investment will promote and further the achievement/fulfilment of these objectives because the funding will firstly be likely to create enhanced reasonably priced office space and secondly because it will be likely to lead to a more sustainable community organisation that operates the Town Hall.

The applicant is a business – albeit a charitable community-based business and therefore the investment will need to be consistent with the provisions of the Subsidy Control Act 2022. Officers consider it likely that the funding will comply with the Subsidy Control Act 2022 but this cannot be confirmed until the terms and conditions of the funding agreement have been finalised. Internal legal advice will be taken on compliance with this aspect.

It is important to note as set out in para 2.10 above that the letter of comfort provided is not legally binding, and the Board could decide not to proceed with this funding. It is also important to note that this investment will deliver no housing units. It is possible to use the proposed funding sources for this project, but doing so will have an impact on other projects that could be delivered with those funds. The Combined Authority has the power to make the investment requested, but in considering whether to do so the Board should consider the risks involved as set out in this report.

6. Single Assurance Framework Implications

6.1 BLPDF grant terms & conditions include the following requirements:

- 6.1.1 The BLPDF was designed to support the delivery of key projects by de-risking private sector investment and addressing project challenges including market failure, adverse ground conditions, poor infrastructure, abnormal site remediation costs and providing gap funding to bridge the viability shortfalls on schemes.
- 6.1.2 The Fund aimed to deploy its resources to maximise the future level of economic activity on brownfield sites and the supply of modern floorspace within buildings.
- 6.1.3 Each application to the Fund for resources must demonstrate it is directly delivering or securing a clear pathway to securing economic activity. This is measured by economic outputs and associated outcomes.
- 6.1.4 The direct output measurements for the Fund are:
 - a. New Houses constructed
 - b. New Jobs Created
 - c. New commercial floorspace
 - d. Commercial floorspace returned to Economic use

- e. Private Sector leverage
- f. Acres of land remediated, regenerated & improved

A further original stated aim of improving Quality of Life Outcomes was not directly measurable and therefore is not reported on.

- 6.1.5 The Fund also has the remit to invest in projects that indirectly deliver key outputs.
- 6.1.6 Applicants to the Fund have been required to establish a GVA (gross value added) calculation to assess the overall impact of a scheme level investment on the local or regional economy. This has been measured using a HMG approved formula of Jobs Created x £46,000 for the GVA output.
- 6.1.7 The Fund of £50m has been operational from 2017, with an anticipation that it would be fully invested by 2021. The Fund was aligned with the target outcomes of Black Country Land and Property Investment Fund "LPIF" and looked to deliver similar levels of outputs through deployment of the full £50m of the Fund;
 - g. 1600 New Jobs
 - h. 800 Houses
 - i. 200,000 sqm of Commercial floorspace
 - j. Significant private sector funding leveraged
- 6.1.8 Furthermore, the BLPDF Appraisal Model requires the following:
- 6.1.9 The Fund will use Finance Birmingham as Fund Manager to conduct robust interrogation of project appraisals are completed ahead of any investment decisions.
- 6.1.10 Scheme bids will be evaluated against:
 - Alignment to Strategic priorities,
 - "Value For Money" (including Financial returns) in generating outputs (see 3 above),
 - Wider Economic impact on the Local & Regional economy.
 - Ability & track record of Bidders
 - Robustness and deliverability of the overall scheme (Issues & Risks)
 - All Scheme bids must demonstrate compliance with State Aid Regulations and detail the precise and specific exemption under which the bid can be provided.
 - Scheme bids should normally demonstrate at least 70% contribution toward meeting Eligible Costs. "

6.2 There is no detailed business case to review in this instance by either WMCA Appraisal and Assurance Team or the Fund Manager. The details of the ask are set out in this paper as is the case for the ask and benefits to be delivered.

6.3 Approval of this investment will reduce the amount remaining within the overall fund to deliver other schemes in the Fund Manager Pipeline

6.4 The WMCA HPR team will undertake due diligence on the costs quoted from an assurance perspective in terms of value for money, validity of requirements and deliverables.

7. Equalities Implications

The grant will benefit all users of the Town Hall facilities. In particular the grant will lead to a community hub aimed at assisting those who are disabled and disadvantaged (**Section 2.7-2.8**)

The implications of the Public Sector Equality Duty have been considered, this grant will be likely to promote equality.

8. Inclusive Growth Implications

The HPR investment programme will deliver positive inclusive growth outcomes by:

- 1) Providing employment opportunities including new office space and social infrastructure for residents across the entire WMCA geography.

- 2) Enhancing cultural and leisure facilities for people to meet and socialise
- 3) Through the SCF process, WMCA officers will consider the extent to which individual projects align with WMCA's inclusive growth objectives, and whether there are opportunities to secure more/better outcomes through the project.

9. Geographical Area of Report's Implications

This report is relevant to the Sutton Coldfield area of the West Midlands region. The building is included in the Sutton Coldfield Town Centre Regeneration 2020 Masterplan.