



West Midlands
Combined Authority

The Risk & Investment Appraisal has been completed to support better and more informed spending and investment decisions at the WMCA

Risk and Investment Appraisal

The purpose of this report is to:

- Provide a high-level summary of the risks (project and strategic), commercial viability and Value for Money (VfM) of the investment and the opportunities it brings forward,
- Determine if and how the proposal is aligned to WMCA Aims and Objectives and other regional Policy,
- and act as an informative tool for decision-makers that accompanies the business case through to an approval decision.

Stratford Gateway

Project Case

07/02/24

Appraised by Teanay Cope

Details of Decision Outcome

Forum / Decision Maker:

Date of Decision:

Outcome of Decision:

Conditions / AOB:

1.0 EXECUTIVE SUMMARY

This Project Case (PC) has been submitted by Anna Jones, Development Manager from Housing, Property and Regeneration.

This PC is seeking WMCA approval for investment of up to £9,000,000 as part of the Devolved Land Fund Programme to unlock the site at Stratford Gateway, Arden Street, Stratford-upon-Avon for a residentially led mixed-use unit.

Stratford-on-Avon District Council (“Applicant”) is seeking to unlock a 0.43 Ha site as part of a land assembly initiative for a scheme called ‘Stratford Gateway’, situated at the North entrance to Stratford-upon-Avon town centre. The purpose of the wider scheme is to create a cultural quarter which will house a new World Shakespeare Centre, parking, commercial and residential units, as well as providing pedestrian and cyclist access through to the main town.

The identified wider ‘Gateway’ site comprises 13 land titles across 1.05 Ha in total, with the subject site comprising 8 of these titles across an area of 0.43 Ha. Currently, these 8 titles are owned by a single landowner, and include 3 vacant office buildings and a terrace of 5 unoccupied, Grade II Listed residential units. In their current state, the office buildings are unlettable and in need of extensive remediation and restoration, whilst the Grade II Listed former residential units are dilapidated and currently uninhabitable. Such is the condition of the Grade II listed buildings that urgent intervention and regeneration is needed in order to prevent the properties from falling into further disrepair and becoming completely unsalvageable.

The Applicant does not have the resources to buy the site and therefore approached the WMCA to secure the site for future development. This application was positively received and officers of the WMCA have been in dialogue with the Council to attempt to secure a deal.

The Applicant has been in discussions with the current landowner for several years prior to approaching WMCA to assist with the acquisition of the titles, however for several reasons this has not progressed. Based on a valuation conducted by Avison Young (AY) in April 2023 which determined the Existing Use Value of the Site to be £6.55 million, the Applicant is seeking WMCA investment of £9,000,000. This gross investment will include the site acquisition cost of **£6.55 million**, as well as additional financial support of **£2.45 million** relating to the following:

- Holding Costs for a Maximum of 5 years
- Legal advice
- Surveys and Valuations
- Costs of obtaining planning consent
- Procurement support
- Sales and marketing

The scheme will create 118 residential units, including 20% affordable housing units, support regeneration of Stratford town centre, and bring a currently vacant Brownfield site into use.

The PC has been reviewed by, or had input from, the following stakeholders:

- Teanay Cope, Programme Appraisal
- Satinder Paul, Programme Assurance

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- Jo Snell, Finance Business Partner
 - Mark Nicholson, Legal Representative
 - Victoria Taylor, Procurement Lead
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2.0 APPRAISAL RECOMMENDATION

This PC is seeking WMCA approval for investment of up to **£9,000,000** as part of the Devolved Land Fund Programme to unlock the site at Stratford Gateway, Arden Street, Stratford-upon-Avon for a residentially led mixed-use unit.

The PC scored amicably in the BCAT at 76% which indicates that successful delivery of the project seems feasible.

In terms of Value for Money (VfM), the PC gives a positive BCR of 2.29 which indicates the scheme delivers an acceptable level of VfM.

As detailed below within section 2.1 Risks there are risks present, some of which cannot be circumvented at this stage of the project, however if delivery is successful this project will contribute to the wider creation of a cultural quarter in Stratford-upon-Avon town centre by bringing underused brownfield land back into productive use for residentially led mixed-use units.

Based on an independent assessment of the risks and opportunities presented in this report, the appraisal recommendation is to **approve** this PC.

The following conditions should also be considered alongside this recommendation:

1. Project to contribute towards net zero objectives by actively encouraging low carbon and sustainable methods in all future site design activity wherever possible.

2.1 RISKS

The risks outlined within Table 1 below have been noted by the lead appraiser and categorised in accordance with the WMCA's Strategic Risk Framework and using the following RAG status:

High Risk	Project must resolve / update the business case ahead of delivery. Any unresolved, red-rated risks will be highlighted to the decision maker when the business case is submitted for approval. If ignored, successful delivery will not be possible.
Medium Risk	Project should resolve / update business case ahead of next submission or delivery. If ignored, they may impact chances of successful delivery.
Low Risk	Project could resolve /update the business case ahead of next submission or delivery. If responded to, they will improve chances of successful delivery.

Case / Misc	RAG	Risk	Project Response
All cases		Financial Risk: Although acknowledged that site acquisition is priced at £6,550,000 which cannot be circumvented, WMCA investment being requested as a lump sum, and being drawn down prior to a number of key milestones being reached such as advanced scheme designs being	The key milestones can only be achieved by spending funds to have scheme designs created and obtain planning consent. Funds will therefore be required to be

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		<p>completed, full planning consent being granted and agreeing a disposal route is a less preferential financial mechanism.</p> <p>This is a fundamental risk surrounding the project to highlight.</p>	<p>spent to achieve the objectives.</p>
Strategic Case		<p>Economic Risk: Due to the nature of the project and the local importance of the Stratford Gateway site there are a range of constraints and external dependencies the project is susceptible to. For instance, agreeing terms with landowner, obtaining planning consent and finalising site disposal route. These factors and the potential risks they will impose must be given detailed consideration throughout the life of the project.</p>	<p>The terms of acquisition with the landowner will be agreed prior to any release of funds as part of the sale contract.</p> <p>The scheme is to be designed in line with SDC's masterplan and vision, and as part of the Collaboration Agreement between SDC and WMCA, SDC will be proving up to 4 pre-application consultations with their planning authority to ensure the scheme is in line with their planning policy. It is therefore reasonable to expect the finalized designs being submitted will achieve consent.</p> <p>WMCA will commission an external consultant to advise on the market conditions to aid the decision regarding disposal route at the appropriate time.</p>
Strategic Case		<p>Delivery Risk: There are several potential risk factors surrounding obtaining planning consent which may present risks to proposed delivery i.e. if planning consent cannot be obtained or granted, it takes longer than expected to</p>	<p>The scheme is to be designed in line with SDC's masterplan and vision, and as part of the Collaboration Agreement between SDC and WMCA, SDC will be proving up to 4 pre-</p>

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		obtain consent or consent is granted with a range of conditions.	application consultations with their planning authority to ensure the scheme is in line with their planning policy. It is therefore reasonable to expect the finalized designs being submitted will achieve consent.
Commercial Case		Governance Risk: The commercial case lacks sufficient detail that is expected at this stage regarding procurement activity. Although acknowledged that this information may not be wholly available at this time, this presents the potential for risks to arise relating to procurement activity.	WMCA's Development Manager will engage with the procurement team prior and during the disposal process to ensure the disposal route is compliant.
Commercial Case		Financial Risk: Negotiations with the landowner regarding the purchase of the relevant titles are ongoing and currently include an agreement on overage. These negotiations should continue to be monitored closely to ensure the terms and conditions agreed present no financial risk to WMCA.	WMCA are being advised on the HoTs negotiations by an external consultant at Avison Young, the Finance Business Partner for HPR, and both internal and external Legal representatives.
Finance Case – 4.2 Cashflow		Financial Risk: Further clarification should be provided for the negative net position presented in the cash flow.	WMCA are taking an interventionist approach due to market failure to bring forward this 'Gateway' to unlock the future regeneration potential. The grant funding criteria does not expect profit to be sought or repayment of grant funding budget.

2.2 RESOLVED / MITIGATED RISKS

The below risks were noted during the appraisal but have since been mitigated through updates to the business case or clarification in the project responses.

Table 2

Case	Risk	Project Response
Management Case – 5.1 Management and Governance	Governance Risk: Please include additional detail regarding the Change Control Process for the project, specifically including thresholds and confirm this is aligned to WMCA process. Where additional Directorate level approvals are required prior to the WMCA Change Control Process please state.	If the programme or outputs are negatively affected above of tolerance of 10%, WMCA's Change Control Process will be followed which includes completion of a SAF Change Request form which will be considered by HPR Site Pipeline, or the relevant Board if necessary.
AOB	Governance Risk: Where known and if possible please reference in the Project Case the proportion of direct housing unit outputs the WMCA can claim as a result of this investment.	WMCA will be claiming 100% of the residential unit output, including 20% affordable housing units.

2.3 KEY OPPORTUNITIES

If delivery is successful, this project could help achieve WMCA Aim 3: 'Connect our communities by delivering transport and unlocking housing and regeneration schemes'.

Inclusive Growth

This project will contribute towards Inclusive Growth within the West Midlands by:

- Appropriate residents accessing affordable housing due to 20% of units being offered as affordable housing.
- Underused brownfield land bought back into productive use - 0.43 Ha

#WM2041 Net Zero

WMCA declared a climate emergency in 2019 and identified a target date of 2041 by which the region should meet net zero target emissions.

Due to the nature of Stratford Gateway, there were no significant benefits in the business case that would contribute to #WM2041 at this stage. However, a condition has been placed on the project to ensure Net Zero is considered during all future activities.

3.0 ASSURANCE FINDINGS

The BCAT (business case assessment tool) is a snapshot of the business case achievability at a precise moment in time. Since the assurance activity, the delivery team have made updates to the business case, but it would still benefit from further development, specifically in the Commercial Case.

WMCA Assurance rated the overall maturity of this business case as **76%** which is defined as:

Green/Amber 60 – 79%: Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.