



Title: **41 Canal Street, South Wigston**

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## **1 Introduction**

- 1.1 This report outlines the latest progress of the project to achieve the regeneration of 41 Canal Street, South Wigston.

## **2 Recommendations**

- 2.1 It is recommended that in the light of the Council being unsuccessful in its application for a financial contribution from the Local Growth Fund in 2015/16 towards the refurbishment of 41 Canal Street for an enterprise centre and any subsequent feedback from the Leicester and Leicestershire Local Enterprise Partnership to be reported verbally to the meeting, Members determine whether;

a) to continue to pursue funding opportunities specifically in relation to the establishment of an enterprise centre, or

b) to seek further Expressions of Interests for an appropriate development partner which would enable the compulsory purchase of the building and subsequent refurbishment for an appropriate use.

## **3 Update on Current Progress**

- 3.1 The enterprise centre proposal was submitted for ERDF funding with approved anticipated by the end of March 2013. Due to a change in ERDF guidance the Policy, Finance and Development Committee agreed to continue with the project at its meeting the 26<sup>th</sup> March 2013 with a lower ERDF intervention rate and also for work to be undertaken relating to the Compulsory Purchase and refurbishment of this building. The ERDF application was withdrawn for a number of reasons, including when it came to light that the strict deadline for ERDF expenditure could not be achieved within the timescales involved in the proposed CPO.
- 3.2 As a result the prospect of bringing forward an enterprise centre at 41 Canal Street was included in the Borough Council's Local Economic Plan which was approved by this Committee on 29<sup>th</sup> October 2013. The Local Economic Plan was subsequently submitted to the Leicestershire Local Enterprise Partnership (LLEP) which has consequently given consideration to the enterprise centre project at 41 Canal Street as a first year (2015/16) Strategic Economic Plan (SEP) Capital Infrastructure Project. A full Business Case was subsequently requested by LLEP which was submitted on the 19 March 2014.
- 3.3 The project was considered by the LLEP for inclusion as one of a number of SEP projects in the Government's Growth Deal. However, the Local Growth Fund was oversubscribed and the enterprise centre was not listed as one of the ten successful projects when the announcement was made on Monday 7<sup>th</sup> July 2014.

- 3.4 At the time of writing this report officers are seeking further clarification as to the consequence of this announcement, specifically in relation to the prospect of the LLEPs continued support and potential to contribute financially toward the provision of an enterprise centre at 41 Canal Street. A verbal update will be given in this respect at the meeting. However, it is known that proposals that did not make the first round will form a starting point as the LLEP develops its second round submissions for 2016/17. In that regard the LLEP has recently commissioned Amion Consulting to undertake a review of the business cases of all the proposals that featured in the SEP, focussing on 5 business key areas – strategic case; economic case; commercial case; financial and management cases. The reviews will inform priorities for the next round of Growth Deals and each proposal will be considered on its merits. It is envisaged that Amion will shortly be contacting the Council to initiate the review of the enterprise centre proposal.
- 3.5 Had funding from the Local Growth Fund for 2015/16 been successful, the Compulsory Purchase Order process could have begun in July 2014 taking in the order of 10 months. Detailed building survey, scheme design, town planning and tendering could have taken place alongside the CPO with a start expected in line with the Growth Deal priorities in April 2015.
- 3.6 An alternative option is for the Council to seek the Compulsory Purchase and subsequent regeneration and refurbishment of 41 Canal Street with an appropriate development partner for an agreed use, for example a residential use.
- 3.7 Expressions of Interest were invited for this purpose during March 2014. Applicants were informed that the Council intends to purchase the property via a Compulsory Purchase Order with the freehold property reverting to the applicant for refurbishment and that change of use to residential and/or business centre or office accommodation would be appropriate.
- 3.8 Only one Expression of Interest was received during March 2014. Therefore, if Members wish to progress this option it is proposed that a subsequent period is established when further Expressions of Interest are invited, supplemented by some direct contact with potential development partners in order to promote the opportunity. It is also of note that there has been some improvement in the housing and commercial development sector since the first exercise was carried out and some further tentative interest in the building would support this. The original applicant would be given the opportunity to add further information to the submitted Expression of Interest during this time if they so wish.

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<b>Implications</b>	
Financial (PL)	<p>The Council has earmarked £350,000 in the Active Asset Management Reserve for use towards an enterprise centre. This was identified as the Council's funding contribution in relation to the application to the Local Growth Fund for 2015/16 which has been unsuccessful. The total cost of the project covered by this application was estimated to be in the order of £1,720,000.</p> <p>If the Active Asset Management Reserve can be used to</p>

	<p>enable the Council to provide a funding contribution in relation to any subsequent funding opportunities for an enterprise centre.</p> <p>The second option is unlikely to involve the Council in any expenditure with the development partner expected to underwrite the CPO and development costs.</p>
Risks (AT)	<p>Relevant risks identified in the Councils Corporate Risk Register.</p> <ol style="list-style-type: none"> <li>1 Decreasing financial resources</li> <li>2 Key supplier/partnership failure</li> <li>3 Reputation damage</li> </ol> <p>In addition, the following risks are identified:</p> <ol style="list-style-type: none"> <li>1. The Growth Deal intervention rate offer is less than the current proposal. Risk is regarded as medium but no further costs will be committed prior to notification from LLEP and the Council has opportunity to accept or reject the LLEP funding.</li> <li>2. Time and cost of the proposed CPO increase. Current costs estimated at £143,500 and time to complete is estimated to be 10 months. Cost and time estimates have been provided by a specialist compulsory purchase surveyor and so the risk is low.</li> <li>3. Council sponsored CPO facilitating a commercial housing development based on a District Valuer land valuation.</li> <li>4. CPO is rejected. Regarded as medium for option 2.</li> <li>5. Building cost inflation. A fixed price building contract will be entered into alongside the funding agreement mitigation cost risk. Risk low.</li> <li>6. Unforeseen building cost. A current detailed survey is not available. This risk will transfer the building contractor when a contract is entered into and so is low.</li> <li>7. Continuing deterioration of the building. This risk will transfer the building contractor when a contract is entered into and is therefore low.</li> </ol>
Equalities (KG)	<p>Stakeholder and community consultation and engagement are fundamental to this project and therefore an EIA is required for this project.</p>
Legal (KG)	<p>Several important considerations need to be given to the contract governing a Compulsory Purchase Order and the formal agreement with the developer.</p>