



Llywodraeth Cymru
Welsh Government

From: (WG name redacted)
Economic Infrastructure
(Redacted telephone number)

Cleared by: Tim Howard
Deputy Director for Property

Date: 24 November 2020

MINISTERIAL ADVICE

For decision by: Ken Skates, Minister Economy and Transport

Subject	Disposal of development land known as Plot C1 at Llantarnam Business Park, Torfaen.
100 word summary	Approval is sought for the disposal of 3.3 acres to MGTS St Johns High Income Property Fund for £420,000 plus VAT.
Timing	In the normal course of business.
Recommendation	The Minister is asked to approve the disposal of 3.3 acres of land at Llantarnam Business Park, Torfaen, for a consideration of £420,000 plus VAT.
Decision report	This decision does require a decision report, which may be published at any point: The Minister has agreed to the sale of land at Llantarnam Business Park, Torfaen.

ADVICE

Coronavirus Context

Consideration has been given to this transaction and the implementation of the projects described in this MA, in light of the current Coronavirus Pandemic.

Submission is made on the following basis:

- On the 7th April the Health Protection (Coronavirus Restrictions) (Wales) (Amendment) Regulations 2020 (“the Amended Regulations”) were enacted. Prior to executing any Contract with the Developer a dialogue will be held regarding what works can be undertaken safely, and in accordance with the legislation, during the current lockdown and what works may need to be postponed until restrictions are lifted. This will include review of any possible programme or contractual implications. Officials will review the implications put forward and will form a view at that point whether to proceed.
- Should the transaction proceed, the outcome of the dialogue will be captured in the executed Contract Documents.
- The transaction and the recommendations in this paper do not impact the response to the Pandemic, but may aid the economic recovery.
- There is more than one official involved in each of the projects and all correspondence is saved in iShare. There is therefore an element of robustness, should one official be affected by the virus.

1. Background

- 1.1** Llantarnam Business Park is a popular and well established commercial area situated just 3 miles North of Junctions 25A and 26 of the M4 and approximately 1.5 miles South of Cwmbran Town Centre in the county borough of Torfaen. The Property comprised vacant employment land of approximately 3.3 acres.
- 1.2** Ministers had previously approved the conditional sale of plot C1 at Llantarnam Business Park (the Property) in 2016. The prospective purchaser commissioned ecological investigations which identified vegetation communities and an invertebrate assemblage of at least District ecological importance. The ecological reports noted that any development would require an off-site mitigation solution to permit development to take place. After some negotiations between the purchaser and the Local Authority about the scale of ecological mitigation required, the sale did not go ahead.
- 1.3** Given the ecological constraints to development which may make the site less attractive to developers, Welsh Government (WG) took the decision to review the extent of mitigation required and to instigate the mitigation works directly to assist future land sale negotiations. In 2018 WG arranged for the ecological surveys to be refreshed to confirm what extent of development would be

permitted on Plot C1 and what mitigation actions off site would be required. WG agreed the proposals with the Local Authority and they nominated land owned by them which could be used for the off-site mitigation. The council, as well as WG's appointed consultant, oversaw the mitigation works which were initiated in March 2019.

- 1.4 The ecological work was completed in July 2020 and the appointed agent, Alder King was directed to refresh its marketing of the site, 3.3 acres but now with an established net developable area of 1.93 acres.
- 1.5 After assessing comparable sites and analysing the local market, the agent recommended marketing the property for £300,000, the asset value for the site is £200,000.
- 1.6 Following a number of enquiries and strong expressions of interest within the first two months, a decision was taken to set a date and invite 'best bids' from all interested parties.
- 1.7 Two formal bids were received for the site and these are set out in section 2.
- 1.8 This proposal was considered at PLT on 19 November 2020 and its recommendations have been incorporated into this MA.

2. The following options have been considered: -

2.1 Option A – Bid to purchase the freehold from MGTS St Johns High Income Property Fund

- Offer: £420,000 plus VAT.
- Purchaser: Owner of the property next door – The Fund carries a property investment business established in 2012.
- Proposal: To build a 53,000 sq ft Production, Manufacturing and Storage Premises to facilitate growth of its existing tenant on the site next door Multi Color Cwmbran Ltd.
- Tenant: Multi Color Cwmbran Ltd have occupied a 60,000 sq ft facility on the neighbouring site since 1999. More than 200 people are employed at the existing premises at Llantarnam. In July officials received a letter from the UK Director of the company stating that the inability to accommodate growth at Cwmbran may lead to the introduction of new technology and employment growth at one of its other sites. He considers the new facility essential to keep business growth and new jobs in Wales.
- Jobs: Expectation to create up to 100 new jobs.
- Finance: Purchase and site development would be cash funded without third party finance.
- Conditions: Will agree to all design standards, ecology protection and performance penalties stated in invitation to offer. Also agreed to a limitation of the amount of warehouse and distribution use permitted.

This is the preferred and recommended option.

2.2 Option B – Bid to purchase the freehold from DJJ Precision Engineering Limited

- Offer: £365,000 plus VAT.
- Purchaser: Mr Dennis Jones, Managing Director of DJJ Precision Engineering Ltd.
- Proposal: To build 25,000 sq ft Manufacturing premises incorporating office and CNC training facilities.
- Company: Local CNC milling and turning business established in 1976, based in Pontypool since 2008. A new build opportunity is essential to the company to accommodate growth following receipt of new contracts and reduced capacity at their existing site following implementation of Covid19 work safety practices.
- Jobs: Currently 16 employees, expectation to create 25+ new jobs.
- Finance: Company is in stable financial position, however, external funding would be required for their proposal and this has not been shown to be in place.
- Conditions: Willingness to commit to WG conditions re jobs/education/energy etc.

Officials consider that there may be adverse publicity from the unsuccessful bidder. However, this is likely to be the case whichever bid is chosen. This issue derives from an undersupply of appropriate accommodation/sites in the wider area.

Whilst both bids are strong and have merits, it is clear that as well as being the highest bid, Option A is economically more beneficial to the wider area and population in terms of proposed size of building and estimated number of jobs. The sale contract will include conditions and time limits to ensure that the site is developed and cannot be land banked.

Colleagues from Business and Regions were not involved in the assessment process, however based on the assessment and conclusion of the Property team on the economic outcomes and longer term benefits as outlined above, the Region agrees with the recommendation of pursuing Option A.

3 Financial implications

3.1 (Redacted)

4 Legal issues, powers & statutory duties

4.1 This MA contains no unusual issues that raise a need for external legal advice. The transaction will be dealt with by Commercial Legal Services and there will be no costs.

4.2 Section 1 of the Welsh Development Agency Act 1975 (as amended by The Government of Wales Act 2006) confers on The Welsh Ministers powers to acquire and dispose of land; manage land; develop and carry out works on land and to make land and other property available for use by others.

4.3 The advice set out within this MA is not considered to raise any issues relating to children's rights (UNCRC).

4.4 This MA is not considered to raise any issues regarding the Welsh language and as such guidance has not been sought from the Welsh Language Unit.

- 4.5** This MA has considered the advice set out regarding promoting economic opportunity for all (Tackling Poverty) - I have considered the advice set out within this Ministerial Advice and can confirm that there will likely be a positive impact on tackling poverty by safeguarding the jobs at the adjacent site and creating new positions at the site to be developed.
- 4.6** This MA has taken consideration of the Well Being goal of 'A Prosperous Wales' under the Well-being of Future Generations (Wales) Act. The transaction will enable the introduction of new technology to the area creating employment opportunities.
- 4.7** Part 2 of the Environment Wales Act (Climate Change). I have considered the advice set out within this submission and confirm that this transaction will result in increased emissions from the development. However, this will be partially mitigated by contractual compliance with WG's Sustainable buildings Policy ensuring an efficient building. In addition to part of the site being protected and the mitigation and habitat translocation works already carried out by WG, therefore ecological requirements will be satisfied.

5. Communication or media handling

- 5.1** We do not anticipate any media interest in this matter, however should any arise, a response will be agreed with the press office.

Annex 1: ASSURANCE AND COPY RECIPIENTS**CLEARANCE TRACKING****(Redacted)****DEPUTY DIRECTOR, STATEMENT OF ASSURANCE**

In clearing this MA, I confirm that I, Tim Howard have quality assured this advice, ensuring it is provided on the basis of evidence, accurately presents the options and facts and I am accountable for the recommendations made

I am satisfied that the recommended decision or action, if agreed, would be lawful, affordable and comply with all relevant statutory obligations. Welsh Government policy priorities and cross portfolio implications have been fully considered in line with delivery of the government objectives.

I have fully considered the statement of assurance contained in the MA guidance to ensure all relevant considerations have been taken into account and that the actions and decisions take account of regularity, propriety and value for money.

COPY LIST

All mandatory copy recipients (as indicated in the guidance).

Mandatory CC- MA

E&T Ministerial Advice List

Additional copy recipients specifically interested in this advice:

- Tim Howard, Deputy Director for Property
(WG officials named redacted)