

REPORT TO: Cabinet

DATE: 3rd March 2011

SUBJECT: Proposed Amendment to the Overarching Development Agreement with Keepmoat Limited in respect to land at Pine Grove.

WARDS AFFECTED: Derby

REPORT OF: Alan Lunt - Neighbourhoods and Investment Programmes Director

CONTACT OFFICER: Tom Clay, HMR Programme Manager
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EXEMPT/ CONFIDENTIAL: No

PURPOSE/SUMMARY:

To request approval to amend the Overarching Development Agreement (ODA) with Keepmoat Limited to enable a housing scheme to progress.

REASON WHY DECISION REQUIRED:

The Neighbourhoods and Investment Programmes Director does not have delegated authority to make decisions relating to such matters.

RECOMMENDATION(S):

That Cabinet agrees that, in order to progress the scheme at Pine Grove, Keepmoat funds the financial gap from its own resources, in exchange from them being able to retain 100% of any overage until the gap of £36,756 has been eliminated, at which point, the overage arrangement will revert to that currently within the ODA, and that the legal agreement in respect to this scheme is altered to permit this.

That the Acting Head of Corporate Legal Services be authorised to amend the ODA accordingly.

KEY DECISION: No

FORWARD PLAN: N/A

IMPLEMENTATION DATE: Upon the expiry of the call in period for the minutes of the meeting

ALTERNATIVE OPTIONS:

The Council could decide to delay development until the scheme is financially viable. However, existing funding for the provision of social housing would be lost with no guarantee of its future availability. Alternatively, the Council could fund the 'gap' from its own resources. However, no such resources are identified and the scheme could therefore not progress, leaving an undeveloped site that would detract from the previous significant investment that has taken place in the area.

IMPLICATIONS:

Budget/Policy Framework: None

Financial:

The Council will forego potential overage of up to £36,756, but avoid having to find this sum at the present time. Keepmoat takes the risk that they make a loss on the scheme. If that is the case, no liability will fall upon the Council to meet any financial 'gap' in viability.

No income projection has been included for overage on this scheme. Therefore, any overage secured would be seen as a 'windfall'.

<u>CAPITAL EXPENDITURE</u>	2010/2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross Increase in Capital Expenditure	0	0	0	0
Funded by:	0	0	0	0
Sefton Capital Resources	0	0	0	0
Specific Capital Resources	0	0	0	0
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure	0	0	0	0
Funded by:	0	0	0	0
Sefton funded Resources	0	0	0	0
Funded from External Resources	0	0	0	0

Does the External Funding have an expiry date? Y/N	When? N/A
How will the service be funded post expiry?	

Legal: These changes will involve a minor adjustment to the Overarching Development Agreement between the Council and Keepmoat PLC.

Risk Assessment: The risks of no overage will lie with Keepmoat as a result of this proposal.

Asset Management: N/A

CONSULTATION UNDERTAKEN/VIEWS

LD 00058/11 - The Head of Legal Services has been consulted and his comments have been incorporated into this report.

FD666 - The Interim Head of The Finance & IS has been consulted and has no comments on this report

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		X	
2	Creating Safe Communities	x		
3	Jobs and Prosperity	x		
4	Improving Health and Well-Being	x		
5	Environmental Sustainability	x		
6	Creating Inclusive Communities	x		
7	Improving the Quality of Council Services and Strengthening local Democracy		X	
8	Children and Young People	x		

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

October 6th 2005: Adoption of Overarching Development Agreement with Keepmoat PLC in respect of the Bedford / Queens and Worcester Housing Market Renewal Neighbourhood

1.0 **Background**

- 1.1 This scheme is for a new housing development at Pine Grove in Bootle on land which is owned by the Council and was previously a Council depot. The site is severely contaminated. The scheme consists of 31 houses. Of these, 16 are for sale, 6 for shared ownership (Homebuy) and 9 for social rent. Riverside Housing has agreed to use recycled capital grant and private borrowing to fund the cost of the social rented and Homebuy units. The scheme has full planning consent and can commence on site as soon as a Building Agreement is completed.
- 1.2 Because of the current market values, which dropped dramatically during the 'Credit Crunch', and have risen only marginally since, the residual value calculation for the scheme shows a negative value of -£36,756. The funds to cover this negative value through 'gap funding' are not available within the HMR budget.
- 1.4 Under the existing Overarching Development Agreement (ODA), in the event of prices received upon the sale of units being above the values used at financial appraisal stage to demonstrate viability, any additional income is shared equally between Keepmoat and the Council as part of the 'overage' agreement contained in the ODA.
- 1.5 In order to progress the scheme, Keepmoat has proposed to fund the gap from its own resources, in exchange from them being able to retain 100% of any overage until the gap has been eliminated, at which point, the overage arrangement will revert to that currently within the ODA. To achieve this requires a change to the legal agreement in respect to this scheme, for which Cabinet approval is required.
- 1.6 It is therefore recommended that Cabinet agrees that the ODA be amended in respect to the Bedford Road and Queens Road redevelopment scheme such that the gap in funding for the scheme can be funded by Keepmoat Ltd from its own resources, on the basis that Keepmoat Ltd will then retain any overage which arises on the scheme until the gap in funding has been eliminated, whereupon the overage arrangement will revert to that currently applicable.