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**Report to:** Cabinet

**Date of Meeting:** 8<sup>th</sup> November 2012

**Subject:** Employment and Housing: Anfield and Bedford/Queens Programme

**Report of:** Director of Built Environment

**Wards Affected:** Linacre

**Is this a Key Decision?** Yes

**Is it included in the Forward Plan?** Yes

**Exempt/Confidential** No

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### **Purpose/Summary**

To seek Cabinet approval to:

- accept Regional Growth Funding for the Employment and Housing: Anfield and Bedford/Queens programme;
- to dispose of the Bedford/Queens Phase 3, the former St Winefrides school, and the Kings Centre sites to Keepmoat Ltd. for development and refurbishment;
- delegate authority to the Director of Built Environment, Head of Corporate Finance and ICT, and Head of Corporate Legal Services to agree the final terms under which the grant is accepted, and the terms under which the sites will be disposed to Keepmoat Ltd;
- to enter into, a tripartite agreement with both Keepmoat Ltd and Liverpool City Council to indemnify the Council if either/or both Keepmoat Ltd. and Liverpool City Council fail to honour their obligations contained within the RGF Agreement and to vary the existing Overarching Development Agreement with Keepmoat Ltd. to include the obligations contained within the RGF Agreement.

### **Recommendation(s)**

It is recommended that:

- i) Cabinet accepts the grant offer of £1,468,715 made under the Regional Growth Fund Round 2;
- ii) Cabinet approves the disposal of the Bedford/Queens Phase 3, the former St Winefrides school and the Kings Centre to Keepmoat Homes Ltd. for development and refurbishment as new housing for sale and rent;
- iii) Cabinet authorises the Director of Built Environment, Head of Corporate Finance and ICT, and the Head of Corporate Legal Services to agree the final terms under which the grant is accepted, and the terms under which the sites will be disposed to Keepmoat Ltd;
- iv) Cabinet agrees to the Council entering into a tripartite agreement with both Keepmoat Ltd and Liverpool City Council to indemnify the Council if either/or both Keepmoat Ltd. and Liverpool City Council fail to honour their obligations contained within the RGF Agreement and to vary the existing Overarching Development Agreement with Keepmoat Ltd. to include the obligations contained within the RGF Agreement.

**How does the decision contribute to the Council's Corporate Objectives?**

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

**Reasons for the Recommendation:**

The Regional Growth Fund (RGF) grant will provide the resources necessary to complete the Housing Market Renewal scheme in the Bedford/Queens area of Bootle, and to create, or preserve 122 jobs in North Liverpool and South Sefton.

**What will it cost and how will it be financed?**

**(A) Revenue Costs:** Nil

**(B) Capital Costs:** The Council will administer a RGF grant of up to £1,468,715. This sum is sufficient to deliver new housing on the three sites contained within this proposal. No additional resources over and above that already allocated to the HMR programme in June 2011 are required. Acceptance of this grant will neither increase nor decrease the requirement for funds for the HMR programme approved by Cabinet in June 2011.

**Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

**Legal:** With the exception of the former St Winefrides School, the site has been acquired using Compulsory Purchase powers with a view to delivering this scheme. A range of legal implications would result from failure to deliver the scheme as planned.

**Human Resources:** There are no additional human resources required as a consequence of this expenditure.

**Equality**

- |   |                                     |
|---|-------------------------------------|
| 1. No Equality Implication                          | <input checked="" type="checkbox"/> |
| 2. Equality Implications identified and mitigated   | <input type="checkbox"/>            |
| 3. Equality Implication identified and risk remains | <input type="checkbox"/>            |

**Impact on Service Delivery:**

This will ensure that the Council can continue to deliver an approved regeneration scheme, as set out in the Bedford Road/Queens Road Supplementary Planning Guidance (July 2004).

**What consultations have taken place on the proposals and when?**

The Head of Corporate Finance (FD1896/12) has been consulted and any comments have been incorporated into the report.

The Head of Corporate Legal Services (LD1214) has been consulted and any comments have been incorporated into the report

**Are there any other options available for consideration?**

With exception of the former St Winefrides School, the sites in question were Compulsorily Purchased by the Council in order to redevelop with new housing and to use this land for any other purpose could result in legal challenge.

Keepmoat Limited is the Council's appointed 'lead developer' partner for the HMR programme in the Bedford/Queens area of Bootle. As such the Council has previously entered into an Overarching Development Agreement with Keepmoat Limited which gives them 'first call' on HMR development opportunities in the Bedford/Queens area, subject to performance and viability.

However, it would be possible as matters stand to sell the former St Winefrides School site on the open market. Keepmoat has carried out an initial development appraisal of this site and currently the cost of development with housing for sale considerably exceeds its value suggesting that the site is not viable without grant. On this basis it is likely that if the Council were to sell the site on the open market it would remain undeveloped for some considerable time. Keepmoat are one of the joint applicants of the Regional Growth Fund bid and therefore access to it is dependent upon them being the developer.

**Implementation Date for the Decision**

Upon the expiry of the "call-in" period following the Cabinet Meeting

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**Background Papers:**

None

## **1.0 BACKGROUND:**

- 1.1 The Bedford/Queens neighbourhood in Bootle was in the Housing Market Renewal (HMR) regeneration area.
- 1.2 The Bedford Road and Queens Road area was identified as one of Sefton's priority areas for intervention in 2003 following extensive research and consultation with the local community. The area was selected to be part of the HMR programme primarily because of the extent of housing market failure and the poor residential offer provided by the existing housing.
- 1.3 In July 2004 members approved the adoption of Supplementary Planning Guidance detailing the adopted strategy for the priority area. This included the re-development of approximately 400 obsolete houses with new housing for sale, rent and shared ownership.
- 1.4 Following an OJEU procurement exercise Keepmoat Ltd. was appointed as the Council's private sector development partner for the Bedford/Queens HMR neighbourhood. The Council has entered into an Overarching Development Agreement with Keepmoat Ltd. giving them first call on developing Council owned sites in the Bedford/Queens HMR neighbourhood.
- 1.5 To date significant progress has been made to complete the masterplan strategy, for the priority area. Phase 2 is currently under construction and Phase 3 and the Kings Centre are the last residential sites in the priority area to be completed. Completion of these sites will complete the HMR programme in the Bedford/Queens area.
- 1.6 In March 2011 dedicated funding for the HMR programme ended and the Government invited HMR authorities to apply for the new Regional Growth Fund (RGF), administered by the Department for Business Innovation and Skills (BIS), in order to complete half completed projects. A joint RGF application with Liverpool City Council and Keepmoat Ltd. was therefore submitted in July 2011 for £6.4m to complete HMR projects in Anfield and Bedford/Queens, £1.468m of which was for Sefton.
- 1.7 The original bid for this funding was the resources necessary to acquire and demolish the properties in the Bedford/Queens Phase 3 area and ready the site for development. However, in parallel with the RGF application the Council also applied for the HMR Transition Fund, which along with match funding provided by the Council with the resources necessary to acquire and demolish the remaining properties in both the Bedford/Queens and Klondyke HMR areas, and ready the sites for development. The Council was subsequently awarded £3.4m in HMR Transition Funding meaning that duplicate funding was in place, meaning that we were at risk of losing the Regional Growth Funding.
- 1.8 However, during the course of evaluating the feasibility of development it became apparent that the Bedford/Queens Phase 3 and former St Winefrides School sites required gap funding in order to be viable. A requirement for gap funding on these sites was not anticipated and therefore was not included within the HMR Capital Programme approved by Cabinet on the 23<sup>rd</sup> June 2011.

- 1.9 The Kings Centre was acquired by Sefton under a Compulsory Purchase Order issued in 2005. The original intention was to re-develop the building, however, following the CPO objectors to demolition succeeded in getting the building 'spot listed' preventing it from being demolished as planned. Following the spot listing a number of options to refurbish the building were explored; however, none were viable because of the requirement for significant grant funding, and the building has been 'mothballed' ever since. The building is a significant drain on resources and in the last 12 months has required costly works to the roof and chimney. It is currently empty and in relatively poor condition, on the edge of the Bedford/Queens regeneration area. No resources to address the problem of the Kings Centre were included in the HMR Capital Programme approved by Cabinet on the 23<sup>rd</sup> June 2011 because this schedule of works only dealt with those elements of the programme deemed to be essential.
- 1.10 Following the announcement that the RGF bid had been successful officers entered into discussions with BIS regarding use of the grant to cover the grant required for these three sites. BIS has now agreed to Sefton applying the £1.4m grant as gap funding for Bedford/Queens Phase 3, the former St Winefrides school site and the Kings Centre.
- 1.11 When Cabinet considered the HMR Capital Programme on the 23<sup>rd</sup> June 2011 it also approved officers to put forward bids for the HMR Transition Fund and Regional Growth Funding on the basis that any grant which was awarded would be netted off the total capital required from the Council's own resources. The £3.4m awarded to the Council from the HMR Transition Fund has therefore been netted off the amount of Council resources necessary to fund the close down programme approved by Cabinet on the 23<sup>rd</sup> June 2011. However, because the RGF grant will now be used for items not contained within this original programme of works the £1.4m cannot now be netted from the programme approved on the 23<sup>rd</sup> June 2011.
- 1.12 The development of the former St Winefrides School and the Kings Centre were not deemed to be essential to the closedown of the HMR programme and were therefore not included in the HMR Capital Programme approved by Cabinet in June 2011. Acceptance of this grant will allow these sites to also be developed, generating additional New Homes Bonus and Council Tax for the Council, which are not required by the HMR programme. The capital cost and administration of developing the three sites included in this proposal will be contained within the programme approved in June 2011, and the additional Regional Growth Funding. Acceptance of this grant will neither increase nor decrease the funding approved in June 2011 to closedown the former HMR programme.

## **2.0 REGIONAL GROWTH FUND:**

- 2.1 The Employment and Housing: Anfield and Bedford/Queens programme will see over 500 new homes and 122 full time equivalent jobs created, or protected, in North Liverpool and South Sefton. In Sefton approximately 100 new homes will be developed.
- 2.2 Liverpool City Council has agreed to act as Accountable Body for the grant and as such are in receipt of a draft offer of grant letter, which they must sign and return to accept the terms under which the grant is offered.

2.3 The grant is made by the Department for Business Innovation and Skills (BIS) and as beneficiaries of the grant Sefton and Keepmoat will enter into a legal framework agreement with Liverpool City Council which will outline the terms under which grant would be available.

### 3.0 DEVELOPMENT PROPOSAL:

3.1 The development proposals in Sefton under this programme are as follows:

Site	Anticipated Units	Anticipated Start
Bedford/Queens Phase 3	71	May 2013
St Winefrides	26	April 2013
Kings Centre	5	April 2013

3.2 All of the sites within this RGF proposal are owned by the Council. The freehold to the Kings Centre was acquired by the Council following a successful Compulsory Purchase Order issued in 2005, the freehold to the Bedford/Queens Phase 3 site was acquired by the Council following a successful Compulsory Purchase Order issued in 2010, and the Council has the freehold to the former St Winefrides School site.

3.3 The Bedford/Queens Phase 3 site has outline planning consent, however, St Winefrides and the Kings Centre would be subject to new planning applications.

3.4 The properties constructed on Bedford/Queens Phase 3 and the former St Winefrides School will be family accommodation for sale. The Kings Centre will be converted and refurbished as apartments for Affordable Rent through Plus Dane Housing Association, the Council's 'lead Registered Provider' for this area.

3.5 The New Homes Bonus due to the Council from the development of these sites will be £759,686 (paid as £126,614 per year for a period of 6 years).

3.6 Under the terms of the Overarching Development Agreement any site disposed to Keepmoat uses a residual land value, calculated on an open book basis by assessing the scheme's final value against the cost of construction, including the developer return. It is anticipated that for each of the three sites in question the cost of construction, plus developer return will exceed the sales income, meaning that they have no land value and require gap funding in order to be viable.

3.7 The Development Appraisals for each site presented by Keepmoat Ltd. will be verified by Capita on behalf of the Council and any gap funding requirement will come from, and be entirely contained within, the RGF grant allocation of £1,468,715. Delegated authority is requested so that the Director of Built Environment, Head of Corporate Finance and ICT, and the Head of Corporate Legal Services can agree the final terms of the site disposals.