

REPORT TO: Cabinet Member Regeneration
Cabinet
DATE: 9th June 2010
10th June 2010.
SUBJECT: Provision of grant funding for capping layer and gas
protection at Tannery site.

**WARDS
AFFECTED:** Litherland

REPORT OF: Alan Lunt - Neighbourhoods and Investment Programmes
Director
**CONTACT
OFFICER:** Tom Clay, HMR Programme Manager
0151-934 4849

**EXEMPT/
CONFIDENTIAL:** No

PURPOSE/SUMMARY:

To request approval to provide 'gap' funding for a capping layer and gas protection measures to Bellway Homes Ltd. for the development of new housing for sale and rent at the Tannery site, Bootle, using funding from the Council's Housing Market Renewal Programme.

REASON WHY DECISION REQUIRED:

The scheme will be unable to proceed without 'Gap' funding in current market conditions, and the Neighbourhoods and Investment Programmes Director does not have delegated authority to make decisions relating to such matters.

RECOMMENDATION(S):

That Cabinet Member Regeneration notes and Cabinet approves making available a Grant of £225,334 to Bellway Homes Limited subject to completion of the necessary grant agreement and Building licence for a capping layer and associated works at the Tannery site, Hawthorne Road, Bootle.

KEY DECISION:

N/A

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 not to make the gap funding available. This would mean the scheme being unable to proceed and the loss of £1.9million of HCA funding for 17units of affordable social housing for rent, 12 units for shared ownership (Homebuy) and 27 units for sale.

IMPLICATIONS:

Budget/Policy Framework: Funding is available from the approved HMRI budget for 2010/11

Financial:

<u>CAPITAL EXPENDITURE</u>	2009 2010 £	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £
Gross Increase in Capital Expenditure			0	0
Funded by:				
Sefton Capital Resources				
Specific Capital Resources: (HMRI)				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When? March 2011			
How will the service be funded post expiry?	N/A			

Legal: Legal advice has been taken in relation to State Aid matters, and the gap funding proposed is covered by current EU exemptions to State Aid rules.

Risk Assessment: A risk assessment has been carried out as part of the scheme appraisal.

Asset Management: N/A

CONSULTATION UNDERTAKEN/VIEWS

Interim Head of Legal Services
FD425 - ∴ The Head of Corporate Finance & Information Services 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

None

1.0 Background

- 1.1 This project involves the next phase of new housing development on land assembled as part of the Sefton Metropolitan Borough Council (Klondyke and Hawthorne Road, Bootle) Compulsory Purchase Order 2005 (The CPO).
- 1.2 Following the confirmation of the CPO, the intention was that Bellway Homes Limited, the Council's selected developer, and Adactus Housing Association), the Council's lead RSL for the area, would then be able to proceed to develop out the new housing on the site.
- 1.3 Delays incurred as a result of prolonged legal challenges to the legality of the Compulsory Purchase process, followed by the impact of the credit crisis, required the scheme to be delayed and re-designed. This primarily involved omitting apartments, and increasing the proportion of family houses with off-street parking. The revised scheme was granted full planning approval on the 12th February 2010 A Social Housing Grant has been approved by the Homes and Communities Agency towards the costs of the Social Housing dwellings forming part of the scheme.
- 1.4 Re-appraisal of the financial aspects of the scheme by the developer has shown that there is still a significant gap between the cost of provision and the values to be obtained. These figures – both of costs and values - have been verified by Capita Symonds for the Council. The only way, therefore, for the scheme to proceed at the present time is if gap funding is provided by the Council. The alternative would be to delay the scheme until market conditions improve substantially, and even then gap funding would still be needed for the affordable housing.
- 1.5 It is proposed therefore that 'gap' funding is provided to fund the provision of the capping layer and gas protection measures which are works preparatory to the construction of the houses.

2.0 State Aid Rules

- 2.1 The Council is able to provide 'Gap' funding to Bellway Homes Limited under a current exemption granted by the European Commission from European State Aid rules, namely: *N221/06 – United Kingdom Support for Land Remediation (In Assisted Areas)*.

- 2.2 The objective of this Scheme is to bring contaminated land, brownfield land and derelict land back into productive use by addressing the detrimental effects of previous usage. In turn, this enables subsequent development whilst “simultaneously reducing the pressure for development on greenfield land, thus promoting EC objectives such as environmental protection and sustainable economic development”. This is the provision that has already enabled the Council to fund remediation of the site within State Aid Rules.
- 2.3 It is proposed that the final capping layer and gas protection measures to be carried out by Bellway Homes Ltd which will cover the gap needed to enable the scheme to proceed.

3.0 Funding

- 3.1 The required level of gap funding has been assessed, following a rigorous financial appraisal process, as being £225,334. The appraisal has been carried out in accordance with the provisions of the Overarching Development Agreement with Bellway Homes Ltd which in itself was procured through European Procurement procedures.
- 3.2 This also allows that, in the event that the actual Income from Sales exceeds that contained within the appraisal, the Council shares this ‘overage’ on a 50/50 basis with the developer.
- 3.3 The gap funding requirement is contained within the HMRI budget for remediation of the Tannery site that was approved by Cabinet on the 15th April 2010.

4.0 Conclusion

- 4.1 The provision of gap funding is essential in order to ensure the delivery of the next phase of high quality housing in the Klondyke neighbourhood, on a formerly derelict industrial site. Development with a range of high quality housing represent a major uplift for the neighbourhood and enables remaining residents of the Klondyke estate to be re-housed.