



**COUNCILLOR
GEORGE DAVIES**

**CABINET
25 MARCH 2019**

**WIRRAL WATERS: HOUSING
INFRASTRUCTURE FUND**

Councillor George Davies, said:

“This is fantastic news for Wirral residents. We have said time and again we are determined to maximise every square inch of brownfield land for residential development, as part of our commitment to protecting our precious green belt.

“The funding we have secured will help accelerate residential development on the Wirral Waters site, bringing much-needed new homes to Birkenhead.

“Wirral residents can now look forward to major improvement works being carried out at the site, quickly leading to new, attractive homes being developed for families.”

REPORT SUMMARY

In November 2017, Wirral Council submitted a bid to central Government for £6,004,160 from the Housing Infrastructure Fund (HIF) programme, to support housing development in Wirral Waters. Wirral Waters is the only scheme within Wirral that met the HIF programme criteria. The process was highly competitive as the programme was heavily oversubscribed but in February 2018 central Government announced, in principle, that the bid from Wirral Council had been successful.

The funding will support the delivery of over 1,000 properties at Northbank, Wirral Waters which will include the Urban Splash development, the Belong Urban Village and the Wirral Waters One project. Together with the Wirral Waters One development, this scheme represents a step change to the residential offer in the East Wirral housing market. It will fund a range of infrastructure works which will unlock further residential and commercial development in Wirral Waters and add to the creation of a new community within the dockland area.

Following a process of due diligence by Homes England the scheme was formally approved in February 2019. This report sets out the detail of the HIF funded programme and seeks authority to accept the grant from Homes England and to allocate the funding to Peel Holdings to deliver the scheme.

The Wirral Plan has a pledge to deliver good quality housing that meets the needs of residents, through creating 3,500 new homes and improving a further 3,500 homes by 2020. The three residential developments at Wirral Waters will together result in some 1,106 residential units being delivered and, as they will be constructed on brownfield vacant land, it will help to reduce the pressures on development in Wirral's Green Belt.

The proposals contained in this report contribute to a number of the pledges within the Wirral Plan, including:

- Increase inward investment
- Greater job opportunities in Wirral
- Good quality housing that meets the needs of residents

The appendix to this report is not for publication by virtue of paragraph 3 (Information relating to the financial or business affairs of any particular person) under Schedule 12A of the Local Government Act 1972 as amended.

This is a key decision and affects all Wards within the Borough.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Note the decision from Homes England, on behalf of Central Government, to award £6,004,160 to Wirral Council for delivery of Phase 1 of the regeneration of Wirral Waters, and the funding conditions as specified by Homes England in Appendix 1 to this report;
2. Delegate authority to the Director with Portfolio in consultation with the Director of Governance and Assurance to negotiate and conclude a grant agreement with Homes England to mirror the terms in Appendix 1;
3. Delegate authority to the Director with Portfolio in consultation with the Director of Governance and Assurance to negotiate and enter into a grant agreement with Peel Holdings Land and Property (UK) Limited to reflect and deliver the terms of the funding offer from Homes England.
4. Authorise the Director with Portfolio to ensure the scheme is delivered, and that monitoring and progress reports are provided, in accordance with the conditions of the grant agreement.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 The approval of the funding agreements will enable the Council to access £6,004,160 worth of grant from Homes England and transfer this grant to Peel Holdings. This will enable the delivery of the long-awaited first phase of development to begin, resulting in the delivery of around 1,000 new properties. Through developing a new, successful housing market, the delivery of the first phase will build up the confidence and momentum which will unlock the wider regeneration of Wirral Waters, including the development of 13,500 new homes.

2.0 OTHER OPTIONS CONSIDERED

2.1 Do Nothing

Under this option, the Council would not secure grant funding for the development at Wirral Waters. Development would therefore be left to the market. For some time, Peel have had outline planning permission in place for the development of Wirral Waters, East Float. However, the option of leaving this to the market has proved unviable. A number of barriers to viability have been identified, including:

- Low end values and the need for high quality new homes in the initial stages of delivery to raise quality and values to allow profits to be recycled into future phases;
- The need to deliver appropriate site infrastructure integrated within initial projects and the impact of costs on viability;
- The provision of high quality local amenities to attract employers, employees, residents and visitors.

The cumulative effect of these barriers is to render the scheme unviable for the landowners, Peel, to develop. Therefore under the do nothing approach (and leaving this development to the market) it is highly unlikely that any development would take place, at least unless and until there was a significant market upturn, which is itself unlikely in an area with no housing market.

By addressing these barriers, and building confidence and momentum through high quality development, Peel will be able to commence development and stimulate confidence in the wider development.

2.2 Alternative options for housing development at East Float Wirral Waters

Planning Permission for East Float was approved in May 2012. A number of options for Northbank have been developed looking at place making, scale, height, density, unit types, parking, informed by market testing and viability. Funding support is required given the viability issues associated with the site for these to progress.

Initial options included higher rise perimeter blocks with towers and podium parking. This was unviable due to the high costs of building structure and piling. Later options included lower buildings with taller towers at key points and at grade parking. This was unviable due to the lower densities created by extensive at grade parking areas.

The preferred option is to progress medium rise typologies with managed parking - 'at grade', covered with amenity space and in curtilage - together with a high quality public realm and public transport infrastructure. The soft market testing has confirmed that a high quality environment, public realm and distinct residential typologies are needed to build confidence, attract market interest and raise values. This option will not be delivered without the Housing Infrastructure funding.

3.0 BACKGROUND INFORMATION

- 3.1 Wirral Waters is one of the largest regeneration project in the UK, focused on transforming the semi-derelict Birkenhead dock system. A mixed use, sustainable development, the scheme has the potential to create up to 20,000 jobs. Housing is a key feature of Wirral Waters, with outline planning permission in place for up to 13,500 units to be developed over the next 25 years. Government Enterprise Zone status was secured in 2011 and the area was awarded Housing Zone status in 2017 – recognising the opportunity for housing growth within the scheme.
- 3.2 In November 2017, Wirral Council submitted a bid to central Government for funding under the Housing Infrastructure Fund – Marginal Viability Fund. The HIF criteria requires sites to be within areas designated by the Government as Housing Zones and there are three Housing Zones within Wirral – Bromborough, New Ferry and Wirral Waters. Northbank, East Float Wirral Waters was the only one of these sites to be sufficiently developed to meet the full HIF criteria.
- 3.3 HIF grants from Homes England can only be offered to local authorities, though it is recognised that in many cases (as in this one), the Council will then enter into an agreement with a private sector landowner to enable the transfer of funding to them. The process was highly competitive as the programme was heavily oversubscribed but in February 2018 central Government announced, in principle, that the bid from Wirral Council had been successful. This was the only scheme within the Liverpool City Region which secured support.
- 3.4 Starting in the autumn of 2018 Homes England (on behalf of central Government) and their appointed consultants conducted a lengthy process of clarification and due diligence on the scheme. In November, the scheme was approved by Homes England's Investment Panel, and an initial grant agreement was issued to the Council. Further negotiations then took place with Homes England on a number of the grant conditions and a final grant agreement was issued by Homes England in February 2019.
- 3.5 The grant of £6,004,160 from the Housing Infrastructure Fund has been awarded for allocation by March 2021 in order to unlock further residential development. This grant will enable the delivery of a package of infrastructure works including land remediation, public realm works, and utilities provision. Delivery of these works will enable the delivery of 1106 residential units at Wirral Waters including the Urban Splash development, the Belong Urban Village, and the Wirral Waters One project. Through the delivery of a significant and successful first phase of development, it is anticipated that a new housing market will be developed, with confidence and momentum which will enable the wider development of some 13,500 homes to proceed.
- 3.6 The infrastructure to be delivered is all contained within land owned by Peel Holdings or within the Council's public highway. Numerous surveys and

investigations have previously been undertaken on the sites, and the design and specification of the works are well underway.

- 3.7 The project forms part of the wider portfolio of growth projects within the Economic and Housing Growth Directorate. Oversight and decision making will be in line with the corporate framework.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The funding summary from the successful bid is as follows:

Works	HIF Funding
North Bank East Remediation	£585,836
North Bank East Services & Utilities	£229,950
North Bank East Dock Edge Public Realm	£805,350
North Bank East Public Square	£516,000
North Bank West Remediation	£318,369
North Bank West Services & Utilities	£283,500
North Bank West Dock Edge Public Realm	£447,592
North Bank West Dock Road Public Realm	£350,127
Urban Splash Enabling Works	£2,467,436
TOTAL	£6,004,160

5.0 LEGAL IMPLICATIONS

- 5.1 The grant conditions from Homes England are attached at Exempt Appendix 1. State Aid advice, as required by Homes England, has been sought.
- 5.2 The conditions are summarised below. Where those conditions are 'pre-contract' they are to be complied with prior to the signing of a funding agreement with Homes England. Where they are 'pre-drawdown' they will be complied with prior to the Council being able to draw down funding from Homes England (and therefore prior to Peel being able to draw down funding from the Council):

Condition	Stage in Process
Peel to provide a detailed procurement strategy for the infrastructure works.	Pre-contract
Provision of State Aid advice to confirm the proposed funding and delivery mechanism is appropriate.	Pre-contract
Detailed planning consent is granted for the infrastructure works, including remediation, within a timescale that will enable the works to be completed by March 2021.	Pre-contract
Site investigation undertaken and remediation strategy in place.	Pre-contract
Identification of all necessary statutory consents.	Pre-contract
Receipt of the required consents.	Pre-drawdown

Confirmation that STEP funding of £500,000 has been unconditionally granted and is available to draw down.	Pre-contract
Detailed planning consents for all residential parcels within Phase 1 being granted.	Pre-contract
Provision of an updated development appraisal.	Pre-contract
Procurement of a suitably qualified contractor(s) to undertake the infrastructure works.	Pre-drawdown
If the final tender price for the infrastructure works is lower than £6,004,160, MVF grant will reduce by a corresponding amount. Any cost over-runs will be borne by the developer.	Pre-drawdown
The Council should seek to recover the gap grant funding from the overall Wirral Waters project on either the first or all future phases subject to viability assessments made on monitoring returns	Pre-drawdown

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 Any resource implications will be met from existing budgets.

7.0 RELEVANT RISKS

Risk	Mitigation
Failure to secure planning permission for the scheme	This is a low risk because outline planning permission has already been secured.
Failure to deliver the scheme or meet the milestones/timescales agreed with HE which could result in claw back of the grant from HE	A detailed work programme is in place and being reviewed to reflect the protracted timescales involved in the Homes England clarification process. A delivery group and Project Board is in place to ensure oversight. Any conditions from HE relating to spend requirements will be passed onto Peel through the funding agreement
Cost overrun	Detailed design work has already been conducted. Cost overruns will be borne by Peel under the terms of the funding agreement.
Supply chain issues	An experienced developer, the use of modular construction, and monitoring and governance arrangements for the work programme will enable corrective action to be taken if appropriate.
Ground conditions	Site already in developer ownership and detailed site investigations have been undertaken

8.0 ENGAGEMENT/CONSULTATION

8.1 Consultation has taken place on the planning application for Wirral Waters One and will take place as part of the planning applications that will be submitted to the Council.

9.0 EQUALITY IMPLICATIONS

9.1 Yes. The potential impact has been reviewed with regard to equality. This links to the existing EIA conducted for Wirral's Growth Plan.

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2014-0>

10. REFERENCE MATERIAL

Homes England: Housing Infrastructure Fund – Application form

Homes England: Assurance Framework for the Housing Infrastructure Fund – Marginal Viability Funding

Housing Infrastructure Fund Submission to the Homes and Communities Agency – Exempt

Homes England Letter: Subject to Grant Determination Agreement - Exempt

REPORT AUTHOR: Sally Shah

Lead Commissioner: Place and Investment

telephone: (0151) 691 8948

email: sallyshah@wirral.gov.uk

APPENDIX – Exempt by virtue of Paragraph 3, Part 1 of Schedule 12A of the Local Government Act 1972