

<b>CLLR GEORGE DAVIES</b>	<b>DELEGATED DECISION BY PORTFOLIO HOLDER 18<sup>TH</sup> APRIL 2019</b>  <b>ACCEPTANCE OF HOMES ENGLAND ACCELERATED CONSTRUCTION FUNDING TO FACILITATE THE REDEVELOPMENT OF THE BEAUFORT ROAD SITE FOR HOUSING UNDER THE DEVELOPMENT AGREEMENT WITH KEEPMOAT HOMES</b>
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## **REPORT SUMMARY**

This report seeks the acceptance of Homes England Accelerated Construction grant funding to remediate a Council owned brownfield site and facilitate its redevelopment for housing use by Keepmoat Homes under the terms of an existing Development Agreement.

This report relates to a brownfield site on Beaufort Road, Birkenhead, formerly occupied by council houses that were demolished. One privately owned house also remains on the cleared site. Site investigations have established poor ground conditions including contamination that would need extensive remediation to enable any housing redevelopment.

In connection with the former Housing Market Renewal Initiative and, following a tendering exercise in 2005, the Council selected Keepmoat Homes as its preferred developer partner for Birkenhead and a Development Agreement was subsequently signed in 2011. This Agreement committed both the Council and Keepmoat Homes to assemble and redevelop various defined sites in North Birkenhead and these have now been successfully completed. The development agreement has a process for allowing other sites in the area edged red on the plan in Appendix. 1, to be considered for development. The inclusion of a specific site requires executive approval. Financial appraisals submitted by Keepmoat in connection with this site show that residential redevelopment is not currently viable due to the costs of both the remediation and specialist engineering work necessary leaving a negative land value. The negative value is in the region of £1.6m. The final appraisal has been submitted and the figures verified by independent cost consultants.

As part of the national Accelerated Construction Programme, a Land Release Fund of £45m has been made available for Local Authorities in order to bring forward land for redevelopment that otherwise would not have been viable. This grant funding can

be used for site remediation. Following a bid for resources from this fund, the Council has been offered a grant from Homes England of £1,314,590 to remediate the Beaufort Road site. This is the minimum grant that we will secure (we are currently exploring whether this can be increased). Now that the financial appraisal has been verified and accepted as being correct by the cost consultants, the Council must enter into a grant funding agreement with Homes England as soon as possible in order to secure this funding.

This redevelopment will assist in the delivery of the housing pledge in the Wirral 20/20 Plan for 3500 new homes to be delivered between by 2020. Since 2011 a total of 246 new homes have already been delivered through the partnership between the Council and Keepmoat. Keepmoat is keen to submit a planning application and, if approved, will build up to a further 177 homes on the Beaufort Road site by September 2024.

This matter relates to a site within Bidston & St James Ward.

## **RECOMMENDATION/S**

1. That the Cabinet Member for Housing and Planning notes the current negative land value in relation to the proposed residential redevelopment of the Beaufort Road site, which has been independently approved by the Council's cost consultants and, agrees that this forms the basis of including Beaufort Road site under the Development Agreement.
2. The Cabinet Member for Housing and Planning is requested to authorise the Director of Governance and Assurance to enter into a funding agreement with Homes England to secure a grant towards the cost of the remediation of the Beaufort Road site. The grant is lower than the total cost of the remediation work and the Cabinet Member for Housing and Planning is also requested to authorise a potential maximum additional contribution from the Council of £108K towards the cost of the remedial works.
3. The Cabinet Member for Housing and Planning is requested to authorise the Director of Governance and Assurance to negotiate and enter into a grant agreement with the developer, to mirror the Homes England grant funding agreement
4. The Cabinet Member for Housing and Planning agrees to dispose of the Beaufort Road site to Keepmoat Homes, under the terms of the existing Development Agreement, for residential housing redevelopment



## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 Wirral Council has been working with Keepmoat Homes to deliver new housing schemes since 2011 and the success of this partnership has been demonstrated by the completion and sales of new homes in a difficult housing market, when other schemes in the borough have stalled. The Council is keen to continue this partnership under the terms of the existing Development Agreement. The Beaufort Road site is likely to be unviable for redevelopment without substantial remediation works being undertaken. The capital grant funding from Homes England when combined with gap funding from the Council and the substantial private sector investment from Keepmoat provides an opportunity to bring this site back into housing use.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 The option of doing nothing has been considered. This would result in the loss of £1,314,590 grant funding from Homes England and the site being left in its current unused condition, indefinitely. The site itself would remain in a contaminated state and would remain an ongoing liability for the Council (fly tipping and associated removal costs, has been and remains an ongoing drain on resources).
- 2.2 The option of trying to sell the site on the open market has also been considered. It should be noted that this would only be possible after the long stop date in the Development Agreement (2021), or, if Keepmoat withdrew its current interest. In its current condition, it has a substantial negative land value and it is extremely unlikely in its current state that the Council would be able to sell the site for redevelopment.

### **3.0 BACKGROUND INFORMATION**

- 3.1 The Beaufort Road site (referred to as '*the site*'), as shown in Appendix 1, is currently a brown field site that was formerly occupied by council housing. Between approximately 2000 and 2003, all of the housing on this site was demolished, with the exception of one privately owned house at 8 Ilchester Road. Number 8 is structurally supported by adjacent vacant properties owned by the Council. *The site* is designated for primarily residential use in the Council's UDP and has been left vacant and undeveloped. Since demolition, there have been numerous ongoing problems with fly tipping and travellers accessing the site. This has and continues to have cost implications for the Council.
- 3.2 In connection with the former Housing Market Renewal Initiative and, following a tendering exercise in 2005, the Council selected Keepmoat Homes as its preferred developer partner for Birkenhead and a Development Agreement

was subsequently signed in 2011. This Agreement committed both the Council and Keepmoat Homes to assemble and redevelop various defined sites in North Birkenhead and these have now been successfully completed. The Development Agreement has a process for allowing other sites in the area edged red on the plan in Appendix. 1, to be considered for development. The inclusion of a specific site requires executive approval. Keepmoat Homes has submitted a financial appraisal for up to 177 new housing units, subject to planning approval and the extent of the site that can be developed. This appraisal shows a substantial negative land value due to very poor ground conditions and extensive contamination being found following site investigations. As such, the site is not viable for redevelopment in its current condition.

- 3.3 As part of the national Accelerated Construction Programme, a Land Release Fund of £45m has been made available for Local Authorities in order to bring forward land for redevelopment that otherwise would not have been viable. This grant funding can be used for site remediation. Following a bid for resources from this fund, the Council has been offered a grant from Homes England of £1,314,590. This is the minimum grant that will be awarded (we are currently exploring whether this can be increased). In order to secure this grant the funding agreement has to be agreed as soon as possible and the grant drawn down by March 2021. This funding will go some way towards reducing the negative land value in the appraisal to approximately £340K, assuming 177 housing units are built. This includes site remediation costs and development costs including specialist foundation work. This negative value would reduce if a higher number of units are built.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The financial appraisal submitted by Keepmoat Homes for 177 units is subject to obtaining Planning Permission, therefore the final figures may change in relation to the redevelopment of *the site*. Gap funding is required to make any residential redevelopment financially viable. The more new units built, the lower the gap funding required. In terms of grant from Homes England, the minimum agreed is £1,314,590 and is to be used towards the funding of the remediation of the site. If we cannot negotiate a higher grant award, approval is requested for the remaining gap in the remedial work costs of £108K to be met from Council funds. This will be the maximum the Council will have to fund towards the total remediation. The Homes England funding must be drawn down by the local authority, before the end of March 2021. The maximum gap funding that is to be provided by the Council, excluding any contribution towards the remediation costs, is specified under the terms of the Development Agreement with Keepmoat Homes and is £175K. Therefore, in total, it is proposed that a maximum of £283K is to be provided by the Council as gap funding. An agreement has been reached with Keepmoat Homes that it will meet the remaining gap of £57K.
- 4.2 Any works involving the demolition of numbers 6 and 10 Ilchester Road and making good the gable walls, as required under the terms of the Development Agreement has been estimated to be in the region of £60,000.



- 4.3 The Council's financial contribution to meet both the remediation gap funding and its legal obligations under the Development Agreement will be resourced from the existing capital programme for works of this nature which has already been approved by Members. The funding to top up the viability gap is within State Aid rules.

## **5.0 LEGAL IMPLICATIONS**

- 5.1 The Development Agreement with Keepmoat Homes, dated 17<sup>th</sup> August 2011, has a process for allowing other sites in the area edged red on the plan in Appendix. 1, to be considered for development. The inclusion of a specific site requires executive approval
- 5.2 The Development Agreement Sequencing Plan and Global Development Programme, would need amending to incorporate *the site*, upon the Business Plan being formally approved by the Head of Service and the site can be disposed of under the terms of the existing Development Agreement.

## **6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

- 6.1 The proposals in this report can be managed using existing staffing and ICT resources

## **7.0 RELEVANT RISKS**

- 7.1 If the site is remediated but not redeveloped by Keepmoat Homes, the site will be offered to alternative private sector housing developers outside the terms of the Development Agreement with Keepmoat Homes to meet the obligations of the Homes England grant funding agreement.
- 7.2 Remediation works are not completed and/or finished. Grant funding will be paid back to Homes England which is considered to be a low risk.
- 7.3 Not accepting the grant funding offered could inhibit future proposals for new housing on this particular brownfield site which would make a valuable contribution to the identification of a five year supply of deliverable sites for new homes through the emerging Local Plan. Existing liabilities and risks will remain with the Council.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 The residential redevelopment will be subject to a full planning application which will be publicised in accordance with the Council's Statement of Community Involvement Keepmoat Homes has indicated that it intends to submit a planning application in April 2019, following completion of the Business case.
- 8.2 A preliminary approach to the owner occupier of 8 Ilchester Road has been made and discussions will remain ongoing.

## **9.0 EQUALITY IMPLICATIONS**

9.1 None

## **10.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

10.1 The site is designated as part of a Primarily Residential Area in the Council's Unitary Development Plan.

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## **APPENDICES**

Appendix 1 - Plan of the Beaufort Road Site

## **REFERENCE MATERIAL**

Development Agreement (exempt) Document held in Housing Services, South Annexe

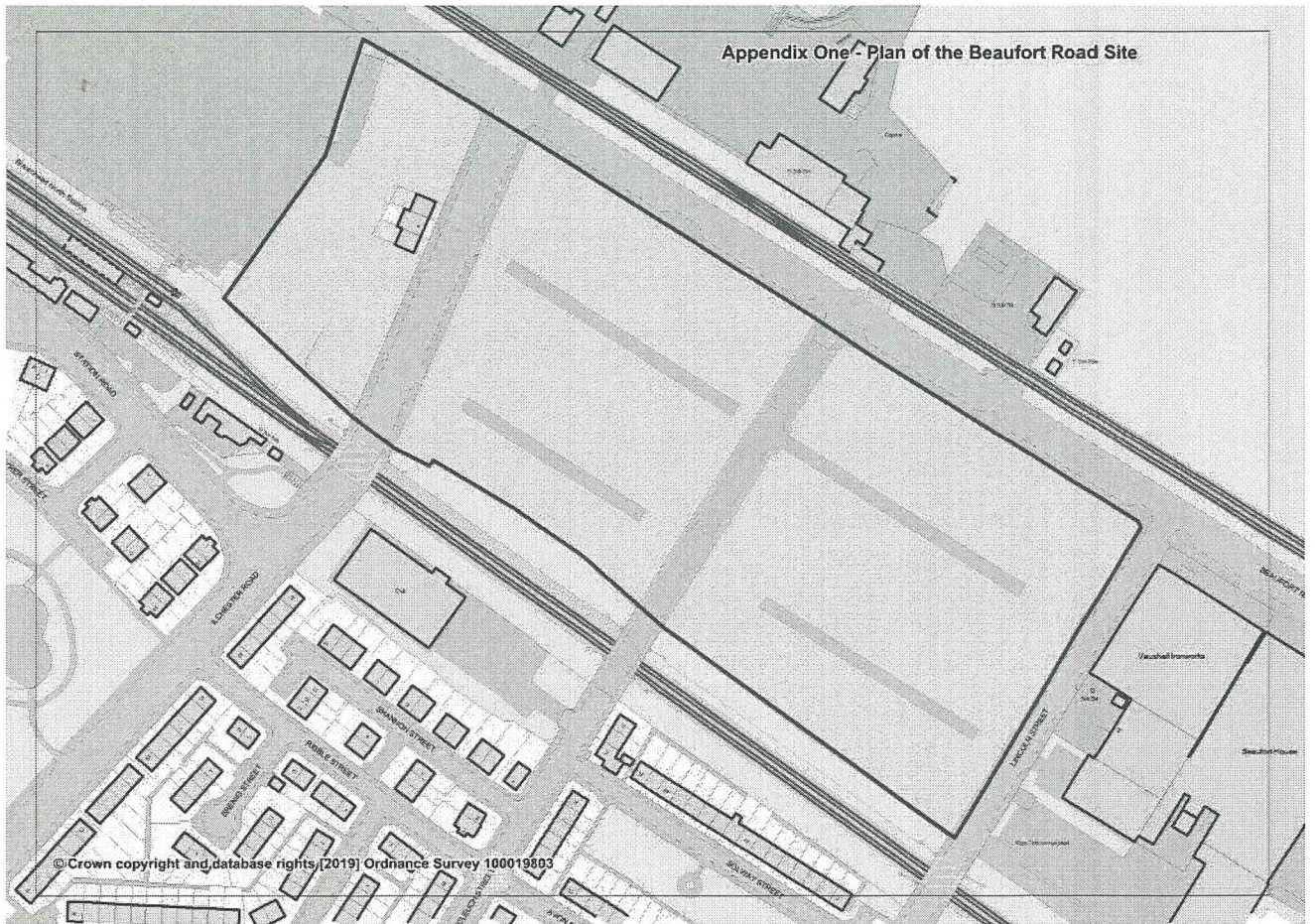
Financial Viability Report (exempt) Document held in Housing Services, South Annexe

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>



Appendix One - Plan of the Beaufort Road Site



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