



ECONOMY REGENERATION & HOUSING COMMITTEE

Monday, 22 January 2024

REPORT TITLE:	WIRRAL WATERS INVESTMENT FUND – EGERTON VILLAGE
REPORT OF:	DIRECTOR OF REGENERATION AND PLACE

REPORT SUMMARY

This report seeks approval to enter into a Deed of Novation of Contract in respect of the Wirral Waters Investment Fund Grant Funding Agreement (GFA) dated 23 February 2023, to enable the delivery of Egerton Village, a new high quality mixed-use development to come forward within Wirral Waters.

The Council Plan 2023-2027 Wirral Working Together, sets out the Council's vision of working together to promote fairness and opportunity for people and communities. The matters contained in this report directly support the following delivery theme of the Council Plan:

- Working together to deliver people focussed regeneration.

Through delivery of this theme, the Council is leading Wirral's place shaping agenda – creating a strong economy based on brownfield first regeneration and delivering social, people-focused regeneration that benefits Wirral as a whole.

This matter is a key decision and affects the ward of Bidston and St James.

Appendices 2 and 3 of this report are exempt from publication under paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972 (Information relating to the financial or business affairs of any particular person (including the authority holding that information) as they contain information relating to the financial and business affairs of Peel L&P Investments and Property Limited, Peel L&P Holdings (UK) Ltd, and Starship Regeneration Egerton Village Limited and the public interest in maintaining the exemption outweighs the public interest in disclosure.

RECOMMENDATION

The Economy, Regeneration and Housing Committee is recommended to authorise the Director of Regeneration and Place to approve the novation of the Grant Funding Agreement between the Council and Peel L&P Investments and Property Limited for the Egerton Village project to Starship Regeneration Egerton Village Limited with Peel L&P Holdings (UK) Ltd acting as continuing Guarantor subject to the requirements as summarised in paragraph 5.1 of this report being satisfied.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To enable the Council to enter into a Deed of Novation of Contract in respect of the Wirral Waters Investment Fund Grant Funding Agreement dated 23 February 2023 for the Egerton Village project.
- 1.2 To enable Starship Regeneration Egerton Village Limited to progress the development which will support the priorities of the Wirral Waters Investment Fund (WWIF), Birkenhead 2040 Framework, and the Council Plan.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Other options have been considered and have been discounted. Specifically, if the Council adopts a “do nothing” approach, as the project is reliant on securing funding to meet the identified viability gap, the development is highly unlikely to be progressed without public sector intervention. If the WWIF grant funding agreement is not novated, the project may not proceed at all.

3.0 BACKGROUND INFORMATION

- 3.1 On 5 November 2015, the Council’s Cabinet approved the creation and operation of the Wirral Waters Investment Fund This fund was established for the purpose of promoting investment and economic growth within the Wirral Waters priority regeneration area. It was set up on the basis of re-investing uplifted business rates and/or prudential borrowing against future business rates generated in the Wirral Waters Enterprise Zone which is designated until 2037. Further background information on the Council’s priorities and operation of the Wirral Waters Investment Fund is detailed in previous reports as noted under the ‘Subject History’ section of this report.
- 3.2 Egerton Village will serve existing and new businesses, residents and visitors by providing key amenity space including an appropriate hospitality offer as well as providing retail, studio and workspace accommodation. It will provide a focal point for arrival and orientation around Wirral Waters. The project will deliver approximately 14,672 sq ft of new commercial floorspace adjacent to the Hythe office building on Tower Road.
- 3.3 The development has been designed to create a new semi-public, semi-covered ‘square’ at its heart that will be used for events and other activities. To the north the largest wing will potentially accommodate a variety of arts and creative industries and students in flexible workshop, studio and education space, with the potential for part to be used as a gallery. It is proposed that there will be a new restaurant occupying a prominent waterfront westerly location on the dock edge. Complementing these offers along the Tower Road frontage will be a series of smaller, retail outlets / kiosks potentially accommodating such amenity services as convenience retail, coffee shop, newsagents etc. to enhance the neighbourhood

offer for businesses, students and the emerging residential community, complementing developments such as the significant Millar's Quay residential scheme.

- 3.4 Following completion of the Grade A Hythe office building at end of 2021, which is next to the site, there is a pressing need to deliver Egerton Village to establish a greater and appropriate amenity offer that will assist in retaining and attracting new employers into the area. It will also transform people's perception of the place whilst establishing a vital and viable base for exploring the rest of Wirral Waters and the wider Left Bank area.
- 3.5 The project is projected to leverage in private sector investment during the construction phase and generate further investment by end users in the form of fit-out and ongoing operation. Details, however, have not yet been provided by either Peel L&P Investments and Property Limited or Starship Regeneration Egerton Village Limited although such external financing will be necessary for the project to succeed because the Council grant would cover only 40% of the cost.
- 3.6 The site benefits from full planning permission (APP/18/00647). A site plan showing the extent of the boundary is included as Appendix 1 to this report.

Grant Funding Agreement background and current position

- 3.7 At its meeting of 17 March 2021, the Policy and Resources Committee approved the making of a grant from the Wirral Waters Investment Fund to Peel Land and Property Investments (Intermediate) Limited (Peel L&P) to support the development of new high quality mixed use floorspace at Egerton Village and for a conditional legal agreement be drawn up. This was further to a recommendation in this regard from Economy Regeneration and Development Committee of 4 March 2021.
- 3.8 Following a subsequent update from Peel Land and Property with regard to the named Peel subsidiary company that would undertake the development, in May 2022, the Director of Regeneration and Place approved a decision that the recipient of the Wirral Waters Investment Fund (WWIF) Grant be amended and the Director of Law and Governance be authorised to progress the legal Grant Funding agreement between the Council and Peel L&P Investments and Property Limited. On 23 February 2023, the Council entered into a Grant Funding Agreement with Peel L&P Investments and Property Limited to deliver the project with the parent company, Peel L&P Holdings (UK) Ltd as guarantor.
- 3.9 In May 2023, the Council was informed by Peel L&P Investments and Property Ltd that they are building a strategic partnership at Wirral Waters that covers Modern Methods of Construction manufacturing and development with Starship Group, based in the heart of Wirral Waters. They have proposed that the Grant Funding Agreement the Council entered into with Peel L&P Investment and Property Limited be novated to Starship Regeneration Egerton Village Limited, which would become responsible for developing the project, subject to the Council's approval to novate the WWIF grant funding agreement. Peel L&P Investments and Property Ltd have put forward to the Council that this alternative arrangement will assist Peel by allowing them to free up development capacity to bring forward other key projects in the Wirral Waters regeneration programme.

3.10 Starship Group was founded in 2020. It counts housing associations, private developers and investors among its client base and utilises Modern Methods of Construction to deliver low carbon homes and developments across the UK. The business relocated its modular construction manufacturing and assembly facility from Deeside to the former Mobil building in the Mea Park area of Wirral Waters in 2022, providing local employment opportunities, whilst in the year prior, also relocating the Group's headquarters to the Grade A Hythe office building on Tower Road, which is directly adjacent to the Egerton Village site.

4.0 FINANCIAL IMPLICATIONS

4.1 The financial implications in respect of the matters in this report are set out in detail in Appendix 2 to this report. Appendix 2 is exempt from publication under Paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972 as it contains commercially sensitive information.

5.0 LEGAL IMPLICATIONS

5.1 CBRE has advised the Council on the proposed novation and is of the opinion that novation should only be entered into if Starship can demonstrate it has adequate external funding to complete the Project (albeit conditional on the novation), has a viable business plan, and that the details of the external funding arrangements would not impair the guarantee given by the Peel Guarantor. If the Committee approves the recommendations within this report the Director of Regeneration and Place would therefore need to consider compliance with the requirements of the Subsidy Control Act 2022 in order to avoid the grant funding agreement being unlawful state subsidy. In order to achieve this the following pre-conditions for the novation of the grant would need to be considered:

- Starship Regeneration Egerton Village Ltd (Starship) entering into a long lease of the site the terms of which will enable it to complete the Project and to disclose the terms of that lease to the Council;
- Submission by Starship of a viable business plan to complete the Project;
- A guarantee by Peel L&P Holdings (UK) Limited (as Guarantor) by it being a party to the novation agreement as a guarantor of Starship's compliance with the conditions of the grant;
- Disclosure by Starship of its external funding arrangements which in the opinion of the Council are sufficient to enable it to start and complete the project and which will enable the Peel Guarantor to "step in" and complete the Project if Starship defaults and any external funder declines to do so;
- Satisfactory arrangements whereby Starship's terms with its suppliers and contractors would empower its external funders and the Peel Guarantor to step in and take over those contracts before those suppliers and contractors exercised any right to terminate those contracts on the grounds of Starship's breach of contract; and
- Other ancillary terms as may be appropriate

- 5.2 If the novation of the Grant Funding Agreement is subsequently approved, this would mean that the recipient of the Wirral Waters Investment Fund (WWIF) grant previously approved for Peel L&P Investment and Property Limited would instead be received by Starship which would take on all rights and be bound by the same obligations, outputs and conditions of the original grant funding agreement, with the Council agreeing appropriate variations owing to a revised project timescale and practical completion date. If CBRE's advice is followed Peel L&P Holdings (UK) Ltd would need to continue to act as guarantor.
- 5.3 Financial assistance is subject to the Subsidy Control Act 2022 ("the 2022 Act") which came into effect on 4 January 2023 and replaced the previous EU State Aid rules. The 2022 Act requires that a public authority must not give a subsidy unless it is of the view the subsidy is consistent with, and satisfies, the 7 principles of the Act, referred to as the "General Principles". These include that the subsidy must remedy an identified market failure or address social difficulties or distributional concerns, be proportionate and limited to what is necessary to achieve the objective and be designed to bring about a change in the beneficiary's behaviour that is conducive to achieving the objective. The latter requirement might be difficult to satisfy if the project is not considered to be financially viable since in those circumstances it is not likely that the Project will be sustainable. The exempt report in Appendix 3 by CBRE is relevant to this issue.
- 5.4 Further requirements of the 2022 Act are that the grant would have to be designed to achieve the specific policy objective (viz creation of the urban village) and the beneficial effects of achieving that objective must outweigh the negative effects on competition caused by favouring one developer (Starship) over all the other potential commercial developers of sites on the Wirral.
- 5.5 The proposed novation of the WWIF Grant Funding Agreement would give effect to the change of recipient of the grant funding to Starship. A new Subsidy Control assessment will need to be carried out by the Council to assess the policy objectives and legal basis for a potential award of subsidy to Starship. Proceeding with novation will need to be subject to the Council satisfying the requirements of the 2022 Act. Until Starship puts forward a viable business plan and sets out its external financing arrangements to meet the 60% of the cost not funded by the Council, it cannot be said that the novation of the grant funding agreement would be lawful since without that additional finance the policy objective of the subsidy will not be achieved.
- 5.6 The Council is under a fiduciary duty to the Council Taxpayer to make prudent use of the Council's resources. This duty entails that the Council must be reasonably confident that the grant will lead to a financially viable investment for Starship yielding a return sufficient to enable it to repay external loans and meet its obligations as a commercial landlord. The Council's fiduciary duty would also prevent the Council from allowing the grant to be used by Starship to pay Peel a price for the land which exceeds its market value.
- 5.7 Having regard to Starship Regeneration Egerton Village Limited's apparent lack of assets and track record (according to information publicly available from Companies House), the conditions listed at paragraph 5.1 of this report are the minimum necessary to comply with the Council's fiduciary duty. Furthermore, and in support of the conditions, Section 24 of the 2022 Act prohibits the Council from entering into a

grant funding agreement with Starship until it can demonstrate that its assets exceed in value its liabilities and that it can stay in business without the help of the Council's grant.

- 5.8 Other legal implications in respect of the matters in this report are set out in Appendix 2 to this report. Appendix 2 is exempt from publication under Paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972 as it contains commercially sensitive information.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 The administration of the grant and monitoring of expected outputs will be resourced through the existing work programmes of officers within the Council's Economic Growth Team with support from Finance officers in relation to claims and payments. Project risk and performance in relation to regeneration delivery will be monitored by the Council's Wirral Waters area programme manager. Finalising the Deed of Novation will be managed by the Council's Legal team.

7.0 RELEVANT RISKS

- 7.1 The risks related to the matters considered in this report are identified along with appropriate mitigation measures within Appendix 2 to this report. Appendix 2 is exempt from publication under Paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972 as it contains commercially sensitive information.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 This report is consistent with the principles of the Council Plan 2023-2027, Birkenhead 2040 Framework and draft Local Plan, which identifies Wirral Waters as an identified and agreed area of significant growth potential. The Council Plan and Birkenhead 2040 Framework have been informed by consultation with residents, businesses and key stakeholders.

9.0 EQUALITY IMPLICATIONS

- 9.1 The Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

- 9.2 The potential impact of the Egerton Village development has been reviewed regarding equality and links to the existing EIA conducted for Wirral's Economic Strategy and no amendments have been made. A copy of the EIA for Wirral's Economic Strategy 2021-2026 can be viewed at:
<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2021-0#overlay-context=communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2021>

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 This project will involve the redevelopment of 0.5 acres of brownfield land. The development will be built using Modern Methods of Construction involving a panelised approach to construction. The modules are an A-frame construction and will form the fabric of the built environment. It will be BREEAM Excellent and will be distinct, innovative and cost effective in its design and in its use of modules and panels. A design competition has been held and the project has successfully been through PlacesMatter! design review process.
- 10.2 The developer aims to create the first Net Zero Carbon building at Wirral Waters, that will offset all greenhouse gases that it produces. This will be achieved through its design, selection of materiality, using renewable energy and careful procurement during the construction and operating stages. The fabrication of the building is also of modular typology which means that construction is efficient. This development will support the Cool Wirral Cool 2 strategy objective 'Leaner use of energy'.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 Community Wealth Building reorganises local economies to be fairer and stops wealth flowing out of communities. Striving for a prosperous and inclusive economy where local people can get good jobs and achieve their aspirations, the Council aims to create an economy that benefits all of our residents and one which keeps money within Wirral. The Council's Community Wealth Building Strategy is a key part of how this is achieved and makes a major contribution to improving the economic, social and health outcomes of the borough.
- 11.2 This project will support Community Wealth by being delivered by a Wirral-based developer and through the creation of local employment. It is estimated that the project will create 49 full-time equivalent new jobs following practical completion but this will only occur if the Project is financially viable.
- 11.3 The project will provide engagement and training opportunities with construction students from the neighbouring Wirral Met College as well as maximising opportunities for spend with the local supply chain and the use of local construction labour. Work will continue with occupying tenants once the site is operational to promote further partnership working and create a project with lasting social value credentials.

REPORT AUTHOR: Tom Booty
Head of Regeneration Delivery
email: thomasbooty@wirral.gov.uk

APPENDICES

- Appendix 1 Site Plan
- Appendix 2 Key Project Details
- Appendix 3 CBRE Appraisal Review Report

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Investments and Property Limited, Peel L&P Holdings (UK) Ltd, and Starship Regeneration Egerton Village Limited and the public interest in maintaining the exemption outweighs the public interest in disclosure.

BACKGROUND PAPERS

Wirral Working Together, A Council Plan for 2023-2027

TERMS OF REFERENCE

This report is being considered by the Economy, Regeneration and Housing Committee in accordance with Section 4.2 (g) of its Terms of Reference.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Economy, Regeneration and Housing Committee: Freeports and Maritime Innovation and Growth Projects	8 March 2023
Officer Decision: Wirral Waters Investment Fund - Egerton Village	29 June 2022
Policy and Resources Committee: Wirral Waters Enterprise Zone Investment Fund - Egerton Village	17 March 2021
Economy, Regeneration and Housing Committee: Wirral Waters Enterprise Zone Investment Fund - Egerton Village	4 March 2021