

KEY DECISION NOTICE

SERVICE AREA:	GROWTH
SUBJECT MATTER:	BROWNFIELD HOMES FUND GRANT- GMCA
DECISION:	<p>That it be DETERMINED that:</p> <ul style="list-style-type: none">(i) The Council enters into a Grant Funding Agreement for the Brownfield Homes Fund to enable the programme of works set out in the report to be delivered.(ii) On-going performance and reporting updates will be provided to the Strategic Planning & Capital Monitoring Board.
DECISION TAKER(S):	Cllr Oliver Ryan
DESIGNATION OF DECISION TAKER (S):	Executive Member (Finance & Economic Growth)
DATE OF DECISION:	25 February 2021
REASON FOR DECISION:	<p>The Brownfield Homes Fund was launched by Government in March 2020. The Council successfully bid into the programme and now has the opportunity of taking up £1.9m of Brownfield Homes Fund Grant from Greater Manchester Combined Authority (GMCA) for three schemes on land owned by the Council and seeks approval for officers to accept and spend the funding under the terms of the Grant Funding Agreements for the following sites:</p> <ul style="list-style-type: none">1. Droylsden library2. Former Two Trees School (school building footprint only)3. Former Denton baths
ALTERNATIVE OPTIONS REJECTED (if any):	<p>The option of not taking up the grant with its associated terms and conditions has been considered and discounted, as the grant will facilitate the clearance of these sites, accelerate delivery for development to support economic and housing growth in the borough. The Grant will also support the delivery of a new and improved library facility in Droylsden, help reduce pressure on the capital programme, help realise capital receipts and generate future income from Council tax.</p>
CONSULTEES:	GMCA
FINANCIAL IMPLICATIONS: (Authorised by Borough Treasurer)	<p>The report sets out the proposed application of brownfield homes funding to three capital projects in the borough as set out in section 1.6 of the report.</p> <p>The proposed application of the funding will reduce the current estimated gross capital cost of the schemes per the table below.</p>

	Estimated Gross Cost	Brownfield Homes Funding	Estimated Net Cost - Excluding Capital Receipts
	£'m	£'m	£'m
Droylsden Library	2.200	0.800	1.400
Denton Pool	0.720	0.300	0.420
Two Trees	0.763	0.800	0.000

There are stringent timescales that need to be adhered to these funding allocations. All three schemes require a minimum level of expenditure to be incurred by 31 March 2021 with the balance incurred in 2021/22. The values of the grant that need to be applied in each financial year are again set out in section 1.6.

Any delay to the approval of all three grant agreements will lead to a clear risk of the funding allocations that can be applied to each scheme, thus increasing the cost liability to the Council detailed in the above table.

It is essential that only eligible expenditure incurred on each scheme is applied to the brownfield land funding allocations to ensure compliance with the grant agreements appended to this report. Each agreement will be require stringent monitoring following approval.

The Executive Cabinet has previously approved a sum of £0.720m for the Denton Baths scheme on 30 September 2020 and a sum of £0.800m for the Two Trees scheme on 2 November 2020, both of which are included in the Council's approved capital programme.

Members should note that the Council's capital programme will be updated once these grant agreements are in place to recognise the reduced estimated net cost liability to the Council of each scheme.

The subsequent disposal of each site will realise a capital receipt for the Council. The Two Trees and Denton Pool sites are included in the Council's forecast £15.3m of capital receipts that will be realised via asset disposals approved by the Executive Cabinet on 30 September 2020. The disposal of the former Droylsden library site will be additional to this sum.

Section 4.1 of the report notes that each development appraisal will include provision for retained receipts prior to any liability for overage with GMCA. This means that in addition to the grant receipt, the Council retain proceeds of sale up to an agreed sum on a 50/50 percent share basis that is capped at the grant award amount for each site.

It is essential that the retained proceeds valuations for each site equate, as a minimum, to the sum included in the aforementioned forecast realisation of £ 15.3m capital receipts.

	<p>Additional Council tax is expected to be realised via the development on the vacated sites as set out in section 2 of the report. If 80 properties are developed on each of the Droylsden library and Two Trees school building footprint, then the Council can expect Council tax revenue of between £0.081m (if all band A properties) and £0.109m (if all band C properties) per annum at 2020/21 Council tax band values (excluding related Greater Manchester precepts).</p> <p>A development of 20 properties on the Denton Pool site would realise estimated Council tax revenue of between £ 0.020m (if all band A properties) and £0.027m (if all band C properties) per annum, again at 2020/21 Council tax band values (excluding related Greater Manchester precepts).</p> <p>Members should note that 4.2 of the report explains grant clawback arrangements. It is essential that the new housing projects for the sites have commenced by 31 March 2024 to eliminate the risk of grant clawback by GMCA at a future date.</p> <p>Section 4.4 of the report provides details of the costs incurred to date associated with the Brownfield Homes bids. These are £ 0.005m associated with appraisals carried out for all 3 sites and £ 0.117m associated with the Droylsden Library scheme. These will be abortive costs to be funded via the 2020/21 Growth directorate revenue budget if the grant agreements do not proceed.</p>
<p>LEGAL IMPLICATIONS: (Authorised by Borough Solicitor)</p>	<p>The terms of the standard Brownfield Grant Funding agreement did not lend itself to the 3 sites in Tameside as it is drafted on the basis that the recipient of the grant i.e. the Council will be building out the sites themselves.</p> <p>This is not the case in Tameside where the proposal is that the Council will undertake the remedial work on the sites in order to get them ready to be marketed for residential development sites.</p> <p>As a result a considerable amount of work has been undertaken by all of the officers involved in this project together with the officers at GMCA to amend the terms of the grant agreement so that the Council can still benefit from using the grant for the remedial works and the GMCA has the comfort that the sites will be built out for residential purposes without the Council being directly responsible for the build out of the sites itself. The amended and agreed grant agreement is appended to this report.</p> <p>The most salient requirements of the grant that Members need to be aware of are:</p> <ul style="list-style-type: none"> • Each site has an agreed number of residential units and a set date to be delivered by • The Council can only dispose of the land for a ‘permitted disposal’ under the terms of the grant agreement i.e. to deliver a number of residential units by a certain date • The Council has agreed to use it reasonable endeavours to ensure that the disposal reflects the principles of Sustainable development

	<ul style="list-style-type: none"> • There are a number of clawback triggers if the Council fails to comply with the terms of the grant agreement the most notable of which is for failure to deliver the residential outputs i.e. the number of residential units at a set date • There is also an overage provision that any profit over and agreed figure for each site is split on a 50/50 basis between the Council and the GMCA. <p>Members therefore need to be content that the projects ambitions for these sites are achievable and deliverable to avoid the claw back provisions.</p> <p>In addition the grant agreement requires that a project officer is appointed to manage the project and the spend. This role is critical to ensure that none of the compliance related clawback provisions are triggered and also to manage the engagement with the market to ensure that there is a permitted disposal and that the number of residential units are built by the required date.</p> <p>In due course further considerations will be required to consider the best route to take these 3 very different sites to market.</p> <p>In addition the terms of the grant agreement requires external legal advice has to be sought in relation to state aid to provide the necessary assurance to the GMCA that the project is state aid compliant. The solicitors have already been provisionally procured and will be formally instructed as soon as possible.</p>								
CONFLICT OF INTEREST:	None								
DISPENSATION GRANTED BY STANDARDS COMMITTEE ATTACHED:	N/A								
ACCESS TO INFORMATION:	<p>APPENDICES NOT FOR PUBLICATION:</p> <p>This report contains exempt information set out in the schedules relating to paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). On balance, under paragraph 10 of Part 2 of Schedule 12A, it would not be in the public interest to disclose this information to the public because disclosure would, or would likely to, prejudice the commercial interests of the Council and/or its agents/Partners which, in turn, could impact upon the interests of the local taxpayer.</p> <table border="1" data-bbox="630 1675 1417 1886"> <tr> <td>Appendix 1</td> <td>Development Appraisals – Denton Baths</td> </tr> <tr> <td>Appendix 2</td> <td>Development Appraisals – Droylsden Library</td> </tr> <tr> <td>Appendix 3</td> <td>Development Appraisals – Two Trees phase 1</td> </tr> <tr> <td>Appendix 4</td> <td>Grant Funding Agreement (Grant Funding Agreement) Droylsden library</td> </tr> </table> <p>The background papers relating to this report can be inspected by contacting the report writer Patrick Nolan – Head of Major Programmes (Housing)</p> <p> Telephone:07808 212152</p>	Appendix 1	Development Appraisals – Denton Baths	Appendix 2	Development Appraisals – Droylsden Library	Appendix 3	Development Appraisals – Two Trees phase 1	Appendix 4	Grant Funding Agreement (Grant Funding Agreement) Droylsden library
Appendix 1	Development Appraisals – Denton Baths								
Appendix 2	Development Appraisals – Droylsden Library								
Appendix 3	Development Appraisals – Two Trees phase 1								
Appendix 4	Grant Funding Agreement (Grant Funding Agreement) Droylsden library								



e-mail: patrick.nolan@tameside.gov.uk

Signed:

Councillor Oliver Ryan, Executive Member (Finance and Economic Growth)

Dated: 25 February 2021

KEY DECISION REPORT

SERVICE AREA:	GROWTH
SUBJECT MATTER:	BROWNFIELD HOMES FUND GRANT- GMCA
DATE OF DECISION:	25 February 2021
DECISION TAKER(S):	Cllr Oliver Ryan
DESIGNATION OF DECISION TAKER (S):	Executive Member (Finance & Economic Growth)
REPORTING OFFICER:	Jayne Traverse, Director of Growth
REPORT SUMMARY:	<p>The Brownfield Homes Fund was launched by Government in March 2020. The Council successfully bid into the programme and now has the opportunity of taking up £1.9m of Brownfield Homes Fund Grant from Greater Manchester Combined Authority (GMCA) for three schemes on land owned by the Council and seeks approval for officers to accept and spend the funding under the terms of the Grant Funding Agreements for the following sites:</p> <ol style="list-style-type: none">1. Droylsden library2. Former Two Trees School (school building footprint only)3. Former Denton baths
RECOMMENDATION:	<p>It is recommended that:</p> <ol style="list-style-type: none">(i) The Council enters into a Grant Funding Agreement for the Brownfield Homes Fund to enable the programme of works set out in the report to be delivered.(ii) On-going performance and reporting updates will be provided to the Strategic Planning & Capital Monitoring Board.
JUSTIFICATION FOR THE DECISION:	<p>The grant will facilitate the clearance of these sites, accelerate delivery for development to support economic and housing growth in the borough. The Grant will also support the delivery of a new and improved library facility in Droylsden, help reduce pressure on the capital programme, help realise capital receipts and generate future income from Council tax.</p>
ALTERNATIVE OPTIONS REJECTED (if any):	<p>The option of not taking up the grant with its associated terms and conditions has been considered and rejected given the financial and economic/housing growth considerations.</p>
CONSULTEES:	GMCA
FINANCIAL IMPLICATIONS: (Authorised by Section 151 Officer)	<p>The report sets out the proposed application of brownfield homes funding to three capital projects in the borough as set out in section 1.6 of the report.</p>

The proposed application of the funding will reduce the current estimated gross capital cost of the schemes per the table below.

	Estimated Gross Cost	Brownfield Homes Funding	Estimated Net Cost - Excluding Capital Receipts
	£'m	£'m	£'m
Droylsden Library	2.200	0.800	1.400
Denton Pool	0.720	0.300	0.420
Two Trees	0.763	0.800	0.000

There are stringent timescales that need to be adhered to these funding allocations. All three schemes require a minimum level of expenditure to be incurred by 31 March 2021 with the balance incurred in 2021/22. The values of the grant that need to be applied in each financial year are again set out in section 1.6.

Any delay to the approval of all three grant agreements will lead to a clear risk of the funding allocations that can be applied to each scheme, thus increasing the cost liability to the Council detailed in the above table.

It is essential that only eligible expenditure incurred on each scheme is applied to the brownfield land funding allocations to ensure compliance with the grant agreements appended to this report. Each agreement will be require stringent monitoring following approval.

The Executive Cabinet has previously approved a sum of £ 0.720m for the Denton Baths scheme on 30 September 2020 and a sum of £ 0.800m for the Two Trees scheme on 2 November 2020, both of which are included in the Council's approved capital programme. There is a separate Key Decision report included on this agenda requesting approval of £ 2.2m to finance the Droylsden Library relocation scheme.

Members should note that the Council's capital programme will be updated once these grant agreements are in place to recognise the reduced estimated net cost liability to the Council of each scheme.

The subsequent disposal of each site will realise a capital receipt for the Council. The Two Trees and Denton Pool sites are included in the Council's forecast £ 15.3m of capital receipts that will be realised via asset disposals approved by the Executive Cabinet on 30 September 2020. The disposal of the former Droylsden library site will be additional to this sum.

Section 4.1 of the report notes that each development appraisal will include provision for retained receipts prior to any liability for overage with GMCA. This means that in addition to the grant receipt, the Council retain proceeds of sale up to an

	<p>agreed sum on a 50/50 percent share basis that is capped at the grant award amount for each site.</p> <p>It is essential that the retained proceeds valuations for each site equate, as a minimum, to the sum included in the aforementioned forecast realisation of £ 15.3m capital receipts.</p> <p>Additional Council tax is expected to be realised via the development on the vacated sites as set out in section 2 of the report. If 80 properties are developed on each of the Droylsden library and Two Trees school building footprint, then the Council can expect Council tax revenue of between £ 0.081m (if all band A properties) and £ 0.109m (if all band C properties) per annum at 2020/21 Council tax band values (excluding related Greater Manchester precepts).</p> <p>A development of 20 properties on the Denton Pool site would realise estimated Council tax revenue of between £ 0.020m (if all band A properties) and £ 0.027m (if all band C properties) per annum, again at 2020/21 Council tax band values (excluding related Greater Manchester precepts).</p> <p>Members should note that 4.2 of the report explains grant clawback arrangements. It is essential that the new housing projects for the sites have commenced by 31 March 2024 to eliminate the risk of grant clawback by GMCA at a future date.</p> <p>Section 4.4 of the report provides details of the costs incurred to date associated with the Brownfield Homes bids. These are £ 0.005m associated with appraisals carried out for all 3 sites and £ 0.117m associated with the Droylsden Library scheme. These will be abortive costs to be funded via the 2020/21 Growth directorate revenue budget if the grant agreements do not proceed.</p>
<p>LEGAL IMPLICATIONS: (Authorised by Borough Solicitor)</p>	<p>The terms of the standard Brownfield Grant Funding agreement did not lend itself to the 3 sites in Tameside as it is drafted on the basis that the recipient of the grant i.e. the Council will be building out the sites themselves.</p> <p>This is not the case in Tameside where the proposal is that the Council will undertake the remedial work on the sites in order to get them ready to be marketed for residential development sites.</p> <p>As a result a considerable amount of work has been undertaken by all of the officers involved in this project together with the officers at GMCA to amend the terms of the grant agreement so that the Council can still benefit from using the grant for the remedial works and the GMCA has the comfort that the sites will be built out for residential purposes without the Council being directly responsible for the build out of the sites itself. The amended and agreed grant agreement is appended to this report.</p> <p>The most salient requirements of the grant that Members need to be aware of are:</p> <ul style="list-style-type: none"> • Each site has an agreed number of residential units and a set date to be delivered by

	<ul style="list-style-type: none"> • The Council can only dispose of the land for a 'permitted disposal' under the terms of the grant agreement i.e. to deliver a number of residential units by a certain date • The Council has agreed to use it reasonable endeavours to ensure that the disposal reflects the principles of Sustainable development • There are a number of clawback triggers if the Council fails to comply with the terms of the grant agreement the most notable of which is for failure to deliver the residential outputs i.e. the number of residential units at a set date • There is also an overage provision that any profit over and agreed figure for each site is split on a 50/50 basis between the Council and the GMCA. <p>Members therefore need to be content that the projects ambitions for these sites are achievable and deliverable to avoid the claw back provisions.</p> <p>In addition the grant agreemtn requires that a project officer is appointed to manage the project and the spend. This role is critical to ensure than none of the compliance related clawback provisions are triggered and also to manage the engagement with the market to ensure that there is a permitted disposal and that the number of residential units are built by the required date.</p> <p>In due course further advice may be required to consider the best route to take these 3 very different sites to market.</p> <p>In addition the terms of the grant agreement requires external legal advice has to be sought in relation to state aid to provide the necessary assurance to the GMCA that the project it state aid compliant. The solicitors have already been provisionally procured and can be formally instructed as soon as possible.</p>						
CONFLICT OF INTEREST:	None						
DISPENSATION GRANTED BY STANDARDS COMMITTEE ATTACHED:	N/A						
ACCESS TO INFORMATION:	<p>APPENDICES NOT FOR PUBLICATION:</p> <p>This report contains exempt information set out in the schedules relating to paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). On balance, under paragraph 10 of Part 2 of Schedule 12A, it would not be in the public interest to disclose this information to the public because disclosure would, or would likely to, prejudice the commercial interests of the Council and/or its agents/Partners which, in turn, could impact upon the interests of the local taxpayer.</p> <table border="1" data-bbox="628 1883 1417 2022"> <tr> <td>Appendix 1</td> <td>Development Appraisals – Denton Baths</td> </tr> <tr> <td>Appendix 2</td> <td>Development Appraisals – Droylsden Library</td> </tr> <tr> <td>Appendix 3</td> <td>Development Appraisals – Two Trees phase 1</td> </tr> </table>	Appendix 1	Development Appraisals – Denton Baths	Appendix 2	Development Appraisals – Droylsden Library	Appendix 3	Development Appraisals – Two Trees phase 1
Appendix 1	Development Appraisals – Denton Baths						
Appendix 2	Development Appraisals – Droylsden Library						
Appendix 3	Development Appraisals – Two Trees phase 1						

Appendix 4	Grant Funding Agreement (Grant Funding Agreement) Droylsden library
------------	---

The background papers relating to this report can be inspected by contacting the report writer: Patrick Nolan – Head of Major Programmes (Housing)



Telephone:07808 212152



e-mail: patrick.nolan@tameside.gov.uk

1. INTRODUCTION

- 1.1 The Government announced a £400m Brownfield Housing Fund in March 2020 with the criteria following incrementally from July onwards. In late June 2020 MHCLG, announced that GMCA would receive an initial allocation of £81M to unlock 5,500 homes over the period of the programme with an aspiration to deliver 7,500 new homes.
- 1.2 GMCA were given the opportunity to make investment decisions locally but within a Grant Agreement Framework that includes the following criteria and conditions: :
- Value For Money assessments based on Benefit Cost Ratio's (BCR) ,
 - Fund projects which can evidence Market Failure (ie would not happen without the subsidy)
 - Unlock Brownfield Land for housing development
 - Could be used to bring forward mixed use developments
 - The Local Planning Authority has or is working up a new Local Plan (noting the progress with GMSF in the locality)
 - Unlock homes to start on site by 31 March 2025
- 1.3 In July 2020 GMCA asked Districts to develop bids for schemes to be considered for funding. Bids needed to be based on the above criteria and prior to the terms and conditions of the MHCLG and GMCA Funding Agreement terms being in place. Tameside Council made a submission which included three Council owned sites. There were also five submissions relating to Registered Provider owned sites.
- 1.4 In August 2020, GMCA agreed a spend profile with MHCLG for the Brownfield Land Fund

20/21	21/22	22/23	23/24	24/25
£16.2m	£30.0m	£18.0m	£8.5m	£8.4m

In addition, in September GMCA leaders agreed to a proposal outlining how projects would be prioritised for an initial funding allocation, Tranche 1, with an assessment process, which utilises a weighting where deliverability is central to prioritisation as noted;

	20/21 and 21/22
Deliverability	50%
Value for Money	30%
Strategic Fit	20%

An additional metric was also agreed which applied a requirement that 50% of the grant spend must occur in the financial year 20/21 reducing future years commitment.

The prioritisation process used a RAG rating initially based upon Ownership/Planning and Developer/Contractor being in place and dialogue with each of the Districts.

- 1.5 At the GMCA Leaders meeting on 15 September 2020, the final sites selected for Tranche 1 funding were approved and this list included six projects on sites in Tameside. Three sites owned by the Authority, - Droylsden Library, Two Trees and Denton Baths with the remaining three sites in Private/ RP ownership, - Cavendish Wharf, Manchester Road and Denbigh/Heanor. These third party bids were made with support from Council officers. The total value of the grant offer for Tameside was £3.311m to provide 287 housing units.
- 1.6 The detail of the grant approved, spend and timings for starting units on site for the Council owned sites are summarised as;

Scheme	Grant offer £ 000's	Unit Outputs	Start on site for Unit Outputs	Expenditure 20/21 £ 000's	Expenditure 21/22 £ 000's
Droylsden Library	800	80	23/24	500	300
Denton Baths	300	20	22/23	300	nil
Two Trees School site Phase 1	800	0	3/24	400	400

- 1.7 During the process and prior to the issue of the Grant Funding Agreement, GMCA advised that there would be specific clawback and overage provisions as part of the Legal Agreement and this will be subject to negotiation/agreement for each schemes based on the Development Appraisals and Cash flows. This overage mechanism is intended to allow recycling of grant to fund new schemes in the future.
- 1.8 Development Appraisals for all sites were undertaken by External Consultants, Trebbi. Following discussion between GMCA and Council officers, the principles for the appraisals were agreed and were used in negotiations with GMCA when determining liability for overage.
- 1.9 On 21 September 2020 GMCA confirmed that, *'if Grant Recipients need to push forward with spend before the Agreement is signed we will backdate from this point'*. This gave Districts confidence to progress schemes, both preparation for works and actual works on sites where possible, to ensure the 50% spend requirement in 2020/2021 could be achieved.

2. COUNCIL OWNED SITES SELECTED BY GMCA FOR BHF GRANT

Denton Baths site.

- 2.1 A site, 0.213 HA in size, occupied by a former swimming pool, declared surplus to requirements on 30 September 2020. Prior Notification Consent was granted by the Local Planning Authority for the demolition of the former pool on 21 July 2020, and the total estimated final cost of the work is in the region of £0.700m. The Executive Cabinet approved a sum of £ 0.720m for the scheme on 30 September 2020.
- 2.2 The current cost for clearance based on estimated sale proceeds leaves a deficit position. The brownfield homes funding of £0.300m will reduce the deficit and the Council liability.
- 2.3 The Council is currently in contract and site clearance underway. This action removes the liability for the business rate and revenue cost of holding and managing the empty property. If 20 properties are developed on the baths site, the Council can expect Council Tax revenue of between £ 0.020m (if all band A properties) and £ 0.027m (if all band C properties) per annum at 2020/21 Council tax band values
- 2.4 The Grant of £0.300m will make a positive contribution to reduce the capital cost of the works to the Council.
- 2.5 The project is on target to meet the Grant spend profiles.

Droylsden Library Site.

- 2.6 A site, 0.16 HA in size, occupied by a Library building, which is currently in operation. The opportunity to relocate the Library to another building is the subject of a separate Key decision. The estimated cost of the scheme is £2.2m. This will be reduced to £1.4m if the brownfield homes funding of £ 0.8m is utilised. In addition the sale of the vacated former site will realise a capital receipt for the Council and is in addition to the forecast £15.3m of capital receipts

that will be realised via asset disposals approved on 30 September 2020 via the Executive Cabinet. The funding would be utilised towards site clearance and new library fit out costs.

- 2.7 Decisions on these works are urgently needed to allow sufficient time to spend by end March 2021. Prior Notification Consent for demolition of the existing Library will be sought from the Local Planning Authority immediately following the publication of the decision on this project – this has an approximate 4 week timescale. Additionally, the Council needs to be in contract by 28 February 2021.
- 2.8 There is an existing revenue budget of £ 0.034m to finance the costs of the business rates for the vacant retail unit space in Guardsman Tony Downes House. In addition there is a current revenue budget of £ 0.046m for the existing Droylsden library that will contribute towards the proposed relocated site. It is envisaged that there will be savings realised via this combined budget of £ 0.080m to support the revenue costs of the relocated library facility which are yet to be confirmed.
- 2.9 If 80 properties are developed on the vacated library building site then the Council can expect Council Tax revenue of between £ 0.081m (if all band A properties) and £ 0.109m (if all band C properties) per annum at 2020/21 Council tax band values.
- 2.10 The BHF Grant of £0.800m will make a positive contribution to reduce the capital cost of both the fit out to the new library and demolition of the existing library.

Two Trees Lane School Site Phase 1.

- 2.11 Currently not in use, vacant and a revenue and anti-social behavior liability to the Borough, the site had been declared surplus to requirements. The Executive Cabinet approved a sum of £ 0.800m for the scheme on 2 November 2020. The brownfield homes funding of £ 0.800m will finance the cost of site clearance and remediation, in support of residential development on the school building footprint only.
- 2.12 The demolition of the school building will reduce the liability for the ongoing revenue cost of holding and managing the property as explained in the Executive Cabinet report of 2 November 2020. If 80 properties are developed on the school building footprint, the Council can expect Council Tax revenue of between £ 0.081m (if all band A properties) and £ 0.109m (if all band C properties) per annum at 2020/21 Council tax band values (excluding related Greater Manchester precepts).
- 2.13 The £ 0.800m Grant will make a positive contribution to reduce the capital cost of the demolition and infrastructure works to the Council which are estimated to be in the region of £0.763m (2 November 2020 Executive Cabinet report refers).
- 2.14 Soft strip out has commenced on site and a Prior Notification Consent application for demolition of the school building has been submitted to the Local Planning Authority - this takes around 4 weeks to determine.
- 2.15 The scheme is on target to meet the grant spend profiles.

3 GRANT FUNDING AGREEMENT

- 3.2 3.1 There have been significant negotiations between the Council and GMCA on the terms and conditions of the draft Grant Funding Agreement in order to safeguard future financial risks to the Council, particularly in respect of overage and the impact of this on the Council's future capital receipts and transfer of land to a third party. The Grant Funding Agreement has been amended to reflect these negotiations and is appended to this report at **Appendix 4** which is exempt from publication as it contains sensitive commercial information.

Terms & Conditions of the Grant Funding Agreement and Associated Risks

- 3.3 The development appraisals include provision for retained receipts prior to liability for overage. This means that in addition to the grant receipt, the Council retain proceeds of sale up to an agreed figure after which a 50/50 percent share basis is applicable, capped at the grant amount. As such, any overage proceeds that would be payable to GMCA do not exceed the value of the brownfield homes grant for each site. In addition it is also essential that the retained proceeds valuations for each site equate, as a minimum, to the sum included in the forecast £15.3m of capital receipts that relate to asset disposals approved by the Executive Cabinet on 30 September 2020.
- 3.4 The retained values for each site and which trigger overage are set out at **appendices 1-3** attached to this report, which are exempt from publication as they contain sensitive commercial information.
- 3.5 Claw back of the Grant will come into effect if:
- Spend allocation is not met – delays with delivery of scheme which result in allocated spend not being made and so would be returned to MHCLG;
 - Scheme proposals change materially - insofar as the original stated outputs would then not be realised (within the respective programmes lifespan or otherwise); or
 - Site ownership changes (resulting in a change to the recipient of the grant) - then results in a site not reasonably being progressed to those original agreed delivery timescales.
- 3.5 As part of delivering the scheme, mitigation against these claw back items have been discussed and agreed with GMCA and are expected to be set out in the final version of the Grant Funding Agreement as follows:
- Development Appraisal having reasonable assumption regarding start on site and cost information.
 - Grant Agreement terms allowing for disposals, variation clauses and transfer of liabilities to third parties, including reasons beyond TMBC control as part of the negotiation.
- 3.6 The new housing projects will need to start on site by 31 March 2024 in order to avoid GMCA clawing back the full Grant. The sites will be marketed and/or developer partners commissioned in order to ensure this deadline is met and mitigate any risk of clawback.
- 3.7 In addition to the benefit of £1.9m of external funding to assist in the delivery of capital programme works some of which relate to projects the Council is already committed to, there are a number of significant risks associated with entering in to the Grant Funding Agreement including:
- Meeting the tight deadline for entering into the Grant Funding Agreement to enable capital spend on projects to be achieved in 2020/2021 financial year
 - Delivering the capital programmes of works across all three sites meeting the spend targets for each site prior to the end of March 2021 and the following financial year.
 - Achieving the Start on Site milestones for the housing units for each project in accordance with the proposed Grant Funding Agreement timescales.
- 4.4 There is a risk of abortive costs if the Council does not proceed with the Grant. Costs associated with the bids have been incurred/ due to be incurred to date are:
- Financial Development Appraisals across the three sites £4,750
 - Work instructed to the LEP relating to the Existing Droylsden Library site and the fit out for the potential Library site in the GMPF building £117,000

5 CONCLUSION

- 5.1 The Grant for these sites will assist with the funding of existing capital programme works and in some instances will support bringing forward the capital works. This will reduce ongoing liability for revenue expenditure for business rates, repairs and managing these empty properties.
- 5.2 The funding to GMCA from Government is time limited and a commitment has been made by GMCA to take up the capital funding and spend in financial year 2020/21 or potentially have the allocation clawed back.
- 5.3 The bid to GMCA for funding these sites was made on the basis that they were at the most advanced stage to be able to take up grant within the timescales available
- 5.4 GMCA have advised that the balance of the remaining BHF allocation from Government is subject to bids in value of over four times the remaining allocation. Therefore any scheme in Tranche 1 which fails to take up the grant offer, will be subject to the competitive selection process for future phases of allocation.

6. RECOMMENDATIONS

- 6.1 As set out at the front of this report.