

DERBYSHIRE COUNTY COUNCIL

CABINET

11 October 2016

Report of the Strategic Director – Economy, Transport and Communities

**REGENERATION OF THE FORMER COALITE CHEMICALS SITE
(STRATEGIC POLICY, ECONOMIC DEVELOPMENT AND BUDGET)**

(1) **Purpose of Report** To seek Cabinet approval for the County Council to provide grant funding to Bolsover Land Ltd for the sum of £2.0022m towards the £21.800m regeneration project of the former Coalite Chemicals site, subject to satisfactory compliance with State Aid requirements and a robust, acceptable business plan being submitted by Bolsover Land Ltd.

(2) **Information and Analysis**

Background

The site of the former Coalite Works straddles both North East Derbyshire and Bolsover District Councils and is strategically located adjacent to junction 29A of the M1 and the Markham Vale Employment Growth Zone. The Works originally comprised chemical manufacturing units, smokeless fuel manufacturing units, rail sidings and coal stocking area and closed in 2004. The site lay dormant until 2012 when it was acquired by Marcol/ St Francis (a joint venture arrangement specialising in remediating contaminated sites for redevelopment).

The 59 hectare site is heavily contaminated with chlorinated phenols and a mix of other noxious compounds which present a risk to health, as well as potential odour nuisance for local residents. The site is a substantial blot on the landscape and has been the subject of extensive discussions and negotiations between the relevant local authorities, private developers and the County Council to secure the successful reclamation and regeneration of the site to provide much needed jobs and housing in this part of northern Derbyshire.

Given the strategic location of the site, its size and proximity to Markham Vale, Coalite has been identified as a priority for redevelopment and investment both within the Derbyshire Economic Development Strategy Statement (DESS) and also the Bolsover District Council (BDC) and North East Derbyshire District Council (NEDDC) Growth Strategy and Economic Development and Housing Strategy. Derbyshire County Council has also

expressed strong support for the regeneration of the Coalite site in the development of the 'Big List' of planned projects and considerations applied to the allocation of Local Growth Fund (LGF) monies.

Current Position

The site now has the benefit of outline planning permission from both North East Derbyshire and Bolsover District Councils for a mix of employment and housing use (660 housing units). This is a major step forward in helping demonstrate deliverability and securing external funding and confidence in project delivery. However, given the current level of contamination, inevitably it will be a difficult site to regenerate; remediation and risk mitigation proposals therefore have been subject to rigorous assessment through the planning process. It is highly likely that without public sector intervention, successful remediation and regeneration of the site will not happen.

Significant efforts have been made in recent years to help progress redevelopment of the site as part of the wider considerations of Derby and Derbyshire, Nottingham and Nottinghamshire (D2N2) and Sheffield City Region (SCR) Local Economic Partnerships (LEP), including an unsuccessful application for Enterprise Zone (EZ) to the Department for Communities and Local Government (DCLG) in 2015. Success in the EZ application would have made the site more attractive for developers and improved development viability.

Working with the local district authorities, Bolsover Land Ltd (the joint venture company between Marcol and the St. Francis Group) has developed a funding package to help bring forward the remediation and redevelopment work. The total cost of the regeneration programme to remediate the site and create development plots is over £21.8m.

- 1) St. Francis Group has confirmed in writing its contribution of £14m to the development, leaving a known funding gap of £7.8m
- 2) An application for £7.8m was made to the D2N2 LEP and subsequently to Government (Department for Business, Energy and Industrial Strategy) for Local Growth Fund 3. Although the bid has been independently assessed and ranked the highest out of 49 projects submitted, final confirmation of the size of Government's funding commitment to the D2N2 area regarding LGF 3 has yet to be received.
- 3) Furthermore, SCR is in the final stages of approving the Integrated Infrastructure Plan and will be commissioning tenders in autumn 2016. As the site lies in the overlap area of the two LEPs, this provides the landowners with a further opportunity for funding.

In the meantime, a full review of the profiled spend for 2016/17 of the D2N2 LGF 2 programme has identified a significant level of underspend to which Bolsover Land Ltd has submitted a bid for £5,797,800 grant funding to help cover the £7,800,000 gap. The allocation of this grant to the Coalite project

was confirmed at the recent D2N2 Infrastructure and Investment Board (September 2016), subject to Stage 1 and 2 business plans being successfully completed and State Aid compliance being demonstrated. Worthy of note is that the LGF 2 monies are required to be spent against 'completed works' during this financial year to satisfy the conditions of the grant.

With the above funding package of £19,797,800 now confirmed, this leaves a gap in funding of £2,002,200 required for work in the next financial year which needs to be filled to justify full funding for the remediation and redevelopment of the site.

The viability of the business case to the LEP is dependent upon the creation of jobs and/or houses on the site which can only be delivered later in the development phase - and the grant would not be offered as a 'speculative' contribution to the remediation elements alone. Therefore, in order to be able to take advantage of grant funding support from D2N2, the promoter of the Coalite regeneration project needs to be able to demonstrate that both site remediation and the creation of suitable plots is underwritten in full, and needs to be able to do this quickly enough to complete the necessary assurance processes and draw down the available grant in 2016/17. Support from the County Council, (which can be made conditional upon other elements of the funding package being confirmed) is, therefore, critical in facilitating the overall funding package being brought forward and in ensuring the project can take up the funding opportunities which may not exist in future years. (NB: although significant preparatory work has been undertaken on site already and sample testing has been completed, given the level of contamination on the site, the accuracy of remediation costs cannot be fully confirmed until work has commenced and contaminates fully exposed).

It is therefore proposed that the County Council facilitates the overall funding package by offering a gap funding contribution to the developer (Bolsover Land Ltd), paid in retrospect when agreed outputs have been delivered. It must be stressed (and has been in discussions with the developer) that this would not constitute the financial underwriting of the project as a whole, which would remain the responsibility of the developer.

(3) Financial Considerations Should Cabinet accept the recommendations of this report, there are issues in relation to state aid implications and business case appraisal which need to be satisfied. In order to comply with the LEP Local Assurance Framework, responsibility for seeking independent state aid advice and HM Treasury Green Book business case development and associated costs would remain with the developer

In order to give the project the best chance of success at this stage, it is proposed that the Council offers a grant of up to £2.0022m to the developer to help secure the wider funding package and grant offer from D2N2 LEP. This contribution will be funded from available capital receipts and will be subject to

conditions to be determined by the Council to ensure it is used at the appropriate time in accordance with the developer's approved business plan.

(4) **Social Value Considerations** Due to the high levels of contamination, remediation and clean-up of the site will bring about substantial environmental and health improvements. It will also provide much needed employment and housing provision and is seen as key to the future prosperity of the area.

It will help meet the D2N2 LEP target to create 55,000 jobs and 77,000 housing units across the D2N2 region by 2023. It will also support the DESS which states there must be positive interventions to address long term unemployment by maximising the economic offer of all Derbyshire's workforce.

(5) **Legal Considerations** Should Cabinet approve the provision of grant funding to Bolsover Land Ltd for the sum of £2.0022m, the Director of Legal Services will advise on agreements required between the County Council and the developer (Bolsover Land Group Ltd).

The County Council would need to be satisfied that the award of the £2.0022m grant does not contravene State Aid rules.

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, human resources, health and transport considerations.

Environmental and transport considerations, benefits and risks have been explored extensively through the planning process.

(6) **Key Decision** Yes.

(7) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(8) **Background Papers** Files held with the Economy and Regeneration Service Area. Officer contact details – Joe Battye, extension 38481.

(9) **OFFICER'S RECOMMENDATION** That Cabinet approves the provision of grant funding for the sum of £2.0022m to Bolsover Land Ltd towards the £21.800m regeneration project in respect of the former Coalite Chemicals site, subject to conditions to be set by the Council, including satisfactory compliance with State Aid requirements and a robust, acceptable business plan being submitted by Bolsover Land Ltd.

Mike Ashworth
Strategic Director – Economy, Transport and Communities