

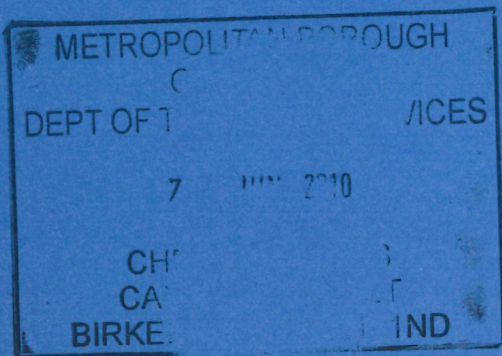


Wirral Waters

Strategic Regeneration Framework

Guiding Principles: 7. Public Funding

Revision: 07 June 2010



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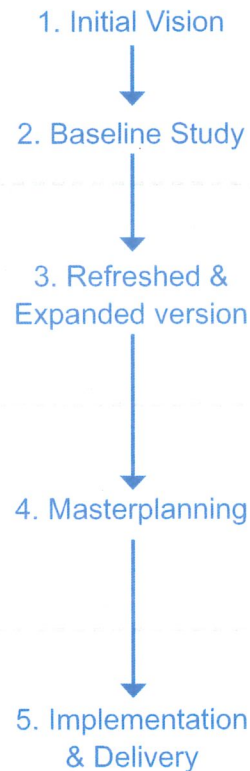
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Introduction and Summary

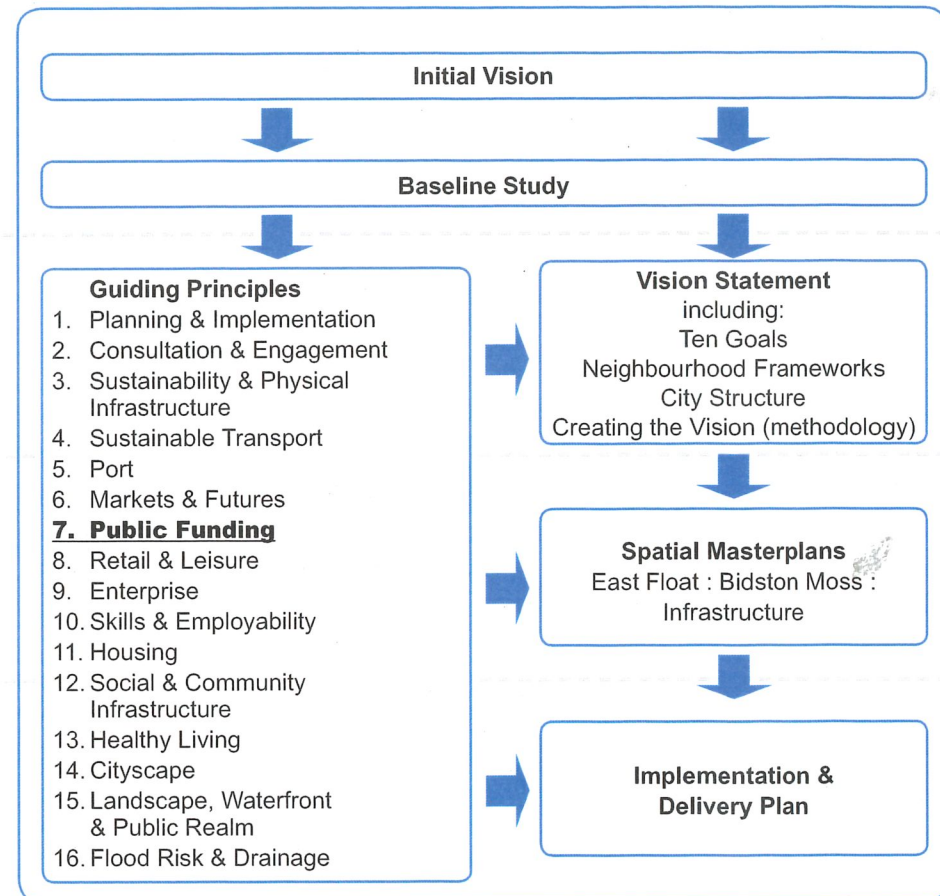
Strategic Regeneration Framework

- 1.1 The vision for Wirral Waters is to create a new city waterfront focussing upon the transformation of Birkenhead and Wallasey Docks and their surrounding neighbourhoods. East Float is to be the principal focus for significant investment, delivering a new residential, commercial, cultural and leisure destination. Delivery of the vision starts immediately and will be continued over a 30+ year timescale.
- 1.2 Wirral Waters is being brought forward through a Strategic Regeneration Framework (SRF). This includes five key stages. Following the Initial Vision (Stage 1) and Baseline Study (Stage 2), a Vision Statement has been produced for Stage 3, which refreshes and expands the Initial Vision through the production of Ten Goals and a series of Spatial Frameworks across 15 neighbourhoods.
- 1.3 The Vision Statement demonstrates how Wirral Waters will act as a catalyst to the sustainable regeneration and growth of Inner Wirral and the wider City Region. It will guide and inform the future evolution of spatial masterplans and the project implementation process.

KEY STAGES

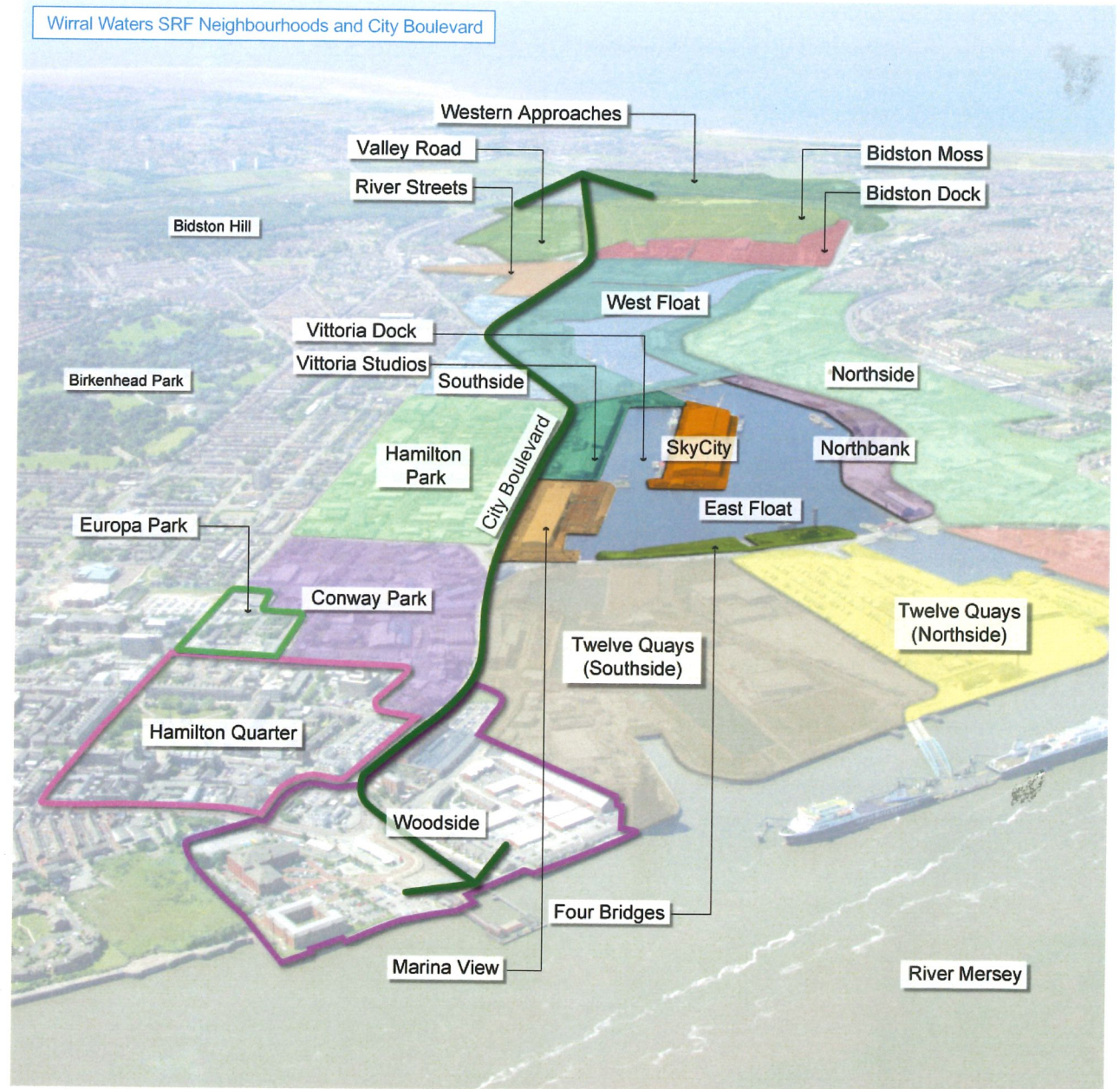


STRATEGIC REGENERATION FRAMEWORK STRUCTURE



Guiding Principles

- 1.4 Alongside the Vision Statement, a number of documents have been produced that set out the 'Guiding Principles' of the project. These are the working embodiment of how Wirral Waters will deliver the Vision. Each Guiding Principles Document is owned by one of the Working Groups established between partners to inform, guide, shape and crucially, realise, the project.
- 1.5 It is intended that each Guiding Principles document can be read and understood in isolation. Further information relating to Wirral Waters can be ascertained by reference to the Vision Statement or other Guiding Principles documents, or indeed other aspects of the SRF such as the Baseline Study or individual project proposals. All such information is available on the Wirral Waters website:
<http://www.peelwaters.co.uk/wirralwaters.html>
- 1.6 Each Guiding Principles document is a snapshot in time and whilst they are intended to be timeless, the implementation process will evolve and be shaped by them. Wirral Waters will also be shaped by and need to respond to external factors, such as economic conditions and climate change, so it is important that the Guiding Principles are maintained and reviewed as and when necessary.
- 1.7 Each Guiding Principles document will be taken forward and delivered through individual masterplans and proposals brought forward within the SRF area, and through partnership working between Peel Holdings, Wirral Council and other key stakeholders such as the Homes and Communities Agency, the North West Regional Development Agency, Merseytravel and a range of other local, regional and national groups.



Document Structure

1.8 For simplicity, each of the Guiding Principles documents is structured in a similar manner, as follows:

- Section 1 introduces the document;
- Section 2 outlines the key issues and, where applicable, the options and opportunities available for addressing the issues;
- Section 3 sets out the overall Guiding Principles;
- Section 4 provides recommendations and next steps;
- Section 5 establishes requirements for monitoring and review.

Consultation

1.9 This document has been published in advance of the submission of the East Float planning application. The Wirral Waters proposals have been the subject of considerable consultation since 2006 to date, as set out within Guiding Principles (2) Consultation and Engagement. It is therefore hoped that these Guiding Principles reflect the aspirations of a wide range of consultees, both community groups and other interested stakeholders, locally, regionally and nationally.

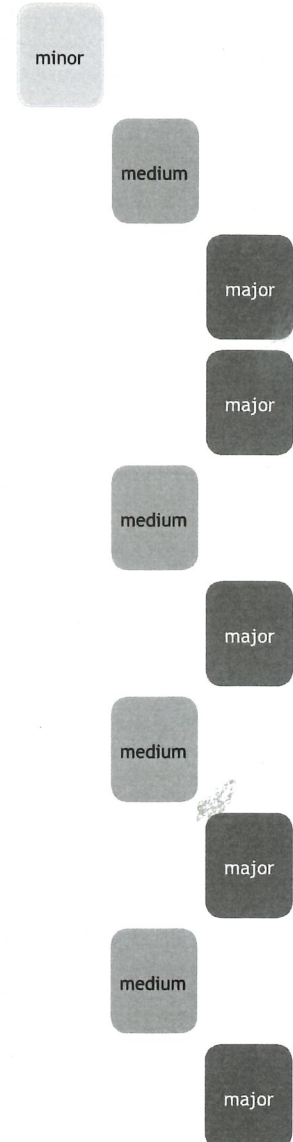
1.10 Comments are nonetheless welcomed and can be made in a number of different ways:

- By email to enquiries@wirralwaters.co.uk
- By completing the form on the website <http://www.peelwaters.co.uk/wirralwaters.html>
- By letter to Peel Holdings, Peel Dome, The Trafford Centre, Manchester, M17 8PL

OUR TEN GOALS

1	Celebrating the past, shaping places for the future	<ol style="list-style-type: none"> 1. Revealing the contrasting identities of the 'Wallasey Pools', and the northern and southern riverbanks 2. 'Completing' and responding to the Laird Town gridiron 3. Restoring the Great Floats as a 'seam' of waterside activity 4. Creating a City Boulevard
2	Creating an internationally recognisable city waterfront	<ol style="list-style-type: none"> 1. Creating signature skylines, buildings and structures 2. Creating city approaches and arrival points 3. Creating a world class waters edge 4. Responding to cultural and environmental assets
3	Creating places of distinction, destinations and market concepts for the 21st century	<ol style="list-style-type: none"> 1. Creating a critical mass of investment centred upon East Float and Bidston Dock capable of triggering the wider regeneration of the adjacent 'partnership' neighbourhoods and beyond 2. Defining East Float as a new city waterfront 3. Defining Bidston Dock as a new destination in the heart of the Wirral Peninsula 4. Creating opportunities for new ways of living, working, learning and playing within a lush parkland and waterside setting – all right in the heart of the City Region
4	Creating a dynamic, prosperous Inner Wirral at the heart of the City Region	<ol style="list-style-type: none"> 1. Shaping clear roles for 'partnership' neighbourhoods joining 'catalysts' neighbourhoods to Wallasey, Birkenhead and the River Mersey waterfront 2. Supporting adjacent regeneration proposals and initiatives through partnership working, joined up thinking and actions 3. Defining West Float and 12 Quays as long term operation port facilities 4. Working in partnership with skills and training agencies
5	Creating world class connections, and access for all	<ol style="list-style-type: none"> 1. Working with partners to promote and deliver a 21st century international, national and regional rail, port, and public transport system 2. Placing people at the heart of high density walkable neighbourhoods with a choice of public transport connections 3. Creating a legible 'City Structure' with safe, easily understood, attractive and animated streets, city parks and public realm
6	Sharing prosperity, health and well-being	<ol style="list-style-type: none"> 1. Supporting existing and creating new community 'hubs' and networks 2. Defining City Boulevard as a neighbourhood 'seam', a structural community, landscape, wildlife and recreational resource 3. Encourage healthy living and active lifestyles
7	Creating an exemplar regional environmental resource	<ol style="list-style-type: none"> 1. Defining Bidston as a pivotal destination at the heart of a Wirral 'Windows on the Waterfront' parkland 2. Placing Bidston and East Float at the heart of a 21st Century waste, water and energy infrastructure network 3. Bringing about transformational change in environmental quality by working with partners in 'greening the city' through long term investment in green and blue infrastructure
8	Securing long term success, starting today	<ol style="list-style-type: none"> 1. Bringing forward 'Early Win' projects and events 2. Creating a critical mass of projects to build confidence 3. Raising the quality and profile of developments to set high quality benchmarks for others to follow
9	Engage & inspire	<ol style="list-style-type: none"> 1. Creating an international profile for Wirral Waters to attract new markets and growth sectors 2. Engaging with local communities and interest groups to explore how Wirral Waters may influence established projects and networks 3. Building confidence and leading by example through our long term vision and investments
10	A robust delivery framework	<ol style="list-style-type: none"> 1. Setting in place a shared programme of action that allows all partners and communities to play a role in realising the Vision 2. Ensure that the benefits and critical mass of the 'catalysts' neighbourhoods trigger and shape change across the 'partnership' neighbourhoods and Liverpool City Region

RELEVANCE OF GUIDING PRINCIPLES



Summary: Guiding Principles for Public Funding

- 1.11 The Guiding Principles for Public Funding establish the strategic principles for making best use of current and future public funding in order to derive maximum public benefit from Wirral Waters.
 - support of public sector partners;
 - A priority legacy project for Peel Holdings.
- 1.12 The document is relevant to every Goal and Structuring Principle of Wirral Waters, but is particularly important for Goal 3 'Creating places of distinction, destinations and market concepts for the 21st Century', Goal 4 'Creating a dynamic, prosperous Inner Wirral at the heart of the City Region', Goal 6 'Sharing prosperity, health and well-being', Goal 8 'Securing long term success, starting today' and also for Goal 10 'A robust delivery framework'.
- 1.13 The Guiding Principles for Public Funding have helped shape and inform the Vision for Wirral Waters and will have a key bearing on the implementation process (see Guiding Principles for Planning & Implementation). They respond to consultation undertaken with partners and stakeholders (see Guiding Principles for Consultation & Engagement).
- 1.14 Wirral Waters is being brought forward Peel Holdings, in partnership with Wirral Council and other organisations, including North West Regional Development Agency and the Homes and Communities Agency. Implementation of the Guiding Principles for Public Funding requires a partnership approach and rests with the Strategic Delivery Group.
- 1.15 The purpose of the Guiding Principles for Public Funding is to set out the overall funding context for Wirral Waters, in terms of public sector financing. It also addresses some of the issues relating to private financing by Peel Holdings and others.
- 1.16 This document is built upon the overall context that Wirral Waters is:
 - A largely private sector led initiative;
 - In an area of regeneration and investment need, where there has been previous market failure across the sectors;
 - Being progressed in partnership and with the
- 1.17 The project is led and driven by Peel Holdings. This represents a change in direction in Merseyside where regeneration over recent years has been public sector driven and heavily reliant on public sector subsidy through the Objective One and other programmes.
- 1.18 The public sector funding landscape is changing. The major funds that have supported many projects in the area are coming to an end. It is the private sector that will need to drive the economy of the area and the delivery of new development and supporting infrastructure.
- 1.19 Whilst the funding landscape is deteriorating due to the limited timescale for some funding programmes, changing economic development priorities and the tightening fiscal position for the public sector in general, opportunities remain for accessing public funds. These will still remain an important and critical source of financial assistance for Wirral Waters. Appendix 1 reviews the North West Operational Programme 2007-2013 and Working Neighbourhoods Fund in detail.

- 2.1 This section sets out the key issues associated with the funding of Wirral Waters. It deals both with private and public sector funding sources.

Public Sector: A Changing Funding Landscape

- 2.2 The strategic policy fit of Wirral Waters makes it eligible for public finance streams. The amount of public funding available in the Region is reducing and some funding streams are coming to an end. However, as set out above whilst the funding landscape is deteriorating due to the limited timescale for some funding programmes, changing economic development priorities and the tightening fiscal position for the public sector in general, there remains a number of funding streams that are currently potentially available to support and assist the Wirral Waters project. These include:

- ERDF Operational Programme in each UK (and indeed EU) region. For Wirral Waters the relevant programme is the North West Operational Programme (NWOP). All funds need to be committed by December 2010, Peel is progressing opportunities through the NWOP with the North West Regional Development Agency;
- JESSICA (Joint European Support for Sustainable Development in City Areas), which allows the Managing Authorities of ERDF funding to use some of their allocations to invest in urban development funds to accelerate investment in urban areas
- JEREMIE venture capital fund (Joint European

Resources for Micro to Medium Enterprises Initiative) promotes increased access to finance for the development of micro, small and medium-sized enterprises in the regions of the EU.

- Separate national programmes for Skills and Employment, funded through European Social Fund (ESF) and co-ordinated in the UK by the Department for Work and Pensions. Funding, and limited discretion over spending priorities have further been devolved to the regions. It is expected that ESF funding will continue to be administered and spent through co-financing arrangements with (predominantly) the Learning and Skills Council and Jobcentre Plus;
- The Working Neighbourhoods Fund (WNF) which is being implemented in Wirral under the 'Working Wirral' initiative;
- The Mersey Heartlands Growth Fund and Community Infrastructure Fund (CIF) have been established to promote housing growth and provide the supporting infrastructure;
- The Regional Funding Allocation (RFA) which is to be reviewed to consider major transport infrastructure requirements;
- There are potential additional funding streams through the NWDA Single Programme and the Homes and Communities Agency (HCA) including the KickStart initiative;
- There may also be opportunities to access public sector education funds through the Higher Education

Funding Council for England (HEFCE), the Learning and Skills Council (LSC) and the Building Schools for the Future (BSF) initiative, subject to tenant/occupier requirements and eligibility. The educational funding landscape is changing rapidly, as the LSC is set to be disbanded in the next 12 months. Funding for Further Education will shift to local authorities (plus sub-regional groups and a national Young People Funding Agency) and, for adult workforce development, to a national Skills Funding Agency. There will also be an Adult Advancement and Careers Service and National Apprenticeship Service which will have a sub-regional or local presence;

- Tax Incremental Finance, for example, Accelerated Development Zones, which are gaining momentum in the UK as a regeneration funding tool, based on their success in the USA.

- 2.3 The NWOP and the WNF are considered in more detail in Appendix 1.

Recession and Recovery

- 2.4 Since the launch of Wirral Waters in 2006, the global recession has bitten hard on many major regeneration projects across the UK. Although Peel anticipated 3 recessions during the course of the delivery of Wirral Waters, the current recession was not foreseen at the time of the launch of Wirral Waters. Peel is however continuing to progress and promote Wirral Waters in spite of the recession. The resources available to Peel and its partners are however much more constrained than in recent years.

- 2.5 There is a priority emphasis on planning and designing Wirral Waters whilst the market is depressed. When confidence and finance return, and with plans and approvals in place, delivery can be brought forward rapidly.
- 2.6 There is considerable uncertainty over the longevity of the recession and the pace at which growth will return. Many forecasts are projecting that the recession will end in 2010 and that recovery will be slow thereafter. In relation to the rates of growth seen in recent years. Much is dependent upon both the confidence and ability of banks to fund major developments and infrastructure projects and also the institutional funding and investment appetite across all sectors. Wirral Waters will need end users/occupiers and associated rental income to be a success.
- 2.7 In addition to the planning consent and financial and occupier markets, adaptability and responsiveness are essential to enable the project to benefit from the recovery as effectively as possible.

Private Funding

Peel Holdings

- 2.8 Wirral Waters is an initiative principally driven by Peel Holdings, a privately owned transport, infrastructure and development company based in the North West of England. The company has major assets across the region. It has articulated an "Ocean Gateway" vision – to establish the River Mersey and Manchester Ship Canal Corridor as an 'economic powerhouse' and environmental asset connecting two great cities (Liverpool and Manchester).
- 2.9 In the Liverpool City Region, the company is jointly investing in:
 - Major port and airport infrastructure projects, namely the Liverpool John Lennon Airport Master Plan and the Port of Liverpool, which includes the new Post-Panamax Container Terminal at Seaforth;
 - Major development and regeneration initiatives, notably the Peel Waters schemes, which includes both Wirral Waters and Liverpool Waters, and the Woodside development project, alongside public and

private sector partners;

- Major sustainable resources projects, including the potential for utilising tidal power from the River Mersey.
- 2.10 The company is therefore a major investor both in the City Region and the wider North West, and has a significant interest in the long term environmental, economic and social well-being of the North West Region.
- 2.11 Peel takes a long term approach to major projects such as Wirral Waters. The planning process alone is likely to take a number of years, with three years having elapsed since Peel first unveiled the Initial Vision. This time has been invested in gathering information, assessing issues, building partnerships and creating a robust and deliverable framework and strategy. Peel has already invested significant time and cost in progressing the Wirral Waters proposals to this stage. Pertinently, at a time when many regeneration projects in the UK are being shelved or significantly slowed, Peel has taken the decision to continue to progress in accordance with their initial project programme with the planning and design of Wirral Waters.
- 2.12 By taking its long-term approach, Peel can unlock opportunities that many other developers simply cannot achieve. This is achieved through financing projects over longer time horizons and relying on long-term capital growth rather than short-term profit and immediate returns on investment incurred. Peel's approach allows projects to be delivered to high quality standards, and are built to stand the tests of time and be flexible to changing circumstances.
- 2.13 Whilst the company can take a long term perspective, it is important to recognise that Peel is a private sector, commercial organisation that seeks a return on financial investments made.
- 2.14 With Wirral Waters, Peel is investing in an area of market failure, where development of this scale and quality has not previously been achieved. It is critical therefore that Peel and its public sector partners draw the balance of project phasing and requirements realistically and reasonably. Development should progress apace and act as a catalyst to other public and private sector initiatives, whilst also ensuring local benefits, high levels of sustainability, quality and appropriate investment in infrastructure.

- 2.15 These priorities will often be competing for finite funding and resources; therefore, it will be important to have a clear set of priorities for delivery that can respond to economic circumstances.
- 2.16 Wirral Waters will be delivered in a series of standalone but linked phases under a consented, flexible masterplan. A key issue is the requirement to invest in upfront infrastructure. It is clear, that Peel must invest in both physical and social/community infrastructure in order to deliver Wirral Waters in its totality. The phasing of the infrastructure that underpins the various phases is one of many challenges that Peel is responding to positively in relation to the delivery of Wirral Waters.
- 2.17 Peel are an 'asset rich' organisation but equally rely on relationship banking and funding from the institutions. Historically, development has been financed through Revolving Credit Facilities and other financial instruments.

Other Private Funding

- 2.18 Peel has also entered into Joint Venture arrangements with other bodies including land owners, financiers, investors, occupiers and local authorities. This is one way of bringing in additional finance and risk sharing. Wirral Waters will create a profile and environment which will attract other private investors to Wirral Waters through increased market confidence. It is intended that it will provide a major catalyst to other private sector led initiatives in Wirral. The Guiding Principles for Markets and Futures considers which target markets and sectors are likely to succeed at Wirral Waters.
- 2.19 Potential occupier markets include:
 - Commercial tenants – for example office based occupiers in higher value added sectors, including SMEs and larger companies;
 - Creative/R&D industries – occupying a range of possible workspaces from offices to workshops and research facilities;
 - Residential occupiers – whether purchasing outright or in the rented sector;
 - Retail, leisure and cultural occupiers – across a range of businesses;
 - Transport/Infrastructure operators;

- Education, health and community occupiers; and
- Other development companies and partners bringing forward sites within the SRF, and the occupiers of those sites.

2.20 Potential private sector investors include:

- Banks
- Institutional UK investors
- Occupiers
- High net worth individuals
- Overseas investors
- Contractors

- 3.1 The overall approach is for public and private partners, including Peel, to work in partnership and to commit funds to the delivery of sustainable regeneration at Wirral Waters.
- 3.2 The funding of Wirral Waters will be led by Peel Holdings, with support from the public sector. The greater the support that can be provided, the more likely it is that the aspirations in terms of sustainable communities, sustainable economic growth, high quality building development and public realm/infrastructure provision will be successfully delivered at an earlier date.
- 3.3 It is therefore in the interests of all the partners to maximise the amount of public and other private funding available to assist in the delivery of Wirral Waters aspirations and objectives.

Public Sector

- 3.4 Peel and its public sector partners will work together to access funding streams to help deliver the Vision and Framework for Wirral Waters.
- 3.5 This work will be led by the Strategic Delivery and Economic Working Groups and is likely to involve the following parties:
- Peel Holdings;
 - Wirral Council;
 - Government Office for the North West (GONW);
 - HM Treasury;
 - Community and Local Government (CLG);

- Department for Transport (DfT);
- Department of Business, Enterprise and Regulatory Reform (BERR);
- Department for Work and Pensions;
- Job Centre Plus;
- Higher Education Funding Council for England (HEFCE);
- Learning and Skills Council;
- Education providers;
- Northwest Regional Development Agency (NWDA);
- Homes and Communities Agency (HCA);
- Merseytravel;
- Highways Agency; and
- Other agencies/authorities as appropriate.

- 3.6 Discussions with partners and applications for funding will be progressed as appropriate in response to funding availability opportunities as they arise.

Peel Holdings

- 3.7 In order to provide a clear statement of its objectives and aspiration to inform the Public Funding: Guiding Principles, Peel and its advisors are currently engaged in the following activities:
- Producing and consulting upon a clear and agreed Vision, Framework and Strategy, within which public

sector partners can work alongside Peel to achieve joint objectives (see Vision Statement and Guiding Principles documents);

- Growing markets for living, working and playing (see Guiding Principles for Housing, Markets and Futures and Retail and Leisure);
- Giving a priority to achieving high quality development and a place-making approach, from the first works on site, to set a tone and clear precedent for the remainder of the project (see Guiding Principles for Cityscape);
- Giving a priority to early investment in transport, services and community infrastructure, including a new transport corridor through the Wirral Waters area and new public transport services to use it (see Guiding Principles for Sustainability and Physical Infrastructure, Sustainable Transport and Social and Community Infrastructure);
- Giving priority to achieving sustainable development, though a strategy for exemplar environmental performance over time as the critical mass of the project grows and technology improves and becomes more viable (see Guiding Principles for Sustainability and Physical Infrastructure);
- Early investment in public realm enhancements, to change perceptions and to create attractive new neighbourhoods and encourage people to use, and invest in, Wirral Waters (see Guiding Principles for Landscape, Waterfront and Public Realm);
- Developing a relocation for port tenants who need to be moved (see Guiding Principles for Port Relocations);

- Taking account of the effects of climate change and the potential flood risk, drainage issues and the early investment in infrastructure to counter these risks (see Guiding Principles for Sustainability and Physical Infrastructure, and Flood Risk and Drainage); and
 - The active promotion of early projects. These may be financially marginal and require funding assistance but they will assist in place-making, growing markets and triggering regenerative activity. This is occurring at Northbank East, Four Bridges and at the Hydraulic Tower. Importantly, the NWDA have confirmed their willingness to look in to gap funding for the redevelopment of the Hydraulic Tower into a 60,000sq ft Grade A office development however the level of intervention they can offer for gap funding will reduce from the end of 2010.
- 3.8 With all of the above in place, it is intended to create a long term investment profile by securing major tenants and to attract large number of new residents, workers and visitors to Wirral Waters.
- 3.9 As a private sector development the successful delivery of Wirral Waters is dependent upon it achieving an appropriate level of viability. The project will need to create new perceptions and markets. Rental and capital values will grow slowly (as confidence is built up). There will be particular pressures on the viability of the early phases of development. This was anticipated at the outset by Peel.
- 3.10 A realistic approach is therefore required in relation to the phasing of infrastructure. The delivery of all benefits may be a particular challenge in the early phases. Partners will therefore need to focus on the most important priorities at the time decisions are made and phases delivered, to ensure that delivery is not unduly restricted by over-ambitious early requirements.
- 3.11 Clearly, the financial viability of Wirral Waters and the extent of publicly available funds will be a key influencing factor for what is achievable and when. This is a particular issue at present due to the global recession and lack of liquidity in the financial markets. The likely sequencing of the proposals allows for re-investment of the value generated in each phase back into the project, as set out in the Planning and Implementation Strategy. The planning programme and funding availability are

therefore fundamentally linked.

- 3.12 In seeking to attract other private sector funders, Peel and its partners will work towards attracting a range of investors and occupiers over the lifetime of the project. This is fundamental to broaden the economic base of the area and underpin the long term sustainability of the local economy.

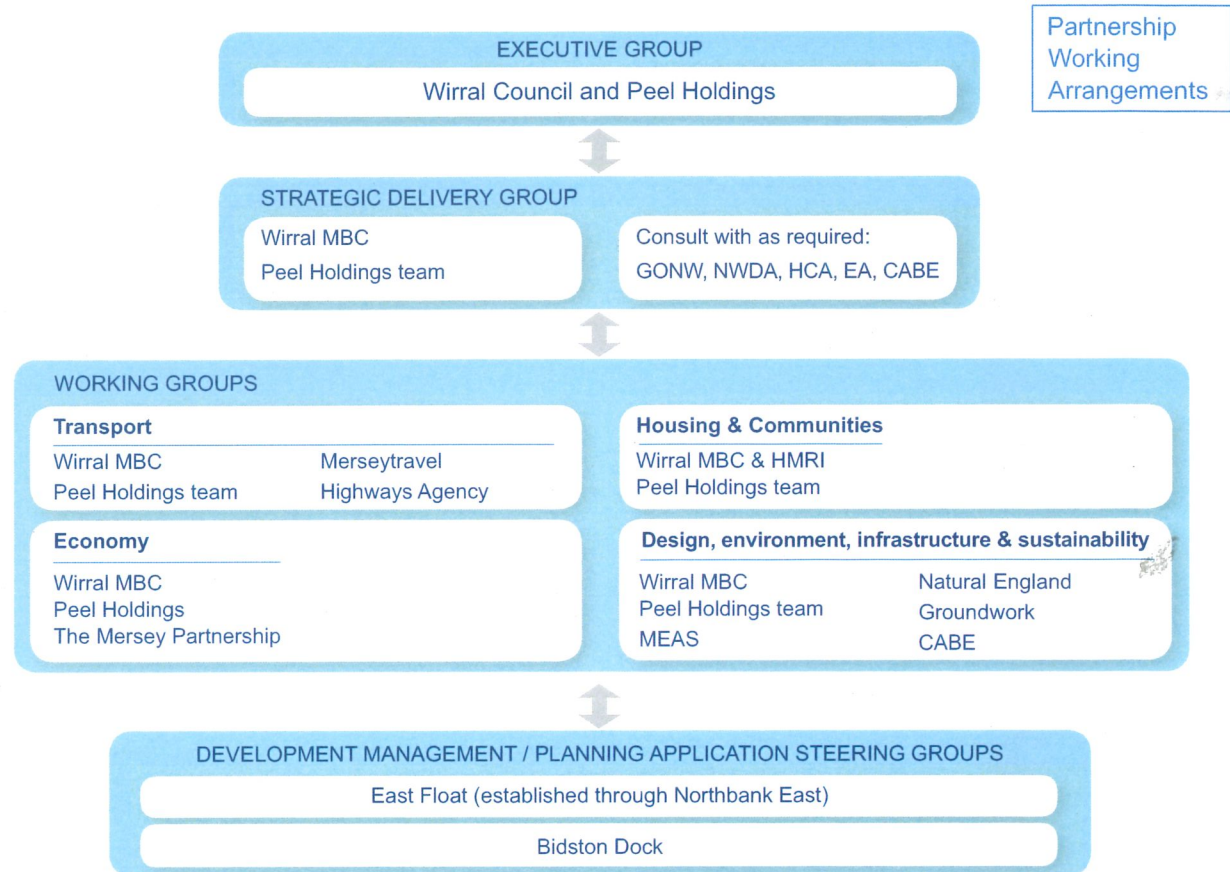
Responsiveness and Adaptability

- 3.13 Due to the current economic situation, it is vital that all partners closely monitor, respond and adapt to the implications of the recession for the delivery of Wirral Waters.
- 3.14 Opportunities need to be grasped and a flexible approach taken where needed, to ensure that Wirral Waters can be delivered as effectively and as quickly as possible.
- 3.15 Options for match funding and sharing risks and delivery, including through Joint Ventures, will need to be further explored through the ongoing planning and delivery process. Solutions such as equity share and outright sale, between partners, may be used where appropriate.

04

Recommendations and Next Steps

- 4.1 The approach to funding is simple – to access all potentially available funds, both public and private, that will enable the Wirral Waters Vision and Framework to be delivered at the highest level of quality and at the earliest practicable time. The recommendations and next steps are therefore straightforward:
- Peel and its partners will consult upon and endorse this approach as an appropriate, overarching basis for taking forward the Framework;
 - Peel and its partners will review in further detail the scope for making funding applications and bringing forward projects that could be eligible for funding assistance. In particular, the Mersey Heartlands Partners will explore the potential availability of monies from the Growth Fund to assist in the delivery of housing-led growth; and
 - Peel will also continue to develop its phasing and programming in the context of available funding, particularly in light of the current economic situation.



- 5.1 The funding landscape is likely to change over the lifetime of the project both as a result of structural changes to the financial markets, Peel's evolving position as a private company and in the context of future public sector funding commitments. It will therefore be important to keep the approach to funding under review and update it from time to time as appropriate.
- 5.2 The funding context is critical to how the Vision and Framework will manifest itself in firm proposals and subsequent built developments; their content, location, timing, quality, supporting infrastructure and regeneration benefits. The Strategic Delivery and Economic Working Groups will seek to monitor and review the funding approach and take necessary actions as and when required.
- 5.3 This is particularly the case in respect of uncertain economic climate. Peel and its partners will work closely to monitor and respond to changing economic circumstances.

Working Neighbourhoods Fund

1. The Comprehensive Spending Review (CSR) 2007 contained an announcement that more than £2 billion would be provided to support the renewal of the most disadvantaged areas nationally and that this would include a funding stream, the Working Neighbourhoods Fund (WNF). WNF will also incorporate the Department of Work and Pensions Deprived Areas Fund (DAF) from 2009/10, to focus on improving the economic prospects of people living in deprived areas. Similarly to NRF, eligibility for the WNF has been based on deprivation levels, particularly in respect of employment figures, within a local authority area based on the recently published Index of Multiple Deprivation 2007 (IMD).
2. The WNF has a focus on three key employability priorities within local areas:
 - Tackling areas with significantly high levels of worklessness
 - Focussing on priority groups, particularly areas with high levels of IB claimants, lone parents, and NEET cohorts
 - Developing employment in areas of opportunity within boroughs.
3. Wirral has been awarded approximately £28 million of WNF for the next three years which will be paid via the LAA area based grant. Wirral will receive £8.2m in 2008/09, £9.8m in 2009/10, and £10.2m in 2010/11. Partners are working through the fourth block (Economic Development) of the Local Area Agreement to implement a full commissioning process for WNF, ensuring that funding is targeted on the

outcomes agreed through Wirral's Investment Strategy (i.e. tackling worklessness and low levels of skills and increasing enterprise). The WNF in Wirral is being taken forward through the 'Working Wirral' initiative which is referred to in more detail in the Skills and Employability Strategy. There may be opportunities for funding to support specific activities related to Wirral Waters.

ESF Framework 2007-2013

4. A new European Social Fund Programme has been designed for the UK for period 2007-2013. The new Structural Fund will be less generous in terms of the available ESF funds than in the past, with each region developing their own programme framework. The purpose of the Framework is to set out practical priorities and principles for spending ESF in the North West over the next seven years. It does not provide detail on delivery arrangements, but provides a platform to guide co-financing organisations in developing their delivery plans prior to commencement of activity.
5. The overall level of ESF grant funding available to the North West region will be €520m, of which €197m is ring-fenced for Merseyside in light of its status as a 'phasing in' area (i.e. former Objective 1 area). The programme has two priorities:

Priority 1 - Extending employment opportunities

- Improving employability and skills of the unemployed and economically inactive people;
- Tackling barriers to work faced by disadvantaged groups; and
- Reducing the number of young people who are not in education, employment or training (NEET).

Priority 2 - Developing a skilled and adaptable workforce

- Reducing the numbers of people without basic skills and Level 2 qualifications; and
- Training to Level 3 to address intermediate skills shortages and some limited scope to provide higher level skills training.

6. The ring-fenced ESF allocation for Merseyside is €205m (in current prices), which is far greater, on a per capita basis, than for the rest of the North West. Because of this higher level of funding (per head of population), there is greater scope to use ESF to tackle key sub-regional priorities in Merseyside than in other sub-regions. The funding will be split between the two priorities, with the split broadly being two-thirds for priority one and one-third for priority two. There is also an element of this funding which will be used as non co-financed resource (also referred to as the Merseyside Complimentary funding strand).

- 7. Government Office for the NW have confirmed that approximately £13.4m will be allocated under this strand, with all of this allocated for activities under Priority One, with local authorities identified as likely future bidders for this funding.
- 8. As part of the phasing-in process ESF money within Merseyside, is planned to fall sharply year-on-year during the period 2007-10 and then remain broadly constant during the final three years of the Programme. Consequently, under this profile, approximately €168m (82%) of the Merseyside allocation must be committed by the end of 2010. Partners will, therefore, face a challenge in ensuring that the overall pattern of spending in Merseyside matches this anticipated profile in line with the EU principle that funds must be spent no later than two years after the year in which they committed. With this in mind there is a real opportunity within Merseyside for projects to come forward which could help tackle skills and employability issues through the deployment of new ESF funding under the 2007-2013 framework.

The North West ERDF Operational Programme (NWOP) 2007-2013

- 9. The NWOP is the most relevant funding source for Wirral Waters in terms of scale and nature. The ERDF Programme aims to enhance and support the competitiveness of the North West economy and support the EU Growth and Jobs agenda and the North West Regional Economic Strategy. The programme will also support the creation of the right conditions for growth in employment and enterprise in local areas for local people. For the first time, there is a single ERDF Programme for the whole North West, known as the Northwest Operational Programme (NWOP). The programme period is from 2007 to 2013, although spend will be front-loaded in the first two years (even more so in Merseyside).
- 10. Some 85% of the Merseyside allocation must be committed and spent by the end of 2010 in line with the N+2 principle. Partners face a steep challenge in ensuring that the overall pattern of spend in Merseyside matches this profile. Peel has responded to this by progressing two funding applications beyond EOI stage.

- 11. The ERDF Programme has five so-called priority axes and 11 action areas. Beneath each action area sits a more detailed investment framework, which identifies the type of activity that could be supported under the ERDF Programme and the overall approach to selection and delivery of these projects.
- 12. Various components of Wirral Waters are aligned to two of these action areas:
 - AA3-2: Developing high quality sites and premises of regional importance
 - AA4-3: Supporting employment creation for areas of regeneration need.
- 13. Across both AA3-2 and AA4-3, it is likely that investment decisions will focus on:
 - Deliverability/viability: the NWOP is looking to bring forward deliverable and viable projects. This means that projects with significant ownership, match funding or planning issues to resolve are less likely to be prioritised or may not be acceptable. The NWOP will be looking to invest in projects where planning permission is already in place to provide more assurance on deliverability.
 - Market failure. In the majority of cases, investment will be made to address market failures – applicants must provide sufficient economic rationale as to why the public sector should intervene. This is even more important for profit-making private sector applicants, who must demonstrate a very clear case for public support.
 - Additionality: ERDF will only fund additional economic activity. Therefore relocating existing users (even where this unlocks development opportunities) is not eligible.
- 14. There is a strong economic and social rationale for transformative action to regenerate the Wirral Waters site based on need. Successful intervention could create a major new destination of regional significance which will have tangible economic benefits for local residents.

Key synergies	
Need for change in Birkenhead Docks...	Impact of Wirral Waters...
Extensive area of poor quality environment, private and public realm inhibit high quality strategic development.	An integrated, cohesive long-term strategy to transform the physical environment across Birkenhead Docks.
Fundamental need to raise the quality of the built environment and of land and property.	High quality, iconic developments on redeveloped brownfield land that will help to drive up design standards.
Lower than average SME activity and little evidence of functioning commercial and industrial property markets.	Stimulate demand for property, maximise the local economic impact of development e.g. by creating a strong SME business location.
Poor internal and external perceptions.	Major uplift in image and perceptions and creation of a new investment destination of regional significance.
High levels of worklessness and lower skill, lower wage employment.	Quality local employment opportunities (some of) which are accessible to local people.

AA3-2: Developing high quality sites and premises of regional importance

- 15. The purpose of public investment is to support the delivery of designated major employment sites of strategic regional importance. The NWOP makes it clear that it does not intend to support every site and will focus investment on high value end uses. The total ERDF resources allocated regionally are c.£67M but, unlike the previous round, there is no sub-regional allocation.
- 16. Wirral Waters could **potentially be eligible** for support under AA3-2 and in the right location. The full list of eligible locations includes 16 out of 25 Strategic Regional Sites and 15 additional Regionally Significant Sites. Only these designated sites are potentially eligible for support. It is important to bear in mind that NWDA has still to map these sites and test their exact boundaries. However, it is reasonable to assume that the full Wirral Waters masterplan area will be included in the final list under Birkenhead Docklands.

17. Eligible activities under AA3-2 are fairly broad ranging and include:
- Delivery of the Regional Strategic Sites, including the clearance of derelict land and treatment of contaminated land, provision of site servicing and related site infrastructure;
 - Site-specific access into Regional Strategic Sites and site-specific public transport facilities where this is part of a sustainable transport strategy

[Note: the two bullet points above are tied to quantified, known development proposals.]

- Development of high quality business environments, including premises, landscaping, public realm and gateway features, energy and resource use and management, including green infrastructure, and site-specific IT/ broadband infrastructure
 - Marketing and promotion of specific sites with a role in supporting innovation and cluster development [Note: given the relative scarcity of resources it is unlikely that any significant investment will be made in marketing and promotion].
18. Wirral Waters has a potentially strong case for **strategic impact**, as a complete development. ERDF investment through AA3-2 is seeking impact on a regional scale. Not only must developments transform the discrete development site but they should have a catalytic impact on adjacent sites or neighbourhoods with the potential to drive up employment and GVA growth at a sub-regional level.
19. It is perfectly acceptable – and indeed useful – to describe this impact over time. Wirral Waters will be developed out over 30+ years; hence any application would need to explain how investment in early win projects will help to accelerate development on adjacent sites and drive economic regeneration in the partnership neighbourhoods. The wholesale economic diversification/ restructuring that development of the site will bring must be the starting point for strategic project development.
20. In terms of the nature **of development**, this should incorporate:
- High quality design and build, making reference to any construction/ environmental standards (e.g. BREEAM excellent rating);

- High value end uses that are likely to be attractive to knowledge-based industries. The Framework includes several areas targeted at these sectors.

21. In terms of the **scale of development**, in this round, the NWOP is looking to invest in fewer, bigger projects at a regional level, which will generate greater impact. Subject to more detailed analysis, the minimum threshold for ERDF investment under AA3-2 is considered to be the capacity to accommodate around 2,000 jobs or 50,000 sqm of net development.
22. Regarding the **phasing of development**, ERDF spend will be frontloaded in the first three years of the NWOP (to 2010) and this spend profile is exaggerated in Merseyside. In the context of Wirral Waters, any potential ERDF investment would be in early projects.

AA4-3: Supporting employment creation for areas of regeneration need

23. The purpose of public investment is to focus on the provision of local employment opportunities which will help to tackle the problems of worklessness in specific parts of the region. In many ways, it is the other end of the spectrum to AA3-2; the NWOP will be likely to fund more local, smaller scale employment creation. The total ERDF resources allocated regionally are c.£81m – unlike the previous round there is no sub-regional allocation.
24. Wirral Waters could **potentially be eligible** for support under AA4-3. It is in the right location, being within a HMRI pathfinder area. Critically, all AA4-3 projects need to demonstrate impact on worklessness – it is not sufficient to prove evidence of need. In practice, this means explaining how local people will be supported to access new job opportunities (e.g. through advice and guidance, or connecting people to jobs via local transport initiatives).
25. There is a very broad range of **eligible activities** under AA4-3, which are:
- Support for development of employment sites providing employment for residents of target areas, including:
 - Environmental improvements
 - Energy and resource use management and site

specific IT/ broadband infrastructure which help to create an appropriate business environment and support the development of knowledge based industries at a local level.

- Brownfield land reclamation;
 - Integrated projects for urban/rural regeneration with a specific focus on support for:
 - Entrepreneurship
 - Local employment generation
 - Community economic development including facilities which support social enterprise, managed workspaces and common services for businesses in target areas.
26. The **River Streets** area is considered to be well aligned with the aims and objectives of AA4-3
27. In terms of **strategic impact**, ERDF investment through AA4-3 is seeking impact on worklessness. Not only must developments create new employment but these opportunities must be accessible to local workless people by virtue of location, skills and aptitudes, and other support. The linkages with adjacent housing market renewal activity must be the starting point for strategic project development.
28. The **nature of development** is not constrained by a list of sectors but the NWOP will prioritise investment in end uses that provide realistic entry points for workless people. ERDF will only fund additional activity. Therefore, any floorspace that will be accommodate relocating businesses (eg from Woodside) will be ineligible for support.
29. Proposals must incorporate:
- High quality design and build, making reference to any construction/ environmental standards (e.g. BREEAM excellent rating); and
 - Higher added value end uses that provide accessible entry points for workless people (who are likely to be less qualified, lower skilled or have outdated skills), and identify how local people will be able to access new local employment opportunities.

30. Again, ERDF spend will be **frontloaded** in the first two years of the NWOP and this spend profile is exaggerated in Merseyside. In the context of Wirral Waters, any potential ERDF investment would be in early projects (i.e. to spend before the end of 2010).

Who can apply?

31. The NWOP 2007-2013 is far more flexible than the previous round. One of the primary consequences of this is that private sector applicants can now apply for funding directly. There are two key points:

32. A private developer (i.e. Peel Holdings) is eligible to apply for funding for up to the development gap (say £XM) i.e. the minimum required to 'bridge the gap'. Developer profit is ineligible for support (although it can legitimately be used to calculate the development gap). Note: the development gap will need to be at the expression of interest stage in order for any funding application to progress.

33. The developer must demonstrate that funds equivalent to the development gap (£XM) will be spent on eligible activities. Using a mixed-use development as an example, eligible activities include the construction of commercial floorspace but not the construction of residential units (residential is ineligible for ERDF support). All eligible pre and post-construction costs must be apportioned to allow for this.

34. Alternatively, public sector partners are also able to make applications for projects that they are progressing with or without private sector partners.

Eligibility Criteria

35. The table on the right sets out the eligibility criteria in detail.

Lisbon Compliant Activities: For both action areas, the NWOP is seeking to fund at least 25% on so-called Lisbon compliant activities:

- 5% of resources on promotion of clean urban transport (eg public transport facilities serving new sites and related property developments)
- 10% energy efficiency, co-generation and energy management (eg BREEAM)

ERDF eligible activities		Is it an eligible cost or not?
Type of Cost for a Land and Property project		
Feasibility work and studies		✓ Yes
Professional fees		✓ Yes, but historically these have been capped at no more than 12.5% of total construction costs.
Legal and accountancy/audit fees		✓ Yes, but only where attributable to the project
Land acquisition		✓ Yes but only up to 10% of total eligible costs of the project. (This is an EC-wide regulation for all ERDF). A higher figure may be permissible in exceptional circumstances by CLG, but only for operations concerning environmental conservation (so unlikely to apply to AA3-2 and AA4-3).
Buildings acquisition (but not the land associated)		✓ Yes, there appear to be no restrictions on the proportion of eligible costs covered assuming that the land elements can be separated out.
Preliminaries, land reclamation		✓ Yes.
Construction costs		✓ Yes, so long as the end use of the construction activity are eligible.
Other Cost Elements	Transport infrastructure	✓ Yes, for site access and for signage for public transport X No, for general transport improvements which are not site specific
	Fitting out costs	? Unclear, these are not explicitly ruled out or ruled in. However, normally ERDF would only support those items of property costs which are not occupier specific.
	Furniture	? Unclear, these are not explicitly ruled out or ruled in. However, it is unlikely that ERDF would support those items of property costs which are occupier specific.
	IT infrastructure	✓ Yes, both AA3-2 and AA4-3 specifically support investment in IT connectivity in projects which will improve usage of ICT by SMEs.
	CCTV	✓ Yes, these are not explicitly ruled out or ruled in. They were explicitly ineligible under the previous Objective 2 programme. Likely to be eligible only when integral to an employment generating project within a defined industrial area.
	Car parking	✓ Yes, in previous programmes these were ineligible unless part of a wider development project. Although this is not stated explicitly anywhere, the same logic will apply in the new Programme.
Contingencies		X No. This is because ERDF is paid on actual costs incurred. Obviously as contingencies become actual construction costs they will be eligible.
Interest		X No. Excluded by an EC-wide regulation for all ERDF.
Developer profit		X No. Although developer profit is not explicitly excluded by EC or CLG regulations/guidance, CLG guidance explicitly excludes dividends.
VAT		✓ Yes, irrecoverable VAT may be eligible (but precise rules are complex and CLG advice seeking advice from HMRC if in doubt. X No, for recoverable VAT.

- 10% improving access to and efficient use of ICTs by SMEs (eg high bandwidth broadband serving the site/ embedded in buildings)
36. **Revenue-Generating Projects:** Projects which generate revenue (eg the sale or rent of land or buildings) may be supported by ERDF. However, any anticipated revenue should be deducted from the eligible expenditure at the time of application.
37. **Match Funding:** The overall intervention rate is 50% of eligible costs (ie £1 match for every £1 ERDF).