

APPENDIX 1

Glen Parent Community Complex (The Bacon Factory)

The project

The Glen Community Complex (known as the Bacon Factory) located on the Suffolk Road is in need of substantial upgrade and redevelopment. The aim of the redevelopment is to provide a fit for purpose community facility that will create a 'shared space' at the Lenadoon/Suffolk interface and will support the delivery of various peace and reconciliation and regeneration priorities of the Neighbourhood Renewal area.

The objectives of the project as detailed in the economic appraisal are:-

- To better utilise the Glen Community complex in a way that effectively addresses the community, social, economic and physical regeneration needs of the Lenadoon/Suffolk NR area.
- To secure the continuation and enhancement of community services and community capacity in the Lenadoon and Suffolk estates.
- To continue to promote a shared future at the Lenadoon/Suffolk interface.
- To ensure that the delivery of community based services are compliant with legislative requirements.
- To develop a social economy project through the provision of retail/commercial units on the ground floor of the proposed new development.

Site ownership

The Bacon Factory site is owned by North & West Housing Ltd. North & West have developed 125 houses on the surrounding site and expressed a reluctance to sell the building as they are eager to undertake the development of the complex themselves.

Project promotion and funding

DSD BRO West team have undertaken this project on behalf of the Lenadoon and Suffolk Community Forums and made an application to SEUPB for Peace III monies to develop the site.

An economic appraisal was completed which identified the preferred option on the site as the construction of a new four storey complex which would involve the purchase of the Bacon Factory from North & West Housing and the total demolition of the existing building. A new four storey complex will be constructed (including three ground floor commercial units).

The total cost of this option is £5,095,603. The request is for SEUPB to fund 90% of the project (£4,595,603) and the remaining 10% (£500,000) has been secured through Atlantic Philanthropies.

Proposed project management

Whilst DSD has adopted the role of project promoter, upon completion of the project, DSD will transfer the ownership of the new complex to a newly formed

management board which will consist of representatives from Lenadoon Community Forum and Suffolk Community Forum.

Legal issues re project promotion

On 5th November 2008, DSD contacted its Departmental Solicitors Office (DSO) to ascertain;

1. That DSD can be the project promoter
2. That DSD can be a landowner using Peace III monies to purchase the land
3. That DSD can be a project deliverer (a body that contracts with a construction company via the Department for Finance and Personnel's Central Procurement Directorate, to build a 'community facility' building and
4. That DSD can retain ownership of the building having been the deliverer of the project

The DSO provided a negative response stating that the DSD does not have the statutory authority to act as a project promoter in so far as the term refers to an organisation taking receipt of EU funding to (itself) acquire land and to build community/commercial facilities.

Involvement of Belfast City Council

To this end, DSD approached BCC in December 2008 to request that the council considers taking this project on. SEUPB have confirmed that the Council would be their preferred option for project promotion in the absence of DSD undertaking this role to ensure that the project isn't jeopardised.

Following liaison with BCC Officers it was agreed that the Council would undertake a due diligence exercise to ensure that all risks, costs and long term commitments to the project were fully considered prior to taking it for consideration to the Development Committee.

Due Diligence

As part of the due diligence exercise a range of documentation was requested and examined including:-

- Economic Appraisal
- Legal correspondence from DSD's Solicitors
- Architects plans for the development of the site (2005)
- Title deeds for the property
- Costings for the scheme
- CPD guidance for the development of the site
- Timetable for implementation of the scheme which was provided to SEUPB (this assumes that the project will commence in December 2008)
- Proposed corporate governance for the project

A series of meetings were held with DSD, SEUPB and North & West Housing to discuss the best way to move the project forward within the designated timescales.

Internal meetings were held with the Core Improvement Team) to examine the feasibility of the project and the council procedures that it would need to be examined within in particular the project management requirements and the gateway process.

Risks

Based on the information provided above, a number of potential risks were identified. These can be detailed as follows:-

1. Project Funding

The implementation of the programme is dependent on funding from SEUPB. The funding has been secured and SEUPB is in a position to issue a Letter of Offer as soon as a project promoter is agreed.

Given that this is EU funding, a range of terms and conditions are attached to the Letter of Offer which includes timescales for funding and project implementation. If there are any delays to the project's implementation then the project could be jeopardised. In addition to this, if BCC accepts the project promotion role then it must accept the terms and conditions of funding and would be liable for the project if it falls outside of the timeframes for funding. The Peace III programme closes in 2013 which means that the project must be fully delivered; funding receipted and vouched prior to this deadline. SEUPB has confirmed that they are willing to be flexible with regard to spend targets within this timeframe.

Another key issue with funding such a project is that the Council would have to consider front loading the funding of the project and then claiming retrospectively. This would need to be built in to any estimate setting processes for the council.

2. Site acquisition and ownership

North & West Housing Ltd are the current owners of the site. The economic appraisal is based on the premise that North & West Housing are willing to sell the site in order for the project to proceed. However, following a series of discussions with North & West Housing they have confirmed that their preferred option would be that they retain ownership of the site and undertake the development themselves.

If site acquisition cannot be agreed then the proposed project might not proceed as there could be significant delays in negotiation which will impact upon funding timescales.

3. Construction Timetable

There is no agreed scheme in place for the project which could further cut into the timeframe for the project in order to get this agreed.

Planning permission for the development of the site has not yet been applied for. This could take a number of months to secure which could have implications for the delivery of the project. Exploration is underway to look at the submission of a planning application by DSD that could speed the process up.

BCC has undertaken an analysis to look at the length of time that would be required to get the project completed which does not take account of any potential delays that have been highlighted as part of the due diligence exercise e.g. delays in site acquisition. Based on the existing drawings that have been provided for the programme it suggests that the BCC could be on site by the second half of 2010 and a build period of up to 18-20 months to June 2012. This is a high risk for the council unless site acquisition is clarified and the SEUPB timetable is aligned with design/construction.

4. Current Tenants

The economic appraisal states that the current commercial tenants within the building do not have leases and have agreed their willingness to decant. However, given the length of time the tenants have been at the site they would have rights under the Business Tenancy Act which would need to be coasted into the project. Negotiations with the tenants could further elongate the process and delay commencement of the project.

5. Sustainability of the project

Funding has been secured for the site acquisition, design and build. The economic appraisal also identifies a potential income of £35,000 from the commercial units which will contribute to the buildings running costs when it is transferred to the management board. Core costs for the main community group located in the building are also secured by DSD until 2011. A core requirement of the Peace III monies is that the project will provide a range of activities to demonstrate its approach to a Shared Future. How will all of this be sustained in the future? Who will take responsibility for funding these programmes and activities? The future sustainability of the project following the end of this funding period needs to be factored in to future planning for the project as it could represent a long term cost for the council.

Potential options for project development

Given all of the key issues raised above, a number of options have been identified as a proposed way forward to ensure that the project is delivered as soon as possible so as not to jeopardise the funding package that has been secured. The three options identified are detailed as follows:-

Option 1: BCC acts as project promoter for the site

BCC taking on promotion of the site is the preferred option for SEUPB and DSD. Council would take on the role that DSD had planned to undertake as detailed in the economic appraisal.

This would mean that Council would be the recipient of the Letter of Offer and its terms of conditions, accept liability for the development of the project, management of all contracts pertaining to the project, planning applications, site acquisition, design and construction, potential ownership and maintenance of the building upon completion and on-going monitoring and evaluation of the project in line with the Letter of Offer. The Council would have to ensure that the project is delivered within EU funding timescales and that there are no significant delays to the projects implementation.

Given that this is an EU funded project the Council would need to look at how it could front load funding for the various stages of the project and to retrospectively claim this from SEUPB. Given the level of monies associated with this project this would need to be factored into the Council's budget setting process to ensure that this would be possible to do. SEUPB have indicated a willingness to negotiate around spend targets.

This is considered as a high risk option for the council given all of the key risks that have been identified above which could impact on the delivery of the programme within the timescale.

Option 2: North & West Housing acts as project promoter for the site
North & West Housing has confirmed that this is their preferred option and they would become the recipient of the Letter of Offer and all of the necessary terms, conditions and liability within that.

North & West Housing are the current owners of the site and are keen to retain the building as they own and manage the houses that they have built in the surrounding area. This option would remove any issues around delay to the project due to site acquisition negotiations.

North & West Housing would undertake all of the construction work and would retain ownership of the building. A condition of this approach would be that a long term lease (999 years) would be drawn up for the community groups that are in the complex and a 'peppercorn' rent would be charged to the community groups. A proportion of the income generated from the rental charge to the retail businesses on the ground floor would be directed to covering the maintenance of the building.

SEUPB will need to carry out the necessary checks to ensure that North & West Housing can become a recipient of Peace III monies. One of the key issues that they have already identified is that they need to ensure that North & West will comply with the principles of a Shared Future and to ensure that the Peace III outcomes are achieved when the physical build is completed. This is one of the key reasons why SEUPB has a preference for the Council to undertake this role as it is bound by Shared Future principles.

This option is considered as a low risk for council as North & West Housing will be assuming all responsibility.

Option 3: North & West Housing acts as project promoter with DSD and BCC providing an oversight management role

This option will consider North & West Housing assuming the role of project promoter and retaining ownership of the building as detailed in Option 2. North & West Housing have also identified that this is an Option that they would be content to move forward with.

In order to address the issues raised by SEUPB regarding Shared Future outcomes and community linkages as detailed in Peace III funding requirements, DSD and BCC could undertake an oversight role for the project which would address corporate governance, project completion, spend profile targets.

SEUPB would issue a Letter of Offer to North and West Housing Ltd but this offer would include a condition that DSD and BCC would have a legitimate oversight and management responsibility for the project.

DSD have put forward proposals that a Project Assurance Team (PAT) would take on the role of overseeing and managing corporate governance, project completion and spend profile. Such an approach should be sufficient to allow completion of the project and achieve spend targets set by SEUPB.

The PAT would be responsible for reporting to a Project Management Board on areas of concern/risk in relation to the management of the project and it will ensure that the terms and conditions within the Letter of Offer, legal agreements etc are being met and that the project risks are being monitored and managed. It is suggested that members of the Project Management Board will include DSD (BRO), BCC, DFP (CPD), North & West Housing and Lenadoon/Suffolk Neighbourhood Partnership.

The suggested roles and responsibilities for BCC within this option is to participate on both oversight teams, to provide technical advice around planning and project management to the Project Management Board.

The proposals around this have been considered by Legal Services who have advised that whilst this option is feasible for council further detail would be required regarding the role of BCC within such a corporate governance framework. This can be addressed in due course.

This option is considered to be a low to medium risk for the council.

Way forward

Given the information and risks as detailed above, a decision needs to be taken as a matter of urgency regarding Belfast City Council's role in the Glen Community Complex project as detailed in the Options.