

## **REGULATORY APPRAISAL**

### **THE WELSH DEVELOPMENT AGENCY (DERELICT LAND) ORDER 2004**

#### **1. Purpose and Intended Effect of the Measure**

To increase the percentage prescribed by section 16 of the WDA Act to enable the Agency to offer 100% funding to private sector owners and developers of derelict land.

The Welsh Development Agency currently provides private sector grants for land reclamation projects subject to an upper limit of 80% of the expenditure incurred.

In June 2002, England and some parts of Scotland applied to the European Commission (EC) to increase the percentage funding for land reclamation schemes to 100% of eligible costs. This was approved by the EC in June 2003.

The WDA wishes to have the power to offer 100% funding for private land reclamation schemes as the current limit of 80% of the expenditure incurred often fails to deal with large and challenging privately owned sites because of the disincentive of 20% loss. Projects have only proceeded in the past because of other benefits to the owner, such as a better outlook from property, removal of an unenforceable but perceived long term liability, expansion of existing premises without the cost of moving, or sacrifice of an element of development profit from a larger project.

#### **2. Risk Assessment**

Failure to amend the WDA Act is likely to result in the delay or cancellation of large and challenging private sector land reclamation projects and place demands on the public sector to acquire private sector land to enable projects to proceed. In addition, failure to introduce equivalent legislation in Wales could put Welsh reclamation projects at a comparative disadvantage with sites in England and some parts of Scotland.

#### **3. Options**

Option 1 do nothing

Option 2 amend the prescribed percentage in section 16 of the WDA Act 1975 as outlined above

#### **4. Benefits**

##### **Option 1 do nothing**

Currently the WDA awards less than £0.5m per year, c. 10% of its land reclamation budget to the private sector. To do nothing is likely to continue the low take up of the Land Reclamation grant by the private sector and lack of progress on large and challenging projects. Local Authorities and other public sector bodies are eligible to claim 100% grants. The low take up of land reclamation grants by the private sector tends to push the responsibility for land reclamation onto the public sector.

##### **Option 2 amend the percentage prescribed by section 16 of the WDA Act as outlined above**

The WDA estimates that having the power to offer 100% grant is likely to increase the take up of land reclamation grant by the private sector to 30% of the WDA's land reclamation budget. This would provide the opportunity to enable or accelerate the reclamation and redevelopment of large and challenging sites at net cost without the need for public sector land acquisition. This compares to the current public sector route, which involves an outlay of the gross cost of land reclamation plus the cost of site acquisition and disturbance. The savings would therefore be the sum value for the site in its derelict state, disturbance payments, plus site enhancement arising from reclamation. There would also be a saving in professional and administrative costs usually incurred in transferring land, sometimes compulsorily and managing it before and after reclamation. These savings would more than offset the need for greater scrutiny and control of a grant system where the private sector recipient no longer has a vested interest in making savings.

The acceleration of such projects not only has a direct value in terms of earlier removal of blight and new development within the site, but it also enhances its surroundings and the locality in which it sits.

#### **5. Costs**

The making of the proposed Order incurs no additional expenditure on the National Assembly. The WDA will meet the financial implications associated with making this Order from within its existing budgets. The additional costs associated with administering a 100% grant system would be met from savings obtained from the reclamation and redevelopment of large and challenging sites without the need for public sector land acquisition, saving in professional and administrative costs usually incurred in transferring land, sometimes compulsorily and managing it before and after reclamation. These savings would more than offset the need for greater staffing scrutiny and control of a grant system.

## **6. Competition Assessment**

This Order has been checked against the competition filter and it is not expected that the proposed regulations will have any significant impact on competition.

## **7. Consultation**

Consultation with specialist groups involved with land reclamation in Wales took place in the autumn of 2003, responses were received from the Confederation of British Industry (CBI) Wales; Council of Mortgage Lenders (CML) Cymru; Environment Agency Wales; Royal Institution of Chartered Surveyors (RICS) Wales; Royal Town Planning Institute (RTPI) and the Welsh Development Agency. The consultation also appeared on the National Assembly's Internet site. All responses to the consultation were fully supportive of the proposal to amend section 16 of the WDA Act 1975.

## **8. Review**

The WDA will monitor and review the land reclamation grants as part of its internal operations.

## **9. Summary**

The advantage of offering the private sector 100% grant for land reclamation is that it accelerates the reclamation of large and challenging sites. We therefore, recommend option 2 - to amend the percentage prescribed by section 16 of the WDA Act 1975 to enable the Agency to offer 100% funding to private sector owners and developers of derelict land.