

**URGENT LEADER OF THE COUNCIL
CABINET MEMBER MEETING
7 February 2024**



Report sponsor:
Cllr Shiraz Khan, Cabinet Member for Housing,
Property & Regulatory Services
Senior officer sponsor: Samantha Dennis,
Director of Communities
Report author: Michael Gillie, Housing
Regeneration Manager

ITEM 5

Funding bid to Brownfield Land Release Fund 2

Purpose

- 1.1 To secure authority to bid for and accept potential funding from the Brownfield Land Release Fund 2. The funding would be used for a project to redevelop a vacant site on Rose Hill Street to provide affordable homes.
- 1.2 To set out that the project in question is deliverable and has an approved Outline Business Case, but still requires planning and other statutory consents, and approval by Cabinet, before it can progress to Delivery stage.
- 1.3 An urgent decision is required because the current round opened for applications on 12 December 2023, and closes on 14 February 2024. Completed applications must be with the Council's One Public Estate Partnership lead authority, which is Derbyshire County Council, by 9 February 2024. This short application timeline is not consistent with the matter being considered by a scheduled meeting of Cabinet.

Recommendations

- 2.1 To authorise the Director of Finance (Section 151 Officer) to submit a bid of up to £300,000 to the Brownfield Land Release Fund 2.
- 2.2 To delegate approval to the Director of Finance (Section 151 Officer), following consultation with the Cabinet Member for Housing, Property and Regulatory services, to accept any funding that may be offered as a result of the bid and to enter into the funding agreement, subject to acceptable grant conditions.

Reason(s)

- 3.1 In order to attract external investment into a project to redevelop vacant Council-owned land in one of the most deprived areas of Derby, and to mitigate the abnormal costs of developing the site.
- 3.2 In order to support the development of high- quality affordable homes to address the very high levels of need for housing in the city, and the particular need for accessible homes that meet the needs of older and disabled people.

Supporting information

Brownfield Land Release Fund 2

- 4.1 The Council is a member of One Public Estate (OPE), a partnership delivered by the Local Government Association and the Office of Government Property. The aim of OPE is to take a strategic approach to asset management across the public sector, and make best use of publicly owned assets to deliver shared objectives. This includes releasing land for development to create new jobs and new homes.
- 4.2 The Brownfield Land Release Fund 2 (BLRF2) was created in 2021, with £180 million of funding spread across three application rounds over the Spending Review period. The Council did not bid in Round 1, but was successful with two bids in Round 2 for affordable housing projects at The Knoll (£0.367m) and Drewry Lane (£0.203m). The preparatory works funded by BLRF2 at these sites are due to commence shortly.
- 4.3 The third and final application window for BLRF2 opened on 12 December 2023, and is open until 14 February 2024. This round aims to allocate the remaining £80 million of funding. All applications are submitted via the local OPE Partnership.
- 4.4 As in the previous rounds, 50% of the prioritisation of eligible bids will be done by “place based metrics”, based on deprivation and Gross Value Added statistics. Derby scores relatively strongly on these, with 38 points out of a possible 50, therefore this is an opportune time to apply.

Land at Rose Hill Street

- 4.5 The Council owns land at the periphery of the historic Derby Arboretum, which is the former bowling green fronting onto Rose Hill Street, along with adjoining buildings which were demolished in 2019. The bowling green has been disused for many years and is heavily overgrown.
- 4.6 A design has been drawn up for seven houses and three bungalows, all with either three or four bedrooms. These will address the need for larger Council properties, and accessible properties that meet the needs of older and disabled people, in an area with a high proportion of traditional terraced housing. Green space on site will double as a means to retain surface water, mitigating the risk of flooding during extreme rainfall. The properties will be held in the Housing Revenue Account (HRA) and managed by Derby Homes, as with all other Council properties.
- 4.7 This is a complex site, with contaminated ground to be removed, old foundations to dig out, mature trees around the perimeters, and listed or locally listed buildings on either side. However, the development is also an opportunity to enhance both the appearance and the biodiversity value of the Arboretum itself.
- 4.8 Pre-application planning advice has been taken, which has identified the areas where further information will be required, and a planning application is to be submitted later this year.

- 4.9 Whilst the project has not yet been presented to Cabinet for approval, and is therefore not yet on the capital programme, the project's Outline Business Case has been reviewed and approved by PMO Board, and the Full Business Case will be reviewed before the scheme enters Delivery. It is intended to take a report to Cabinet seeking approval for the scheme once the plans and costings are sufficiently mature enough and risks levels are considered manageable. Project risks are managed in accordance with the Council's Risk Management Strategy, and at this time there are no risks that materially impact the successful delivery of the project.

Public/stakeholder engagement

- 5.1 The proposed development was presented to the Arboretum Ward Partnership Meeting on 13 December 2023 and received support from the Neighbourhood Locality Manager and the three ward councillors.
- 5.2 Neighbouring residents will be informed about the project by letter before a planning application is submitted and will then have opportunity to comment as part of the planning process.

Other options

- 6.1 Other sites have been considered for potential BLRF bids, but none has been identified that has both significant abnormal costs of development, and the relatively high confidence in delivery that is a requirement for the fund. Rose Hill Street is the best candidate among sites in the Housing capital programme at this time.
- 6.2 The Council could decide not to bid, but this would be a missed opportunity to bring in Government funding to augment the Council's own Housing capital programme.

Financial and value for money issues

- 7.1 The project to redevelop this site has not yet been approved by Cabinet and it is therefore not yet on the capital programme. The development of the scheme is currently at RIBA Stage 2 and is estimated to cost in the region of £4.0m. It is intended to take the project for Cabinet approval by summer this year, by which time a more detailed RIBA Stage 3 design and cost plan will have been completed.
- 7.2 As with most Council housing new build and acquisition projects, the project will be funded 40% from Right to Buy receipts that are ringfenced for this purpose, and 60% from the Housing Revenue Account. Any BLRF2 grant received can be used alongside Right to Buy receipts, and so will reduce the Council's 60% contribution. So long as there is a credible means of delivering the project, there is no specific requirement for the Council to commit match funding.

- 7.3 The current cost per property appears high, but this reflects the size of the properties, all with three or four bedrooms. Seven of them are houses, designed to an enhanced standard (M4(2) within the Building Regulations), which will allow them to be adapted to residents' mobility needs in the future. Three of them are bungalows, designed to the M4(3) standard to be fully wheelchair accessible. These homes will contribute to meeting the need for accessible housing where people can live independently, which will ease future pressures on Adult Social Care resources, however by their nature they are more expensive to build.
- 7.4 The properties are also designed to meet the Future Homes Standard, a level of energy efficiency over and above the minimum required by Building Regulations. This is in accordance with the Council's Climate Change Action Plan, and will minimise running costs for residents, but again has a capital cost implication.
- 7.5 Based on present costings, the project would not break even within the normal financial parameters for HRA development. This is due to the abnormal costs such as land contamination and the restricted scale of development within such a sensitive heritage environment. The BLRF2 grant is therefore required to provide a subsidy which will bridge the "viability gap" and allow the scheme to be delivered.
- 7.6 The costings will evolve as the design develops to RIBA Stage 3, and market evidence from another recent tender exercise shows that there is potential to make savings on the current forecast cost.
- 7.7 In the event that the funding is granted prior to the project being presented to Cabinet, the implications and risks of this will be fully discussed with the Director of Finance prior to executing their delegation requested in this report.

Legal implications

- 8.1 The Council has powers to bid for and accept this funding, and the decisions to do so are reserved to Cabinet by the Financial Procedure Rules.
- 8.2 The proposed funding agreement is available online, and was reviewed by Legal Services prior to the acceptance of funding in Round 2. No specific match funding is required and there are no additional risks to the Council from accepting the funding.

Climate implications

- 9.1 The funding will support delivery of ten new homes, built to a very high standard of fabric efficiency and located a short walk from the district centre on Normanton Road, which will reduce reliance on the private car.
- 9.2 A full Climate Change Impact Assessment will be included when the project itself is presented to Cabinet for approval.

Socio-Economic implications

- 10.1 Developing affordable housing is a fundamentally positive intervention, bringing about sustainable change for people experiencing socio-economic disadvantage because they do not have a safe, suitable or affordable place to live.

Other significant implications

- 11.1 None identified.

This report has been approved by the following people:

| Role | Name | Date of sign-off |
|---------------------|-----------------|------------------|
| Legal | Olu Idowu | 23/01/24 |
| Finance | Amanda Fletcher | 02/02/24 |
| Service Director(s) | Sam Dennis | 31/01/24 |
| Report sponsor | | |
| Other(s) | Ian Fullagar | 23/01/24 |

Background papers:
List of appendices: