

## COMBINED AUTHORITY MEETING

22 JULY 2024

### APPROVAL OF BROWNFIELD HOUSING FUND ROUND 2 PROJECTS

#### Report of the Head of Delivery

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#### 1.0 Purpose of the Report

- 1.1 This report sets out details for the outcome of the second call for project applications to the York and North Yorkshire Brownfield Housing Fund Programme. The second call for projects was approved by the Combined Authority in February 2024, to utilise the remaining balance of approx. £3m from the York and North Yorkshire Brownfield Housing Fund (YNYBHF) after the first round of approvals in December 2023.
- 1.2 Recommendations are made in this report for the approval of grant contributions towards new projects that will help to remove the barriers to the building of new homes, including affordable homes, across York and North Yorkshire.
- 1.3 An allocation from the Mayor Investment Fund is also requested towards the YNYBHF to maximise delivery of brownfield housing sites, and new homes, including affordable homes. It will also enable programme over-commitment to ensure full utilisation of the existing funding from what was the Department of Levelling Up Housing and Communities (DLUHC), now called the Ministry of Housing, Communities and Local Government.

#### 2.0 Recommendations

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| <ol style="list-style-type: none"><li>2.1 To consider the response to the second call for projects to the York and North Yorkshire Brownfield Housing Fund;</li><li>2.2 To consider a maximum additional allocation of £1.3million from the Mayoral Investment Fund towards the York and North Yorkshire Brownfield Housing Fund to enable the first three of the six applications to be supported, with the contribution towards the project at Blind Lane, Aiskew, to be the subject of further review;</li><li>2.3 To approve three projects to be supported through the York and North Yorkshire Brownfield Housing Fund Programme :<ul style="list-style-type: none"><li>• Blind Lane, Aiskew</li><li>• Linton-on-Ouse</li></ul></li></ol> |
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- Cocoa Gardens (Phases 3 – 5) York

2.4 That the Director of Resources be delegated to approve the final contribution amount to the project at Blind Lane, Aiskew, subject to the outcome of the further review and recommended grant award;

2.5 To note that a further report will be presented to the Combined Authority in September seeking approval to allocate a further £3.36m from the Mayoral Investment Fund, to enable the remaining three project applications to be supported.

### **3.0 BACKGROUND**

3.1 Within the York and North Yorkshire Devolution Deal, published in August 2022, it was agreed: “As a mayoral combined authority, the York and North Yorkshire Combined Authority will be awarded £12.7 million of devolved capital funding across 2023/24 and 2024/25 to support the building of new homes on brownfield land, subject to sufficient eligible projects for funding being identified.”

3.2 Allocation of the funding through what was the Department for Levelling Up, Housing and Communities was confirmed as a condition of the York and North Yorkshire Mayoral Combined Authority (YNYCA) being established.

3.3 An original call for projects was launched under the YNYBHF in January 2023, which, after due process, led to project funding allocations being approved at the Joint Devolution Committee on 15 December 2023. The initial approvals of project allocations and agreed programme management costs was a total of £9,681,071, of the total £12.7 million available. The existing project approvals will deliver :

- 700 new homes;
- Of which 252 will be affordable;
- The total investment will be £179,123,519;
- At an average cost per home of £13,110,

3.4 As the previous approvals left a balance of approx. £3million unallocated from the programme, it was agreed that a second call for projects would be issued in order to maximise the available funding.

3.5 The process for a second call for projects would directly target projects led by City of York Council, North Yorkshire Council and the Registered Housing Providers (RHPs) in York and North Yorkshire. Applications had to be submitted by 30 April 2024. The prospectus for the additional project call was consistent with that for the Round 1 process, except for :

- a change in eligible applicants (i.e. restricted to LAs and RHPs);
- requiring a Full Business Case (FBCs) only (rather than the previous two stage process); and
- with a revised Round 2 timeline.

3.6 Six new project applications were received by the closing date of 30 April 2024.

#### 4.0 ROUND 2 PROJECTS

4.1 The six project applications are as shown below :

Scheme name	Applicant	BHF funding request	Match funding
Blind Lane, Aiskew	Broadacres Housing Association	£1,232,000*	£20,201,944
Linton on Ouse, York	Broadacres Housing Association	£266,000	£4,730,722
Cocoa Gardens Phases 3 - 5, York	Latimer Developments	£2,800,000	£63,418,234
Neville House, Gargrave	North Yorkshire County Council	£224,000	£2,831,533
Lowfield Phase 2, York	City of York Council	£1,092,000	£21,149,729
Ordnance Lane, York	City of York Council	£2,020,000	£45,219,152
<b>TOTALS</b>		<b>£7,634,000</b>	<b>£157,551,314</b>

\* Refer to para. 5.4

4.2 Three of the projects are at a more advanced stage of readiness and therefore have been prioritised for detailed appraisal which has been completed, and which informs the recommendations set out in this report for recommendations on funding allocations. These three projects are currently considered to be deliverable within the required BHF timescales, i.e. for completion by March 2026 :

- Blind Lane, Aiskew
- Linton-on-Ouse
- Cocoa Gardens (Phases 3 – 5) York

#### 5.0 PROJECT APPRAISAL PROCESS

5.1 External technical support was engaged to undertake the whole of the Round two review of projects including the initial gateway assessment of applications and the detailed project appraisal. The gateway assessment was undertaken to ensure the completeness of FBC submissions, and completeness of all relevant supporting documentation. This also gave the opportunity to seek any clarifications on initial queries.

5.2 The gateway assessment of projects identified two tranches of three projects (of the total six), the first tranche being more advanced, and able to progress

into the detailed appraisal process without delay. It was therefore agreed to report the projects to the respective Combined Authority Meetings on :

- 22 July 2024
- 6 September 2024

5.3 For the first tranche and to inform recommendations in this report, a detailed report with technical appraisal findings and recommendations has been completed for each project. Based on these findings, it is recommended that allocations of BHF be made as set out in the remainder of this report.

5.4 **Blind Lane, Aiskew (see project summary at Appendix B)**

- Application request was £1,232,000. The appraisal process has verified a lower BCR and highlighted that a lower grant award may be an appropriate reflection of that being the case.
- However, further review of the project is required to assess in detail the additionality provided by the BFH grant contribution.
- The BFH grant would support the applicant in achieving shorter delivery timescales than would otherwise be possible, and to improve financial sustainability across the continuing wider delivery of activity by the organisation.

5.5 **Linton-on-Ouse (see project summary at Appendix C)**

- The funding request was £266,000 and is considered an appropriate request in relation to the forecast BCR;
- Preparatory work is well advanced, with some minor permissions needed before work can commence;
- There is a pending decision on availability of match-funding from Homes England but this is expected to be confirmed without delaying the scheme.

5.6 **Cocoa Gardens, York (see project summary at Appendix D)**

- The funding request for £2,800,000 is considered an appropriate request in relation to the forecast BCR of over 3, and within the context of the overall value of the development at £66 million;
- The case for additionality is clear, with the likelihood that the development would stall without public funding to address viability;
- Preparatory work is well advanced, with some minor permissions needed before work can commence;
- There is a pending decision on availability of match-funding but this appears to be low risk as the applicant has a Strategic Partnership role with Homes England.

5.7 Therefore, the Round 2 (Phase 1) three priority recommendations would fully utilise the current unallocated programme balance of £3 million but would require a maximum of a further £1.3 million (subject to further review of Blind

Lane, Aiskew) to meet the full recommended contributions. These three projects will deliver significant outputs :

Brownfield land developed (ha)	Homes started by December 2025	Total homes unlocked	Of which affordable homes
6	277	311	181

5.8 In order to inform a decision on these three projects, the potential for a further request of £3,336,000 to meet the contributions requested for the other three projects should be considered. The other three projects will continue through the appraisal process and will be ready to report in detail to the next Combed Authority Meeting on 6 September 2024. As part of the work to date, it has been identified that the three Phase 2 projects have a greater level of delivery risk that the three Phase 1 projects, which may include risks to meeting the end date of March 2026. It will be possible to provide a more detailed account of projects risks as a result of more detailed work with the applicants in the report to the next meeting on 6 September 2024.

5.9 Therefore, the addition of a further £3,336,000 is requested to be considered from the Mayoral Investment Fund. The current commitments from the Mayoral Investment Fund are summarised at Section 7.3 to provide context.

5.10 If additional contribution to the programme is approved from the Mayoral Investment Fund, the time constraints towards the end of the programme can be managed more effectively, due to the flexibilities of the local funding. Local funding would be utilised after the DLUHC funding has been fully utilised, and therefore may run across 2025/2026 and 2026/2027 financial years. The existing DLUHC funds would be programmed to support projects in the first instance, and this approach reflect good programme management by enabling “over-commitment” to the planned DLUHC programme.

5.11 The proposal for an overall programme value of a maximum £17.36 million should be considered therefore, to inform the decision on the three projects recommended for approval in Round 2 Phase 1.

## 6.0 PROGRAMME MONITORING, EVALUATION AND FUTURE DEVELOPMENT

6.1 As one of the first funds for the York and North Yorkshire Combined Authority, it was previously agreed to ensure that formal programme Monitoring and Evaluation arrangements would be put in place. This will also help to develop a longer-term pipeline and inform future programme design. This work has now been commissioned, and monitoring and evaluation requirements will also align with the Combined Authority Assurance Framework.

6.2 The overall outputs that will be delivered by the programme, including the Round 1 projects and Round 2 applications are :

	<b>New Homes</b>	<b>Of which "Affordable"</b>	<b>Total Investment £million</b>
Round 1	700	252	179
Round 2 (Ph 1)	311	181	92.7
Round 2 (Ph 2)	181	181	72.5
<b>Totals</b>	<b>1192</b>	<b>614</b>	<b>344.2</b>

6.3 If the maximum investment of £17.36 million is approved now and in September, this represents investment leverage of almost 20 times the value of the public sector funding from the Brownfield Housing Fund and Mayoral Investment Funding.

6.4 It is proposed that further development work will be carried out for an onward programme of potential Brownfield Housing projects across York and North Yorkshire. Further reports will be submitted as the strategic approach to Brownfield Housing development for York and North Yorkshire is progressed.

## **7.0 FINANCIAL IMPLICATIONS**

7.1 The total approved budget of funding from DLUHC for the YNYBHF is £12,694,644, of which some £9.6m has already been allocated in Round 1, leaving a balance of £3m available for investment in suitable projects. The recommendations in this report propose additional schemes totalling a maximum of £4.3m (depending on further review of Blind Land, Aiskew as referred in Section 5.4), requiring an allocation from the Mayoral Investment Fund of maximum £1.3m.

7.2 The report also outlines a further £3.36m of schemes that will potentially be considered for approval in September, to be funded from Mayoral Investment Fund. However, discussions will be held with the Ministry of Housing, Communities and Local Government to seek additional funding for developing brownfield housing wherever possible.

7.3 The table below outlines the position on the Mayoral Investment Fund should the recommendations in this report (and other reports elsewhere on this agenda) be approved.

<b>York and North Yorkshire Mayoral Investment Fund</b>	<b>£m</b>
Total Amount Available (2023/24 to 2027/28)	<b>81</b>
Current Commitments	<b>22.5</b>
<b>Balance</b>	<b>58.5</b>
Proposed Allocations for Approval 22 July 2024	<b>27.5</b>
<b>Balance</b>	<b>31</b>
Additional contribution to Brownfield Housing Fund :	
Round 2 Phase 1 (maximum based on application amounts)	<b>1.3</b>
Round 2 Phase 2	<b>3.36</b>
<b>Balance</b>	<b>26.34</b>

7.4 Management and administration costs were approved with the Round 1 projects, at a total of £504,071 (approx. 4% of the total BHF budget). No additional fee cost is required to deliver the additional Round 2 projects. The fee costs will cover :

- Legal and Assurance – There will be some significant resource implication in preparation, negotiation, and execution of funding agreements.
- Contracting and Programme Management – Managing all the grants and ensuring delivery.
- Pipeline development – continuing to develop a future pipeline of projects.

7.5 Any unused budget from the 4% fee will be available to allocate to the projects and offset the call on Mayoral Investment Fund.

## **8.0 Legal Implications**

8.1 A formal funding agreement will be put in place for each project. The funding agreements will be developed to address any potential legal issues arising. All shortlisted projects will be required to submit a UK Subsidy Control Assessment before receiving funding to ensure compliance.

## **9.0 Equalities Implications**

9.1 No equalities implications are anticipated.

## **10.0 Environmental Implications**

10.1 There are not any environmental implications at this stage, but there may be an impact once projects have been approved and begin delivery. It is anticipated that some carbon emissions may occur through the building of the homes, but the prospectus has outlined that low carbon and sustainable homes will be prioritised.

## **11.0 Risks and Mitigations**

11.1 The three projects recommended for approval in this report are rated “green”.

11.2 The proposed over-commitment will reduce risks for overall delivery of the programme and ensure that DLUHC funds are fully utilised.

11.3 The delivery timescales for the Round 2 projects were a critical part of the criteria for the call for applications, and capacity for delivery has formed part of the appraisal process.

11.4 Detailed risk registers are available for each project.

## **12.0 Recommendations**

- 12.1 To consider the response to the second call for projects to the York and North Yorkshire Brownfield Housing Fund;
- 12.2 To consider a maximum additional allocation of £1.3million from the Mayoral Investment Fund towards the York and North Yorkshire Brownfield Housing Fund to enable the first three of the six applications to be supported, with the contribution towards the project at Blind Lane, Aiskew to be the subject of further review;
- 12.3 To approve three projects to be supported through the York and North Yorkshire Brownfield Housing Fund Programme :
- Blind Lane, Aiskew
  - Linton-on-Ouse
  - Cocoa Gardens (Phases 3 – 5) York
- 12.4 That the Director of Resources be delegated to approve the final contribution amount to the project at Blind Lane, Aiskew, subject to the outcome of the further review and recommended grant award;
- 12.5 To note that a further report will be presented to the Combined Authority in September seeking approval to allocate a further £3.36m from the Mayoral Investment Fund, to enable the remaining three project applications to be supported.

### 13.0 Contact Details

For further information please contact the author of this Report.

#### Author

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<b>Report approved:</b>	James Farrar, Chief Executive
<b>Date:</b>	12 July 2024

**Background papers - None**

#### Appendices

Appendix A – Summary of (6 No) Round 2 Applications

Appendix B – Blind Lane, Aiskew

Appendix C – Linton on Ouse

Appendix D – Cocoa Gardens, York



**York and North Yorkshire – Brownfield Housing Fund Round 2**

**Summary of Applications**

Scheme name	Applicant	BHF funding request	Match funding	Total cost	Site work starts	Start on homes	Completion of homes	Outputs					
								Brownfield land developed (ha)	Homes started by December 2025	Total homes unlocked	Affordable homes	Proportion affordable	Unit cost per home
Blind Lane, Aiskew	Broadacres Housing Association	<b>£1,232,000*</b>	£20,201,944	£21,433,944	Nov-23	Mar-24	Aug-26	2.7	88	88	88	100%	£14,000
Linton on Ouse, York	Broadacres Housing Association	<b>£266,000</b>	£4,730,722	£4,996,722	Aug-24	Aug-24	Aug-26	0.9	19	19	19	100%	£14,000
Cocoa Gardens Phases 3 - 5, York	Latimer Developments	<b>£2,800,000</b>	£63,418,234	£66,218,234	Nov-24	Nov-24	Apr-27	2.4	170	204	74	36%	£13,725
<b>Sub-Total Round 2 - Phase 1</b>		<b>£4,298,000**</b>	<b>£88,350,900</b>	<b>£92,648,900</b>				<b>6</b>	<b>277</b>	<b>311</b>	<b>181</b>		
Neville House, Gargrave	North Yorkshire County Council	<b>£224,000</b>	£2,831,533	£3,055,533	Sep-25	Nov-25	Dec-26	0.4	16	16	16	100%	£14,000
Lowfield Phase 2, York	City of York Council	<b>£1,092,000</b>	£21,149,729	£22,241,729	May-25	Oct-25	Jun-27	0.7	14	64	64	100%	£17,063
Ordnance Lane, York	City of York Council	<b>£2,020,000</b>	£45,219,152	£47,239,152	Aug-25	Sep-25	Jun-27	1.38	29	101	101	100%	£20,000
Sub-Total Round 2 - Phase 2		<b>£3,336,000</b>	<b>£69,200,414</b>	<b>£72,536,414</b>				<b>2.48</b>	<b>59</b>	<b>181</b>	<b>181</b>		
<b>PROGRAMME TOTALS</b>		<b>£7,262,000</b>	<b>£157,923,314</b>	<b>£165,185,314</b>				<b>8.48</b>	<b>336</b>	<b>492</b>	<b>362</b>		

\*See Section 5.4 of report in relation to BCR for Blind Lane

\*\* Round 2 (Phase 1) total = subject to further review of Blind Lane

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# Blind Lane, Bedale (Broadacres)

## Brownfield Housing Fund – Round 2 Projects

City region  
**Rural** powerhouse

# Project Overview

City region  
Rural powerhouse

A project to deliver 88 affordable homes in Aiskew, near Bedale providing accommodation to a high design standard for social rent and low-cost home ownership. These homes will be heated via Air Source Heat Pumps and offer enhanced levels of energy efficiency, good accessibility within a sustainable location. High quality design and the quality of the setting enhance the offer, but the site has demolition and remediation costs which render them uneconomic without additional financial support.

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The site requires the demolition of agricultural and commercial building formerly used as a piggery and a hatchery. Part of the site was formerly used for storage and food processing but was vacant and semi derelict for many years.

North Yorkshire has some of the most unaffordable housing markets in the North of England. The lack of supply of affordable homes for local people is a significant factor in the sustainability of rural communities and the rural economy. Sites such as this one, with its complex history and constraints, require additional investment to bring to a developable condition. Construction costs for sites in rural areas are also significantly higher than for larger sites in urban settings.

<b>Delivery partner:</b>	Broadacres Housing Association
<b>Project address:</b>	Old Hatchery, Blind Lane, Aiskew, DL8 1BW
<b>Total Project Costs:</b>	£21,433,944
<b>Brownfield Housing Fund requested:</b>	£1,232,000
<b>Number of homes unlocked a result of the development:</b>	88
<b>Affordable homes:</b>	88 (100%)
<b>Brownfield land redeveloped (Ha):</b>	2.7 ha

# Appraisal Results

	RAG	Summary
Strategic Dimension		<ul style="list-style-type: none"> <li>The site has agricultural and commercial buildings formerly used as a piggery and a hatchery that needed demolishing. These additional costs, in addition to costs associated with making the new homes energy efficient and affordable results in a viability gap which requires public sector support.</li> <li>The business case articulates that North Yorkshire contains some of the most unaffordable housing markets in the North of England, and the lack of supply of affordable homes for local people is a significant factor in the sustainability of rural communities and the rural economy.</li> <li>There will be 49 homes for social rent, the most affordable type of rented accommodation offering rents at around 60% of market values, accessible to those on lower incomes. Supplementing these will be 39 homes for shared ownership, offering affordable home ownership opportunity to those on modest incomes, with initial equity shares of as little as 10% available.</li> <li>The business case clearly describes the viability gap associated with the development.</li> <li>The scheme contributes strongly to national priorities and regional policies.</li> <li>The business case confirms that Broadacres Housing Association has engaged locally including through the attendance of a community open day in Bedale and Aiskew in March 2024.</li> </ul>
Economic Dimension		<ul style="list-style-type: none"> <li>Without BHF, the scheme would still be delivered as planned, but at a lower quality. This may comprise using lower cost building materials and/or reduced energy efficiency technologies included on the units.</li> <li>The applicant provides little information as to why the Preferred Option is the best way forward. The preferred option nevertheless appears to have been arrived at through an iterative consultation process with the public and Hambleton Borough Council, and this process has at least helped to confirm the preferred ambition.</li> <li>The applicant offers reasonable evidence of housing need locally.</li> <li>The level of outputs appears realistic, given that construction appears to have commenced on site.</li> <li>The applicant provides reasonably good narrative on economic, environmental and social benefits and outcomes.</li> </ul>
Financial Dimension		<ul style="list-style-type: none"> <li>Given that a fixed price contract has been let it is a reasonable assumption to suggest the budget is adequate.</li> <li>A risk register is in use and is reviewed on a monthly basis.</li> <li>The business case included Subsidy Control Advice from Bevan Brittan analysing the scheme's fit with the seven Subsidy Control principles. The Advice does not appear to definitely state that the scheme is compliant but it offers clear guidance on how the Combined Authority could potentially demonstrate compliance.</li> <li>The funding request was £1,232,000 but the appraisers propose that it is reduced to £860,000. This reflects that the appraisers couldn't get the BCR to the minimum 1:1 at a funding request of £1,232,000. The appraisers think the proposed grant of £860,000 is also a fairer reflection given that additionality appears weak.</li> </ul>

<b>Commercial Dimension</b>		<ul style="list-style-type: none"> <li>• The scheme is well advanced and does not have any outstanding permissions or consents.</li> <li>• The business case confirms that Broadacres Housing Association has already procured a delivery partner.</li> <li>• Non-financial risks have been identified and mitigated.</li> <li>• It is the appraisers' views that the project is commercially viable.</li> </ul>
<b>Management Dimension</b>		<ul style="list-style-type: none"> <li>• The applicant has delivered multi-million pound housing schemes in North Yorkshire.</li> <li>• The business case clearly describes the management and governance structure, and a organisational structure diagram has been provided as an Annex.</li> <li>• The business case included a detailed milestone table which shows that procurement was completed in November 2023 and site development works began in the same month.</li> <li>• The scheme does not have any outstanding permissions and the Main Contractor has been procured and has commenced delivery.</li> <li>• Given the advanced status of the scheme the only milestone that could potentially slip is the completion of the proposed 88 affordable homes by August 2026.</li> <li>• The business case confirms that the scheme will be monitored and evaluated in accordance with Broadacres' policies but doesn't set out how this will be achieved in practice.</li> </ul>

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<b>OVERALL RAG RATING</b>	
<b>RECOMMENDATION</b>	<b>Approve, but it is recommended that the requested £1,232,000 from BHF is reduced to £860,000</b>

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# Linton on Ouse (Broadacres)

## Brownfield Housing Fund – Round 2 Projects

City region  
Rural powerhouse

# Project Overview

City region  
Rural powerhouse

A project to deliver 19 affordable homes in Linton on Ouse providing accommodation to a high design standard for social and affordable rent and low-cost home ownership. These homes will be heated via Air Source Heat Pumps and offer enhanced levels of energy efficiency, good accessibility within a sustainable location. High quality design and the quality of the setting enhance the offer, but the site has demolition and remediation costs which render them uneconomic without additional financial support.

Age 14

The site requires the demolition of outbuildings, sheds and garaging and the subdivision of the site. These additional costs – the requirement for remediation and demolition – together with costs associated with the new homes' provision as social housing, and the quality and energy efficiency of the products proposed, the levels of prevailing need and demand for affordable housing options for the local community and the suppressed revenues available from their occupation as affordable homes to rent or buy create the need for additional investment for their viable delivery.

North Yorkshire has some of the most un-affordable housing markets in the North of England, the lack of supply of affordable homes for local people is a significant factor in the sustainability of rural communities and the rural economy. Sites in rural villages such as this one, require additional investment to bring to a developable condition.

<b>Delivery partner:</b>	Broadacres Housing Association
<b>Project address:</b>	Land behind Manor House, Main Street, Linton on Ouse
<b>Total Project Costs:</b>	£4,996,723
<b>Brownfield Housing Fund requested:</b>	£266,000
<b>Number of homes unlocked a result of the development:</b>	19
<b>Affordable homes:</b>	19 (100%)
<b>Brownfield land redeveloped (Ha):</b>	0.94 Ha



# Appraisal Results

	RAG	Summary
Strategic Dimension		<ul style="list-style-type: none"> <li>• There is a strong rationale for public sector support to address the gap between the income Broadacres Housing Association can generate from the development and the significant costs involved.</li> <li>• This scheme will deliver 19 affordable homes in Linton on Ouse providing accommodation to a high design standard for social and affordable rent and low-cost home ownership.</li> <li>• The business case highlights that North Yorkshire has some of the most unaffordable housing markets in the North of England.</li> <li>• The scheme contributes strongly to national and regional priorities.</li> <li>• The high levels of energy efficiency and design quality of these homes, with enhanced levels of insulation, low carbon forms of heating and renewable technologies contribute to the North Yorkshire Net Zero routemap.</li> <li>• Overall the level of consultation undertaken to date appears modest, though the commitment to work alongside the Parish Council is encouraging.</li> <li>• There is a strong case that the scheme has a viability gap given the extensive costs and the restricted income resulting from offering affordable rents and low-cost home ownership.</li> </ul>
Economic Dimension		<ul style="list-style-type: none"> <li>• The Do Nothing and Do Minimum options are rejected by the applicant, as they fail to meet the strategic ambition for the site. This feels broadly reasonable, although additional evidence to confirm outputs and viability in the Do Minimum option would have made for a stronger options assessment.</li> <li>• For a scheme of this scale, the options assessment appears broadly reasonable, albeit accepting that there is a lack of evidence around the test options.</li> <li>• The applicant provides reasonably good evidence of need for the type of housing proposed, alongside highlighting the affordability challenges locally.</li> <li>• There is limited evidence on the projects contribution to wider place-making, although given the small size of the project, any impacts on wider place-shaping agendas are likely to be small/modest.</li> <li>• The applicant provides a reasonably good narrative on economic, environmental and social benefits and outcomes</li> <li>• Represents acceptable value for money.</li> </ul>
Financial Dimension		<ul style="list-style-type: none"> <li>• Whilst no detailed cost plan has been provided, the costs appear to be quite well developed with the enabling contract already let and the main build contract under negotiation.</li> <li>• The applicant has identified some key risks and mitigation efforts / strategy within the business case. To manage and mitigate risk the appraisers recommended a live risk register is implemented.</li> <li>• Subsidy control advice does not appear to definitely state that the scheme is compliant but it offers clear guidance on how the Combined Authority could potentially demonstrate compliance.</li> </ul>

<b>Commercial Dimension</b>		<ul style="list-style-type: none"> <li>• The scheme already has planning permission, and the notice was provided.</li> <li>• The business case confirms that the procurement of a contractor for the enabling and demolition works has been completed and enabling works began in April 2024.</li> <li>• The business case outlines 13 non-financial risks which are all mitigated.</li> <li>• Given the costs as presented, and a snapshot of the Registered Providers appraisal model, it appears that despite the assistance of brownfield regeneration funding the scheme gives a marginal return.</li> <li>• The fact the regeneration funding has been requested suggests that the project is not commercially viable. If the scheme were financially viable then additional funding would not be requested.</li> </ul>
<b>Management Dimension</b>  Page 156		<ul style="list-style-type: none"> <li>• The applicant is Broadacres Housing Association and they have delivered over 800 new homes over the past 5 years.</li> <li>• The applicant has delivered multi-million pound housing schemes in North Yorkshire.</li> <li>• The business case clearly describes the management and governance structure, and a organisational structure diagram has been provided as an Annex.</li> <li>• The business case included a detailed milestone table which shows that procurement has been completed for a contractor for site demolition and enabling works and a contractor to build the homes.</li> <li>• The construction of homes is forecast to begin in August 2024 and be completed by August 2026.</li> <li>• The milestone table included within the business case confirms that the Association has secured all necessary consents and contracted with a procured contractor for the site demolition and enabling works.</li> <li>• This scheme is well advanced and there are very few major milestones that could slip.</li> <li>• The business case confirms that the scheme will be monitored and evaluated in accordance with Broadacres' policies but doesn't set out how this will be achieved in practice.</li> </ul>

<b>OVERALL RAG RATING</b>	
<b>RECOMMENDATION</b>	<b>Approve</b>

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# Cocoa Gardens, York (Latimer)

## Brownfield Housing Fund – Round 2 Projects

City region  
Rural powerhouse

# Project Overview

City region  
Rural powerhouse

Cocoa Gardens Phases 3-5 is part of the wider regeneration of the former Rowntree site, located approximately 1.5 miles north of York city centre. The scheme is proposed to be delivered by Latimer Developments Limited, part of Clarion Housing Group, the largest Registered Provider (RP) in the UK. In total, the entire scheme (including phases already underway) will deliver 586 homes across a range of housing typologies and tenures.

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Cocoa Works was the first phase of the wider site redevelopment, which comprised the repurposing of the heritage art deco factory buildings into 179 apartments, delivered by Henry Boot Construction and currently at handover stage. Phases 1-2 Cocoa Gardens, located within the factory grounds, are currently under construction with the Lovell Group and once completed will deliver 103 new homes.

This BHF application relates to Phases 3-5 Cocoa Gardens only ( “the Phase 3-5 Scheme”), comprising the final three phases of development at the site. The Phase 3-5 scheme will deliver 204 new homes (mix of houses and apartments), of which 74 will be affordable tenures (36% of total provision for the phase 3-5 scheme), split between social rented and shared ownership homes. The homes will be environmentally sustainable, delivering above Part L Building Regulations requirements and will be accessible to all designed to M4(1) accessibility specification.

<b>Delivery partner:</b>	Latimer Developments Limited
<b>Project address:</b>	Wiggington Road, York, YO31 8JQ
<b>Total Project Costs:</b>	£66,218,234 (excluding profit)
<b>Brownfield Housing Fund requested:</b>	£2,800,000
<b>Number of homes unlocked a result of the development:</b>	204 homes
<b>Affordable homes:</b>	74 (36%)
<b>Brownfield land redeveloped (Ha):</b>	2.4 ha

# Appraisal Results

	RAG	Summary
Strategic Dimension	Green	<ul style="list-style-type: none"> <li>• There is a strong strategic rationale for the project, which is to provide 204 homes of which are third (74) are to be affordable, a major contribution to addressing housing supply in York.</li> <li>• The FBC provides considerable detail on the need for BHF for Phases 3-5 to make the scheme viable, particularly given that there was not a viability gap in earlier phases.</li> <li>• The market failure is clearly articulated in terms of negative externalities (associated with the negative effects of leaving the brownfield site undeveloped) and positive externalities, in terms of the project's contribution to public realm and the regeneration agenda.</li> <li>• Alignment with policy is very well articulated, both national, local and regional.</li> <li>• The FBC explains how the applicant has well exceeded minimum statutory consultation requirements, with extensive community consultation undertaken for Phases 3-5 and as part of the wider scheme development.</li> <li>• The FBC articulates how a lack of BHF investment would mean that Phases 3-5 would not proceed and that this part of the site would remain stalled</li> </ul>
Economic Dimension	Green	<ul style="list-style-type: none"> <li>• The business case presents a range of options which appear reasonable, including a Do Nothing (counterfactual), a Do Minimum and a Do More, alongside the Preferred Option.</li> <li>• The applicant has submitted supporting development appraisal evidence for the Preferred option with and without BHF funding. This shows an unviable scheme in the no BHF option.</li> <li>• The applicant provides good evidence of need for the housing locally, including outlining (a) slightly above average population growth locally; (b) a notable need for affordable housing provision within the city and (c) acute affordability issues with many households known to be currently excluded from the owner-occupier market.</li> <li>• The scheme appears at a reasonably advanced stage and the forecast outputs appear realistic and achievable.</li> <li>• The scheme delivers a good range of economic, environmental and social benefits and outcomes.</li> <li>• The BCR is 3.33 which represents very good Value for Money.</li> </ul>
Financial Dimension	Green	<ul style="list-style-type: none"> <li>• The evidence of the costs presented is thorough, with a detailed stage 4 cost plan for phase 3 and a stage 3 cost plan for phase 4 and 5.</li> <li>• Whilst the costs forecasts are in the pre-contract stage and not fixed contract prices, the suggested market engagement and live cost data indicates a reasonable level of confidence in the budget.</li> <li>• At this stage, the appraisers deem the level of cost certainty reasonable considering the data available to support the stages of cost plan in lieu of a fixed price.</li> <li>• The applicant has highlighted some key financial risks within the business case along with mitigation actions and plans. The responses are detailed which suggests a thorough approach to risk management is being taken.</li> <li>• UK Subsidy Control regime advice has not yet been provided but is not expected to be a significant risk.</li> </ul>

<b>Commercial Dimension</b>		<ul style="list-style-type: none"> <li>• Planning permission has been secured and the planning reference provided. However, preferred access to the site is via Wigginton Road but this land is owned by the Council. Latimer Developments are seeking a tripartite arrangement with the Council but this has not yet been agreed.</li> <li>• The applicant states that formal procurement would not commence until the decision on BHF grant award is made and this is reasonable.</li> <li>• Latimer is proposing to enter into two separate main works packages with Tier 1 contractors to enable the delivery of the Phase 3-5 scheme. Full due diligence on bidding parties will be undertaken as part of the contractor procurement process to ensure they meet Latimer’s minimum financial standing requirements.</li> <li>• The two medium risks are failure to enter into timely build contracts (impact low) and the issue of site access (medium risk and medium impact).</li> <li>• It is the appraisers view that the level of return for the project is deemed acceptable.</li> <li>• The project would be considered commercially viable given the gross margin metric, however the high cost of finance removes all profit indicating the need for funding assistance, therefore not viable.</li> <li>• When funding assistance is applied the level of profit remains low and not in line with the expected 15% - 20% margin, therefore would not be considered a commercially viable scheme for a private housebuilder.</li> </ul>
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<b>Management Dimension</b> Page 160		<ul style="list-style-type: none"> <li>• Latimer Developments is a wholly owned subsidiary of Clarion Housing Group. Latimer Developments has a considerable experience, capacity and expertise.</li> <li>• In addition to Latimer’s in-house experience in delivering residential development projects, they have procured an external team of professional consultants to support the design, feasibility and delivery phases.</li> <li>• The business case sets out Latimer Development’s robust project management approach.</li> <li>• In relation to milestones the business case confirms that all statutory approvals have been secured. The business case included a detailed programme and it provides confidence that Latimer Developments will manage the timescales very carefully.</li> <li>• Latimer Developments confirmed that they are willing to procure an independent evaluation of its success in meeting original objectives and progress on outcomes.</li> </ul>
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<b>OVERALL RAG RATING</b>	
<b>RECOMMENDATION</b>	<b>Approve</b>