

CAPITAL INVESTMENT BUSINESS CASE

Land Release Fund grant spend on Land off Coombe Way, Kings Tamerton



EXECUTIVE SUMMARY

This business case relates to a Council owned site off Coombe Way, Kings Tamerton which aims to deliver up to 70 net-zero carbon homes including at least 40 affordable community-led homes, under the Plan for Homes initiative. It is also a flagship scheme for innovation under the Climate Emergency Action Plan (CEAP), pioneering a new approach to the delivery of low carbon homes, incorporating Modern Methods of Construction (MMC). It aims to provide a replicable and scalable model, creating the catalyst for a future pipeline of net-zero carbon homes across the city.

In February 2021 Plymouth City Council was successful in securing £600,000 of Land Release Funding (LRF) from MHCLG to support the provision of infrastructure costs to unlock the site to enable the delivery of the homes.

The LRF funded works will enable the provision of infrastructure to include access, sustainable drainage solutions and water utility connection.

The site at Kings Tamerton, Plymouth, PL5 2HB is allocated for housing in the Joint Local Plan (JLP). The extent and nature of the infrastructure works required to open the site for development has resulted in the site being unattractive to the market. Without the funding to pay for the infrastructure required, the site will remain undeveloped, constraining the economic and physical growth of the city and missing the opportunity to meet identified housing needs. Officers are certain that this development would not be deliverable without the direct intervention of the Council.

Key Risks

- Planning permission for the proposed development is not yet granted, although the principle of housing development has been established by the allocation of the site in the JLP. Failure to secure planning permission could result in delays in releasing the land.
- Inability to secure sufficient additional funding for the proposed redevelopment leading to delays in releasing the site.

In both scenarios the LRF monies can be returned to MHCLG, should either occur.

SECTION I: PROJECT DETAIL

Project Value (indicate capital or revenue)	£600,000	Contingency (show as £ and % of project value)	0
Programme	Housing	Directorate	Place
Portfolio Holder	Cllr Vivien Pengelly	Service Director	Paul Barnard
Senior Responsible Officer (client)	Neil Mawson	Project Manager	To be confirmed
Address and Post Code	PL52HB	Ward	St Budeaux

Current Situation: *(Provide a brief, concise paragraph outlining the current situation and explain the current business need, problem, opportunity or change of circumstances that needs to be resolved)*

The Kings Tamerton site is allocated for housing in the JLP. The project is also a priority for delivery under the Plan for Homes initiative. The project will release land for housing with a view to delivering at least 40 affordable homes, exceeding our planning policy requirement and our low carbon and bio-diversity policies.

The proposed 70 net-zero carbon homes will far exceed current standards on energy and sustainability to help meet our ambition for greener homes to contribute to the Council’s CEAP carbon neutrality target for the city. In order to achieve this goal Plymouth Energy Community Homes (PEC Homes) propose to pilot the ‘Energiesprong’ approach to net-zero carbon and will employ Modern Methods of Construction (MMC).

Despite being allocated in the JLP, there is no market interest in the site due to a combination of high abnormal infrastructure costs and low sales values. The Council was successful however in securing £600,000 of Land Release Fund from MHCLG to carry out works to enable the delivery of housing on the site.

We intend for the grant funding to be spent on the infrastructure costs necessary to bring the land to the point of release to a developer.

Conditions of funding for the LRF grant require sites to be released by the end of March 2023. Officers have confirmed with the funder that the project will achieve this milestone when planning permission is obtained and the transfer of the land is complete.

Various site surveys have been undertaken in support of an existing planning application that has identified site constraints and opportunities, and the infrastructure required and costed to prepare the whole site for the design and delivery of 70 homes, at least 40 of which will be net-zero carbon and affordable.

The proposed delivery strategy will then be for PEC Homes to deliver the 40 homes of phase 1. The delivery strategy for phase 2 is yet to be decided.

Proposal:

Although the site is allocated for housing in the JLP, feasibility work shows significant infrastructure costs need to be met from public subsidy to unlock the site for viable development, which would not be funded by the private sector.

Without the infrastructure, the supply of the proposed sustainable homes will remain locked. The LRF funded works will support the provision of infrastructure to include creating an access road onto the site, sustainable drainage solutions and utility connections. This is proposed to be a gas free development, so no gas connection costs will be required in this case.

The £600,000 of funding already secured is expected to enable groundworks to provide level platforms and an access road from the highway together with associated drainage and utilities.

Milestones and Date:

Contract Award Date	Start On Site Date	Completion Date
31/03/22	31/05/22	30/09/22

SECTION 2: PROJECT RISK, OUTCOMES AND BENEFITS

Risk Register: *The Risk Register/Risk Log is a master document created during the early stages of a project. It includes information about each identified risk, level of risk, who owns it and what measures are in place to mitigate the risks (cut and paste more boxes if required).*

Potential Risks Identified		Likelihood	Impact	Overall Rating
Risk	Planning permission for the proposed development is not granted. This could result in delays in releasing the land.	Medium	High	High
Mitigation	The site is allocated for housing in JLP. There is a PCC site planning statement supporting the type and scale of the proposed development. There is an existing planning application that has officer recommendation for approval that gives comfort on planning delivery. Risk management process: the applicant has engaged with the Planning Authority through the pre-application process to de-risk the application. The LRF funded scheme will not commence if planning permission is not granted. In this scenario the LRF monies can be returned to the funder MHCLG.	Low	High	Medium
Risk	Inability to secure sufficient funding for the proposed redevelopment leading to delays in releasing the site.	Medium	High	Medium
Mitigation	The LRF contributes to the cost of infrastructure provision. PEC Homes have secured £180,000 Homes England Community Housing Fund to support feasibility work, develop the delivery model and to secure planning. Homes England Housing Investment team have agreed an in principle grant rate to support delivery of the affordable homes. Risk management process: LRF funded infrastructure works will not commence unless the development can be fully funded. In this scenario the LRF monies can also be returned.	Medium	High	Medium
Calculated risk value in £ (Extent of financial risk)	£0			

Outcomes and Benefits

List the outcomes and benefits expected from this project.

(An **outcome** is the result of the change derived from using the project's deliverables. This section should describe the anticipated outcome)

(A **benefit** is the measurable improvement resulting from an outcome that is perceived as an advantage. Benefits are the expected value to be delivered by the project, measurable whenever possible)

Financial outcomes and benefits:

Non-financial outcomes and benefits:

Increased value of PCC owned land once funding has been used to create infrastructure to unlock the site.

Ability for a viable housing development to come forward as planned increasing Council Tax income.

The project demonstrates its role of driving economic growth, providing an estimated 156 jobs and supporting green recovery. It is a significant opportunity to increase local spend with consultants, contractors, local SME contractors and a Registered Provider to maximise the Plymouth pound. For every £1M

Enables affordable, eco-friendly housing development, providing housing for people in need and reducing fuel poverty.

Enables provision of improved greenspace and community facilities along with improved access to existing greenspace, contributing to wellbeing

This project supports and enables the delivery of an exemplar net-zero carbon development of a range of 70 mixed tenure family homes. Our key drivers are the high demand for housing, particularly affordable family homes, and achieving carbon savings in buildings to meet

<p>spent on construction locally there is a £3M improvement in the local economy.</p> <p>This project will help build Plymouth's expertise in the green sector recovery and create upskilling opportunities; supporting the transition into clean growth to expand and level up economic opportunity for new jobs, training, building skills and future talent. Delivering local work will help improve talent retention and in attracting and training new workers to fill skills gaps.</p>	<p>Plymouth's CEAP target of net zero emissions by 2030.</p> <p>Infrastructure provision will result in improvements to walking/cycling connectivity in conjunction with citywide improvements. A focus on the sustainable design and liveability of the new homes will help increase people's capacity to work from home in order to support economic performance and help tackle fuel poverty. Decent housing improves mental and physical health and children in decent housing perform better at school; this project will deliver on these aims.</p> <p>The development will also provide improved pedestrian and cycling access both into and around the site. It also links to the proposed adjacent new Nature Reserve and improved surrounding greenspace totalling 27.90 ha.</p>
--	--

Low Carbon	
What is the anticipated impact of the proposal on carbon emissions	This project will enable the delivery of an exemplar net-zero carbon development of a range of at least 40 affordable family homes, a first step towards achieving carbon savings in residential buildings. A third of UK's carbon emissions come from the energy required to heat and power its homes and so to combat climate change we have to find a way to de-carbonise housing. Working with Plymouth Energy Community (PEC) Homes, this project proposes to pioneer the Energiesprong approach to delivering net-zero carbon homes to provide a replicable and scalable model for achieving that. This aligns with our ambitions to be carbon neutral as a city by 2030.
How does it contribute to the Council becoming Carbon neutral by 2030	It is calculated that this scheme will achieve carbon savings of 322,000kg of CO ² pa
Have you engaged with Procurement Service?	
Procurement route options considered for goods, services or works	Option 1: PCC enter into grant agreement with PEC Homes to procure the infrastructure works Option 2: PCC procure the works directly
Procurement's recommended route.	Option 1 as this would enable economies of scale due to the works being procured as part of the wider development
Who is your Procurement Lead?	N/A
Which Members have you engaged with and how have they been consulted (including the Leader, Portfolio Holders and Ward Members)	Cllr Vivien Pengelly, Portfolio Holder for Homes and Communities briefed in Portfolio Holder meetings

SECTION 4: FINANCIAL ASSESSMENT

FINANCIAL ASSESSMENT: In this section the robustness of the proposals should be set out in financial terms. The Project Manager will need to work closely with the capital and revenue finance teams to ensure that these sections demonstrate the affordability of the proposals to the Council as a whole.

CAPITAL COSTS AND FINANCING

Breakdown of project costs including fees surveys and contingency	Prev. Yr. £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m	25/26 £m	Future Yrs. £m	Total £m
Levelling			250,000	0				
Access road and infrastructure			50,000	300,000				
Total capital spend			300,000	300,000				600,000

Provide details of proposed funding: Funding to match with Project Value

Breakdown of proposed funding	Prev. Yr. £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m	25/26 £m	Future Yrs. £m	Total £m
As above	600,000	£0	£0	£0	£0	£0	£0	£0
Total funding	600,000	£0	£0	£0	£0	£0	£0	600,000

Which external funding sources been explored	<p>Plymouth City Council was allocated £600,000 of LRF to support the provision of infrastructure costs to unlock the site.</p> <p>The LRF funded works will support the provision of infrastructure to include site levelling, access road and associated sustainable drainage solutions and utility connections.</p>
Are there any bidding constraints and/or any restrictions or conditions attached to your funding	<p>Annex A: Conditions of Funding</p> <p>This funding will be awarded pursuant to a Section 31 Grant Determination with the condition that the grant may be used only for the purposes that a capital receipt may be used for, in accordance with regulations made under section 11 of the Local Government Act 2003.</p> <p>This funding will be awarded on the condition that the LRF scheme meets all of the Gateway Criteria set out on page 7 the “One Public Estate and Land Release Fund September 2020 Prospectus.” For ease, these criteria are repeated here:</p> <ul style="list-style-type: none"> • The land to which the bid relates is fully owned by the local authority. For schemes of mixed land ownership funding would only be available to support work that delivers local authority land release; • The project must be undertaking capital works on council-owned land only; • Funding must enable the release of the land for housing by end March 2023 or earlier, and must address market failure; • The works for which funding is sought are deliverable and within a timeframe that will enable the land to be released in time;

- The project must not exceed an intervention level of £15,000 per housing unit of central government investment into the scheme;
- The project must provide a Benefit Cost Ratio of 1.5 or higher, based on the LRF Technical Annex.

If, after the award of funding and before the release of land, the scheme is no longer able to meet these criteria, MHCLG will consider whether it can continue to support the project. If MHCLG determines that it can no longer support the project, it will request the return of funding.

Future monitoring and assurance

The Council will be obliged to report on the progress of the LRF supported scheme, three times a year – or as otherwise determined – by MHCLG and OPE, through its OPE partnership.

The Council's project leads for the LRF schemes are expected to report on the six key milestones as detailed below within each such tri-annual report, as well as provide a narrative on the project's key risks/issues to delivery.

The six milestones are:

1. Procurement of infrastructure works: contractor commencement date

This relates to the specific works funded by the LRF award. E.g. decontamination, utility or infrastructure provision. The date entered should be the date on which tenders are issued.

2. Commencement of LRF funded works date

1 "37.5 OPE 2020 prospectus_v09a.pdf" 09/09/2020, Local Government Association. Reference code (37.5), page 7.

https://www.local.gov.uk/sites/default/files/documents/37.5%20OPE%202020%20prospectus_v09a.pdf

2 LRF Technical Annex.

https://www.local.gov.uk/sites/default/files/documents/Copy%20of%20LRF2_Tech_Annex.xlsx

This refers to the first of the funded works, if multiple. LRF funded works defined as above.

3. Completion of LRF funded works date (last of the funded works, if multiple)

Definition of LRF funded works as above.

4. Date land is to be released

Land counts as released when:

- a) An unconditional contract, development agreement or building license with a private or partner is signed, or a freehold or leasehold transfer takes place
- b) Land has transferred to a development vehicle owned, or partly owned, by the local authority; or

	<p>c) The point at which development begins on site if (a) and (b) have not happened.</p> <p>5. Expected start on site (new homes)</p> <p>a. Homes England defines a start as an excavation for strip or trench foundations or for pad footings; digging out and preparation of ground for raft foundations; vibroflotation, piling, boring for piles or pile driving; or draining work specific to the scheme.</p> <p>6. Expected development end date (final housing unit completion).</p> <p>All partnerships are assigned dedicated OPE Regional Programme Managers. Any changes to plans and/or project outputs must be agreed in writing by programme partners, the OPE Regional Team and MHCLG.</p>
Tax and VAT implications	There is no option to tax on this site
Tax and VAT reviewed by	Sarah Scott

REVENUE COSTS AND IMPLICATIONS

Cost of Developing the Capital Project (To be incurred at risk to Service area)

Total Cost of developing the project	None for PCC if procured as part of wider development. Should PCC procure directly then Officer time will be capitalised
Revenue cost code for the development costs	N/A
Revenue costs incurred for developing the project are to be included in the capital total, some of the expenditure could be capitalised if it meets the criteria	N/A
Budget Managers Name	N/A

Ongoing Revenue Implications for Service Area

	Prev. Yr.	21/22 £	22/23 £	23/24 £	23/24 £	25/25 £m	Future Yrs.
Service area revenue cost							
Other (eg: maintenance, utilities, etc)	£0	£0	£0	£0	£0	£0	£0
Loan repayment (terms agreed with Treasury Management)	£0	£0	£0	£0	£0	£0	£0
Total Revenue Cost (A)	£0	£0	£0	£0	£0	£0	£0
Service area revenue benefits/savings							
Annual revenue income (eg: rents, etc)	£0	£0	£0	£0	£0	£0	£0
Total Revenue Income (B)	£0	£0	£0	£0	£0	£0	£0

Service area net (benefit) cost (B-A)	£0	£0	£0	£0	£0	£0	£0
Has the revenue cost been budgeted for or would this make a revenue pressure	N/A						
Which cost centre would the revenue pressure be shown	N/A		Has this been reviewed by the budget manager			Y/N	
Name of budget manager	N/A						
Loan value	£	Interest Rate	%	Term Years	N/A	Annual Repayment	£
Revenue code for annual repayments	N/A						
Service area or corporate borrowing	N/A						
Revenue implications reviewed by	N/A						

Version Control: (The version control table must be updated and signed off each time a change is made to the document to provide an audit trail for the revision and update of draft and final versions)

Author of Business Case	Date	Document Version	Reviewed By	Date
Liz Dunster	08/07/2021	v 1.0	Emmanuelle Marshall	09/07/2021
Liz Dunster	02/09/2021	v 2.0	Neil Mawson	03/09/2021
Liz Dunster	13/09/2021	V3.0	Neil Mawson	13/09/2021

SECTION 6: RECOMMENDATION AND ENDORSEMENT

Recommended Decision

It is recommended that the Leader of the Council:

- Approves the Business Case
- Allocates £600,000 for the project into the Capital Programme funded by LRF
- In the event that the Council decides that it will procure the works itself:
 - Authorises the procurement process
 - Delegates the award of the contract to the Service Director for Strategic Planning and Infrastructure

Cllr Nick Kelly, Leader		Service Director	
Either email dated:	Date: 20/10/2021	Either email dated:	12/10/2021
Or signed:		Signed:	
Date:		Date:	
		Service Director	
		Anthony Payne	
		Either email dated:	12/10/2021
		Signed:	
		Date:	