

Report for: Cabinet Member Signing

Title: Approval to enter into grant funding agreement (Memorandum of Understanding - MOU) to support delivery of phase one of the Selby Urban Village Redevelopment Proposals

Report authorised by : David Joyce, Director of Placemaking and Housing

Lead Officer: Peter Exton, Head of Area Regeneration - North Tottenham

Ward(s) affected: Bruce Castle

**Report for Key/
Non-Key Decision:** Key Decision

1 Describe the issue under consideration

- 1.1 In February 2022, the government published its Levelling Up white paper, which set out twelve missions across four broad areas, intending to challenge geographical inequality and encourage opportunity across the UK. After this, round two of Levelling Up Funding (LUF2) was announced, providing an opportunity for local authorities to bid for funding to progress projects that meet the objectives in the White Paper.
- 1.2 Following the submission of a bid in August 2022, the Department of Levelling Up, Housing and Communities (DLUHC) announced in January 2023 that the Council had been successful in securing the funding for the delivery of Phase One of Selby Urban Village proposals.
- 1.3 The Selby Urban Village is split into two distinct phases. Phase one is the improvement of Bull Lane Playing fields (3G Football Pitch, Pavillion, MUGA and other associated facilities) and the development of a new community building for the Selby Trust. The second phase consists of the demolition of the current Selby Community Centre, once decanted into the new building, and the construction of housing.
- 1.4 This report seeks approval from Cabinet to accept the grant and sign a memorandum of understanding of £20,000,000 with DLUHC. As part of the conditions of the grant, the Council will be committed to monitoring and evaluating the project on a regular basis as well as regular check-ins with the Council's assigned DLUHC officer.
- 1.5 If accepted, the grant will contribute to reducing the viability gap of phase one of the proposed Selby Urban Village scheme, which officers and the Selby Trust continue to work on, following a two-year co-design process, which is likely to see investment in much-needed social infrastructure in one of the most deprived area wards in the Borough.

2 Cabinet Member Introduction

- 2.1 From the outset, the ambition has been for the Selby Urban Village project to be an exemplar scheme, developed through community co-design, to bring substantial social and economic benefits to local residents, businesses and communities.
- 2.2 In Summer 2022, officers made an ambitious bid to the Department of Levelling-Up, Housing and Communities (DLUHC) for £20.0M grant funding to unlock the development programme in the wake of viability challenges caused by worsening macroeconomic conditions and changes to the grant funding landscape.
- 2.3 In 2023, the government announced the success of the Council's bid, and full allocation of Levelling-up Funding. This report grants the approval necessary to accept this funding and precedes a report to Cabinet on the progress of the Selby Urban Village development proposals.

3 Recommendations

- 3.1 That Cabinet agrees:
 - 3.1.1 To enter into the Levelling-Up grant agreement with DLUHC, to the value of £20,000,000.
 - 3.1.2 To give delegated authority to the Director of Placemaking & Housing and the S151 Officer, after consultation with the Cabinet Member for Council Housebuilding, Placemaking and Development, to agree the final terms and conditions, and finalise the funding agreement if required.

4 Reasons for decision

- 4.1 The Selby Urban Village project arises from a shared aspiration between Haringey Council and the Selby Trust to deliver a community-focused, mixed-use development on the Selby Centre and Bull Lane Playing Field sites. The proposed development will comprise the re-provision of the Selby Centre's community hub in a new building, and new housing, including Council homes, along with sports and recreation facilities. Both sites are in the ownership of Haringey Council, although the adjacent Bull Lane Playing Fields is located within the administrative area of the London Borough of Enfield.
- 4.2 Following the completion of community engagement and design development, the scheme has been severely impacted by recent changes in the economic environment, including construction cost inflation and rising interest rates. In addition, Greater London Authority (GLA) has changed the grant criteria and

potentially the amount available for the proposed 50% affordable housing scheme.

4.3 *In exempt part only*

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4.5 In order to address this deficit, the project team submitted an application to DLUHC's Levelling Up fund in the Summer of 2022 for £20,000,000—the maximum any one bid could request. In January 2023, the Council successfully secured funding for the project. This investment offers a valuable opportunity for the Council to improve social infrastructure in one of the most disadvantaged areas of North Tottenham, effectively addressing a substantial amount of the viability gap caused by macroeconomic factors.

4.6 The project team is confident that the scheme can be brought forward to achieve the desired outcomes and objectives. Nevertheless, a funding gap persists despite the substantial funding award. The team is actively collaborating with professional consultants to identify cost-reduction strategies for the project, aiming to make the scheme more affordable whilst preserving the outcomes. Section 6 notes the current approach being taken by Officers to progress the scheme. A subsequent cabinet report is planned for later this year to offer a comprehensive update prior to submitting a planning application.

5 Alternative options considered

5.1 Not to Accept the offer of Levelling-Up grant funding - Officers rejected this option as it would prevent the Council from delivering new, much-needed community assets in North Tottenham, and releasing the Phase B site for new housing.

5.2 Postpone the decision until terms with DLUHC have been finalised - This option has been rejected due to programme pressure resulting from DLUHC's delay in sharing the terms of the grant and the LUF2 programme condition to spend the awarded money by March 2023. The impact of this time constraint can be mitigated through this approval which will allow the Council to accept the grant in principle, enabling officers to progress the scheme programme to planning whilst finalising the terms of the grant agreement.

6 Background information

6.1 The Haringey Local Plan adopted in 2017 recognised the Selby Centre as an Asset of Community Value, recognising its current and possible future purpose of furthering the social wellbeing of the local community. To this end, the Site Allocations Development Plan Document (DPD) proposed the Selby Centre as a

site for Community-use led, mixed development, including the consolidation of community uses, with a potential for housing development.

- 6.2 As an aging, ex-school building, the Selby Centre is demonstrably no longer fit for purpose. A lack of flexibility in spaces and poor ratio between Net and Gross internal areas means that existing spaces are underutilised and inefficient. Physical deterioration over time has exposed the buildings to energy inefficiencies. This is having a direct, negative impact on the economic sustainability of the current provision, a position which is currently being worsened by increasing energy costs.
- 6.3 In addition to the Selby Centre site allocation, the DPD also identified an opportunity to link the adjacent Bull Lane playing fields with the Selby Site development. The site is owned by the Council but is located in the London Borough of Enfield and was previously used as a school playing field.
- 6.4 In 2018, it was agreed that the development of the Selby Centre and Bull Lane playing fields opportunity sites be considered via a masterplan approach. This would allow officers to explore how the Council could restructure its assets to make best use of the land.
- 6.5 In 2019 the Council entered a Memorandum of Understanding (MOU) with the Selby Trust, the tenant and principal occupier of the Selby Centre. The Selby Trust have been operating from the Selby Site for 30 years and are currently facilitating staff from 34 organisations. The majority of these organisation are small, voluntary sector organisations which offer a range of services, not limited to recreation, work, play, teaching and training.
- 6.6 The objective of the MOU was a joint approach to bring forward development of the Selby Site. This was captured in the vision, 'To create an integrated, inclusive, healthy, sustainable, diverse, connected urban village on the site'.
- 6.7 From the outset, the Council wanted to champion a new way of working with third sector and so jointly cliented the development of the design proposals with the Selby Trust, jointly undertaking an extensive community engagement process, over the past two years across both Haringey and Enfield.
- 6.8 Principles of the project were agreed by Cabinet in 2019 and include:
- Connected - To support the creation of a connected and integrated community and promote safe accessibility and connectivity to new and existing amenities.
 - Sport - To deliver high quality accessible and affordable sports and recreational facilities on the adjacent Bull Lane playing fields that achieve a range of social, health and educational benefits.

- Community - To re-provide the Selby Centre, which provides social, economic and community benefits and supports a sustainable and mixed-use scheme.
 - Housing - To deliver around 200 residential units on the site, a minimum of 50% of which are council homes.
 - Sustainability - To deliver new spaces which are lean, green and clean embodying sustainable materials, reuse and recycling and principles of circular economy.
- 6.9 Following a competitive procurement exercise, Karakusevic Carson Architects (KCA) were appointed to undertake Master planning and design development for the Scheme have been through a co-design process with the Selby Trust, the Council and the community.
- 6.10 Several themes arose from the consultation and public engagement. For the Selby Centre, the main priorities that emerged were “affordability, accessibility, adaptability of the space and discrete servicing to the building.” For the sports facilities, residents asked for a focus on safety in the park and voiced a concern that green space should be retained where possible. There was also a wish for public space, walking and cycling accessibility, and parking facilities.
- 6.11 The design proposals for the scheme have been developed with clear proposals for all facilities across the scheme. The current masterplan proposal envisages the creation of 3G pitches, the pavilion and sports centre plus landscaping on the Bull Lane playing fields, along with the construction of the new community centre and workspace buildings. A phased approach to delivery would then allow the decanting of the current community centre and the construction of the housing scheme on the vacated site.
- 6.12 Since the masterplan reached its current form, the combination of increased development costs and reduced scheme income has worsened an already challenging scheme viability issue making the scheme undeliverable in its current form.
- 6.13 The scheme has been severely impacted by recent changes in the economic environment, including construction cost inflation and rising interest rates. In addition, Greater London Authority (GLA) has changed the grant criteria and potentially the amount available for the proposed 50% affordable housing scheme. The combination of these changes has resulted in a drastic decrease in the amount of revenue the scheme was receiving.
- 6.14 To help combat this deficit, officers submitted a bid for round two of Levelling Up Funding (LUF2), seeking £20m of funding to support the delivery of the scheme's first phase, namely the sports and leisure facilities and reprovision of the community centre. This funding ask was for the maximum amount possible.

In January 2023, DLUHC confirmed the Council was successful in its bid and announced the full award of these monies.

- 6.15 Currently, the Officer team are exploring a number of strategies to reduce and/or eliminate the funding gap:
- 6.16 Outcome-Focused Cost Optimisation Exercise. This method focuses on ensuring the scheme's outcomes are protected whilst undertaking a value engineering exercise to reduce the overall capital cost of the project. To ensure the outcomes are protected, the team are working with their partners, the Selby Trust and internal client teams, to re-brief the design team based on an affordable budget envelope. This should provide focus on where the scheme can reduce the capital ask.
- 6.17 Discussions with other funding partners: The Officer team are in dialogue with the GLA regarding the phase 2 element of the scheme. Given that the timetable for this portion falls at the end of the latest affordable housing funding round, a concrete commitment to funding is unlikely to be achievable. However, the initial dialogue has been positive and will continue.
- 6.18 Other Funding Opportunities: Council Officers have identified other opportunities, such as the Brownfield Land Release Fund: Round 3. Should Officers wish to make an application, they will endeavour to provide Members with an update ahead of an application deadline and submission.
- 6.19 A subsequent cabinet report is planned for later this year to offer a comprehensive update prior to submitting a planning application.

7 Memorandum of Understanding

7.1 Since this announcement, there has been a delay in receiving the Memorandum of Understanding (MOU) and negotiating the agreement terms with DLUHC. In April 2023, DLUHC provide the Council a draft of the MOU. The MOU has since been reviewed by the legal team with their comments provided in section 8 of this report. The contents covered in the MOU are as follows and copy is appended to this report:

- Purpose
- Background
- Purpose of Funding
- Financial Arrangement
- Duration and Review Point
- Branding and Communication
- Monitoring and Evaluation

- Assurance
- Changes to approved Application
- Compliance with the MOU
- Changes to the MOU
- Resolution of Disputes
- Legal Enforcement
- Appendix
 - Funding Profile
 - Cost Estimate
 - Delivery Plan
 - Monitoring and Evaluation

7.2 In addition to the MOU, DLUHC has provided an update concerning the issuing of grant monies over the programme. They have stated that projects that receive subsidy clearance after March 23 will receive their first payment in May based on the application profile submitted as part of the submission. Subsequent payments will be made in July and January, again in line with the application profile. Monitoring returns will be issued in April (annually) to review activity, milestones, and expenditure profiles.

7.3 The three key elements of the Memorandum of Understanding that the Council will be signing up to in order to receive the grant funding are:

- That the scheme should be essentially the same as that described in the bid documents.
- That the Council agrees to ongoing monitoring.
- That all grant monies are expended by the end of March 2025.

8 Risks

8.1 The current project risks and proposed mitigation strategies are as follows:

- 8.1.1 **Procurement challenges resulting from the project delay:** The postponement in the LUF award and macroeconomic challenges have caused the designs, which were initially ready for planning, to require additional work. This extra effort extends beyond the scope of the original contract appointments and in some cases, necessitates re-procurement. To address this issue, the team is collaborating closely with the council's strategic procurement team to identify a compliant yet expedited procurement route, enabling them to carry out the necessary additional work. In the meantime, a contingency sum within the current contract will be used to advance the project while we seek a long-term solution.
- 8.1.2 **Construction and interest rate increases:** The construction industry has recently experienced significant cost increases due to various factors such as supply chain disruptions, labour shortages, and higher demand for construction materials. Additionally, global economic conditions have led to rising interest rates, which in turn, have affected the overall cost of financing projects. These challenges have made it necessary for the team to re-evaluate the initial project estimates and seek ways to optimise costs while maintaining the quality and intended outcomes of the project. Strategies to mitigate the impact of construction cost increases and interest rate fluctuations include cost optimisation, value engineering designs and exploring alternative funding sources.
- 8.1.3 In addition to the risks outlined above, the team also hold a project risk register, which details risks and mitigations for all aspects of the project. This is updated regularly and with the data fed back to the programme management office.

9 Contribution to the Corporate Delivery Plan 2022-2024 High-level Strategic outcomes'?

- 9.1 The Selby Urban Village holds significant potential in achieving the Council's corporate delivery plan outcomes. Despite the project's scheduled completion extending beyond the delivery plan timeline, evaluating the scheme's ability to deliver anticipated and current outcomes is imperative. Therefore, this report identifies how the scheme 'has', 'is', or 'will' meet the outcomes in the Delivery Plan.

Delivery Plan Outcomes	Scheme Assessment
Theme: Resident experience, participation and collaboration	
Outcome 1: Inclusive Public Participation	The project strives to be an exemplar as a model for collaboration between the public and third sectors for the benefit of the wider community. The design process has undergone thorough community co-design, ensuring equitable participation and incorporation of diverse perspectives to ensure that the final outcome aligns with the needs of the local community.
Outcome 2: Enabling Community Collaboration	
Theme: Responding to the Climate Emergency	
Outcome 3: A Greener and Climate Resilient Haringey	The central aim of the scheme is to achieve a financially and environmentally sustainable outcome. This involves ensuring that the designs conform to the stringent standards that are typically associated with new council development, while also taking into account the project's future energy consumption during its operational phase. Where possible, efforts will be made to reduce the project's carbon footprint.
Theme: Homes for the Future	
Outcome 4: Everyone has a home that is safe, sustainable, stable and affordable	The second phase of the project will be the delivery of new homes at Council rent to meet the growing housing need of the Borough.
Theme: Placemaking and Economy	
Outcome 5: Placemaking	The Selby Urban Village's design process has been anchored on social and economic revitalisation, with the community's best interests at the core of the decision-making. The design choices prioritise the essential needs of the community, such as access to health and leisure facilities, affordable workspace, and a secure and safe places.
Outcome 6: Leveraging Social Value	The Council acknowledges the considerable potential of both Bull Lane and the Selby Centre assets to significantly enhance the community. However, the full realisation of this potential can only be achieved through the Selby Urban Village project.

10 Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

10.1 Finance

10.2 The recommendation of the report is to enter into the Levelling-Up grant agreement with DLUHC, to the value of £20.0M to support the Selby Urban Village project. The grant will reduce the viability gap of the project, but significant development work needs to be undertaken to reduce the gap. The Selby Urban Village is included in the capital programme on the basis of it being self-financing. The development of the scheme into phases will require that the current budget is reprofiled as this budget was set for all of the project.

10.3 Procurement

10.4 None is required at this stage.

10.5 Head of Legal & Governance (Monitoring Officer)

10.6 The Head of Legal and Governance (Monitoring Officer) has been consulted in the preparation of this report.

10.7 The process for approval of receipt of a grant from an external body is set out in CSO 17.1. As the value of this grant from DLUHC is in excess of £500,000 approval would normally fall to Cabinet.

10.8 In between meetings of the Cabinet, the Leader may take any such decision which would normally fall to Cabinet or may allocate these to the Cabinet Member with the relevant portfolio (as provided for under CSO 16.02).

10.9 The receipt of the grant will be a Key Decision so the Council will need to comply with its governance rules on Key Decisions.

10.10 The Council will also need to ensure that the receipt of the grant is compliant with the UK's subsidy control rules as set out in the Subsidy Control Act 2022 and any regulations and amendments thereto.

10.11 The Head of Legal and Governance (Monitoring Officer) confirms that there are no legal reasons preventing the Cabinet Member for Council Housebuilding, Placemaking and Development from approving the recommendations in this report.

10.12 Equality

10.13 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not

10.14 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty. Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

10.15 Within the Levelling-Up Funding bid, officers assessed the impact of Levelling Up funding on those with protected characteristics, and concluded that this opportunity would have an overall positive impact. As the Selby Urban Village scheme is developed, the impact of the scheme will continue to be assessed through equality impact assessments and mitigated through the scheme EqIA Action plan.

11 Use of Appendices

11.1 Appendix 1 (exempt): Memorandum of Understanding

12 Local Government (Access to Information) Act 1985