

**Report title:**

Approval of acceptance and expenditure of external grant funding on preliminary development enabling works

<b>Meeting</b>	Cabinet
<b>Date</b>	21 January 2025
<b>Cabinet Member</b> (if applicable)	Graham Turner
<b>Key Decision Eligible for Call In</b>	<b>Yes</b> – published 16 December 2024 <b>Yes</b>
<b>Purpose of Report</b>	
<p>To seek authority to spend £1.25m of One Public Estate Brownfield Land Release funding on Estates Buildings (located near Huddersfield Train Station) in order to prepare the building for future development.</p>	
<b>Recommendations</b>	
<ul style="list-style-type: none"> <li>Cabinet are asked to approve the expenditure of £1.25m of external grant funding from One Public Estate (OPE) on Estates building in order to facilitate its future development.</li> </ul>	
<b>Reasons for Recommendations</b>	
<ul style="list-style-type: none"> <li>Utilising external funding on the enabling works for this building will help to reduce costs for a future developer, making the building more marketable and attractive to potential investors.</li> <li>In turn, this will aid the development of this landmark building which is in a strategic location in Huddersfield town centre, supporting the delivery of the Huddersfield Blueprint.</li> </ul>	
<b>Resource Implication:</b>	
<ul style="list-style-type: none"> <li>The proposed capital works are 100% funded by the OPE Brownfield Land release grant.</li> <li>There are associated revenue implications to fund the technical work needed to specify and tender the scheme. These are being funded by a combination of WYCA Housing Revenue Fund resources (£60k) and internal resources (from the Capital Delivery team).</li> <li>The works require staffing support from Capital Delivery and Housing Growth and Regeneration. This is being supplied from within existing resources.</li> </ul>	
<b>Date signed off by <u>Executive Director</u> &amp; name</b>	David Shepherd 8/01/25
<b>Is it also signed off by the Service Director for Finance?</b>	Kevin Mulvaney 3/01/25

<b>Is it also signed off by the Service Director for Legal and Commissioning (Monitoring Officer)?</b>	Samantha Lawton 7/01/25
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**Electoral wards affected:** Newsome

**Ward councillors consulted** - Not applicable

**Public or private:** Public

**Has GDPR been considered?** Yes – there is no personal data in this report.

## 1. Executive Summary

- Estate Buildings is a landmark building in Huddersfield, strategically located near the train station and the George Hotel.
- It is a Grade two star listed building, meaning it is of particular heritage value.
- The Blueprint vision for the regeneration of Huddersfield town centre is to increase the number of people living in the town centre.
- Estate Buildings has been identified as a Council asset which can deliver housing and help to create a new housing offer which would appeal to a new and different market from those currently living in the town centre, such as graduates from the University wishing to remain in this area.
- However, it's heritage status and the age of the building means that it is very challenging to convert and costs for any future developer will be high.
- An application was made to the One Public Estate's (OPE) Brownfield Land Release Fund for £1.25m for enabling works. The Brownfield Land Release Fund is focussed on the release of surplus buildings and land to facilitate it's development for housing. The Council were informed that they had made a successful bid in September 2024.
- The grant will fund works to facilitate the future development of the building.
- Since notification of the successful bid was received, the Capital Delivery and Housing Growth and Regeneration teams have been working together to draw up a specification and tender package for works which will facilitate the future development of the building.
- Cabinet approval is now sought to spend the grant on these specified works.

## 2. Information required to take a decision

- **Background**

The Huddersfield Blueprint is a ten-year vision to create a thriving, modern-day town centre. The vision for Huddersfield is that it will be a busy, family-friendly town centre that stays open for longer with a unique culture, arts and leisure offer and a variety of thriving businesses. The scale of investment and transformation, including high quality, innovative culture, arts and leisure offers will improve the attractiveness of the town centre as a place to live, providing new opportunities for residential development.

In turn, new residents and new residential spending will help to sustain culture, arts and leisure developments within the town centre.

The Blueprint vision for Huddersfield town centre living is:

*“To create a vibrant community in Huddersfield Town Centre, attractive to young professionals, with strong connections to neighbouring cities and the Pennines.”*

It has previously been agreed by Cabinet that proposals for residential development in Huddersfield Town Centre would focus on Council owned assets. Utilising existing buildings provides an opportunity for the Council to use its own assets to create high quality homes with excellent space standards, providing the chance to set the standard and start to create the residential market which will support the wider Blueprint vision and provide an exemplar to the wider development market of the quality which can be achieved using Huddersfield’s heritage assets.

However, whilst heritage buildings provide an opportunity for residential development, they also come with significant costs which make them challenging to develop, particularly in areas like Huddersfield town centre where the market for residential development is untested. The OPE’s Brownfield Land Release Fund provides grant funding for enabling works for surplus land and buildings that will ultimately deliver housing, and the Council was successful in September 2024 in securing £1.25 million of funding to help deliver homes in Estate Buildings.

The funding will be used for demolitions including the removal and disposal of mechanical and electrical installations, fixtures and fittings, internal partitions, ceilings, internal doors, wallpaper, and floor coverings. Work will also take place to form new openings, block up existing openings, remove areas of damaged plaster and make good. There will also be an asbestos survey and removal, repairs and strengthening to existing structure, internal drainage works including foul and surface water drainage within the building and repairs to the drainage system.

- **Cost breakdown**

The capital works are 100% funded by the OPE grant, the breakdown of these works is as follows:

<b>Item</b>	<b>Cost</b>
Demolitions Remove and dispose existing M&E installations, fixtures and fittings, internal partitions, ceilings, internal doors, wallpaper and floor coverings. Form new openings, block up existing openings, remove areas of damaged plaster and make good. Protect retained floors and make good in localised areas	£392,795
Asbestos survey and removal	£44,192
Frame Repairs and strengthening to existing structure	£285,000
Internal drainage Foul and surface water drainage within the building and repairs to building drainage system	£125,400
New incoming services New incoming water, electricity, new substation, builders work to support installations	£250,800
Contractor Overheads & Profit and prelims 14% of construction contract	£154,844
<b>Total</b>	<b>£1,253,031</b>

The funding is for capital works only and no revenue funding (for professional fees etc) is available from OPE.

Revenue funding of £60,000 for professional fees has been provided by West Yorkshire Combined Authority's (WYCA) Housing Revenue Fund, so there is no cost to the Council for this.

In addition to the revenue funding provided by WYCA, the Council's Capital Delivery team are working at providing resources for the project, on the basis that progressing these works now will result in future savings, by making it easier to manage and enabling a future disposal.

- **Timescale**

It is a key condition of the funding that the works are in contract by 31<sup>st</sup> March 2025, and the work to specify and tender the scheme is being progressed to meet this timescale.

It is further a condition of the funding that once the enabling works are complete, the Council must be in a contract to deliver homes by 31<sup>st</sup> March 2028 otherwise some or all of the grant would have to be repaid.

- **Expected impact/ outcomes, benefits & risks (how they will be managed)**

### **Impact and Outcomes**

The outcome of the work will be to deliver a package of work which ultimately reduces cost and risk for a future developer by undertaking preparatory work to the building.

This will reduce a future developer's costs and make the development of Estate Buildings a more attractive opportunity.

Utilising the funding also provides the opportunity to leverage in other funding (for example, it can be used as match funding against other funding streams, such as Heritage Lottery Fund, which is currently being pursued).

### **Benefits**

As set out above, the works will improve the attractiveness of the development opportunity to the residential development market and investors.

In addition, there is a short-term benefit of making the building easier to manage whilst it is being held as a Council asset, and the longer term benefit of making the building more attractive for disposal, which removes liability from the Council for the asset.

### **Risks**

**Timescales** – the funding deadlines are challenging, particularly given that the Council was not notified that it had been successful until the end of September 2024. The deadline for being in contract for the work is difficult given the need to specify and competitively tender the works. In order to mitigate this risk, an application has been made to the funding body to seek a six week extension to the deadline of 31<sup>st</sup> March 2025.

The overall funding deadline of being in contract to deliver homes by March 2028 is also potentially difficult given that a significant amount of work to select a developer, progress planning and be in contract on a very complex building will be required. This will be the subject of ongoing monitoring and risk assessment as the project progresses. If the Council is not in a contract by March 2028, there is a risk that some or all of the grant would have to be repaid.

**Attractiveness to the market** – as set out in 2.0 above, the residential market in Huddersfield is relatively untested. This development will set a new standard and provide an exemplar of what can be achieved. There is, however, a risk that market interest may be limited as the relatively small size, and town (as opposed to city) location does reduce the market. This adds to the risk that it may be difficult to meet the overall funding timescales. Soft market testing and engagement with developers has already been undertaken and there are interested parties.

- **Sustainability**

**Environmental** – the expenditure of the OPE funds will ultimately help bring the building back into active use. Reuse of existing assets is more environmentally sustainable than new build, through the reuse of existing materials.

**Building** – the use of OPE funds to progress enabling works will aid the development of the building and help it to have a sustainable future, rather than being an ongoing asset management cost to the Council as it currently is.

- **Services & agencies involved**

The redevelopment of Estate Buildings is being led by the Housing Growth and Regeneration team who lead on the bid for the OPE funding.

The Housing Growth and Regeneration team are working with the Town Centres team on the delivery of this project as part of the wider Huddersfield Blueprint.

The technical specification, tendering and work on site is being led by the Council's Capital Delivery team.

### **3. Implications for the Council**

#### **3.1 Council Plan**

**Address our financial position in a fair and balanced way** – part of this objective is proactively exploring all avenues to support local services, including funding from partners. The OPE funding provides an opportunity to undertake preparatory work for development in Estate Buildings without calling on the Council's capital plan.

**Continue to deliver a greener, healthier Kirklees and address the challenges of climate change** – the development of Estate Buildings provides an opportunity to reuse an existing asset, which is more carbon efficient than undertaking new build. It will also provide homes in a sustainable location, close to the railway station and the facilities of the town centre.

**Continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish** – investment in Estate Buildings is part of the Huddersfield Blueprint vision. Specifically, it is part of the vision for town centre living, whereby people living in the town centres support a thriving and healthy town centre economy.

#### **3.2 Financial Implications**

The work undertaken at Estate Buildings via this OPE funding should ultimately reduce the amount of any gap funding required for a future developer. Therefore, it reduces the risk of having to call on the Council's capital plan to support any future development.

It will also reduce the ongoing management and maintenance costs. In addition, by making the development more viable for a private sector developer, it supports the transfer of an asset out of Council ownership, and to the private sector.

As set out in 2.0, revenue funding of £60,000 for the specification and tendering of the work has been provided by the West Yorkshire Combined Authority's Housing Revenue Fund.

In addition, support is being given by the Capital Delivery team.

### **3.3 Legal Implications**

The funding has previously been accepted via delegated powers.

The work undertaken with the OPE funding will require a standard JCT contractual arrangement with the contractor. This is usual in all projects of this nature and will be dealt with via the Capital Delivery team in liaison with Legal, Governance and Commissioning.

### **3.4 Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**

The key risks are set out in section 2.0 above.

The primary risk relates to the potential inability to meet funding deadlines, in particular the ultimate deadline of 31<sup>st</sup> March 2028 to be in contract to deliver homes. If no developer has been secured by this date, there is a risk that the funder will clawback the grant which has been given. However, this has to be offset against the benefits of the funding set out in 2.0 above, which is that expenditure will make the building more attractive to the market and investors, and therefore ultimately more likely to be transferred out of the Council's ownership, removing the liability of the asset.

Integrated Impact Assessment – there is no policy or service impact on protected characteristic groups from the expenditure of this grant on the works to Estate Buildings.

## **4 Consultation**

No specific consultation has been undertaken in relation to the undertaking of the work at Estate Buildings. There is no impact on service delivery, process or policy.

The Capital Delivery team have liaised with the Local Planning Authority as part of specifying the work.

More formal consultation as part of the planning and development process would be initiated when the project progresses further.

## **5 Engagement**

No specific engagement has been undertaken in relation to the undertaking of the work at Estate Buildings. There is no impact on service delivery, process or policy.

As set out above, more formal consultation and engagement as part of the planning and development process would be initiated when the project progresses further.

## **6 Options**

### **6.1 Options Considered**

- a) Do nothing – reject funding offer and do not implement enabling works to Estate Buildings
- b) Initiate a comprehensive package of redevelopment works funded by the Council's capital plan
- c) Accept funding offer and progress enabling works

### **6.2 Reasons for recommended Option**

- a) Do nothing – reject funding offer and do not implement enabling works to Estate Buildings
  - In this scenario, the grant funding would be handed back and no work would be implemented to Estate Buildings. The building would be less attractive to any potential developer and investor, and the Council would very likely continue to hold the asset.
- b) Initiate a comprehensive package of redevelopment works funded by the Council's capital plan
  - It would be possible for the Council to redevelop the building for housing. However, this would come with a significant resource call on the capital plan, and development of heritage assets for housing is not the Council's area of expertise. The scale of such investment is not realistic given the Council's overall financial position, and a specialist developer is best placed to ultimately deliver conversion works.
- c) Accept funding offer and progress enabling works
  - As set out above, this is the preferred option. It allows enabling works to the building to be carried out without a call on the Council's capital plan, with the aim of making it more attractive to developers and investors

## **7 Next steps and timelines**

- The next step is to proceed with procuring the enabling works. Preparatory work for this has already been carried out, in order that a contract can be entered into by the funding deadline of 31<sup>st</sup> March 2025, subject to Cabinet approval of the expenditure.
- The work will take place during 2025
- In tandem with the enabling works, officers are progressing proposals to identify and secure a developer and additional external funding, with the aim of meeting the 31<sup>st</sup> March 2028 deadline for being in contract to deliver homes. This will be the subject of a future report to Cabinet.

## **8 Contact officer**

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## 9 Background Papers and History of Decisions

Cabinet report 26 July 2022, item 7:

<https://democracy.kirklees.gov.uk/documents/s47252/220714%20cabinet%20report%20Estates%20FINALv2.pdf>

## 10 Appendices

None

## 11 Service Director responsible

Joanne Bartholomew – Service Director - Development