
Report to: Place Panel

Date: 14 October 2020

Subject: **Housing Update – Brownfield Housing Fund and Housing Revenue Funding**

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1. Purpose of this report

- 1.1 To provide an update on an allocation for the Brownfield Housing Fund programme and to outline the assurance process for the programme (subject to Combined Authority approval).
- 1.2 To highlight the relationship between the Brownfield Housing Fund and revenue funding secured through the devolution deal and the Getting Building Fund.

2. Information

Background

- 2.1 On Tuesday 30th June, the prime minister announced a package of measures to support house building across England which included allocation of the Brownfield Housing Fund. The fund is allocated on a per capita basis, directly to Mayoral Combined Authorities (West Yorkshire is being treated within this definition). On this basis, West Yorkshire will receive £67m through the fund. MHCLG have set out a number of principles within the allocation letter which they have stated will be part of the formal contract with them which we are yet to receive (expected in October 2020). The principles included in the letter are;
 - The fund must be used to bring forward housing on brownfield land that has an evidenced market failure with projects with the highest additionality being prioritised;
 - The homes supported via this fund to start on site in this Parliament (by a longstop date of 31 March 2025)
 - All projects must represent good value for money and be Green Book compliant with a BCR floor of 1;

- Councils must either have an up to date Local Plan in place, or an agreed plan with MHCLG for getting Local Plan in place, to receive funding
- To spend the £66.779 million allocation to support the development of at least 4,500 new homes in Brownfield sites in the region.
- To spend in accordance to the agreed spend profile submitted by the Combined Authority

2.2 Ahead of the allocation being confirmed and at the request of MHCLG, the Combined Authority held discussions with districts to identify, at a high level, a 5 year spend profile for the full allocation. Based on responses from districts it was indicated that the below spend profile would be achievable for the region;

| Spend Profile | Year 1 (2020/21) | Year 2 (2021/22) | Year 3 (2022/23) | Year 4 (2023/24) | Year 5 (2024/25) | Total Spend |
|---------------|------------------|------------------|------------------|------------------|------------------|-------------|
| | £5m | £20m | £25m | £14m | £3m | £67m |

2.3 It is recognised that there is a challenge to achieve starts on site of 4500 homes by 31/3/2025 and to achieve spend £5m this financial year. At the time of writing this report, a funding agreement or monitoring arrangements from MHCLG has not been received but MHCLG has indicated further detail will be available in October. The remainder of this report will set out the work underway to mitigate these risks and aim to identify projects for early spend in the programme.

Links to the Strategic Housing Pipeline

2.4 The Combined Authority has worked closely with districts on the continuous development of the Strategic Housing Site pipeline for the region. It is proposed that the pipeline will form the basis of sites that come forward within the BHF programme and for any subsequent regional and national housing investment programmes. It should be noted that the pipeline is a live tool and sites can be added – when new opportunities arise and they can demonstrate a good strategic fit – or removed – when sites progress to delivery or it becomes apparent that they sites may be undeliverable (for example due to unviability, issues with landowners etc)

2.5 The pipeline includes those sites that have previously bid for HIF funding and therefore had developed business cases – in terms of brownfield sites these include Leeds Living and Castleford Housing Growth Zone. In discussion with district partners and in line with the principles set out for BHF, these business cases are not able to be directly lifted into the BHF programme and there is a need to recalibrate the business cases to fit with BHF. In addition, there is additional work required to reform suitable projects for consideration and ensure they meet the objectives set out for BHF. The Combined Authority is working closely with teams across the districts to develop a BHF pipeline of suitable projects, with a focus on the projects which could spend in year 1 (this financial year, 2020/21) and year 2 (2021/22) in particular.

- 2.6 In terms of the wider pipeline, sites are at different stages in their development and, while some sites are suitable for BHF, require further work to build business cases and establish deliverability within the parameters of BHF. There is a need to prioritise the housing pipeline to ensure that funding to develop site intelligence and business cases is utilised most effectively.
- 2.7 We have been working with district teams on implementing a scorecard to rank sites based on highest regional strategic fit. On the basis of the ranking (highest first) revenue funding can be allocated to commission technical studies and test deliverability in terms of financial viability and value for money. Through this process there is an aim to identify brownfield sites which will form the overall BHF programme and in collaboration with other key stakeholders such as Homes England identify other potential routes to attract investment. The Combined Authority is currently working with districts as a priority, to identify which sites may be deliverable within the BHF timeframes.

Assurance Process and Timeframes

- 2.8 In light of the need to mobilise quickly to ensure projects can enter the assurance process as Outline Business Cases or Full Business Cases and for development costs of £5m to be approved to facilitate programme development and early spend where achievable, a high-level Strategic Outline Case (SOC) for the BHF programme was presented to and approved by the Combined Authority on 4th September.
- 2.9 It should be noted that at this point, due to the points raised above, it is too early to provide a project shortlist for the BHF programme but with revenue funding beginning to be applied this will enable sites to progress into the BHF and other programmes such as Homes England Single Housing Investment Fund.
- 2.10 While at an early stage of development, projects that can demonstrate a positive contribution to the region's net-zero carbon objectives, while still being able to demonstrate value for money, will be encouraged. Further work to establish the climate change implications of the programme will be undertaken as individual schemes progress through the assurance process.

Relationship with revenue funding

- 2.11 The BHF is related to other funding programmes that have recently been allocated to the Combined Authority.
- £3.2m revenue funding for the housing pipeline – This revenue funding was secured through the devolution deal and will support the development of the strategic housing pipeline. It is proposed that for sites which go on to receive capital funding through the BHF that the development costs are capitalised through the BHF (i.e. utilising the £5m development costs) and the remaining £3.2m will be used to develop the wider pipeline and establish the deliverability of projects across the pipeline. It should be noted that this funding has not yet been released to the Combined Authority and clarification is being

sought as to when the Combined Authority can expect the funding to arrive.

- The scorecard process which the Combined Authority has been working with districts to implement a ranking of projects for the region, will focus allocation of the revenue funding and ensure sites with the strongest strategic fit for the region are developed.
- The Combined Authority was recently allocated £52.6m from the Getting Building Fund to fund a range projects across the region which include housing outputs, some of which are included on the Housing Pipeline. There will be a need to ensure that projects supported by GBF with housing outputs and BHF programme are carefully managed to ensure that outputs do not overlap (unless there is clear distinction regarding housing unlocked and housing delivered as part of the funding agreements).

Next steps

- 2.12 The Combined Authority is continuing to work with districts to identify projects that are suitable for the BHF programme, prioritising those that can spend this financial year and developing a spend profile thereafter for the next 4 years.
- 2.13 The funding agreement and monitoring arrangements for the BHF programme are now expected from MHCLG in October and in the mean time work continues with districts on business case development.

3. Financial Implications

- 3.1 The Brownfield Housing Fund is a direct allocation of £67m to the Combined Authority as an emerging MCA. There are no wider direct financial implications as a result of this report.

4. Legal Implications

- 4.1 Legal agreements for the BHF programme will be agreed on a project basis. The Combined Authority is still awaiting details of the legal agreement for the overall BHF from MHCLG.
- 4.2 The payment of funding to any recipient will be subject to a funding agreement being in place between the Combined Authority and the organisation in question.

5. Staffing Implications

- 5.1 The Combined Authority is recruiting a Brownfield Development Manager to the Delivery Directorate responsible for programme management of BHF and will be supported by a team.

5.2 Partner Council resources will also need to be identified and costs included for within the projects.

6. External Consultees

6.1 The BHF programme has been discussed with the Directors of Development and appropriate teams in each districts and is a regular item at Strategic Place Officer Group meetings who have oversight of the scorecard process and strategic housing pipeline.

7. Recommendations

7.1 That Place Panel note the contents of the report and provide any further comments and feedback.

8. Appendices

8.1 None