

Report to: West Yorkshire Combined Authority

Date: 29 July 2021

Subject: **Housing Pledge and Housing Revenue Fund Approval**

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Is this a key decision?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this report

- 1.1 To set out the opportunities and challenges of the Mayor's pledge to support the delivery of 5,000 sustainable homes, including council and affordable, in West Yorkshire over the next three years.
- 1.2 To report on the progress of, and funding for, the Combined Authority's Housing Pipeline Revenue Fund programme. The scheme was recommended for approval to commence delivery by the West Yorkshire and York Investment Committee (the Investment Committee) at its meeting on 8 June 2021. The recommendation can be found in Section 10 of this report.

2. Information

- 2.1 The Mayor's primary ambition for housing is to provide at least 5000 affordable homes over the next three years which are well connected, located in sustainable places and built to address the climate emergency.
- 2.2 Affordable housing includes properties available through social rent, affordable rent, intermediate rent, affordable home ownership and shared ownership¹. Over the last three years for which data is available (2017/18 – 2019/20) 3,997 affordable homes were delivered in West Yorkshire.

¹ Homes purchased using Help to Buy are not included in the definition.

- 2.3 While it is too early to say with confidence (with many sites still to be secured and planning permission confirmed) exactly when and where affordable housing will be built over the next three years, detailed work with partners has identified financial and delivery capacity across the affordable housing sector for an estimated maximum of 8,276 affordable homes. Translating this capacity into delivery of the Mayoral pledge for 5,000 affordable homes will require strong partnership working across the region to develop and deliver a strong pipeline of financially and technically viable schemes that meet planning requirements. A package of Combined Authority support has been developed that will be critical to this shared endeavour.
- 2.4 The development process is complex with technical and practical challenges affecting delivery plans. For example, financial viability acts as a major barrier in lower value areas, particularly impacting brownfield and urban sites. This leaves planning authorities with competing priorities to be met, which can often see the proportion of affordable homes being delivered on a site being negotiated down to improve the overall financial viability of a development.

Potential Combined Authority role and support to partners

- 2.5 The Combined Authority has several potential tools to support partners;

Delivery of Programmes

- The Brownfield Housing Fund will support the delivery of new homes on underutilised brownfield sites. The programme's affordable home element has been maximised within the available delivery timescales, with around 1,947 affordable homes currently expected to be delivered. This offers an early direct impact on delivery of the pledge while further plans are developed and funding sought. See agenda item 8 for further information.
- Supporting the Homes England Affordable Homes Programme through development of a shared pipeline and continuous engagement with the affordable housing sector and council partners.
- Continue to explore options for land assembly, packaging sites to increase scale and attractiveness to investors, and de-risking sites to build capability and capacity for larger scale delivery beyond 2024.

Supporting Partner Delivery

- The £3.2m Housing Pipeline Revenue Fund will increase capacity, technical support and specialist advice to advance developments in the pipeline and seek to maximise affordable and sustainable housing options across key strategic developments (see paragraphs 2.6 to 2.10).
- Support and work with Local Authority partners to apply local planning policies that maximise delivery of affordable housing on all developments, identifying any support that can be offered from the Combined Authority.
- Creating a relationship of shared endeavour between Local Authorities, the affordable housing sector, Homes England and the Combined Authority.

- Establishing a Strategic Place Partnership with Homes England, as outlined in the devolution deal, will develop a resource to support a shared pipeline of housing investment for West Yorkshire.
- The Mayor's pledge is supported by Council Leaders and Chief Executives. The Combined Authority will work closely with Directors of Development to increase the supply of affordable housing and monitor progress to deliver the pledge over the next three years.

Housing Pipeline Revenue Fund

- 2.6 The Combined Authority secured £3.2 million of revenue funding through the West Yorkshire Devolution Deal to develop a housing pipeline. £0.25 million was approved by the Combined Authority in December 2020, aligned with government timeframes, to fund early development of pipeline projects that were able to spend in the short timescales.
- 2.7 The housing pipeline currently comprises 74 projects, representing sites and clusters of sites identified and prioritised as the most strategic for the region, having been assessed against the priorities of the Strategic Economic Framework. The Revenue Fund will support development of these projects, focussing on the 20 highest scoring sites to develop viable housing schemes.
- 2.8 The funding will be used to recruit two new Combined Authority posts to lead regional pipeline development, commissioning relevant technical support to undertake feasibility works, including site investigation and ground surveys. The funding will support projects to get to an investment ready position where robust business cases can be developed for projects to enter suitable capital funding programmes. It will enable pre-development work and provide the resource and capacity that will lay the foundations to bring forward the right development in the right places.
- 2.9 The Fund will be critical to the delivery of the Mayor's pledge, and sites and plans will be tested and challenged against the pledge. Using the Fund to improve understanding of site viability and design will maximise opportunities for affordable and sustainable housing to be included on any given site. It will also highlight where further support could be provided through suitable capital funding programmes, for example to help address viability gaps and enable sites where affordable housing or sustainable elements are marginal.
- 2.10 A summary of the scheme impact and decision sought is provided below, following recommendation from the Investment Committee on 8 June 2021. The appraisal summary, recommendations and business case summary are appended to this report with recommendation for approval.

<p>Housing Revenue Fund</p> <p>West Yorkshire</p> <p>(June Investment Committee)</p>	<p><u>Impact</u></p> <p>As a direct output by the end of the financial year 2021/22 the revenue funding will have increased capacity locally and regionally to increase technical knowledge, which in turn will test deliverability of the initial highest scoring 20 sites across West Yorkshire.</p> <p>The revenue funding is proposed to support pre-development work to have greater certainty on the deliverability of projects. Initial support will be given on projects that maximise economic development and promoting pre-development and feasibility work, this will include exploring zero carbon schemes on some Local Authority sites along with boosting expertise regionally to move towards zero carbon ambitions.</p> <p><u>Decision sought</u></p> <p>Approval to proceed through decision point 2 (strategic outline business case) and decision point 4 (full business case) and work commences on activity 5 (delivery).</p> <p>Total value of the scheme - £3.2 million</p> <p>Total value of Combined Authority funding - £3.2 million</p> <p>Funding recommendation sought - £2.95 million</p>
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3. Tackling the Climate Emergency Implications

- 3.1 The Combined Authority is developing an action plan that will tackle the climate emergency in line with the emissions pathways required to reach net zero carbon by 2038. Housing sustainability and energy efficiency of buildings will be core to this plan, including consideration of options to enhance environmental standards.
- 3.2 There will be a financial impact of moving to higher environmental standards ahead of the market, but this should be viewed as an invest to save approach, with the longer-term costs to the climate and the need to retrofit houses reduced. As programmes progress following Revenue Fund support, the Combined Authority's agreed stance on environmental standards will be incorporated into homes delivered, with further opportunities to enhance sustainability explored project by project to maximise the investment impact.

4. Inclusive Growth Implications

- 4.1 Housing is key to inclusive growth. High housing costs, and especially rising rents, have reinforced inequality between households who rent and those who own their home outright. Housing is also the main driver of wealth accumulation and biggest source of debt among most households. More broadly, living in good quality housing and a safe, well designed neighbourhood improves life chances in terms of health, employment and educational outcomes. The housing market can be a barrier to inclusive growth for some groups, particularly low-income households who spend a larger share of their household budget on housing. Relying on the market to increase the overall rate of housebuilding in response to demand (with prices, in theory, falling as supply increases) is a slow and indirect route to making housing affordable for these groups. Delivering the Mayor's pledge of increasing the supply of Affordable Housing, as set out in this paper, is the

most effective way of ensuring more people in West Yorkshire have access to affordable housing which provides a basis for secure and successful lives.

- 4.2 Ensuring new affordable homes are built to high energy efficiency standards helps reduce the heating costs, mitigating rising energy costs and reducing the incidence of fuel poverty. Furthermore, ensuring homes are built in sustainable, well-connected locations ensure families can access work and social opportunities, improving work and wellbeing outcomes.

5. Equality and Diversity Implications

- 5.1 There are no equality and diversity implications directly arising from this report. As projects move forward Equality Impact Assessments will be undertaken under this programme as part of the business case development for capital funding opportunities.

6. Financial Implications

- 6.1 The report seeks endorsement to expenditure from the available Combined Authority funding as set out in this report.

7. Legal Implications

- 7.1 There are no legal implications directly arising from this report.

8. Staffing Implications

- 8.1 Staffing required to deliver the Housing Revenue Fund is considered within the business case.

9. External Consultees

- 9.1 The housing pledge has been discussed with Leaders and relevant officers of partner Councils.

10. Recommendations

- 10.1 That the Combined Authority notes and endorses the approach to delivery of the Mayor's housing pledge working closely with Partners, including Districts through their Directors of Development.
- 10.2 As recommended by the Investment Committee and in the attached appendices, the Combined Authority approves that;
- a) The Housing Revenue Fund programme proceeds through decision point 2 (strategic outline case) and decision point 4 (full business case) with Approval to Proceed to activity 5 (delivery).
 - b) Approval to the remainder of the Combined Authority's contribution of £2.95 million, funded from the West Yorkshire Devolution Deal, is given. The total scheme value is £3.2 million.

- c) Allocation of the £2.95 million of funding for the individual work packages is delegated to the Managing Director.
- d) Future approvals are made in accordance with the assurance pathway and approval route outlined in appendix 1 of this report.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 – Housing Revenue Fund Programme Appraisal Summary and Recommendations

Appendix 2 – Housing Revenue Fund Business Case Summary