

<b>Project Title</b>	<b>Housing Revenue Fund</b>
<b>Stage</b>	1 (Assessment and sequencing)
<b>Decision Point</b>	2 (strategic outline case)

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

## Background

- 1.1 The Combined Authority was directly allocated £3.2 million of revenue funding to develop a housing pipeline as part of the West Yorkshire Devolution Deal. The West Yorkshire Strategic Housing Pipeline currently comprises of 74 sites across the region and has been developed with Local Authority partners. The pipeline consists of sites and clusters of sites that are regarded as the most strategic for the region in relation to the priorities of the Strategic Economic Plan and subsequent Strategic Economic Framework. The pipeline of schemes was endorsed by Place Panel in January 2021.
- 1.2 The funding will be used to recruit two new posts within the Combined Authority to lead on the programme and develop the pipeline of projects, using relevant technical support and to undertake feasibility works, including site investigation and ground surveys, working with the highest scoring 20 sites to create viable housing schemes. For example, the funding will be used to establish implementation plans and delivery strategies to take forward the region's most strategic housing sites so that deliverability is tested ahead of projects entering suitable capital funding programmes.
- 1.3 The aims of this programme are to:
  - Support detailed technical advice at a project level to test the deliverability of pipeline projects.

- To increase capacity and resource as a Local Authority level focussed on pipeline development activity. This will be through a mixture of recruitment and consultancy.
- To scope and establish a regional resource and expertise to support the Combined Authority to move towards taking a more proactive role in housing delivery across the region.

1.4 The current situation across many of the sites on the strategic pipeline means that they face considerable market failures and viability issues meaning sites fail to come forward for development in a timely manner. This hinders the levels of investment from developers in certain parts of the housing market, in particular low value areas of West Yorkshire leading to risky development and stalled sites.

1.5 The revenue funding will be used to support pre-development work to have greater certainty of the deliverability of the pipeline of projects, which will mean they are in a better position to access capital funding programmes when they become available. There may be some instances where the projects are removed from the pipeline if they are deemed to be undeliverable as a result of the pre-development works, for example where projects are assessed as unviable following feasibility and technical work being undertaken. The purpose of the Strategic Outline Case is to gain approval and provide transparency regarding how pipeline projects will be tested on deliverability using the funding which will assist in assessing project suitability to accessing suitable capital funding programmes moving forward.

1.6 It is recognised that the funding will not be able to support all projects within the pipeline. The Combined Authority has undertaken a prioritisation exercise to rank sites according to their strategic fit and priorities of the Strategic Economic Framework.

1.7 The funding will be split between three broad areas to support the programme's aims. Work is ongoing to allocate specific funding to individual projects and will be refined as the programme develops. The table below outlines how the funding will be broadly split between the programme's aims:

Regional resource and capacity building (work to scope and develop the parameters, resource, risk appetite and tools/ vehicle options for the Combined Authority to take a more proactive approach towards regional housing delivery)	£0.5 million to £0.85 million
Technical advice and support (site/ project specific advice to test site deliverability. Options include but not limited to urban design, feasibility studies, cost planning, legal advice etc.)	£1.5 million to £1.8 million

Local resource (support at local level where required around project management and expertise)	£0.425 million to £0.475 million
Programme management	£0.117 million

- 1.8 This programme will be managed by the Programme Team within the Combined Authority's Policy and Development Directorate. A programme manager and project co-ordinator will be recruited for the management of this programme.

### **Tackling the Climate Emergency Implications**

- 1.9 The pre-development work undertaken by this programme will enable a pipeline of projects to be established. These projects will then be able to move into capital funding streams, as and when funding becomes available, to contribute towards housing targets across West Yorkshire.
- 1.10 It is recognised that housebuilding adds significant carbon emissions to the atmosphere through its construction, embodied carbon, and the final product. The revenue funding is proposed to support piloting of pre-development and feasibility work exploring zero carbon schemes on some Local Authority sites along with boosting expertise regionally to move towards zero carbon ambitions.

### **Outputs, Benefits and Inclusive Growth Implications**

- 1.11 As a direct output by the end of the financial year 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. Outputs will include provision of training and support for business case development based on Green Book assessment and provide specific strategic advice on moving the pipeline from a district led list of allocated projects to a developed list ready for active investors and developers of transformational regeneration.

### **Risks**

- 1.12 The scheme risks include:
- Capacity to lead and deliver on project pre-development work is limited at a local level. This is mitigated by some of the funding being used to support local capacity related specifically to supporting pipeline development
  - Funding is not spent by 31<sup>st</sup> March 2022 as required in line with the Ministry of Housing, Communities and Local Government (MHCLG) funding agreement. Funding may be subject to clawback from MHCLG if it is not spent by March 2022. This is mitigated by seeking approval and

subsequent delegations for spending via this Strategic Outline Case and ongoing discussions with MHCLG on the programme's progress

- The programme is unable to fully test prioritised project deliverability by March 2022 hampering the ability of projects to enter capital funding programmes and meet housing requirements. This is mitigated by early and ongoing engagement with Local Authorities and development of projects which will begin to be allocated funding providing the Strategic Case is approved.

## Costs

- 1.13 The Combined Authority received £3.2 million of revenue funding for this programme. Due to the timeframes involved, the Combined Authority approved £0.250 million of funding to be spent in 2020/2021. The £0.250 million has been spent on early pipeline development projects that were able to spend in the short timescales. The remainder of the funding approval is requested as part of this Strategic Outline Case.

## Assurance Pathway and Approval Route

Assurance pathway	Approval route	Forecast approval date
2 (strategic outline case)	<b>Recommendation:</b> Investment Committee <b>Decision:</b> Combined Authority	29/07/2021
4 (full business case)	<b>Recommendation:</b> Investment Committee <b>Decision:</b> Combined Authority	29/07/2021
5 (delivery)	<b>Recommendation:</b> Combined Authority's Programme Appraisal Team <b>Decision:</b> Combined Authority's Director of Delivery	29/04/2022
6 (financial closure)	<b>Recommendation:</b> Combined Authority's Programme Appraisal Team <b>Decision:</b> Combined Authority's Director of Delivery	29/04/2022
7 (evaluation)	<b>Recommendation:</b> Combined Authority's Programme Appraisal Team <b>Decision:</b> Combined Authority's Director of Delivery	31/08/2022

## Assurance Tolerances

<b>Assurance tolerances</b>
Combined Authority costs remain within those outlined in this report. Delivery (decision point 5) timescales remain within those outlined in this report.

## **Appraisal Summary**

- 1.14 This scheme will support the West Yorkshire Strategic Housing Pipeline by supporting pre-development work to have greater certainty around deliverability of projects. There are currently limited options to support housing pre-development works and this scheme enables the first development costs for housing schemes to be allocated in advance of business case submissions. This will enable better quality projects being delivered as it enables early assessment of options and deliverability along with providing the skills and technical expertise for scheme development.
- 1.15 The Pipeline currently consists of 74 projects with capacity to delivery around 35,000 homes. 52 of these sites are on Brownfield land and will be considered for the Brownfield Housing Fund. The allocated funds will not support development of all the projects and a prioritisation exercise has been undertaken to focus the funding.
- 1.16 Due to the nature of the scheme, the economic case has not been developed in a traditional way. The list of options for the allocation of revenue funding to develop a housing pipeline was tested with the Combined Authority's Senior Leadership Team and through a Strategic Place Officer Group which comprised of Housing & Regeneration Officers from Local Partner councils.

## **Recommendations**

- 1.17 The Combined Authority approves that:
- (i) 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).
  - (ii) Approval to the remainder of the Combined Authority's contribution of £2.95 million, funded from the West Yorkshire Devolution Deal, is given is given. The total scheme value if £3.2 million.
  - (iii) Allocation of the £2.95 million of funding for the individual work packages is delegated to the Managing Director.
  - (iv) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report.

