

Report to: West Yorkshire Combined Authority

Date: 29 July 2021

Subject: **Brownfield Housing Fund Programme: Update**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	Paragraph 3
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1 Purpose of this report

1.1 For the Combined Authority to:

- Note the work undertaken so far on the Brownfield Housing Fund Programme.
- Endorse the sequencing of Waves and associated projects in Exempt Appendix 1
- In light of the proposed changes to Committees, it is recommended that future project approvals are made in accordance with the assurance pathway and approval route outlined and approved by the Combined Authority in September 2020, including at the next decision point through delegation to the Place, Regeneration and Housing committee and at decision point 5 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team.
- To ensure the programme progresses at pace, to delegate to the Director of Delivery, in consultation with the Portfolio Holder for Place, Regeneration and Housing, the review and transfer of projects between the project prioritisation 'Waves' detailed in Exempt Appendix 1; the acceptance of new projects on to the programme; and the transfer of projects which place greater risk on the programme back to the Strategic

Housing pipeline for consideration as part of future investment programmes.

2 Information

Background

- 2.1 In July 2020, the Combined Authority received a funding allocation letter from Ministry of Housing, Communities and Local Government (MHCLG) confirming an overall allocation of £66.7 million of capital funding from the Brownfield Housing Fund (BHF) to support the development of 4500-6000 new homes on brownfield sites in the region. The Combined Authority was allocated this fund, without the need to bid, due to the organisation becoming a Mayoral Combined Authority in 2021.
- 2.2 Government has placed a number of conditions on the funding, including demonstration of market failure (i.e. that without public sector funding the scheme could not progress) and homes to have started on site by 31st March 2025 when the funding stream will come to an end. The Combined Authority is responsible for ensuring that it meets the terms of the funding set by MHCLG including meeting the ambitious annual spend targets outlined in Table 1 below. The MHCLG terms are clear that annual payment of funds throughout the life of the programme will be linked to successfully meeting the targets outlined in the agreement.

Table 1:

	Year One 2020/21 Actual	Year Two 2021/22 Forecast	Year Three 2022/23 Forecast	Year Four 2023/24 Forecast	Year Five 2022/23 Forecast
Capital Spend	£0.6M (Target met)	£20M	£29.179M	£14M	£3M

- 2.3 A programme level Strategic Outline Case was approved at the Combined Authority meeting in September 2020. The approval provided the assurance pathway and approval route for the individual projects that come forward under the BHF Programme. The Combined Authority approved that *future project approvals are made in accordance with the assurance pathway and approval route including at the next decision point through delegation to the Investment Committee and at decision point 5 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team.*
- 2.4 At the time that the Strategic Outline Case was approved, a project shortlist was unavailable as it was recognised that further time was required to identify suitable projects with partners. The funding agreement with MHCLG requires

the Combined Authority to identify all projects to be funded under the BHF programme by June 2021¹, and this forms the detail of this report.

Current Position

- 2.5 Officers in the Combined Authority have been working with partner councils since summer 2020 to identify projects from respective strategic housing pipelines for inclusion within the BHF programme. As reported to West Yorkshire Leaders and Directors of Development in February 2021, a wider Call for Projects took place early in the calendar year.
- 2.6 Following receipt of projects through the Call, an evaluation and scoring exercise was undertaken to identify further projects which could help accelerate the delivery of homes in the region. There was an emphasis on encouraging projects which meet Strategic Economic Framework (SEF) objectives, with a particular focus on Inclusive Growth and Clean Growth priorities.
- 2.7 From this assessment, the BHF programme team have recommended a sequencing of projects for inclusion within the BHF programme in Exempt Appendix 1. Subject to Combined Authority endorsement, work will commence on developing business cases with project sponsors. Project readiness for investment and the test of the most appropriate form of Combined Authority investment will form part of the project appraisal process with a preference to keep the loans first principle.

Supporting the Mayor of West Yorkshire's pledge to *Build 5000 sustainable homes including council houses and affordable homes*

- 2.8 Due to the emphasis on Clean and Inclusive Growth criteria in the project selection process, the proposed Brownfield Housing Fund pipeline has the potential to positively contribute to the Mayor's ambitions for West Yorkshire. However on its own, BHF will only take the ambition to a certain stage. Support and partnership working alongside the West Yorkshire Leaders will be key to achieving the Mayor's housing pledge for the region.
- 2.9 Additional activity to support the Mayor's pledge is detailed in agenda item 7 and includes the Housing Revenue Fund, Supporting the Homes England Affordable Homes Programme and other partner delivery and exploring opportunities for direct delivery in the future. In terms of BHF contributions:
 - The longlist includes a range of different types of projects including of small, large and transformational scale. All sites included in the programme are on **brownfield land** and the target is to deliver a minimum of 4500 start on sites by March 2025. Brownfield redevelopment ensures that contaminated land is cleaned up and restored, bringing sites which are often underutilised, or derelict back into wider use for local

¹ A draft list has been submitted to MHCLG with the June quarterly programme monitoring report, with full recognition that the initial list is subject to final endorsement by the Combined Authority in July 2021

communities, improving the quality of the environment and removing threats to health and safety.

- The programme will help to deliver an **estimated 4563 sustainable homes which includes 1900+ new affordable homes²**, including affordable for sale and for rent, and supported independent living.
- The longlist of projects offers the ability to **work with a range of housing providers**, including Registered Providers, the public and the private sector, and also the potential to co-invest with Homes England on major regeneration initiatives.
- A range of projects support the Combined Authority's ambitions for **sustainable development** through promotion of **low carbon homes, Modern Methods of Construction, early adoption of the Future Homes Standard, and opportunities for Passivhaus³ development**. The nature of brownfield sites means that the majority are in more sustainable locations, e.g. close to local public transport hubs, reducing reliance on car ownership and usage, and providing closer access to employment and educational centres and opportunities. The longlist also includes opportunities for refurbishment of a small number of **heritage buildings**, bringing new purpose to important buildings of local identity.

Sequencing of Projects in the Pipeline

- 2.10 The projects in the pipeline have been prioritised into 'Waves' of activity depending on current status of the scheme (e.g. has planning consent), deliverability and early acceleration of new housing activity. All projects within Waves 1 and 2 scored higher weighted scores than those in Wave 4. Wave 3 are longer term major regeneration initiatives which offer potential for transformational change, with significant local impact. A blended approach has been taken to the pipeline, ensuring deliverability verses the transformational opportunity some riskier projects offer. What is considered to be an appropriate level of over-programming has been included with the potential to move projects between 'Waves' as further clarity emerges during the business case process.
- 2.11 A breakdown of the potential number of homes and indicative cost to the BHF programme in **Waves 1 and 2** for each partner council area is described in Table 2 below. Waves 1 and 2 enable the Combined Authority to meet its minimum homes output target for MHCLG:

² Schemes subject to planning approval; 'policy-on' for affordable housing assumed in calculations where sites have yet to secure permissions

³ A voluntary standard for energy efficiency in a building, which reduces the building's ecological footprint. It results in ultra-low energy buildings that require little energy for space heating or cooling.

Local Authority Area	Potential Homes (Total)	Potential Affordable Homes (incl within Total)	Indicative BHF Cost
Bradford	850	563	£9.68m
Calderdale	403	105	£8.24m
Kirklees	759	284	£11.44m
Leeds	2162	778	£21.38m
Wakefield	392	217	£4.29m
Waves 1 & 2	Approx. 4563	1947	£55.03m
Wave 3	Approx 1779 - 3079	TBC	£17m+
Waves 1 – 3 combined	Approx 6342 - 7642	TBC	£72m+

Table 2

- 2.12 **Wave 1** projects offer early and accelerated delivery of homes for the region, carrying a lesser degree of risk, whilst scoring high in the weighted scores against MHCLG criteria and our SEF Priorities, with a particular focus on Inclusive and Clean Growth outcomes. These projects are currently rated ‘Amber’ until they successfully go through the Assurance Process.
- 2.13 **Wave 2** projects also scored well, although housing delivery is estimated to commence later, i.e. from 2023 onwards. These projects are currently rated ‘Amber’ until they successfully go through the Assurance Process.
- 2.14 **Wave 3** projects (not included in Table 2) have been recognised for their potential for significant transformational change, whilst acknowledging that these projects carry a higher level of uncertainty and risk in terms of deliverability within the timeframe of the BHF programme. As such, these projects are currently rated ‘Red’. These schemes combined are seeking £17 million+ from BHF, which brings the current projected spend figure to £72 million+, therefore a small element of overprogramming is included into the programme with the addition of these schemes.
- 2.15 It is acknowledged that the Wave 3 schemes have potential for high impact for local areas and communities and that there will be a strong desire amongst stakeholders for them to progress. Therefore, it is recommended that progress is reviewed at the milestone dates suggested in Exempt Appendix 1 to assess whether the respective projects can progress under the BHF programme - which is bound by time, cost and scope criteria - or should

transfer to the Strategic Housing Pipeline for identification of future, longer term funds.

- 2.16 **Wave 4** projects scored the lowest in the weighted scores, provided the highest level of risk, with delivery of housing predicted towards the back end of the programme. They have been rated as Red in terms of deliverability and have not been included in Exempt Appendix 1 and will be transferred to the Strategic Housing Pipeline for identification of future, longer term funds.

Risks

- 2.17 As the BHF Programme is susceptible to impact from market conditions, coupled with working with a fixed fund which is only provided in yearly tranches subject to satisfactory achievement of yearly targets, it should be noted that not all projects listed in Exempt Appendix 1 will be delivered by the BHF programme.
- 2.18 In addition, following development of individual business cases, projects may return to the Strategic Housing Pipeline if they are unable to meet both MHCLG's and the Combined Authority's strategic objectives, become unviable to the programme due to increased costs or delayed timeframes, or unacceptable risks are uncovered through the Assurance and due diligence process.
- 2.19 Equally other new projects may come to light which meet MHCLG and SEF requirements and can deliver within the BHF timeframe. As these opportunities arise, the programme team will work with partner councils to ensure that the most suitable projects are chosen to deliver the region's strategic objectives.
- 2.20 It is recommended that delegation is granted to the Director of Delivery, in consultation with the Portfolio Holder for Place, Regeneration and Housing, to approve the review and transfer of projects between Waves, the removal of projects which place greater risk on the programme and acceptance of new projects on to the programme.

Assurance and Monitoring

- 2.21 The process of shortlisting projects for inclusion within the BHF programme has been reviewed through the Assurance process via the Combined Authority's Programme Appraisal Team (PAT) who have endorsed the approach undertaken as fair and equitable. PAT is recommending to the Combined Authority acceptance of the projects put forward by the BHF programme team in Exempt Appendix 1.
- 2.22 As part of the BHF programme's monitoring back to MHCLG in June, an initial overview of the sequencing of projects in Wave 1, 2 & 3 from Exempt Appendix 1 has been reported, clearly marked as requiring Combined Authority endorsement. Subject to the committee's comments on the longlist, MHCLG will be formally notified of the outcome of this meeting.

3 Tackling the Climate Emergency Implications

- 3.1 Tackling the Climate Emergency implications will be outlined on all projects under this programme as part of their business case development. A number of proposed projects will include the remediation of contaminated land, as well as the potential for new sustainable housing, green space and infrastructure designs.

4 Inclusive Growth Implications

- 4.1 The inclusive growth implications will be outlined on all projects under this programme as part of their business case development.
- 4.2 Due to the emphasis on Clean and Inclusive Growth criteria in the project selection process, the proposed Brownfield Housing Fund pipeline has the potential to positively contribute to the Mayor's ambitions for West Yorkshire and their pledge to *Build 5000 sustainable homes including council houses and affordable homes*. A number of proposed projects offer potential for 100% affordable housing in deprived communities across the region, as well as bringing back underutilised and derelict land and property into productive use. The BHF programme estimates that it could deliver 1900+ affordable homes towards the Mayor's pledge.

5 Equality and Diversity Implications

- 5.1 Equality Impact Assessments (EQIA) will be undertaken on all projects under this programme as part of their business case development.

6 Financial Implications

- 6.1 There are no financial implications as a result of this report, although the Combined Authority's adherence to the MHCLG agreement, including meeting financial targets and milestones, is required in order to receive annual allocation of BHF funds. As such, the MHCLG funding conditions and the programme's conditions will be mirrored in agreements between each project sponsor to mitigate any risk to the Combined Authority.
- 6.2 As the BHF funding is focussed on delivering SEF objectives and bridging a viability gap, all projects will be providing match-funding from either the public or private sector or both. Full details will be determined as projects progress through the Assurance Framework.

7 Legal implications

- 7.1 The information contained in **Appendix 1** is exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of the appendices as exempt outweighs the public interest in disclosing the information as publication could prejudice current and future decision making.

8 Staffing implications

8.1 There are no direct staffing implications as a result of this report.

9 External Consultees

9.1 No formal consultations have taken place; informal consultations with partner councils have taken place.

10 Recommendations

10.1 The Combined Authority:

- i. Note the work undertaken so far on the Brownfield Housing Fund Programme.
- ii. Endorse the sequencing of Waves and associated projects in Exempt Appendix 1.
- iii. In light of the proposed changes to Committees, it is recommended that future project approvals are made in accordance with the assurance pathway and approval route outlined and approved by the Combined Authority in September 2020, including at the next decision point through delegation to the Place, Regeneration and Housing committee and at decision point 5 through a delegation to the Combined Authority's Managing Director following a recommendation by the Combined Authority's Programme Appraisal Team.
- iv. To ensure the programme progresses at pace, to delegate to the Director of Delivery, in consultation with the Portfolio Holder for Place, Regeneration and Housing, the review and transfer of projects between the project prioritisation 'Waves' detailed in Exempt Appendix 1; the acceptance of new projects on to the programme; and the transfer of projects which place greater risk on the programme back to the Strategic Housing pipeline for consideration as part of future investment programmes.

11 Background Documents

There are no background documents referenced in this report.

12 Appendices

EXEMPT Appendix 1 – CONFIDENTIAL: Brownfield Housing Fund Sequencing