
Report to: Place, Regeneration and Housing Committee

Date: 2 March 2023

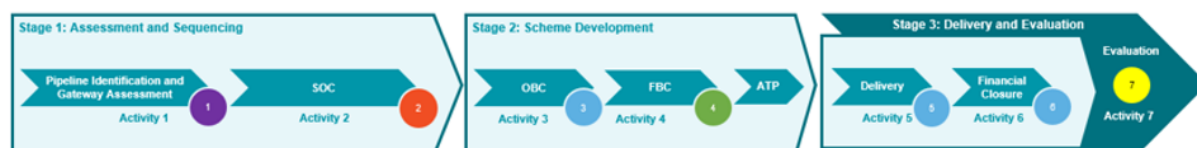
Subject: Project Approvals

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1 Purpose of this report

- 1.1 To report on proposals for the progression of, and funding for projects under Investment Priority 3 – Creating Great Places and Accelerated Infrastructure, within the West Yorkshire Investment Strategy (WYIS), that have been considered at stages 1, 2 and 3 of the Combined Authority's assurance process.



- 1.2 The Place, Regeneration and Housing Committee has delegated decision making authority approved by the Combined Authority on 23 June 2022. Where the Place, Regeneration and Housing Committee is asked to make an approval decision this will be highlighted in the summary table and made clear in the recommendations.
- 1.3 The recommendations can be found in Section 12 of this report.

2 Report

- 2.1 This report presents proposals for the progression of schemes through the Combined Authority's assurance process in line with the Combined Authority's Assurance Framework. Further details on the schemes summarised below can be found as part of this report.
- 2.2 For more detail on the Combined Authority's Assurance Framework through which each of the schemes outlined in this report are being approved is provided in **Appendix 1**.

3 Investment Priority 3 (IP3) - Creating Great Places and Accelerated Infrastructure

- 3.1 The West Yorkshire Investment Strategy (WYIS) sets out the Investment Priorities for the period 1 April 2021 to 31 March 2024 across six areas. In each, a number of priority project / programme areas have been identified that are the focus for intervention.
- 3.2 Investment Priority 3 will focus on place-making, housing, regeneration, flood risk and digital infrastructure, by delivering programmes and schemes which will:
- Accelerate the transformation of towns and cities into successful, resilient, sustainable places
 - Increase flood resilience and enhance property level flood resilience for businesses
 - Create healthier, positive and greener places
 - Strengthen existing places
 - Create new, future-proofed, well-designed developments
 - Increase access to gigabit-capable broadband in hard to reach and/or rural areas
 - Reduce fuel poverty.

Additional approvals

Brownfield Housing Programme delegation of approval of schemes to Chief Executive due to gap in Committees

- 3.3 The Brownfield Housing Programme is complex and delivering at pace. There is a gap in Committees after this Committee and therefore a delay in opportunities for Brownfield Housing Fund (BHF) schemes to be approved, affecting delivery timescales. The next Place, Regeneration and Housing Committee is not until 1 June 2023 and further ones have not yet been diarised.
- 3.4 Therefore, in addition to the full scheme approval in this report, in order to maintain programme delivery and spend targets, the Place, Regeneration and Housing Committee's approval is sought to delegate full approval to the Combined Authority's Chief Executive for a number of potential schemes summarised below:

Scheme name, location and brief description	Indicative CA BHF funding	Number of homes
St Cecilia Street, Leeds Registered Provider seeking	£1,500,000 approx.	Approx 78 homes

to delivery 100% affordable scheme.		
Canal 30, Bradford Private sector scheme aimed at transforming derelict mill.	£1,300,000 approx.	Approx 70 homes
Rushton Avenue, Bradford The project aims to deliver 100% affordable scheme	£1,300,000 approx.	Approx 30 homes
Sky Gardens/Midlands Mills, Leeds Private sector scheme is unable to proceed due to current market conditions.	£4,600,000 approx.	Approx 306 homes.
Parkwood Mills, Kirklees Private sector scheme aiming to restore a derelict heritage mill which is in an unsafe condition.	£900,000 approx.	Approx 30 homes.

3.5 The Place, Regeneration and Housing Committee approves that:

- (i) Where full scheme approval is required before 30 June 2023, the schemes outlined in paragraph 3.4 are delegated for approval to the Chief Executive, due to expediency of delivery.

Scheme summaries

BHF Railway Street Leeds	<p>Scheme description</p> <p>The scheme will develop 58 affordable homes in the Burmantofts and Richmond Hill areas in Leeds. The development includes 28 x 1 bed, 25 x 2 bed, and 5 x 3 bed apartments and includes 1 x 2 bed flat to full wheelchair accessibility standards.</p> <p>The scheme is to be delivered through the Brownfield Housing Fund.</p> <p>Impact</p> <p>The scheme will implement a low carbon heating solution for heating and hot water as well as providing cycle storage and agile working space for each home. 80% of sub-contractor packages will be let to local companies, and four apprenticeships are being safeguarded through the preferred contractor, with the aim to also create two further apprenticeships throughout the construction period.</p> <p>This scheme includes installation of photovoltaic (PV) panels to the roof of the building and car parking spaces will have electric vehicle charging points.</p> <p>The value for money assessment reflects an adjusted Benefit Cost Ratio of 1.16:1. This is categorised as acceptable value for money.</p> <p>Decision sought</p> <p>Approval to proceed through decision point 4 (full business case) and work commences on activity 5 (delivery).</p> <p>Total value of the scheme - £11,840,257</p> <p>Total value of Combined Authority funding - £1,500,000</p> <p>Funding recommendation sought - £1,500,000.</p> <p>A decision by the Place, Regeneration and Housing Committee using the delegated authority from the Combined Authority is sought as part of this report</p>
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Other decisions relevant to the Place, Regeneration and Housing Committee

Decisions made by the Combined Authority on 2 February 2023

- 3.6 The following schemes have recently been assessed in line with the Combined Authority's assurance process and approved by the Combined Authority.
- 3.7 The full agenda and papers for the meeting can be found on the [Combined Authority website here](#).

Capital Flood Risk Management Programme West Yorkshire	Approval to proceed through decision point 1 (strategic assessment) and for work to commence on the development of individual business cases. Funding approved - £113,735 Total indicative value of the scheme - £249,000,000 Total indicative value of Combined Authority funding - £58,412,582 with a proposal that £10,000,000 of Combined Authority funding is utilised in order to leverage other sources
Flood Alleviation Scheme 2 Leeds	Approval to proceed through decision point 1 to 4 (business justification) and work continues on activity 5 (delivery). Funding approved - £12,565,000 Total value of the scheme - £125,826,000 Total value of Combined Authority funding - £12,565,000

4 Information

4.1 The Combined Authority's Assurance Framework requires that formal approval is given to the following elements of a scheme as part of its development:

- The progression of a scheme through a decision point to the next activity.
- Indicative or full approval to the total value of the scheme funding requested.
- The Combined Authority's entry into a funding agreement with the scheme's promoter.
- The assurance pathway and approval route for future decision points.
- The scheme's approval tolerances.

4.2 This report provides information required to enable the Combined Authority to approve each of the above elements.

Projects in Stage 1: Assessment and Sequencing

- 4.3 There are no schemes to review at this stage.

Projects in Stage 2: Scheme development

Project Title	BHF Railway Street
Stage	2 (scheme development)
Decision Point	4 (full business 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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Background

- 4.4 This scheme will be funded from the Brownfield Housing Fund (BHF). This is a £89 million fund covering West Yorkshire. The BHF programme will support the development of new homes on brownfield sites in the region to be started on site by March 2025. The aim of the BHF programme is to create more homes by bringing forward more brownfield land into development. The fund will target investment to help ease the viability issues that brownfield projects face e.g., making former industrial land safe.
- 4.5 One of the high-level objectives of the BHF as set by the Government is that all projects must represent good value for money and be Green Book compliant with a benefit cost ratio of at least 1. Schemes also need to demonstrate market failure (i.e., that without public sector funding the scheme could not progress) and the construction of homes to have started on site by 31 March 2025 when the funding stream will come to an end. Viability gaps, security and overage relating to each scheme are being developed as part of the potential agreements with private sector developers delivering the schemes. Due diligence is also being carried out on each potential recipient of Combined Authority funding, as well as establishing the schemes' sustainable, inclusive and/or affordable housing credentials.
- 4.6 The scheme will provide a new housing development comprising a five-story apartment block of 58 flats, secure cycle parking, 18 car parking spaces and landscaping of a large outdoor communal space. The mix of flats includes 28 x 1 bed, 25 x 2 bed, 5 x 3 bed apartments, which includes 1 x 2 bed flat to full

wheelchair standards. The development is designed to be energy efficient by implementing a low carbon solution for heating and hot water, exceeding building regulations to save on energy, using techniques to limit heat loss, installing Solar PVs to the roof, and supplying electric vehicle charging and cycle parking for every flat.

- 4.7 Leeds City Council plays a role in bringing the scheme forward as the existing landowner of the site, and a key partner on the scheme, seeking to sell the land to be specifically purposed for social housing.
- 4.8 The scheme will be delivered by 54North Homes (54NH).
- 4.9 As a result of higher build costs associated with developing brownfield sites and general build cost inflation, the appraisal has demonstrated a viability gap of £1,500,000 which is requested to be funded through the Brownfield Housing Fund.
- 4.10 The scheme supports the Mayoral Pledge to “Build 5000 sustainable homes including affordable homes” by providing a new housing development comprising of 58 genuinely affordable flats for social renting, designed to be energy efficient.
- 4.11 In addition, the scheme directly delivers against the Strategic Economic Framework priorities, enabling inclusive growth by supplying affordable housing close to Leeds City Centre in what is classified as one of the wards with one of the most disadvantaged communities in Leeds.
- 4.12 A summary of the scheme’s business case and location map is included in **Appendix 2**.

Tackling the Climate Emergency Implications

- 4.13 The scheme delivers 58 energy efficient homes, including the implementation of a low carbon solution for heating and hot water.
- 4.14 In addition, the development has been designed to standards that will exceed building regulations, including enhanced wall insulation and windows with high performance double glazing. This, as well as the installation of items such as low flow rate showers and automatic low energy lighting, will ensure running costs for the homes are minimised.
- 4.15 Heat loss throughout the building will be reduced through a technique of Mechanical Heat Recovery Ventilation, which will also play a role in contributing towards the aim of achieving an EPC rating of A for a standard flat in the building.
- 4.16 Additionally, Solar PVs will be installed in the roof to power the communal lighting and heat, and electrical vehicle charging will be installed in the parking area as facilities for cycle parking.

Outputs and Benefits

- 4.17 The scheme outputs and benefits include:

- Deliver 58 new social rented homes equating to 3,600m² and thus reducing housing need in the Burmantofts and Richmond Hill Ward.
- 100% of nominations will initially go to Leeds City Council with 50% of subsequent lets.
- Low carbon solution for heating and hot water, delivering a reduction in CO₂ emissions to 20% below building regulations, and reducing water demand to 110L per person per day.
- 80% sub-contractor packages let to local companies throughout the construction period, via the construction contract.
- Four apprenticeships safeguarded and intent to create 2 additional apprenticeships throughout the construction period, via the construction contract.
- Reuse of a brownfield site to bring land in close to good amenities back into productive use.
- Promote biodiversity on the site through planting 24 new trees and 1,180 new shrubs, alongside 182m of hedge.

4.18 The scheme has a benefit cost ratio (BCR) of 1.02:1 and an adjusted BCR of 1.16:1 representing acceptable value for money.

Inclusive Growth Implications

4.19 The scheme's inclusive growth implications include:

- The scheme will provide a housing option for people who could not normally afford to live close to the city centre and its amenities.
- The housing will provide access for residents to employment opportunities, skills and education, main transport hubs and entertainment.
- The scheme will provide housing types in proportion to local housing need as established for Burmantofts and Richmond Hill Ward in 2019.

Equality and Diversity Implications

4.20 An Equality Impact Assessment (EqIA) will be submitted before an Approval to Proceed is agreed by the Combined Authority.

4.21 The scheme will deliver housing that is 100% for social renting, and the Local Authority will have 100% nomination rights over the first letting ensuring that those in the most need have access to good quality affordable homes.

4.22 Further to this, one ground floor flat will be developed to be fully wheelchair accessible.

Risks

4.23 The scheme risks include:

- That the costs of the scheme rise, meaning that the scheme is no longer affordable. This has been mitigated by including costs for inflation in the calculation of the cost for the build and having a risk and contingency allowance.
- The chosen contractor for the building works becoming financially unstable during the time of construction. This has been mitigated by undertaking appropriate due diligence by the applicant.
- Delays on site occurring due to building works obstacles, such as difficulty in getting materials. This has been mitigated by close programme management on site, and the reporting structures and progress review methods that are in place for the project.

Costs

4.24 The total scheme costs are £11,840,257.

4.25 The Combined Authority's contribution is £1,500,000 from the Brownfield Housing Fund.

4.26 The remaining funding is comprised of:

- £3,770,000 from Homes England
- £670,000 from Leeds City Council
- £5,900,257 of private sector match funding

Assurance Pathway and Approval Route

Assurance pathway	Approval route	Forecast approval date
4 (full business case)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Place, Regeneration and Housing Committee	02/03/2023
Approval to Proceed	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Director	31/03/2023
5 (delivery)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Director	15/10/2024

Assurance Tolerances

Assurance tolerances
Combined Authority costs remain within those outlined in this report. Delivery (DP5) timescales remain within +6 months of those outlined in this report.

The number of housing units remains within -10% of those outlined in this report.

Other Key Timescales

4.27 Other key timescales are:

- The site purchase will be completed by 31 March 2023. On the same date the build contract is expected to have been awarded to the preferred contractor and construction to have commenced on site.
- Practical completion of the homes is expected by 15 October 2024.

Appraisal Summary

- 4.28 The scheme aligns with the Mayoral Pledges and will deliver 58 socially rented homes, all allocated to those assessed as in housing need by Leeds City Council. The scheme will bring a redundant brownfield site back into use and provide housing for a mixed community that can easily access the city centre, its amenities, and jobs.
- 4.29 The economic benefits of the scheme only marginally exceed the costs of the scheme because it is a challenging site with constraints, therefore 54North Homes cannot proceed without the Brownfield Housing Fund.
- 4.30 The commercial case for the scheme is strong as the preferred contractor was selected using a robust procurement method that has been set up by a large housing association. There is an ongoing exercise with the chosen contractor in an attempt to reduce the cost of the scheme without sacrificing benefits.
- 4.31 Financially, all match funding has been secured, including from Homes England. However, evidence of the private sector funding from 54North Homes is being requested for assurance purposes. In addition, further information is being requested on how potential cost increases that may occur throughout the time of construction will be managed with the contractor.

Recommendations

- 4.32 The Place, Regeneration and Housing Committee approves that, subject to the conditions set by the Programme Appraisal Team:
- (i) The BHF Railway Street scheme proceeds through decision point 4 (full business case) and work commences on Activity 5 (delivery).
 - (ii) Approval to the Combined Authority's contribution of £1,500,000 is given. The total scheme value is £11,842,757.
 - (iii) The Combined Authority enters into a funding agreement with 54North Homes for expenditure of up to £1,500,000.
 - (iv) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report. This will be subject to the scheme remaining within the tolerances outlined in this report.

Projects in Stage 3: Delivery and Evaluation

- 4.33 There are no schemes to review at this stage.

5 Tackling the Climate Emergency implications

- 5.1 The Climate Emergency implications have been considered on all projects included in this report as part of their business case development.

6 Inclusive Growth implications

- 6.1 The inclusive growth implications have been considered on all projects included in this report as part of their business case development.

7 Equality and Diversity implications

- 7.1 Equality Impact Assessments (EqIA) have been undertaken on all projects included in this report as part of their business case development.

8 Financial implications

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

9 Legal implications

- 9.1 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.

10 Staffing implications

- 10.1 A combination of Combined Authority and local partner council project, programme and portfolio management resources are, or are in the process of, being identified and costed for within the scheme in this report.

11 External consultees

- 11.1 Where applicable scheme promoters have been consulted on the content of this report.

12 Recommendations (Summary)

Additional approval

Brownfield Housing Programme delegation of approval of schemes to Chief Executive due to gap in Committees

- 12.1 The Place, Regeneration and Housing Committee approves that:
- (i) Where full scheme approval is required before 30 June 2023, the schemes outlined in paragraph 3.4 are delegated for approval to the Chief Executive, due to expediency of delivery.

BHF Railway Street

- 12.2 The Place, Regeneration and Housing Committee approves that, subject to the conditions set by the Programme Appraisal Team:
- (i) The BHF Railway Street scheme proceeds through decision point 4 (full business case) and work commences on activity 5 (delivery).
 - (ii) Approval to the Combined Authority's contribution of £1,500,000 is given. The total scheme value is £11,842,757.
 - (iii) The Combined Authority enters into a funding agreement with 54North Homes for expenditure of up to £1,500,000.
 - (iv) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report. This will be subject to the scheme remaining within the tolerances outlined in this report.

13 Background Documents

- 13.1 None as part of this report.

14 Appendices

Appendix 1 - Assurance Framework

Appendix 2 – BHF Railway Street – Business Case Summary