

**Report to:** Place, Regeneration and Housing Committee

**Date:** 01 June 2023

**Subject:** **Housing 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 type="checkbox"/> Yes <input checked="" 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

## 1. Purpose of this Report

- 1.1. To provide the Committee with an update on the workstreams relating to the Combined Authority's activity to support the housing growth activity across the region, including an update on the Mayoral pledge to deliver 5000 affordable and sustainable homes and a summary of our revenue and capital programmes supporting delivery of housing in the region.

## 2. Information

### Background

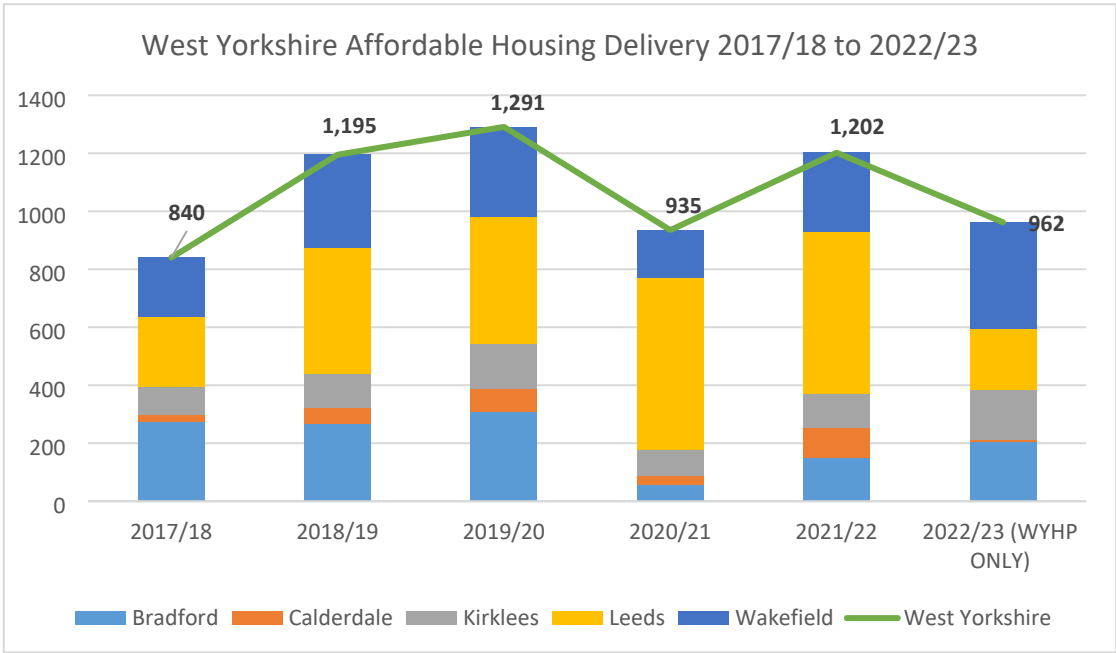
#### Housing Pledge Update

- 2.1. The Mayor has set a headline pledge to deliver 5000 affordable and sustainable homes. The pledge is delivered across several workstreams, and programmes led by the Combined Authority, Local Authorities and our partners. It is important to note that the statutory duties regarding housing provision are the responsibility of Local Planning Authorities. Therefore the Combined Authority's role is to support our Local Authority partners in delivering housing that meets the needs of people and communities in the region.

2.2. The Combined Authority monitors the delivery of affordable housing on a biannual basis. As well as monitoring past delivery, this includes projecting the affordable housing supply pipeline where possible, however it is noted that pipeline supply is challenging to forecast, particularly in terms of S106 affordable housing delivery that is subject to planning conditions and windfall affordable homes that are bought by Registered Providers (for example where a housebuilder is struggling to sell properties).

Delivery Trends

2.3. The Combined Authority publishes the Leeds City Region Housing Annual Monitoring report in December each year which includes collecting data from each of the Local Authorities on the gross number of affordable homes delivered. The most recent report was published in December 2022. The chart below shows the delivery of affordable housing in West Yorkshire over the last six years. It should be noted that the figures for 2022/23 are only partial (representing only those homes delivered by West Yorkshire Housing Partnership members) and the national figures for 2022/23 will not be released until November 2023. Therefore, the total number of affordable homes delivered in 2022/23 will increase as data becomes available.



2.4. West Yorkshire has experienced a gradual increase in the delivery of affordable homes in the region, with the exception of 2020/21 as a direct result of the Covid-19 pandemic and subsequent lockdown periods leading to significant construction delays. Whilst delivery in 2021/22 shows affordable housing completions returning towards pre-pandemic levels, it also highlights that further work is required to increase affordable housing supply. Delivery from West Yorkshire Housing Partnership members is increasing with 2022/23 so far representing the largest number of affordable homes being delivered for the partnership since the monitoring began in 2020.

- 2.5. The data available to date (from March 2021 to March 2023) shows that so far, during the Mayor's term in office, 2164 affordable homes have been delivered in West Yorkshire.

#### Forecast Affordable Housing Supply May 2024

- 2.6. Alongside the delivery trends, West Yorkshire Housing Partnership (WYHP) provide biannual forecast to their affordable housing supply pipelines and highlight the risks to delivery. The forecasts take into consideration homes directly delivered by Local Authorities or Registered Providers and homes that WYHP members expect to take up through S106 agreements.
- 2.7. It is important to highlight that it is not possible to obtain an accurate forecast of the total number of affordable homes that could be delivered in West Yorkshire for several reasons:
- We are only able to obtain forecasts from WYHP members as we have Non-Disclosure Agreements in place with each member to share pipeline site details with the Combined Authority.
  - We do not have access to the supply pipelines of Registered Providers who are not members of WYHP and therefore we are unable to forecast their pipelines.
  - It is not possible to forecast additional affordable homes which private housebuilders may choose to market to Registered Providers outside of the S106 requirements. Under uncertain economic conditions and in the event of a market slowdown, housebuilders may start to 'flip' the tenure of homes to affordable to aide revenues and to speed up site exits (e.g. where there are only a small number of units remaining for sale on a site preventing the housebuilder from exiting swiftly).

#### Risks to Delivery

- 2.8. The delivery trends and forecast highlight the challenges associated with delivering the Mayoral pledge and the difficulty in providing accurate forecasts. This is perpetuated by significant delivery risks, particularly the current economic climate and predicated slow down of the housing market. The key risks to the delivery of the pledge have been highlighted to the Committee at previous meetings these include:-
- Inflation leading to rising construction costs and companies being unable to hold tender prices. Despite some stabilisation in inflation rises, this continues to impact the viability of schemes.
  - Rising interest rates impacting the cost of development borrowing and market appetite to purchase/secure mortgages.
  - Lack of resource in planning and housing growth teams delaying start on site in some areas.

- Registered Providers have an increasing focus on investment in existing stock in response to recent media regarding property conditions alongside the need to decarbonise existing homes, leading to financial pressures within organisations.
  - The 7% rent cap on social housing rental increases, significantly below current inflation levels, meaning providers are reviewing growth plans and impacting their ability to raise private finance.
- 2.9. Whilst the risks highlighted are out of the Combined Authority's direct control, work is ongoing through continuous engagement with Local Authorities, Registered Providers and Homes England to explore mitigation options and monitor pipeline slippage. Combined Authority programmes are seeking to maximise affordable housing provision where possible and provide technical advice to estimate costs and impact on viability.

#### Measuring the Supply of Sustainable Homes

- 2.10. Monitoring of the delivery of sustainable homes has been undertaken using Energy Performance Certificates and by considering whether the homes are built on brownfield land. It is noted that there are flaws in using Energy Performance Certificates to measure sustainability as this measures the energy cost of running a home rather than the carbon emissions. However, there is currently no other available measure of how energy efficient or 'sustainable' a home is that is used by all developers and accepted by the industry.
- 2.11. The Brownfield Housing Fund is currently supporting at least 1377 homes to come forward that have an expected EPC rating of A or B (of which 382 are also expected to be affordable homes). We are continuing to gather data on the expected EPC rating of Brownfield Housing Fund schemes as they submit business cases for the programme.

#### West Yorkshire / Homes England Strategic Place Partnership

- 2.12. In recognition of the shared ambition to drive forward good quality housing growth, the West Yorkshire Devolution Deal set out a commitment to develop a Strategic Place Partnership (SPP) between the Combined Authority and Homes England to build and strengthen collaborative working across the region.
- 2.13. Collectively, West Yorkshire Combined Authority and the Local Authority partners have demonstrated that West Yorkshire meets the criteria for establishing a Strategic Place Partnership with Homes England. This has been strengthened through our joint work including the development of the West Yorkshire Strategic Housing Pipeline, driven by the application of the Housing Revenue Fund demonstrating the scale of opportunity for housing growth and regeneration across the region.

- 2.14. The Committee have been actively engaged in the development of the Strategic Place Partnership and shaping the direction of travel. The Partnership Business Plan was approved by the Combined Authority on 16 March 2023 and the inception meeting of the SPP Board took place on 25 April.
- 2.15. The Board is chaired by the Mayor of West Yorkshire and is attended by a cross-section of senior representatives from the Combined Authority, Local Authorities and Homes England. At the inception meeting the Board considered the strategic objectives of the partnership and the agreed focus areas for the SPP which have previously been discussed with the Committee.
- 2.16. The Strategic Place Partnership was formally launched at UKREiiF on 16<sup>th</sup> March where the Memorandum of Understanding between the Combined Authority and Homes England was signed by the Mayor of West Yorkshire and Chief Executive of Homes England. The partnership will help to deliver more good quality and affordable homes in West Yorkshire with a focus on transformational place making.
- 2.17. Officers are now developing the delivery and action plan for the Partnership and a further update will be brought to the Committee on progress at the next meeting.

#### Housing Pipeline Revenue Fund Programme

- 2.18. As of 31<sup>st</sup> March 2023, the Housing Pipeline Revenue Fund Programme (HPRF) came to a close with no further projects being accepted onto the programme. The Programme has been fully allocated within the timescales and funds committed across 68 projects in the region.
- 2.19. At the outset of the programme, four objectives of the HPRF were agreed with Local Authority officers and subsequently approved through the Combined Authority's assurance process in Summer 2020. The objectives of the programme are to:-
  - Test the deliverability of projects across the strategic housing pipeline, to a point where projects are ready to enter an investment/capital programme.
  - Boost capacity and resource at local levels to work up Strategic Housing Pipeline Projects.
  - Support projects that aim to maximise economic development and encourage projects that contribute to the regions net-zero carbon objectives in an inclusive way and encourage alignment with other investment and intervention where possible.
  - Develop the Combined Authority's capacity to take a more proactive development role across strategically significant housing sites (including developing the skills and exploring options for more direct delivery where appropriate).

2.20. The Strategic Outline Case for the HPRF programme recognised that the Combined Authority's approach to the development of housing sites had been limited due a lack of funding and resource to manage the pipeline of sites, therefore limiting our ability to develop sites to an investment ready position. In summary, the HPRF programme has:-

- Supported 68 projects helping to progress sites that could enable the delivery of 20,000 new homes (subject to planning approvals).
- Part funded additional capacity and resource in Local Authority teams either via Local Authority direct recruitment or consultancy (for example x3 posts directly in Calderdale Council's housing growth team, x1 highways expert and x1 drainage consultancy support in Kirklees Council).
- Tested the deliverability of schemes by providing technical and feasibility work to identify barriers to delivery and identify indicative costs followed by initial viability analysis (e.g. Gomersal Primary School in Kirklees, x6 council owned sites in Bradford, Pontefract Dispensary in Wakefield).
- Supported the development of business cases for 5 schemes which have submitted bids for the One Public Estate Brownfield Land Release Fund (outcome of bids expected in Summer 2023).
- Funded direct marketing of sites which have resulted in attracting high levels of interest from local and national developers (e.g. Cock Hill Lane in Calderdale and Meadow Lane in Leeds).
- Engagement and procurement of developer partners at key projects (linked to the spatial priority areas) such as Bradford City Village and North Halifax.
- Demonstrated the Combined Authority and the constituent Local Authorities' ability to provide confidence to key stakeholders in commitment to housing delivery across the pipeline. Crucially this has directly led to the development of West Yorkshire Combined Authority as Strategic Place Partner with Homes England.

2.21. Many of the projects that have been supported through the HRF are being taken forward in partnership with the private sector and our local authority partners. Some require capital funding due to the scale of the viability gap and we continue to explore funding solutions on these schemes (through our own programmes and interventions as well as other routes such as Homes England programmes and the One Public Estate Programme).

2.22. Projects such as Dewsbury Riverside, Bradford City Village, North Halifax, Castleford Housing Zone and areas of the Leeds City Rim have been supported through the Housing Pipeline Revenue Fund demonstrating a strong need for joined up capital public and private sector intervention. This

has helped to develop the platform for the focus areas included in the Strategic Place Partnership with Homes England which will drive forward setting out the case for intervention across each of the areas identified.

- 2.23. Following the closure of the programme, the Combined Authority is currently commissioning an independent evaluation of the programme to support the development of the Housing Accelerator Fund business case and to demonstrate the lessons learned and added value of the programme. A summary of the evaluation findings will be presented to the Committee upon its completion, expected in early Summer 2023.

#### Housing Accelerator Fund

- 2.24. The Housing Accelerator Fund (HAF) is promoted by the Combined Authority and is included in the West Yorkshire Investment Strategy (WYIS) under the Investment Priority 3 - Creating Great Places and Accelerated Infrastructure programme. The programme of activity was subject to the approval of the Strategic Assessment by the Combined Authority at their meeting on 16 March 2023.
- 2.25. The focus of HAF is in direct response to the Investment Priority 3 identified in the WYIS to '*develop a long-term future proofed housing pipeline, supporting site remediation and development within Spatial Priority Areas*'. The project will address several of the headline challenges by:-
- Facilitating and enabling housing development opportunities to progress in strategic locations;
  - Levelling up West Yorkshire by supporting affordable housing provision;
  - Building resilient communities ensuring that we have post-Covid ready places.
- 2.26. The proposed Housing Accelerator Fund would build on the established Housing Pipeline Revenue Fund mentioned above. The Housing Accelerator Fund will support projects across the strategic housing pipeline to get to an investment ready position to access suitable capital funding programmes and/or secure private sector investment.
- 2.27. Whilst HPRF has shown that the majority of the funding is required to undertake site based pre-development work, it has also demonstrated that the fund needs to be used to boost Local Authority capacity to develop strategic site proposals and ensure teams have the right resource to work proactively with the private sector.
- 2.28. As was the case for the HPRF Programme, the West Yorkshire Strategic Housing Pipeline will form the basis of sites that may be supported using the Housing Accelerator Fund. This pre-development pipeline is a dynamic tool that consists of the most strategic opportunities for housing development in the

region that demonstrate a market failure and are likely to require some public sector intervention to move forward. As the pipeline is a live tool, the number of projects is subject to change as new opportunities arise (as was noted in the lessons learned for the HPRF programme), the addition of new sites to the pipeline is driven by expressions of interest for new sites to be added coming forward from Local Authority teams. These are then assessed against their strategic fit with the Combined Authority's objectives and are predominantly linked to the regions' identified Spatial Priority Areas (SPAs) and the focus areas identified in the West Yorkshire/Homes England Strategic Place Partnership, although not exclusively.

- 2.29. Following the approval of the Strategic Place Partnership with Homes England, we are undergoing a pipeline review with each of the Local Authority teams and Homes England. Following the review, a refreshed pipeline will be shared with the Committee at a future meeting.
- 2.30. Initial work with Local Authority teams to identify projects for the HAF programme is ongoing with work underway to identify the funding requirements for the Combined Authority and Local Authority teams. Discussions with Local Authority teams and with Homes England building on the Strategic Place Partnership are required to refine the asks and develop this into the initial programme.
- 2.31. In order to access revenue funding, the pipeline sites were prioritised using a scorecard methodology for the HPRF programme. A similar approach is proposed to be undertaken for the Housing Accelerator Fund, however, the learnings from HPRF mean that some of the scorecard categories will change or be given a greater weighting for the Housing Accelerator Fund. The scoring categories will broadly include:
  - **Strategic fit:** alignment with the Combined Authority's Strategic Economic Framework and Mayoral priorities (e.g. net zero, affordable housing).
  - **Location:** Sites identified within SPAs or as part of the Homes England Strategic Place Partnership focus areas will score more highly.
  - **Land:** Brownfield sites will rank more highly and sites or projects with a greater level of public sector control or influence will score more highly.
- 2.32. Consideration will also be given to broader categories such as deliverability and market interest, however as the nature of the Housing Accelerator Fund is to test this and provide local capacity and resource to accelerate delivery, this will be weighted less than the other proposed categories. There is also a need to be flexible across the programme so the scoring approach may be revisited as new opportunities arise across the life of the programme.
- 2.33. In order to develop a continued programme, consideration will also be given to providing recoverable revenue grant on each of the projects. This would be agreed on a site-by-site basis the terms for grant to be recovered for example



upon sale of the land whereby a positive capital receipt is generated. The intention being that any recovered grant would be returned to the HAF pot to be used on accelerating future projects. It is recognised that this may not be possible or feasible for all projects (e.g. capacity funding, early stage masterplanning etc) but will be a pre-requisite conversation ahead of funding and terms being agreed.

- 2.34. Views from the Committee are sought on the proposed approach to the Housing Accelerator Fund set out above. The intention is to submit the business case for the Housing Accelerator Fund in July 2023 and seek approval from the Combined Authority in September 2023.

#### Brownfield Housing Fund (BHF)

- 2.35. The Brownfield Housing Fund is an £89 million allocation of funding from Government to bring forward new housing developments on brownfield sites where a market failure has prevented development from taking place. The Fund is currently the only capital funding programme managed by the Combined Authority to support the delivery of new homes. The identification of projects suitable for the Fund has been facilitated through two 'Calls for Projects' managed by the BHF team, and the approval of individual projects is subject to their successful progression through the Assurance Framework and related legal and commercial due diligence.

- 2.36. The key Government criteria for the fund is as follows:-

- Projects must be Green Book compliant with a Benefit Cost Ratio (BCR) floor of 1;
- Projects must have evidenced market failure and demonstrate that they cannot proceed without public sector financial support; and
- Homes brought forward will start on site in this Parliament (i.e. before 31 March 2025).

- 2.37. In addition, and in recognition of the Mayor's wider housing and climate aspirations for the region, projects which include affordable housing and/or building designs with low carbon characteristics have been prioritised where possible. This aligns with the approach taken to identify projects across the wider Strategic Housing Pipeline and the focus areas of the Strategic Place Partnership.

#### Current Position of the BHF

- 2.38. The Fund has been in operation since September 2020 and since that time the BHF team has made significant progress. The Wakefield District Housing scheme on the site of the former Pontefract Fire Station completed earlier this year, providing 37 affordable homes. 8 schemes are currently in contract and on site and a further 4 projects have received Full Business Case approval and are finalising due diligence checks at the time of writing of this report.

Together these 13 projects equate to over 2100 new homes, including over 900 affordable homes.

- 2.39. In addition, 6 further projects have secured Outline Business Case approval and 1 is preparing for appraisal. A further 5 projects were accepted onto the programme in April 2023, under existing delegation to the Chair of Place Committee and Director of Policing, Environment & Place, to enable detailed discussion and analysis of the proposed schemes to commence.
- 2.40. Since the last Committee, one project (Canal 30) has received Full Business Case approval under delegation to the Combined Authority's Chief Executive for up to £1.6m of BHF grant funding to assist with conversion of a historic stone industrial building in the heart of Bradford city centre and returning to productive use as 70 new apartment homes. The housing units comprise of 59 one bedroom and 11 studio apartments. Bradford is one of the UK's youngest cities and there is a need for homes for single people and couples.
- 2.41. The development is in a priority regeneration area and is close to public transport links and amenities to encourage sustainable transport. Cycle storage spaces will be provided in the basement of the building. The value for money assessment reflects an adjusted benefit cost ratio (BCR) of 1.3:1, which meets the criteria for the programme.
- 2.42. As the Committee is aware, the programme has and continues to experience a number of challenges, including:-
- Stretching annual spend and output targets set by Government;
  - Private sector ownership - whilst owners and agents are engaging with the programme, many are not familiar with public funding processes including HMT Green Book appraisal, which can cause delays;
  - Low land values - Some geographic areas experience very low land values in addition to constraints and significant viability gaps makes it unviable for developers to build, yet BHF cannot fund all the viability gap.
  - Current and fluctuating market conditions, including cost inflation of materials, supply chain constraints and rising interest rates - during Year 3 some projects have experienced an increased viability gap, which pushes project BCRs below 1, and therefore projects become ineligible for BHF.
  - Capacity constraints within planning departments, which also can cause delays in programme timescales.
- 2.43. As such a number of projects have either withdrawn from the programme, or paused development of business cases whilst developers review the continued uncertainty and volatility in the market. This has resulted in the BHF Team managing a pipeline which fluctuates monthly.

- 2.44. Whilst the BHF team has identified sufficient projects to achieve the Government's housing output and spend targets by March 2025, there remains a risk that this is not achieved as the success of the programme rests on ability of third parties meeting delivery dates. The Combined Authority continues to work and raise the challenges with Government Officials and Ministers regarding programme delivery highlighting that increased flexibility would allow us to boost delivery across the region.

### **3. Tackling the Climate Emergency Implications**

- 3.1. The activity to support the housing pledge seeks to maximise opportunities to deliver net zero carbon housing wherever possible. In some circumstances that is directly through exploring retrofit solutions to existing stock and in other circumstances that is through our revenue and capital programmes which prioritise projects that will have a low carbon impact.
- 3.2. As part of the business case development for the Brownfield Housing Fund each project is required to undertake a carbon impact assessment and demonstrate how the project is making best endeavours to minimise carbon impact.

### **4. Inclusive Growth Implications**

- 4.1. The focus on affordable housing will support inclusive growth across the region. Supporting pipeline development and delivery through capital programmes will enable faster delivery of much needed new homes including a proportion of affordable and higher quality, better insulated homes with subsequently lower running costs for residents. Particularly in the context of the current cost of living crisis, ensuring housing is affordable is a key priority across the region and for our Local Authority partners.

### **5. Equality and Diversity Implications**

- 5.1. Many of the most challenging housing market areas in the region are within the most deprived locations. A focus on delivering affordable and sustainable homes in the right places means that our investment and strategies are focussed on delivering outcomes to ensure good quality housing is available for all. To that extent, equality and diversity implications are embedded within the pledge delivery and integrated across the items outlined in this report to ensure fairer access to housing across the region.

### **6. Financial Implications**

- 6.1. There are no financial implications directly arising from this report.

### **7. Legal Implications**

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

## **8. Staffing Implications**

- 8.1. The housing workstreams are led collectively between the Combined Authority, Homes England and District Partners. Local Authorities have each contributed officer time and commitment to developing the workstreams alongside the Combined Authority and Homes England which is key to ensuring the strategic outcomes and actions are embedded and supported across the region. Officer time and support is gratefully received.

## **9. External Consultees**

- 9.1. No external consultations have been undertaken.

## **10. Recommendations**

- 10.1. That the Committee provides any views and feedback on the content of the report particularly in relation to:-
- Progress towards the delivery of the Mayor's housing pledge.
  - The proposed Housing Accelerator Fund.
  - The progress made and challenges facing the Brownfield Housing Fund programme.

## **11. Background Documents**

There are no background documents referenced in this report.

## **12. Appendices**

None.