

# JOINT DEVOLUTION COMMITTEE

## MEETING

MONDAY 13 MARCH 2023

### Shortlisting of Brownfield Housing Fund Programme Expressions of Interest (Eols)

Report of the Chief Operating Officer, York and North Yorkshire LEP

#### **1.0 PURPOSE OF REPORT**

- 1.1 This report provides an overview of the Brownfield Housing Fund (BHF) process and requests approval to the recommendations on the Expressions of Interest (Eols) which were submitted for the fund. This includes the option to proceed to Full Business Case (FBC) or be added to the pipeline for future funding opportunities.

#### **2.0 BACKGROUND**

- 2.1 Within the York and North Yorkshire Devolution Deal, published August 2022, it was agreed: “As a mayoral combined authority, the York and North Yorkshire Combined Authority will be awarded £12.7 million of devolved capital funding across 2023/24 and 2024/25 to support the building of new homes on brownfield land, subject to sufficient eligible projects for funding being identified.”
- 2.2 To progress with the brownfield funding, prior to the York and North Yorkshire Combined Authority (YNY MCA) being established, the Devolution Joint Committee agreed an interim process at the 30 November 2022 Joint Committee meeting. This agreement was for the York and North Yorkshire Local Enterprise Partnership to administer the fund, in advance of the creation of the YNY MCA on behalf of the proposed Constituent Councils. The process is being run at risk (until, and dependent on, the establishment of the YNY MCA), in order to maximise the preparedness of projects to deliver by March 2025.

#### **3.0 ASSESSMENT PROCESS**

- 3.1 The BHF launched on 3 January 2023 with a call for Expressions of Interest (Eol). This was primarily for proposals that will help to deliver this initial funding allocation. However, applicants were also encouraged to submit proposals for future years, in order to build a pipeline for future funding.
- 3.2 The deadline for Expressions of Interest (Eol) was the 6 February 2023, after which proposals were assessed against the criteria included within the fund’s [Prospectus](#), such as deliverability, rationale for funding, and risk. On the basis of the Eol assessment and prioritisation, a list of proposals recommended to progress to Full Business Case was produced and included in Appendix A. This list also includes a small number that have been recommended for the future pipeline, due to a lack of deliverability within the required timeframes and insufficient information within their Eol (i.e. BHF funding required has not been clarified). In some cases, stakeholders did not submit a formal Eol, as part of the process, but have acknowledged a future interest to engage with the MCA. Where this has occurred, they have also been noted on the pipeline.

- 3.3 Based on feedback from applicants, there have been some challenges and confusion with the assessment criteria that was set, linked to the output definition of 'home starts'. It was originally proposed in the [BHF FAQ](#) that this meant that applicants would be required to lay the foundations for a house, by March 2025, in order to classify it as an output. A similar definition is used by South Yorkshire Combined Authority and North of Tyne Combined Authority, whom were engaged as part of the development process to understand how the fund has previously operated in other geographies. Although this approach may provide greater assurance on housing completions, applicants felt that it was highly restrictive and posed deliverability risks, particularly as the proposed YNY MCA will have a shorter timeframe than other combined authorities to deliver the fund. It was highlighted that Homes England funding uses an alternative definition, looking at 'start on site', which is triggered when:
- The provider and the building contractor have entered into a building contract
  - The building contractor takes possession of the site or property
  - The works have commenced.
- 3.4 The Department for Levelling-Up, Housing & Communities (DLUHC) confirmed that the standard definition, as applied by Homes England, can be used regarding the reporting of home starts. For these reasons, the Joint Committee should note that the definition will be updated to reflect the 'start on site' definition, aligning with Homes England, in order to provide some flexibility to applicants, particularly considering the restrictive timeframes. Applicants will be noted of this amendment in due course, but this is still subject to a formal funding agreement. It should also be noted that applicants were encouraged to submit an EOI, regardless of timelines for their outputs, as this would be added to a future pipeline list, if it was not appropriate for the BHF.
- 3.5 The level of EoIs proposed for Full Business Cases will result in the fund being oversubscribed. However, over-commitment has been allowed as it is anticipated that there will be some drop-out within the Full Business Case process.
- 3.6 If required, there is potential to further reduce the number of shortlisted Eol proposals and undertake further prioritisation. But this may require further engagement with the applicant and information collection, so ultimately, it is recommended that the majority are taken forward to the FBC stage based on current information provided.
- 3.7 Where multiple schemes are being proposed by the same organisation and there is a clear rationale for doing so, it is recommended that a programme approach is taken and the schemes are bundled together. This is primarily due to a number of small, similar schemes, which could create an administrative burden, particularly with detailed appraisal and contracting, if not combined. This would also enable the applicant to complete a reduced number of FBCs.
- 3.8 Before the shortlisted Eol proposals can proceed to FBC, approval from the Devolution Joint Committee is required. With approval from the Devolution Joint Committee, applicants of these proposals will then be notified to submit a Full Business Case by 31 May 2023.

#### **4.0 SHORTLISTED EOIs**

- 4.1 A total of 42 EoIs were submitted from a range of organisations, including local authorities, registered providers and private developers. Submissions varied between completion of the formal Eol (that was designed for the BHF process), an informal list of sites that would be suitable for the pipeline, and informal engagement to show a desire to engage with the

MCA in the future. As such, not all of the schemes were suitable to proceed to FBC. Assessment against the fund’s eligibility criteria also meant that some schemes were better suited to the pipeline list.

4.2 The below table provides an overview of the level and location of the shortlisted Eols that have been recommended to proceed to FBC:

	To proceed to Full Business Case (FBC)		
	CoYC (Geographical area)	NYCC (Geographical area)	TOTAL
BHF Funding Requested	£17,922,000	£6,410,841	<b>£24,332,841</b>
BHF Ask per Dwelling (average)	£15,611	£16,189	<b>£15,760</b>
New Homes Developed	1,148	396	<b>1,544</b>
Eol Applications	15	13	<b>28</b>

4.3 The BHF has a maximum allocation of £12.7m, which will cover both project and management costs, so the fund is currently oversubscribed.

4.4 The appendix includes further details on the Eols that have been shortlisted for FBC and those that should be included within a pipeline list. The appendix is considered confidential due to commercial sensitivities.

## 5.0 FINANCIAL IMPLICATIONS

5.1 There are no negative financial implications for both local authorities. Where costs and capacity are required for programme management (e.g. appraisals), this will be charged from the fund.

5.2 Expenditure for the relevant scheme, can be reclaimed through the fund, but these costs will be at the applicant’s risk until and dependent on the establishment of the YNY MCA and schemes are contracted. It is anticipated that applicants will be able to reclaim costs incurred after 1 April 2023 prior to the establishment of the YNY MCA, however final confirmation is awaited on this point. The constituent councils (City of York Council and North Yorkshire County Council) represented on the Devolution Joint Committee will not be liable for these risks. As stated within the fund’s Prospectus, ‘all activity and expenditure, up to the order being passed by Government, is undertaken at the applicant’s risk’.

5.3 At this stage in the process, no investment will be made via the BHF. Further information and prioritisation is required through the FBC stage, aligned with the LEP’s assurance process (the interim process for this fund until the YNY MCA is established).

## 6.0 LEGAL IMPLICATIONS

6.1 Minimum legal implications are anticipated at this stage but the opportunity for applicants to make appeals against their Eol outcome has been built into the process. When applicants are updated on the decisions taken at the Devolution Joint Committee meeting in March 2023, they will be notified of the timeframes to appeal. However, as the majority of Eols are recommended to progress to FBC, unless deliverability in the timeframes is unfeasible or a lack of information was provided, the level of appeals is expected to be low, if at all.

- 6.2. Any implications from changing 'house starts' to 'start on site' definition has been considered. However, as applicants were encouraged to submit an EoI regardless of delivery timeframes (as it could be included within the future pipeline), this has been considered low risk.
- 6.3. All activity is still subject to a formal funding agreement, which is still to be received from DLUHC.

## **7.0 CLIMATE CHANGE IMPLICATIONS**

- 7.1 As the fund has been established to support housing development, it is anticipated that some emissions will be produced via construction methods and transportation that cannot be avoided. However, the fund does encourage projects that align with local strategic needs such as low carbon homes, enhanced energy efficiency, modern methods of construction (e.g. modular homes to reduce emissions), and this will be considered as part of the assessment process, particularly at the Full Business Case stage. Schemes that provide minimal climate impacts will be prioritised.

## **8.0 EQUALITIES IMPLICATIONS**

- 8.1 No equalities implications are anticipated at this stage. It should also be noted that the fund encourages more affordable housing to be included within proposals, in order to provide more equal opportunities for people to access housing. Although the fund has been promoted to rural locations, it is still restricted to brownfield land only. So, some rural locations may not fully benefit from this fund, but equally, they should not experience an adverse impact as a result.

## **9.0 REASONS FOR RECOMMENDATIONS**

- 9.1 Recommendations have been based on the fund's assessment criteria, including need for intervention and value for money, deliverability and risk analysis.

## **10.0 RECOMMENDATIONS**

- 10.1 Recommendations have been made on which EoIs should proceed to FBC and which should be included in the pipeline for future funding. Details on this are included within the Appendix, which is confidential due to commercial sensitivities. The Joint Committee are asked to agree this approach.

Kate McHugh, Research & Evaluation Officer, York & North Yorkshire Local Enterprise Partnership

20/2/23

### Appendices

Appendix A - Recommendations for the Brownfield Housing Fund's Expressions of Interest  
(Confidential)