

DEVOLUTION JOINT COMMITTEE

MEETING

15 December 2023

Shortlisting of Brownfield Housing Fund Programme Full Business Cases

Report of the Director of Transition

1.0 PURPOSE OF REPORT

- 1.1 This report seeks to allocate an initial £9,681,071 of funding to a programme of Brownfield housing projects (subject to further due diligence and contractual conditions) that will help to remove the barriers to the building of new homes across York and North Yorkshire.
- 1.2 The report also seeks agreement to reopening the call for further brownfield housing projects to enable the BHF to be fully utilised and delivered by 31st March 2025.

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 Allocation of the funding through the Department for Levelling Up, Housing and Communities (DLUHC) is also dependent on the York and North Yorkshire Mayoral Combined Authority (MCA) being established. Currently, DLUHC are preparing a finalised MoU for the funding and working through internal processes, subject to these conditions being met.
- 2.3 The Brownfield Housing Fund launched a call for proposals in January 2023, after it was agreed at a Joint Committee meeting in November 2022 that the fund would be managed by the York and North Yorkshire's Local Enterprise Partnership's assurance processes, in the interim before the MCA has been established.
- 2.4 A number of Expressions of Interest (EOIs) were submitted from a range of organisations, including local authorities, Registered Providers, and private developers in February 2023. At the March 2023 Joint Committee meeting, approval was given to all the EOIs to proceed to Full Business Case (FBC) stage. However, it was discussed with some applicants, where appropriate, they may wish to adopt a programme approach to combine multiple projects

into a single FBC to help streamline the process. Consequently, it was anticipated that 13 FBCs would be submitted.

- 2.5 However, only 11 FBCs were received, as 2 applicants withdrew due to being unable to move forward within the time constraints of BHF. All the submissions were then submitted to an independent appraiser.

3.0 APPRAISAL PROCESS

- 3.1 Prior to the independent appraisal, an internal gateway assessment was undertaken to ensure the completeness of FBC submissions, and that relevant supporting documentation had been submitted.
- 3.2 The independent Appraisers assessed the FBCs based on HM Treasury's Green Book 'five-case model', which includes strategic, economic, financial, commercial and management fit of the project. A detailed report with appraisal findings and recommendations was produced for each project. Based on these findings, the external appraisers set out a list of issues and concerns that would need to be addressed before progression could be made.
- 3.3 If the issues could be addressed, many of the projects would be suitable for approval. Consequently, for officers to provide well-informed recommendations to the Joint Committee and clearly identify suitable projects for funding, they required further clarity from applicants. This task was undertaken throughout October 2023 with applicants requested to submit updates on how they can satisfy the issues and concerns identified in the appraisal findings.
- 3.4 Two projects withdrew after the independent appraisal, with one citing market conditions as the reason, and the second being unable to deliver within the BHF timeframe. So, a total 9 projects require consideration from the Joint Committee.

4.0 PROPOSED INVESTMENT

- 4.1 Based on the feedback from applicants, the recommendation is that all projects should now progress to the contracting stage but are subjected to further due diligence and contractual conditions. It should also be noted, any decision made by the Joint Committee for funding is subject to the MCA being established. Applicants have been notified of this requirement throughout the process.
- 4.2 The Joint Committee should note that approval is sought across all projects, even those that are seeking a greater BHF intervention rate than the limit set out in the prospectus (as shown on Table 2).
- 4.3 In the Prospectus, it was highlighted that 'The intervention rate necessary to achieve this target is around £14,000 per home unlocked. This intervention rate will be considered when assessing schemes, but higher rates will be looked at under specific circumstances and if a strong case can be made.' It

should be noted that the overall programme for BHF is below this intervention rate, as one project is seeking a lower rate.

- 4.4 The intervention rate is based on the total budget divided by the level of outputs that need to be delivered via the fund, enabling a baseline for allocations to be set.

Table 1: Projects to be approved that are seeking £14k or below					
Project Name, Organisation Lead & Description	Local Authority Area	Recommended BHF investment	Intervention Rate	Total Homes	Total Affordable Homes
<p>Heworth Green Zone B, (Moda Living (Heworth Green))</p> <p>The development includes 392 new homes in a mix of studio, one- two- and three-bed homes, along with extensive amenity spaces including private dining rooms, 24/7 gym and fitness centre, a cinema room and a 24-hour concierge, to create a health and wellbeing-focused community that will help address the shortage of quality homes for rent in York.</p>	City of York Council	£4,000,000	£10,204	392	40
<p>Sturdee Grove, (Joseph Rowntree Housing Trust)</p> <p>The Sturdee Grove site comprises a bungalow which will be demolished, a car park and an adjacent site the purchase of which has been agreed with the City of York Council. The proposal is to undertake site preparation and construct 10 dwellings which will all be provided as affordable housing.</p>	City of York Council	£140,000	£14,000	10	10
<p>Ingleby Arncliffe, (Beyond Housing)</p> <p>Development of new build affordable housing units on the site of the existing Former Ingleby Arncliffe C of E Primary School (since demolished) and including for all associated works in Ingleby Arncliffe.</p>	North Yorkshire Council	£252,000	£14,000	18	18
<p>North Yorkshire Affordable Homes, (Broadacres Housing Association)</p> <p>The project is to develop 2 sites across North Yorkshire, delivering 17 affordable homes. Both sites require some form of remediation to be delivered, and all the homes will be offered for affordable rent or low-cost home ownership. All homes</p>	North Yorkshire Council	£238,000	£14,000	17	17

will be constructed to high standards of quality, design and energy efficiency, offering affordable housing options for people unable to access market housing.					
<p>“Colburndale” at Land off Caterick Road, Colburn, (Home Group)</p> <p>This project is for the development of a brownfield site in Colburn, Richmondshire, that has been cleared and in-part remediated. The development will deliver 160 new, quality homes of tenures, types and sizes that meet local housing needs and support the community to grow. The project supports place-making, delivering quality homes assessed against the Government’s Nationally Describes Space Standard (NDSS).</p>	North Yorkshire Council	£2,240,000	£14,000	160	64
<p>Harrogate District Brownfield Sites, (North Yorkshire Council)</p> <p>The proposed dwellings are a mix new build low carbon family housing for social rent and conversion of an existing long term empty building to apartments for shared ownership.</p>	North Yorkshire Council	£126,000	£14,000	9	9

Table 2: Projects to be approved with exemptions to the £14k intervention rate

Project Name, Organisation Lead & Description	Local Authority Area	Recommended BHF investment	Intervention Rate & Rationale	Total Homes	Total Affordable Homes
<p>Hawthorn Terrace South, (Joseph Rowntree Housing Trust) (One Site)</p> <p>JRHT plan to build 5 new affordable homes on Hawthorn Terrace South on a site of 0.22 acres. These homes will replace the existing garages. The</p>	City of York Council	£125,000	<p>£25,000</p> <p>Costs are high due to the abnormal costs that are linked to build costs and the conservation area status of the site and small scale of the scheme;</p>	5	5

homes will be built to achieve high energy efficiency ratings.			additional design features are required as its adjacent a listed property; and the location of the scheme is in a conservation area. Abnormal are linked to removal of trees and demolition.		
<p>City of York Council: Housing Delivery Programme Sites</p> <p>(Four Sites: Willow House, Lowfield Plot A, Woolnough House and Clifton School)</p> <p>The Council is directly delivering 367 high-quality, sustainable new homes across the city and has developed a reputation for excellent placemaking, high-levels of affordable housing and sustainable communities. This bid proposed the next stage of that programme, seeking funding to free up complex Brownfield sites and deliver more homes across the city.</p>	City of York Council	£1,540,000	£22,000	70	70
	<i>Willow House</i>	£1,120,000	£28,000		
	<i>Lowfield Plot A</i>	£140,000	£14,000		
	<i>Woolnough House</i>	£140,000	£14,000		
	<i>Clifton School</i>	£140,000	£14,000		
<p>Community Led Housing Co-operative @ Lowfield Green (Yospace) (One Site)</p> <p>This project developed by Yospace (a Community Benefit Society and Community Land Trust) will deliver 19 homes, built to Passivehaus standard, at</p>	City of York Council	£516,000	£27,158	19	19

<p>Lowfield Green, York. The 19 homes will be developed as a pilot for an innovative Mutual Home Ownership (MHO) model, a new form of home ownership with affordability at its heart. The project will deliver benefits around Net Zero/low carbon affordable housing, high-quality community spaces, and will deliver much needed affordable, sustainable homes with community in mind.</p>			<p>funding and grant intervention is required to make affordable housing viable, and reduce the level of borrowing required to fund the project to the standard of build that will achieve the low carbon affordable housing. built to Passivhaus standard)</p>		
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Table 3: Total Investment and Outputs				
	Recommended BHF investment	Intervention Rate per dwelling (average)	New Homes Developed	Total Affordable Homes
Total BHF Programme	£9,177,000	£13,110	700	252

- 4.5 The total budget for the BHF is £12,694,644. If the above is agreed by the Joint Committee, 9 projects will be supported, totalling £9,177,000. A further £504,071 (4% of the total BHF budget) is proposed to support management and administration costs, bringing the total to £9,681,071, leaving an underspend of £3,013,573.
- 4.6 The management and administration costs include the following activity:
- Legal and Assurance – There will be some significant resource implication in preparation, negotiation, and execution of funding agreements.
 - Contracting and Programme Management – Managing all the grants and ensuring delivery
 - Pipeline development – continuing to develop the next round of projects and future a future pipeline of projects
- 4.7 In order to maximise the underspend of £3,013,573 and ensure that York and North Yorkshire is benefitting fully from the total investment, it is recommended that the process is reopened and another call for projects is made. To enable this to happen within the timescales, this would be Full Business Cases only and directly targeting City of York Council, North Yorkshire Council and the Registered Providers. The call will be based on the prospectus attached at annex 1. This is primarily based on the prospectus agreed previously by the Joint Committee, except for a change in eligible applicants and an updated timeline.
- 4.8 If the Joint Committee approves the process reopening, the following activity will need to be undertaken:

Table 4: Provisional Timetable	
Deadline	Activity
End of December 2023	Call for Full Business Cases opens
End of January 2024	Deadline for FBCs
February 2024	Gateway assessments and detailed appraisal undertaken
March 2024	Appraisals completed
April 2024	Cabinet meeting to approve projects

5.0 MONITORING & EVALUATION

- 5.1 As one of the first funds for the MCA, it will be critical to monitor the programme closely, ensuring that projects are remaining on track with outputs and spend (despite challenging timescales), processes are operating

efficiently and that the intended impacts are likely to occur from the investment. Monitoring and evaluation requirements will align with the MCA's Assurance Framework once it has been agreed.

5.2 To enable this, the following work has begun:

- Drafting of a monitoring template that is based on best practice from other funds and working closely with DLUHC to match their requirements;
- Development of an evaluation plan, including a logic model, evaluation questions and methodologies, and data monitoring requirements (which will impact contractual agreements with applicants);
- Review and alignment to the draft MCA Assurance Framework, including consideration of reporting to the Overview and Scrutiny Committee on a quarterly basis.

6.0 RISKS & MITIGATIONS

6.1 Risks and mitigations have been identified and are included at Annex 2. These will be regularly monitored by the Brownfield Housing Fund Programme Team and escalated if required.

7.0 FINANCIAL IMPLICATIONS

7.1 If the recommended options are approved, costs of £9.7m will be incurred against the available funding of £12.7m. An allowance of £504k has been made for essential programme management and other associated support service costs, meaning that all costs have been considered and there will be sufficient resource to ensure delivery of the approved schemes. All costs will be closely monitored.

7.2 In relation to the applicants of the BHF, 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'.

8.0 LEGAL IMPLICATIONS

8.1 A formal funding agreement will be put in place for each project. The funding agreements will be developed to address any potential legal issues arising. All shortlisted projects will be required to submit a UK Subsidy Control Assessment before receiving funding to ensure compliance.

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 Within the original prospectus for the fund, applicants were notified that prioritisation would be given to those projects seeking to deliver the following: low carbon and modern methods of construction; enhanced energy efficiency standards; and decarbonised heat measures. Consequently, many of the projects will contribute to reducing Greenhouse Gas Emissions.

10.0 EQUALITIES IMPLICATIONS

10.1 No equalities implications are anticipated at this stage.

11.0 REASONS FOR RECOMMENDATIONS

- 11.1 Recommendations to support all projects is based on a thorough independent appraisal.
- 11.2 The programme management budget incorporates the costs for both developing and delivering the programme and is vital to ensuring the effective management of the Fund.
- 11.3 Delegated responsibility to the Director of Transition, in consultation with the Chief Executives from both York and North Yorkshire Council to approve any minor adjustments to grant funding amounts to projects is required in the case of any changes to projects.

12.0 RECOMMENDATIONS

- 12.1 The Joint Committee is recommended to approve the following:
- Approve £9,681,071 in principle (noting that £504,071 is towards programme management costs), subject to the following conditions being met:
 1. Establishment of the MCA,
 2. Further due diligence and contractual agreements with project applicants.
 - Approve the decision to reopen the call for projects.
 - Approve delegated responsibility to the Director of Transition to provide final sign-off on the proposed investment (once the above conditions have been met); and the ability to approve any minor adjustments to grant funding amounts to projects.
 - Delegated responsibility to the interim Director of Resource for the MCA to accept the Brownfield Housing Fund allocation from DLUHC.

APPENDICES:

Annex 1 – Brownfield Housing Fund Call 2 Prospectus

Annex 2 – Brownfield Housing Fund Risk Register

Annex 3 – Brownfield Housing Fund Project Shortlist Summary

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Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.