

Overview and Scrutiny Committee

23 March 2022

Brownfield Housing Fund Update

Is the paper exempt from the press and public?	No
<i>Reason why exempt:</i>	Not applicable
Purpose of this report:	Discussion
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

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Executive Summary

To provide an update on progress in delivering the MCA Brownfield Housing Programme in response to matters raised by Overview and Scrutiny Committee.

What does this mean for businesses, people and places in South Yorkshire?

Delivery of housing programmes contribute to the provision of both new housing and the regeneration and reuse of brownfield sites in support of the Strategic Economic Plan and Recovery Action Plan objectives.

Recommendations

The Board is asked to:

- Note progress on delivery of the MCA Brownfield Housing Fund Programme.

1. Background

- 1.1 The Government awarded the Mayoral Combined Authority Brownfield Housing Funding of £40.34m (capital) and £0.84m (revenue) in June 2020 - with the aim of creating more homes by bringing brownfield land forward for development, unlocking sites and achieving 2,500–3,500 new housing starts on site across South Yorkshire by 31 March 2025.
- 1.2 The five-year profile of capital funding spend agreed with the Department of Levelling Up, Housing and Communities (DLUHC) in Autumn 2020 was:

2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
£6m	£14m	£6.7m	£6.7m	£6.94m

- 1.3 However, Government has also recently announced as part of the Levelling Up agenda that the MCA will be receiving a further £13.45m BHF funding, increasing the BHF to £53.79m capital. The criteria for the existing funding will also apply to the additional funds, so includes the same purpose of unlocking new homes by the end of March 2025. There will be a need therefore to reprofile the spend for the remaining three years and review the minimum homes output target, which will need to be formalised with DLUHC in due course.
- 1.4 The MCA Housing and Infrastructure Board is responsible for overseeing the development and delivery of the programme.

2. Key Issues

- 2.1 Three key issues have been raised by this Board, which are addressed separately below:
- How much money is available to South Yorkshire in the Brownfield Housing Fund?
 - How is the money being targeted?
 - How are we encouraging developers to use money to develop brownfield sites?
- 2.2 **How much money is available to South Yorkshire in the Brownfield Housing Fund?**
- 2.2.1 With the additional funding recently announced by Government, the MCA has £53.79m capital funding available to fund the development of brownfield sites, with a spend deadline of the 31st March 2025.
- 2.2.2 All of the original £0.84m revenue funding allocation has now been allocated to support the development of the early deliverable schemes, most of which have now been developed and have been awarded funding approval by the MCA.

2.2.3 The expenditure target agreed with Government for the first 18 months of the programme was ambitious, with a requirement to have defrayed £20m by the end of March 2022. Whilst good progress has been made in the development of schemes, the expenditure target will not be met. Officers have engaged Government officials on this matter, with an expectation that existing money received will not be lost based on the strength of the emerging pipeline.

2.2.4 Subject to decisions at the MCA Board on the 21st March 2022, twelve schemes will have been approved with a funding ask of £17.63m by the end of March 2022 providing over 1,500 homes for development. Delivery will continue over the course of the programme.

2.3 **How is the money being targeted?**

2.3.1 The BHF can be used to fund a range of interventions to enable the development of housing on brownfield land which would otherwise not happen. These can include pre-development interventions such as site acquisition, land assembly, on and off-site infrastructure, enhancing public realm, place-making interventions, and site remediation/demolition, as well as funding viability gaps for the direct delivery of new homes.

2.3.2 The BHF Prospectus was approved by the MCA in January 2021, which set out the MCAs intentions for the BHF, including only funding schemes that meet the policy objectives of the Strategic Economic Plan, and to particularly prioritise projects that include:

- Enhanced energy efficiency measures.
- Decarbonised heat measures.
- Modern methods of construction.
- Adaptable and accessible properties to support local needs

2.3.3 The MCA Executive team has been working with the four South Yorkshire Local Authorities to identify and develop a pipeline of BHF schemes. Initially, local authorities were invited to put forward proposals for key priority brownfield sites in their districts. These were a combination of council led schemes, Joint Ventures and private sector developments.

2.3.4 These formed the basis of the South Yorkshire BHF programme pipeline which was divided into three initial phases based on deliverability. The programme pipeline (set out in Appendix A) was considered and approved by the MCA Housing and Infrastructure Board at its meeting on 22 June 2021. As it was the early stages of the five-year programme with some uncertainties over several schemes, the Board agreed an overprogramming position.

2.3.5 As indicated in Appendix A, the majority of the business cases for the Phase 1 and 2 schemes have been developed and will have been given funding approval by the MCA by the end of March 2022. A few schemes are already in delivery.

2.3.6 There have though been a number of challenges in developing this programme, many of which are also being experienced by other MCAs in delivering their BHF programmes. These include:

- Majority of schemes being at a very early stage of development at the start of the programme when the funding was awarded.
- Complexity of brownfield sites including issues such as decontamination, site remediation and demolitions and other site preparation requirements.
- A requirement of the funding for all schemes to have a Benefit Cost Ratio (BCR) of one, which can be difficult to achieve in the case of complex brownfield sites with marginal viability.
- Capacity issues within local authorities to develop multiple housing schemes simultaneously.
- Delays and rising construction costs due to Covid 19.

2.3.7 Work is now focusing on developing the priority Phase 3 schemes for the remainder of the programme to end March 2025. MCA resources are currently supporting Local Authorities to help assess and prioritise schemes in relation to strategic fit, economic benefits and deliverability. Consultancy expertise is also being procured by the MCA Executive, which will be accessed by Local Authorities to provide additional support in developing Phase 3 schemes.

2.4 **How are we encouraging developers to use money to develop brownfield sites?**

2.4.1 Due to the programme funding parameters, the urgency to bring forward schemes quickly in the initial Phases of the programme has meant there has been a focus on council led schemes which are often part of wider regeneration initiatives.

2.4.2 Local authorities have been taking the lead working with developers to bring forward private sector led brownfield housing schemes in regeneration locations through general market engagement, soft market testing and developer competitions. This has resulted in several Joint Venture and private sector led schemes being included within the BHF pipeline.

2.4.3 Following the recent announcement of the additional funding for the BHF, the Housing and Infrastructure Board has asked for a report to consider how to bring forward further innovative schemes and to consider if it would be appropriate to work with other partners.

3. **Consultation on Proposal**

3.1 The MCA Housing and Infrastructure Board is overseeing the development and delivery of the programme and will continue to be responsible for the remaining three years of the programme.

4. **Timetable and Accountability for Implementing this Decision**

4.1 The total capital funding of £53.79m is required to be spent by 31 March 2025. Discussions are taking place with DLUHC regarding a revised annual expenditure profile over the remaining three years of the programme.

4.2 The MCA Housing and Infrastructure Board is responsible for overseeing the programme, including approving any changes to the programme pipeline.

5. Financial and Procurement Implications and Advice

- 5.1 The Government awarded the Mayoral Combined Authority Brownfield Housing Funding of £40.34m (capital) and £0.84m (revenue) in Summer 2020 and has recently announced that the MCA will be receiving a further £13.45m funding, increasing the BHF to £53.79m capital funding.
- 5.2 The financial implications of the BHF schemes are being assessed on a project by project basis through the MCA Assurance Process. Funding approvals are only agreed for schemes which have a compliant HM Treasury Green Book business case.
- 5.3 The report notes that Government did set an initial expenditure target to be met by March 2022 of £20m. Financial reporting throughout the year has noted that this target will not be met, which is due to the issues raised in Para 2.3.6 above. These issues affecting programme delivery are expected to continue, at least over the next 12 months, which could in turn impact on the ability to meet the expenditure targets by the 31st March 2025.
- 5.4 Government officials have been kept apprised of this issue and it is not expected that any funding received to-date is at risk of clawback.

6. Legal Implications and Advice

- 6.1 The legal implications of the BHF schemes are being assessed on a project by project basis through the MCA Assurance Process.

7. Human Resources Implications and Advice

- 7.1 None as a direct result of this report.

8. Equality and Diversity Implications and Advice

- 8.1 None as a direct result of this report.

9. Climate Change Implications and Advice

- 9.1 The environmental implications of the BHF schemes are being assessed on a project by project basis. The Housing Protocol sets out the requirements of the BHF programme including incorporation of higher energy efficiency and decarbonisations measures into new homes.

10. Information and Communication Technology Implications and Advice

- 10.1 None as a direct result of this report.

11. Communications and Marketing Implications and Advice

- 11.1 There will be opportunities for positive media releases as new sites are brought back into use with new housing being developed.

List of Appendices Included

A South Yorkshire Brownfield Housing Fund Programme

Background Papers

None