

Mayoral Combined Authority Board

25 July 2022

Brownfield Housing Fund

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

Director Approving Submission of the Report:

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Executive Summary

This paper sets out the current position of the BHF programme and proposes further actions to seek to ensure delivery of programme outputs, including undertaking an Open Call for new brownfield housing schemes.

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

The purpose of the BHF is to unlock development on brownfield land, delivering additional housing units that otherwise would not come forward. The creation of additional, quality housing alleviates pressure on the existing housing stock and helps to maintain affordability in the region. The BHF leverages other public and private sector investment, creating growth, jobs and skills opportunities for the people of South Yorkshire.

Recommendations

The Board is asked:

- To note the current spend and delivery position of the Brownfield Housing Fund, and the revised spend profile.
- To approve undertaking an Open Call to seek further eligible brownfield housing schemes for funding and investment.

Consideration by any other Board, Committee, Assurance or Advisory Panel

Housing and Infrastructure Board

29th June 2022

1. Background

- 1.1 In June 2020, the Government launched 'A New Deal for Britain' which is a key part of the Government's Strategy to rebuild Britain following Covid 19 and support the economic recovery across the UK. As part of this strategy, £40.3m of capital funding and £841k revenue funding was allocated to the South Yorkshire Mayoral Combined Authority (SYMCA) to support the development of housing schemes on brownfield land.
- 1.2 SYMCA has subsequently been awarded a further £13m as part of the Levelling Up agenda, making a total of £53m with a spend deadline of end March 2025 and an output target of between 3,300 - 4,600 new homes 'unlocked' and 'started on site.' This short delivery timescale will be challenging and therefore this report sets out further options for helping meet the output and delivery timescales.
- 1.3 The Housing and Infrastructure Board considered the BHF Programme position at its meeting on the 29th June 2022, and recommended that an Open Call be undertaken to seek further eligible brownfield housing schemes for funding and investment.

2. Key Issues

Current BHF Position

- 2.1 In the first 20 months of the BHF programme (up to March 2022), twelve projects totalling £17.6m were developed and approved against a profiled spend of £20m. These projects are set to deliver 'starts on site' of c1,500 housing units before March 2025, which represents 45% of the 3,300 minimum output target.
- 2.2 The BHF has £36m remaining to spend up to end March 2025 to deliver a further 1,800 to 3,100 housing units.
- 2.3 Experience of the initial phase of the BHF programme has shown there are significant barriers and challenges to delivering complex brownfield projects at speed. Also, with less than three years left of the programme, further action will be needed to meet programme output and spend targets.
- 2.4 The original five-year spend profile for £40.3m capital funding for BHF, agreed with the Department of Levelling Up, Housing and Communities (DLUHC) at the beginning of the programme, was as follows:

Early Delivery Spend	Remaining Programme			
2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
£m	£m	£m	£m	£m
£6	£14	£6.67	£6.67	£6.67

- 2.5 Following review of both the performance of the Fund in this first phase and anticipated spend in the remainder of the programme, the estimated spend for the total £53m allocation is now as follows:

Remaining Programme				
2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
£m	£m	£m	£m	£m
£0	£1.2	£11.6	£11.9	£28.3

- 2.6 With a significant proportion of the expenditure currently being forecast in the final year of the programme in 2024/25, there is a sizeable risk that if some schemes slip it will put at risk delivery of the full programme outputs before end March 2025 unless further actions are taken.

BHF 'Phase 3' Pipeline (March 2022 – March 2025)

- 2.7 In June 2021, the Housing and Infrastructure Board agreed a pipeline of 30 remaining schemes compiled with local authority partners with a projected value of £62m, 17 of which were Phase 3 schemes for development and delivery after March 2022. This was formally submitted to DLUHC at the time.
- 2.8 Over the past 12 months, work has been ongoing with local authorities to bring forward these schemes. Some schemes in the pipeline have not developed as quickly as anticipated and some have complexities that will make them difficult to deliver within the BHF timeframe. A detailed review of all schemes within the original pipeline has been undertaken, with some subsequently removed, and new schemes identified for inclusion in a refreshed pipeline - Appendix A sets out the latest Programme Pipeline position.
- 2.9 Following this review, 8 new schemes were accepted onto the Phase 3 pipeline by the Housing and Infrastructure Board at its recent meeting. Further schemes will be brought forward for inclusion onto the pipeline when development work is sufficiently advanced.
- ### **Pipeline Development**
- 2.10 Rotherham MBC were allocated £0.21m in revenue funding at the beginning of the BHF programme to develop five priority sites including three key strategic town centre sites. All schemes remain on the Phase 3 'pending' pipeline as more work is required on deliverability challenges. SYMCA Executive will continue to work with RMBC over the next 6-12 months to provide support as required to bring forward these schemes onto the pipeline when sufficiently developed.
- 2.11 Sheffield City Council has been working on their Central Area Strategy and have established a Housing Growth Board to help accelerate housing development. The work has involved analysing 1,500 sites to ascertain their viability and deliverability, which may offer additional sites for BHF funding subject to deliverability. BHF revenue

has been allocated to increase capacity within Sheffield City Council to undertake this work over the next 18 months.

- 2.12 Barnsley MBC have a key strategic site in The Seam which could be eligible for BHF support, and work over the next 3-6 months will determine this. Work is also underway to ascertain the viability and deliverability of a number of town centre sites through a commission funded by BHF revenue. This work will conclude in 2-3 months.
- 2.13 Doncaster MBC have been focusing on the delivery of their council housing delivery programme and some projects have been supported already through Phase 2 of the BHF programme. Work is underway to ascertain the viability and deliverability of a number of selected City Centre sites through a commission funded by BHF revenue. This work will conclude in 2-3 months.
- 2.14 The MCA Executive have procured a consultant framework funded from BHF revenue, to provide critical friend business case support to local authority partners. This will allow local authorities to quickly gain access to specialised support to develop their BHF scheme business cases, helping accelerate scheme development.
- 2.15 It is expected that over the next 6-12 months the work detailed above will better define projects already on the pipeline and bring forward new ones. The above activities aim to bring forward a number of brownfield schemes to help meet programme outputs. However, as a result of our collective experience to date of project slippage and the reality of increasing construction and development costs, it is considered that there remains deliverability risks with the refreshed Phase 3 Pipeline. Therefore, even with the above activities there is still a significant risk of not achieving the programme outputs by end March 2025.

Open Call

- 2.16 In view of the situation with the BHF pipeline set out above, other actions are considered necessary to identify and bring forward further eligible BHF schemes into the Phase 3 Pipeline.
- 2.17 An Open Call provides the opportunity to identify further schemes which may benefit from support by the BHF and deliver more new homes on brownfield sites within South Yorkshire by the end of March 2025 deadline. Early discussions have taken place with Housing Associations on potential schemes they may have in light of the recently published South Yorkshire Housing Prospectus; the Prospectus includes a commitment for Housing Associations to work more closely with SYMCA and local authorities on developing a shared project pipeline to deliver more new homes.
- 2.18 Other MCAs have already undertaken Open Calls for their BHF programmes but with mixed results in identifying new schemes. If the recommendation to undertake an Open Call is supported, a Fund Prospectus will be prepared with a view to launching the Open Call at the end of Summer. The proposed schemes arising from the Open Call will be assessed in accordance with the MCA Assurance Framework alongside any new schemes coming forward from existing local authority proposals.

Innovative Solutions

- 2.19 Discussions are also taking place with Homes England, local authorities and potential investors around longer-term housing pipeline opportunities to deliver the housing ambitions of the Strategic Economic Plan.
- 2.20 It is also about thinking strategically to develop new innovative and flexible financial and delivery models and adopt new approaches around the development and regeneration of places in accordance with the principles of the MCA's Investment Strategy. Housing will increasingly have a role to play in the regeneration of urban centres, in particular, helping their repurposing and revitalisation as places to live, work and visit. This may take a new way of thinking about how funding and investment can be best targeted over the long term, utilising all the tools at the MCA's and Partners' discretion.
- 2.21 The BHF may form part of the financial solution where eligible and where spend can be achieved by end March 2025.

3. Options Considered and Recommended Proposal

3.1 Option 1

Continue working only with local authorities on the existing known pipeline projects.

3.2 Option 1 Risks

There is a significant risk that there may not be sufficient schemes brought forward to meet the end of March 2025 programme outputs and spend deadlines.

There could also be a risk of eligible stalled private sector and Housing Association schemes not being identified that the BHF may have been able to support; which would result in less homes being built within South Yorkshire than may otherwise have been.

3.3 Option 2

Undertake an 'Open Call' to explore whether Housing Associations, private sector housebuilders and third sector have additional brownfield housing schemes that would be eligible for BHF to support their delivery. Current and proposed activities with local authority partners to bring forward pipeline schemes would continue.

3.4 Option 2 Risks

There is a risk that a significant number of eligible schemes are put forward which could divert funding from potential strategic priority BHF schemes being brought forward by local authorities. However, the longer term MCA Investment Strategy approach will help mitigate this risk should there be more schemes identified that could be funded through the existing BHF programme.

3.5 Recommended Proposal

Option 2.

4. Consultation on Proposal

The Housing and Infrastructure Board recommend that an Open Call be undertaken. South Yorkshire Chief Executives and Housing Directors have been consulted and are also supportive of undertaking an Open Call.

5. Timetable and Accountability for Implementing this Decision

It is proposed that any Open Call be launched at the end of Summer 2022 to maximise the time available for eligible schemes to be delivered before the end of March 2025 deadline.

6. Financial and Procurement Implications and Advice

This report notes the performance of the Brownfield programme to-date, and the underperformance against the original funding profile.

The report further notes that traditional interventions are unlikely to result in the full resource envelope being deployed by the end of the funding window. Underperformance on this programme risks harming the MCA's reputation as a reliable delivery partner and hinder its ability to attract further funding from competitive processes into the future.

The report proposes an 'open-call' engaging the private and third sector to bring forward new proposals. There is also the intention to begin exploring more innovative solutions. These proposals offer the MCA the opportunity to begin developing longer-term more sustainable pipelines, and more efficient delivery models that can unlock complex proposals.

It is not proposed to set out an allocation from the £53m BHF allocation for an Open Call, which will enable flexibility in responding to potential investment proposals. All financial options (grant, loan, equity) should be considered eligible for funding depending on individual schemes' merits. The assessment and subsequent development of any eligible housing schemes will follow the MCA Assurance Framework.

7. Legal Implications and Advice

Subsidy Control will be applicable to all schemes being proposed for BHF support. Each scheme applicant will be asked to provide a legal option on how Subsidy Control applies to their scheme.

8. Human Resources Implications and Advice

The SYMCA Executive will undertake the Open Call, drawing on resources from multiple internal teams as required.

9. Equality and Diversity Implications and Advice

There are no equality and diversity implications arising from this report.

10. Climate Change Implications and Advice

There are no climate change implications arising from this report.

11. Information and Communication Technology Implications and Advice

There are no IT implications arising from this report.

12. Communications and Marketing Implications and Advice.

An Open Call will require a marketing and communications package, which will accompany the BHF Prospectus to be prepared for the Open Call.

List of Appendices Included

Appendix A – Proposed Brownfield Housing Fund Phase 3 Pipeline (March 2022 – March 2025)

Background Papers

None

Appendix A

Revised Brownfield Housing Fund Phase 3 Pipeline (March 2022 – March 2025)

Phase 3 - Pipeline - 22-25					
Scheme Name	Local Authority Sponsor	2022 - 2025			
		BHF Ask £		Units	
SCC SIP Newstead General Needs Scheme	SCC	£1,848,000		77	
SCC SIP Newstead OPIL	SCC	£2,396,000		141	
SCC SIP Bole Hill View	SCC	£279,000		36	
SCC SIP Temp Acco Scheme	SCC	£348,000		25	
SCC SIP Viking Lea	SCC	£1,615,000		90	
SCC SIP Algar	SCC	£895,000		50	
Park Hill P5	SCC	£3,848,826		112	
SCC Totals			11,229,826		531
Eastwood	RMBC	£1,790,000		36	
RMBC Totals			1,790,000		36
Goldthorpe Pre-1919 redevelopment	BMBC	£2,170,000		81	
BMBC Totals			2,170,000		81
DMBC Totals					
		2022 - 2025 Totals	15,189,826		648

Phase 3 - Pending Pipeline Schemes - 22-25					
Scheme Name	Local Authority Sponsor	2022 - 2025			
		BHF Ask £		Units	
SCC SIP Gaunt Road	SCC	£480,000		30	
SCC SIP Hemsworth OPIL	SCC	£894,000		81	
Claywood	SCC	£2,700,000		50	
Norfolk Park 10	SCC	£2,400,000		120	
Shirecliffe 2	SCC	£840,000		42	
Housing Growth Board Sites - Various (tbc)	SCC	<i>pending</i>		TBC	
SCC Totals			7,314,000		323
Forge Island: The Statutes	RMBC	£1,120,000		70	
Residential Riverside Quarter - South	RMBC	£1,920,000		31	
Residential Riverside Quarter - North	RMBC	£3,981,000		108	
Canklow	RMBC	£180,000		36	
RMBC Totals			7,201,000		245
The Seam Phase 1 & 2	BMBC	<i>pending</i>		TBC	
Town Residential Project (4 Sites)	BMBC	<i>pending</i>		TBC	
RMBC Totals			0		0
Town Residential Project (6 Sites - TBC)	DMBC	<i>pending</i>		TBC	
Main & Service Towns - Mexborough	DMBC	<i>pending</i>		TBC	
DMBC Totals			0		0
		2022 - 2025 Totals	14,515,000		568

Phase 1 20/21			£		Units
	SCC	£3,124,051			762
	RMBC	£433,950			32
			£3,558,001		794
Phase 2 21/22			£		Units
	SCC	£9,690,155			543
	RMBC				
	BMBC	£225,000			9
	DMBC	£4,155,000			159
			£14,070,155		711
Phase 3 22/25 Pipeline			£		Units
	SCC	£11,229,826			531
	RMBC	£1,790,000			36
	BMBC	£2,170,000			81
	DMBC	£0			0
			£15,189,826		648
Phase 3 22/25 Pending Pipeline			£		Units
	SCC	£7,314,000			323
	RMBC	£7,201,000			245
	BMBC	£0			0
	DMBC	£0			0
			£14,515,000		568
Totals			£47,332,982		2,721

Target Min Units	3313
Diff	-592