

COMBINED AUTHORITY EXECUTIVE MEETING

6 SEPTEMBER 2024

BROWNFIELD HOUSING FUND – ROUND 2

Report of the Head of Delivery

1.0 Purpose of the Report

- 1.1 This report sets out details for the outcome of the second call for project applications to the York and North Yorkshire Brownfield Housing Fund Programme. The second call for projects was approved in February 2024, to utilise the remaining balance of approx. £3m from the York and North Yorkshire Brownfield Housing Fund (BHF) after the first round of approvals in December 2023.
- 1.2 Recommendations are made in this report for the approval of grant contributions towards new projects that will help to remove the barriers to the building of new homes, including affordable homes, across York and North Yorkshire.
- 1.3 An allocation from the Mayoral Investment Fund is requested towards the York and North Yorkshire Brownfield Housing Fund (BHF) to maximise delivery of brownfield housing sites, and new homes, including affordable homes. It will also enable programme over-commitment to ensure full utilisation of the existing funding from former Department of Levelling Up Housing and Communities, which has since been re-named Ministry of Housing, Communities and Local Government (MHCLG).

2.0 Recommendations

It is recommended that :

- 2.1 A maximum additional allocation is made of £3.36 million from the Mayoral Investment Fund in addition to the previous approval of £1.298 million (i.e. total £4.634 million) towards the YNY BHF to enable the remaining three of the six Round two applications to be supported;
- 2.2 Approval be given for three projects to be supported through the YNY BHF Programme :
 - Lowfield Lane Phase two, York
 - Ordnance Lane, York
 - Neville House, Gargrave
- 2.3 To actively seek additional opportunities for external funding to support Brownfield Housing Investment in York and North Yorkshire.

3.0 BACKGROUND

- 3.1 Within the York and North Yorkshire Devolution Deal, published in 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.”
- 3.2 Allocation of the funding through Government was confirmed as a condition of the York and North Yorkshire Mayoral Combined Authority (YNYCA) being established.
- 3.3 An original call for projects was launched under the York and North Yorkshire Brownfield Housing Fund in January 2023, which, after due process, led to project funding allocations being approved at the Joint Devolution Committee on 15 December 2023. The initial approvals of project allocations and agreed programme management costs was a total of £9,681,071, of the total £12.7 million available. The existing project approvals will deliver :
- 700 new homes;
 - Of which 252 will be affordable;
 - The total investment will be £179,123,519;
 - At an average cost per home of £13,110.
- 3.4 Previous approvals left a balance of approx. £3million unallocated from the programme, therefore it was agreed that a second call for projects would be issued in order to maximise the available funding from Government.
- 3.5 The process for a second call for projects would directly target projects led by City of York Council, North Yorkshire Council and the Registered Housing Providers (RHPs) in York and North Yorkshire. Applications had to be submitted by 30 April 2024. The prospectus for the additional project call was consistent with that for the Round one process, except for :
- a change in eligible applicants (i.e. restricted to LAs and RHPs);
 - requiring a Full Business Case (FBCs) only (rather than the previous two stage process); and
 - with a revised Round 2 timeline.
- 3.6 Six new project applications were received by the closing date of 30 April 2024.

4.0 ROUND 2 PROJECTS

- 4.1 The six project applications are summarised below with more details shown in the table at Appendix A :

Scheme name	Applicant	BHF funding approved (22 July 2024)	Match funding
Blind Lane, Aiskew	Broadacres Housing Association	£1,232,000	£20,201,944
Linton on Ouse, York	Broadacres Housing Association	£266,000	£4,730,722
Cocoa Gardens Phases 3 - 5, York	Latimer Developments	£2,800,000	£63,418,234
Scheme name	Applicant	BHF funding requested	Match funding
Neville House, Gargrave	North Yorkshire County Council	£224,000	£2,831,533
Lowfield Phase 2, York	City of York Council	£1,092,000	£21,149,729
Ordnance Lane, York	City of York Council	£2,020,000	£45,219,152
TOTALS (6 projects)		£7,634,000	£157,551,314

4.2 The report to the Executive meeting on 22 July 2024 (Minute CA24-29 refers) approved grant funding for the three projects that were at a more advanced stage of readiness and were therefore prioritised for detailed appraisal. Work is now being progressed to undertake due diligence prior to grant funding agreements for the following projects which are due for completion by March 2026 :

- Blind Lane, Aiskew
- Linton-on-Ouse
- Cocoa Gardens (Phases 3 – 5) York

4.3 The remaining three projects have now been taken through the appraisal process to inform recommendations as set out in this report.

5.0 PROJECT APPRAISAL PROCESS

5.1 External technical support was engaged to undertake the whole of the Round two review of projects including the initial gateway assessment of applications and the detailed project appraisal. The gateway assessment was undertaken to ensure the completeness of FBC submissions, and completeness of all relevant supporting documentation. This also gave the opportunity to seek any clarifications on initial queries.

5.2 The gateway assessment of projects identified two tranches of three projects (of the total six), the first tranche being more advanced, and able to progress into the detailed appraisal process without delay, which informed the recommendations and approvals at the Combined Authority Executive Committee meetings on 22 July 2024. It was agreed that the remaining three projects would be reported to this meeting.

5.3 A detailed report with technical appraisal findings and recommendations has been completed for each project. Based on these findings, it is recommended that allocations of Brownfield Housing Fund be made as set out in the remainder of the report.

5.4 **Lowfield Lane Phase 2, York**

- The project is recommended for approval without conditions – remaining matters can be addressed as conditions precedent in the Grant Funding Agreement
- The project will provide 64 units (100% affordable), 14 of which will be specialist facilities.
- Planning permission is required for change of use of the site (former school) although pre-planning advice is “supportive of the development”.
- The scheme presents good value for money, the intervention rate is higher than Government target, but explained by the challenges of the site and the specialist nature of some of the units.
- Although cost information requires further development and the applicant has provided additional acceptable detail to the appraiser to support current estimates.
- Other funding approval is subject to CYC Council decision in September.
- Detailed Subsidy Control assessment will be required.

5.5 **Ordnance Lane, York**

- The project is recommended for approval without conditions – remaining matters can be addressed as conditions precedent in the Grant Funding Agreement.
- The project will provide 101 units (100% affordable) to high quality Passivhaus standards.
- Planning approval is in place, and there has been widespread community engagement and consultation for the scheme.
- The scheme presents acceptable value for money, although the intervention rate is higher than Government target, but explained by the challenges of the site and the high-quality sustainability designs.
- Cost information is well developed with pre-tender estimate available.
- Other funding approval is subject to CYC Council decision in September.
- Detailed Subsidy Control assessment will be required.

5.6 **Neville House, Gargrave**

- The project is recommended for approval without conditions - remaining matters can be addressed as conditions precedent in the Grant Funding Agreement.
- The project will provide 16 units (9 affordable and 7 supported living) by demolition of existing un-used property to enable new build.
- Planning permission is required – pre-planning advice has been obtained; however, this may not be determined until summer 2025.
- The scheme present good value for money and meets the Government target of £14,000 per unit.
- Cost information requires further development.
- Other funding approval is required from Homes England and NY Council, however, minimal risk for both sources.
- Detailed Subsidy Control assessment will be required.

5.7 The Round 2 (Phase 2) recommendations will require a further £3.36 million to meet the full recommended contributions. The current commitments from the Mayoral Investment Fund are summarised at Section 7.2 to provide context. The three projects will deliver significant outputs :

	Brownfield land developed (ha)	Homes started by December 2025	Total homes unlocked	Of which affordable homes
Phase 2	2.48	59	181	181
Phase 1	6	277	311	181
TOTALS	8.48	336	492	362

5.8 The recommendation to approve in principle these 3 projects is based on the need for further development of the projects to address potential delivery risks. However, the intention is to proceed with Grant Funding Agreements that will need to include a range of “Conditions Precedent” that must be fulfilled before grant funding can be claimed. This approach will give the applicants certainty that the financial contribution from the YNYCA Brownfield Housing Fund is secure and help to reduce overall financial project risk as the developments proceed.

5.9 Subject to the additional contribution to the programme being approved from the Mayoral Investment Fund, the time constraints towards the end of the programme can be managed more effectively, due to the flexibilities of the local funding. Local funding would be utilised after the MHCLG funding has been fully spent, and therefore may run across 2025/2026 and 2026/2027 financial years. The existing MHCLG funds would be programmed to support projects in the first instance, and this approach reflect good programme management by enabling “over-commitment” to the planned MHCLG programme.

5.10 The approval of these three projects will result in an overall programme value of a maximum £17.36 million, which will include £4.635 million from the Mayoral Investment Fund.

6.0 PROGRAMME MONITORING, EVALUATION AND FUTURE DEVELOPMENT

6.1 As one of the first funds for the York and North Yorkshire Combined Authority, it was previously agreed to ensure that formal programme Monitoring and Evaluation arrangements would be put in place. This will also help to develop a longer-term pipeline and inform future programme design. This work has now been commissioned, and monitoring and evaluation requirements will also align with the Combined Authority Assurance Framework.

- 6.2 The overall outputs that will be delivered by the programme, including the Round 1 projects and Round 2 applications are :

	New Homes	Of which "Affordable"	Total Investment £million
Round 1	700	252	179
Round 2 (Ph 1)	311	181	92.7
Round 2 (Ph 2)	181	181	72.5
Totals	1192	614	344.2

The total programme value of £344.2 million represents investment leverage of almost 20 times the value of the public sector funding from the Brownfield Housing Fund (£12.7 million) and Mayoral Investment Funding (£4.634 million).

- 6.3 It is proposed that further development work will be carried out for an onward programme of potential Brownfield Housing projects across York and North Yorkshire. Further reports will be submitted as the strategic approach to Brownfield Housing development for York and North Yorkshire is progressed.
- 6.4 It is also proposed that efforts will be made to maximise opportunities for further Brownfield Housing Funding to contribute to the existing programme. It is expected that this will continue to be a priority for the current Government, and therefore active dialogue will be maintained with MHCLG as forward policy and funding mechanisms become clearer.

7.0 FINANCIAL IMPLICATIONS

- 7.1 The total approved budget of funding from DLUHC for the BHF is £12,694,644. A further £1.3 million was approved from the Mayoral Investment Fund for the 3 Round 2 – Phase 1 projects, and the recommendations in this report propose additional schemes totalling a maximum of £3.36 million ie total of £4.634 million from the Mayoral Investment Fund.
- 7.2 As referenced at 6.4, active discussions will also be held with MHCLG to seek additional funding for the approved developments wherever possible to enable the level of commitment from the Mayor Investment Fund to be reduced if possible.
- 7.3 The CA is required to agree a balanced budget annually and to monitor that budget throughout the year. In addition, there is a fiduciary duty not to waste public resources, to secure value for money and ensure that good financial governance arrangements are in place.
- 7.4 The table below outlines the position on the Mayoral Investment Fund should the recommendations in this report (and other reports elsewhere on this agenda) be approved.

York and North Yorkshire Mayoral Investment Fund	£m
Total Amount Available (2023/24 to 2027/28)	81
Current Commitments	51.3
Balance	29.7
Additional contribution to Brownfield Housing Fund : Round 2 Phase 2	3.36
Additional Allocations Requested in Other Papers to this Executive Meeting	4.00
Unallocated Balance of Mayoral Investment Fund to 2027/28	22.34

- 7.5 Management and administration costs were approved with the Round 1 projects, at a total of £504,071 (approx. 4% of the total DLUHC BHF budget). No additional fee cost is required to deliver the additional Round 2 projects. The fee costs will cover :
- 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 a future pipeline of projects.

Any unused budget from the 4% fee will be available to allocate to the projects and offset the call on Mayoral Investment Fund.

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 Equalities Implications

- 9.1 No equalities implications are anticipated.

10.0 Environmental Implications

- 10.1 There are not any environmental implications at this stage, but there may be an impact once projects have been approved and begin delivery. It is anticipated that some carbon emissions may occur through the building of the homes, but the prospectus has outlined that low carbon and sustainable homes will be prioritised.

11.0 Risks and Mitigations

- 11.1 The three projects recommended for approval in this report are recommended for approval without conditions although for all projects further development of details is required ahead of delivery. This should not affect the achievement of the required outputs within the timescales required by the programme.

- 11.2 The key programme risks and mitigations are:

The risk that cost increases and delays/reductions in funding limit the scope of the programme – mitigated by ongoing cost profiling to maintain appropriate contingencies and allowances, and ongoing engagement with DLUHC and local authority partners on the release of programme and project funding.

The risk of programme delays due to capacity constraints and limited project development activity - mitigated by the release of development 188 funding to support the design and development of the overall programme and support partners project development.

The risk of reduced programme outputs due to lack of demand and limited take up of services and opportunities – mitigated by robust project design, effective communications, and ongoing stakeholder engagement activities.

- 11.3 The risk profile will evolve as the programme moves into delivery and individual risk registers will be maintained for all projects as they progress through the assurance process to ensure that service delivery and operational risks can be managed and mitigated.
- 11.4 All projects will complete a Data Protection Impact Assessment (DPIA) to identify risks arising out of the processing of personal data and to minimise these risks as far as possible.
- 11.5 The proposed over-commitment will reduce risks for overall delivery of the programme and ensure that MHCLG funds are fully utilised. The delivery timescales for the Round 2 projects were a critical part of the criteria for the call for applications, and capacity for delivery has formed part of the appraisal process.
- 11.6 Detailed risk registers are available for each project.

12.0 Recommendations

It is recommended that :

12.1 A maximum additional allocation is made of £3.36 million from the Mayoral Investment Fund in addition to the previous approval of £1.298 million (i.e. total £4.634 million) towards the YNY BHF to enable the remaining three of the six Round two applications to be supported;

12.2 Approval be given for three projects to be supported through the YNY BHF Programme :

- Lowfield Lane Phase two, York
- Ordnance Lane, York
- Neville House, Gargrave

12.3 To actively seek additional opportunities for external funding to support Brownfield Housing Investment in York and North Yorkshire.

13 Contact Details

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Date:	28 August 2024

Background papers

None

Appendices

Appendix A – Summary of (6 No) Round 2 Applications

York and North Yorkshire – Brownfield Housing Fund Round 2

Summary of Applications

Scheme name	Applicant	BHF funding request	Match funding	Total cost	Site work starts	Start on homes	Completion of homes	Outputs					
								Brownfield land developed (ha)	Homes started by December 2025	Total homes unlocked	Affordable homes	Proportion affordable	Unit cost per home
Blind Lane, Aiskew	Broadacres Housing Association	£1,232,000	£20,201,944	£21,433,944	Nov-23	Mar-24	Aug-26	2.7	88	88	88	100%	£14,000
Linton on Ouse, York	Broadacres Housing Association	£266,000	£4,730,722	£4,996,722	Aug-24	Aug-24	Aug-26	0.9	19	19	19	100%	£14,000
Cocoa Gardens Phases 3 - 5, York	Latimer Developments	£2,800,000	£63,418,234	£66,218,234	Nov-24	Nov-24	Apr-27	2.4	170	204	74	36%	£13,725
Sub-Total Round 2 - Phase 1		£4,298,000	£88,350,900	£92,648,900				6	277	311	181		
Neville House, Gargrave	North Yorkshire County Council	£224,000	£2,831,533	£3,055,533	Sep-25	Nov-25	Dec-26	0.4	16	16	16	100%	£14,000
Lowfield Phase 2, York	City of York Council	£1,092,000	£21,149,729	£22,241,729	May-25	Oct-25	Jun-27	0.7	14	64	64	100%	£17,063
Ordnance Lane, York	City of York Council	£2,020,000	£45,219,152	£47,239,152	Aug-25	Sep-25	Jun-27	1.38	29	101	101	100%	£20,000
Sub-Total Round 2 - Phase 2		£3,336,000	£69,200,414	£72,536,414				2.48	59	181	181		
PROGRAMME TOTALS		£7,262,000	£157,923,314	£165,185,314				8.48	336	492	362		