

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 26th November 2021

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

KEY DECISION Yes

REPORT OF THE INTERIM EXECUTIVE DIRECTOR OF STRATEGIC COMMISSIONING AND DELIVERY AND PORTFOLIO HOLDER FOR HOUSING AND SPATIAL FRAMEWORK

BROWNFIELD LAND FUND

1. PURPOSE OF REPORT

- 1.1. This report requests approval of the projects that constitute the remaining £36m of the Brownfield Land Fund and delegation to sign off Full Business Cases.

2. RECOMMENDATIONS

- 2.1. It is recommended that the Liverpool City Region Combined Authority:

- (a) Note the update on current approved Brownfield Land Fund projects;
- (b) Approve the shortlist of further Brownfield Land Fund projects and indicative funding amounts in Table 1 as those to be taken forward to Full Business Case stage;
- (c) Delegate authority on the terms set out in this Report to the Interim Executive Director of Strategic Commissioning and Delivery, in consultation with the Portfolio Holder for Housing and Spatial Framework, to approve funding for each of the shortlisted projects following review of Full Business Cases and recommendations from the SIF Internal Investment Panel;
- (d) Delegate authority to the Interim Executive Director of Strategic Commissioning and Delivery to finalise negotiations of detailed funding terms and associated agreements for each approved project, in consultation with the Chief Legal Officer and the Treasurer.

3. BACKGROUND

- 3.1. The Brownfield Land Fund was announced in the March 2020 budget. On 30th June 2020, the then Ministry of Housing, Communities and Local Government confirmed

that £45m of the fund would be allocated directly to Liverpool City Region Combined Authority, starting in 2020/21. The fund must deliver land suitable for at least 3,000 and preferably 4,000 homes to be developed, and house building needs to start on each site by 31 March 2025 at the latest. Each project requires standard due diligence in terms of proving market failure; meeting Value for Money; a benefit-cost ratio of at least one and passing a Greenbook appraisal.

- 3.2. The first year target spend was £9m which was achieved at £9.2m through the list of projects listed below that also covers all anticipated spend on the projects.

Table 1 – list of approved projects and update status

Site	LA	Homes	Total Spend (£m)	Update
Moss Nook	St Helens	258	£2.00	Progressing well. Due to complete spend in 2021. Developer appointed.
Buckley Hill	Sefton	63	£1.05	Undergoing change control due to reduction in numbers of homes.
Denford Road	Liverpool	105	£0.28	Progressing well and housing delivery started.
Halton Court	Halton	120	£1.79	Progressing well and housing delivery started.
Paddington Village	Liverpool	224	£3.65	Progressing well with second tranche funding to be drawn down in December 2021.
Foundry Lane	Halton	86	£0.40	Undergoing change control to allocate funding to all site. Developer appointed.
House of Fraser	Wirral	84	£2.10	Progressing well. Masterplan completed.
Totals		940	£11.33	

- 3.3. On 4th June 2021, the Combined Authority approved the approach for the allocation and expenditure of the remainder of the Liverpool City Region's Brownfield Land Fund. This approach would expand the Brownfield Housing pipeline to support a mixed portfolio of Local Authority, Housing Association and Private Developer led schemes, enabling the Combined Authority to identify and target the most cost effective and strategically beneficial schemes across the Region for support. A private sector call was launched in June 2021 and closed in July 2021 with an Expression of Interest form and other standard documentation launched at a well-attended webinar. In total, 37 bids were received with a total grant ask of over £73m, well in excess of the intended c£15m amount advertised in the call.

- 3.4. A process was undertaken, including the Local Authorities, to score the bids focussing principally on ability to deliver the project. The scoring criteria is attached in Appendix 1.
- 3.5. As a separate process, requests for funding were invited from Local Authority led projects, which were also scored against the criteria used for the private sector projects and a final shortlist was created. The final shortlist was shared and discussed with the Local Authority Housing Officers Group, Growth Directors, Local Authority Chief Executives and Leaders and Mayors. It has also been to the Combined Authority Executive Leadership Team and the SIF Internal Investment Panel. All groups have endorsed the approach and the shortlist.
- 3.6. The shortlisted projects are listed in Table 2 with the current estimate of grant requirement and outputs and Table 3 lists the local authority led projects.

Table 2 – Shortlisted Call Projects

LA	Scheme name	Sponsor	Homes Proposed	Total Spend (£m)
Sefton	Johnsons Building	Sovini	123	£1.55
Sefton	Old Arriva depot, Hawthorne Rd	Onward	67	£0.35*
Sefton	503 Hawthorn Road, Bootle	Housing 21 / Onward	91	£1.35
Liverpool	Grove Street	Regenda Homes	161	£2.41
Halton	Palacefields, Runcorn	Riverside Group	118	£1.77
Wirral	Scott's Quay	Peel	482	£5.20
St Helens	Moss Nook Phase 3	Harworth	230	£3.42
St Helens	Thatto Heath, St Helens	Vistry Partnerships Limited	167	£2.00
Knowsley	Sewell Street	Livv Housing	52	£0.78
		Totals	1,491	£18.83

*Applicant withdrawn

Table 3 – LA list projects

LA	Scheme name	Homes Proposed	Total Spend (£m)
Halton	Foundry Lane	274	£5.35
Knowsley	Prescot Shopping Centre	150	£2.25
Sefton	Benthams Way, Southport	150	£2.25
Sefton	Bootle High School	63	£0.95
St Helens	St Helens Town Centre Transformation	227	£3.40
Wirral	Land Registry Building, Rosebrae Court	335	£5.21
		1,199	£19.41

3.7. This will result in a split per Local Authority as set out in the table below.

Table 4 – funding allocation per Local Authority

LA	Approved projects in delivery (£m)	Shortlisted call projects (£m)	LA list projects (£m)	Total (£m)
Halton	£2.20	£1.77	£5.36	£9.32
Knowsley	£0	£0.78	£2.25	£3.03
Liverpool	£3.93	£2.41	£0	£6.35
Sefton	£1.05	£3.25	£3.19	£7.49
St Helens	£2.05	£5.42	£3.40	£10.88
Wirral	£2.10	£5.20	£5.21	£12.52
	£11.33	£18.83	£19.41	£49.59

3.8. Due diligence is underway with all the projects to verify they meet all the Brownfield Land Fund criteria. Each project will be appraised by a firm of specialist consultants appointed by the Combined Authority through a competitive tendering process, and a Full Business Case will be prepared for review by relevant Combined Authority officers prior to formal approval being sought from the Interim Executive Director of Strategic Commissioning and Delivery. This streamlined process should ensure that projects can progress sufficiently quickly for the Combined Authority to meet at least the minimum spend target of £9m this financial year, whilst also ensuring that an appropriate level of scrutiny of project deliverability and costs takes place. If, as part of the appraisal and Full Business Case process, the proposed housing output of any shortlisted project decreases by more than 10% or the funding required from the Combined Authority increases by more than 10%, the project will fall outside the delegated authority arrangements set out in this report and approval will be sought from the Combined Authority in relation to that specific project. Once a project has

been fully approved and the funding agreement entered into, any changes will be dealt with through the SIF Change Control Procedure.

- 3.9. The recommendation in this paper, if accepted, over programmes the funding by 10%. This is to cover any potential reduction in grant funding requirement following due diligence or failure of any project. It still leaves a reserve list of potential projects and should any of the shortlisted projects prove to not be feasible to pursue then the next highest scored project will be selected that can spend that funding. Any decision to add new projects to the shortlist will be taken back to a future CA Board for approval.
- 3.10 The Combined Authority approved resource funding to support the development of a housing pipeline in February 2021. A number of pre-development schemes applications are in discussion with Local Authorities. As previously agreed by Combined Authority members, the SIF Internal Investment Panel has delegated authority to approve pre development expenditure on potential future Brownfield Housing projects. Any approved pre-development spend will be reported back to a future Combined Authority meeting and the Housing and Spatial Planning Advisory Board will also be kept informed.
- 3.11 The Government Budget on 27th October announced another £300m of Brownfield Land Funding for Mayoral Combined Authorities and Local Authorities to treat small brownfield sites for housing. At the moment, no further details are announced. The recent private sector call has a shortlist of projects, and our discussions with Local Authorities over the last year mean that we have a potential pipeline of projects to consider depending on the criteria for this new funding stream.

4. RESOURCE IMPLICATIONS

4.1. Financial

This report outlines how the remainder of the £36m Brownfield Land Fund will be allocated over the next four years of the programme. All discussions to date have indicated a strict deadline of 31st March 2021 for the CA to defray expenditure.

4.2. Human Resources

There are no direct Human Resources implications arising from this report. Two new members of staff started at the CA on 1st February 2021 to support the creation of a fuller housing pipeline for future years funds which this report shows has been successful.

4.3. Physical Assets

There are funds in the shortlist to support land acquisition for four Local Authorities to hold and bring forward for housing.

4.4. Information Technology

There are no IT implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 The Combined Authority will enter into Funding Agreements with each grant recipient which will be drafted by Legal Services, in accordance with agreed Heads of Terms for the scheme. Where appropriate, to protect public funding the Combined Authority will include security, overage or other income sharing arrangements within these Funding Agreements.
- 5.2 The proposed funding arrangements will be subject to the UK's Subsidy Control Commitments, which replaced EU State Aid rules for all funding arrangements agreed after 1st January 2021 (the end of the Brexit transition period). This includes principles on subsidy control which are set out in the UK-EU Trade and Co-operation Agreement.

6. RISKS AND MITIGATION

The identified risks include:

- 6.1 Achieving financial targets – the yearly financial targets set before the programme began remains challenging. These are being mitigated through the private sector call which prioritised projects which could achieve some spend this financial year; through Local Authority led acquisitions in key strategic sites and through careful phasing of payments set out in existing and new Grant Funding Agreements.
- 6.2 Tight timescales to complete legal agreements – it is anticipated that all grant recipients will sign GFAs by the end of March 2022. A generic GFA was sent out in October as part of the initial discussions with grant recipients so that legal teams could be aware of all the standard clauses. Work is ongoing with applicants to develop Grant Funding Agreements at the same time as the approvals process and delegations sought to appropriate officers to approve final grant conditions. Draft Heads of Terms have been issued to all projects to ensure legal teams are all aware of conditions and can meet the timescales.
- 6.3 Risk of not achieving targets – the Department has asked for at least 3,000 housing units to be achievable on the land supported under this funding stream. The current programme achieves just over 3,600 housing units leaving a significant buffer between the minimum target to be achieved and the current shortlisted projects.
- 6.4 COVID 19 delivery risks – whilst this risk has diminished, and the industry has adapted to socially distanced working practices, there is still the potential that works could be delayed by the pandemic. Build contracts will include an appropriate clause to deal with any potential impact on the delivery of the scheme.

7. EQUALITY AND DIVERSITY IMPLICATIONS

- 7.1. At a programme level, the creation of new housing sites and the inclusion of social housing on most sites supports a mixed, diverse new community to address housing need in the city region. The equality and diversity implications have also been considered in each individual project. For example, each project has been asked to cover how they will support work experience, apprenticeships, training

and job opportunities under the social value questionnaire as part of the application process. The answers in this questionnaire will be incorporated into outcomes in the Grant Funding Agreements to ensure they are monitored and reported back to the Combined Authority. The pack of information to grant recipients also includes the promotion of the Fair Employment Charter.

8. PRIVACY IMPLICATIONS

8.1 There are no privacy implications in this report.

9. COMMUNICATION ISSUES

9.1. Projects which receive grant funding will be publicised in appropriate local or national press to promote the Combined Authority support and progress of schemes.

10. CONCLUSION

10.1. The Combined Authority is presenting a mixture of projects which deliver against our agreed Housing Investment Strategy and the ambitions of our Local Authority partners in bringing forward a wide range of housing types on brownfield land. The strategy here balances risk whilst supporting the construction sector to deliver much needed housing for the city region. Maintaining the momentum of the programme is important in light of new Brownfield Land funds announced in the budget.

AILEEN JONES

Interim Executive Director of Strategic Commissioning and Delivery

COUNCILLOR GRAHAM MORGAN

Portfolio Holder: Housing and Spatial Framework

Contact Officer(s):

Tracy Gordon, Lead Officer- Housing Partnerships

E-mail: tracy.gordo@liverpoolcityregion-ca.gov.uk Mobile: 07825 044110

Andy Swain, Communications Manager

E-mail: andy.swain@liverpoolcityregion-ca.gov.uk Mobile: 07787 227162

Background Documents:

Appendix 1 – Scoring Criteria for Projects

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Score	1. Value for Money - BLF Cost Per Dwelling	2. Strategic Fit - alignment to Local Plan and LA objectives/priorities (LAs scored)	3. Market Failure for CA intervention	4. Deliverability - Site Ownership/ Control	5. Deliverability - Planning	6. Deliverability - Developer Status	7. Deliverability - BLF spend	8. Deliverability - Construction of Homes	9. Supporting CA Housing Strategy Objectives around climate emergency/net zero carbon objectives	10. Supporting CA Housing Strategy Objectives around promoting tenure/typology diversity and affordable housing	11. Achieving relevant Development Standards
0	>£15,000 per dwelling	Unable to determine if the scheme could meet the criteria and information is missing	No reference to market failure provided and/or market failure case unclear/unlikely to be acceptable with additionality risks	Site not in ownership/control of applicant and no evidence of progress towards this	No planning permission in place and no evidence of preparation	No developer in place to deliver the scheme	BLF spend commencement FY 2025/26	Homes construction commencement FY 2025/26	No proposals for climate emergency/net zero carbon measures	No alignment to CA objective - no proposed tenure/typology diversity and/or contribution of affordable housing delivery	Will achieve none of the 5 standards in the EOI template
2	£12,000-£15,000 per dwelling	Able to demonstrate in part the scheme could meet the criteria			Being prepared				Limited proposals for climate emergency/net zero carbon measures	Tenure/typology diversity but no affordable housing	Will achieve 1 of the 5 standards in the EOI template
4	£9,000 - £11,999 per dwelling						BLF spend commencement FY 2024/25	Homes construction commencement FY 2024/25			Will achieve 2 of the 5 standards in the EOI template
5			Limited/weak reference to market failure but likely acceptable market failure case / scheme additionality	Majority of site in ownership/control of applicant but some outstanding ownership risks (e.g heads of terms in place)	Submitted and pending decision	Developer in place with no/ limited evidence of relevant delivery track record provided			Measures based on standard/planning requirements	Tenure/typology diversity but below policy levels of affordable housing	
6	£6,000 - £8,999 per dwelling	Able to demonstrate in full the scheme					BLF spend commencement FY 2023/24	Homes construction commencement FY 2023/24			Will achieve 3 of the 5 standards in the EOI

		could meet the criteria									template
8	£3,000 - £5,999 per dwelling	Able to demonstrate in full the scheme and meets the criteria and contains a good level of detail			Outline PP but detailed/reserved matters required		BLF spend commencement FY 2022/23	Homes construction commencement FY 2022/23	Some measures that go over and above standard requirements and detailed description of proposals included	Tenure/typology diversity and policy compliant levels of affordable housing delivery	Will achieve 4 of the 5 standards in the EOI template
10	<£3,000 per dwelling	Able to demonstrate in full the scheme and exceeds the criteria	Clear and detailed explanation of acceptable market failure provided and evidenced. High level of BLF additionality	Site in full control of applicant with no ownership/control risks (including legal option)	Full PP in place with no planning risk	Developer in place with strong evidence of relevant delivery track record provided	BLF spend commencement FY 2021/22	Homes construction commencement FY 2021/22	Multiple net zero carbon/climate emergency measures which go over and above standard requirements with a detailed description	Tenure/typology diversity and above policy compliant levels of affordable housing delivery	Will achieve 5 of the 5 standards in the EOI template