

<b>Report Title</b>	Housing Update
<b>Portfolio Holder</b>	Housing and Spatial Planning and Climate Emergency and Renewable Energy
<b>Summary of decision being sought</b>	Acceptance of acting on behalf of Sefton Council for £4.51m European Regional Development Funding (ERDF) for social housing retrofit and delegation to spend.
<b>Is this report exempt?</b> No	<b>Reason for Exemption</b> Not applicable
<b>Is this a Key Decision</b>	Yes
<b>Local Authorities affected</b>	All Local Authorities
<b><u>Impact and implications of this report</u></b>	
<b>Financial impact</b>	Yes, see paragraph 4.1
<b>Delegation of decision sought</b>	Yes, see recommendations 2 (b) & (c)
<b>Supporting the Corporate Plan</b> <i>(Tick as appropriate)</i>	A Fairer City Region ✓ A Stronger City Region A Cleaner City Region ✓ A Connected City Region A Vibrant City Region
<b>Climate Change Implications</b>	Yes, see paragraph 4.3
<b>Equality and Diversity implications</b>	Yes, see paragraph 4.4
<b>Social Value implications</b>	Yes, see paragraph 4.5
<b>Human Resources implications</b>	Yes, see paragraph 4.6
<b>Physical Assets implications</b>	No
<b>Information Technology implications</b>	No
<b>Legal implications</b>	Yes, see paragraph 4.9
<b>Risk and Mitigation</b>	Yes, see paragraph 4.10
<b>Privacy implications</b>	Yes, see paragraph 4.11
<b>Communication and consultation implications</b>	Yes, see paragraph 4.12
<b>Contact Officer(s)</b>	Tracy Gordon, Lead Officer – Housing Partnerships Tracy.gordon@liverpoolcityregion-ca.gov.uk Telephone Number 07825 044110
<b>Appendices</b>	No
<b>Background Documents</b>	No

# LIVERPOOL CITY REGION COMBINED AUTHORITY

To: Liverpool City Region Combined Authority

Meeting: 10 June 2022

## REPORT OF THE EXECUTIVE DIRECTOR FOR DELIVERY AND INVESTMENT AND PORTFOLIO HOLDERS FOR HOUSING AND SPATIAL PLANNING AND CLIMATE EMERGENCY AND RENEWABLE UPDATE

### Housing Update

#### 1. PURPOSE OF REPORT

- 1.1. This report requests approval for the Combined Authority to accept up to £4.51m in European Regional Development Funding (ERDF) on behalf of Sefton Council for housing retrofit to be delivered by Registered Providers. It also updates on progress of the Brownfield Land Fund following approvals by the Combined Authority in November 2021 and March 2022 of 23 projects to enter due diligence with a view to receiving funding.

#### 2. RECOMMENDATIONS

- 2.1. It is recommended that the Liverpool City Region Combined Authority:
  - (a) accept £4.51m ERDF funds to deliver the Retrofit for the Future programme with Registered Providers by June 2023;
  - (b) delegate to the Executive Director of Investment and Delivery in consultation with the Executive Director of Corporate Services and Chief Legal Officer to enter into legal arrangements with Sefton Council to ensure effective delivery of housing retrofit priorities using this additional ERDF funding;
  - (c) delegate to the Executive Director of Investment and Delivery in consultation with the Executive Director of Corporate Services and Chief Legal Officer, and the Portfolio Holders for Housing and Spatial Planning and Climate Emergency and Renewable Energy, to enter into Funding Agreements with Registered Providers to enable tight deadlines to be met in spending this funding;
  - (d) approve the increase in gap funding expenditure on the Lickers Lane project and delegate final approval of the Full Business Case to the Executive Director of Investment and Delivery in consultation with the Portfolio Holder for Housing & Spatial Planning;
  - (e) note the removal of the St Helens Town Centre project from the pipeline;
  - (f) note the progress towards committing the Brownfield Land Funds.

### **3. BACKGROUND**

#### **Housing Retrofit**

- 3.1. The Combined Authority has accepted and is delivering several housing retrofit funding streams at present (Local Authority Delivery 2, Sustainable Warmth Fund, Social Housing Decarbonisation Fund wave 1) and the new build housing Brownfield Land Fund to upgrade and provide a mix of housing for existing and new residents. This work supports the Combined Authority's Net Zero Carbon 2040 target, Plan for Prosperity and the Housing Investment Strategy.
- 3.2 Sefton Council have, in addition, been running a highly successful Retrofit for the Future programme, funded through ERDF and in partnership with Registered Providers from across the city region. Now that ERDF funding is coming to a close, there is circa £4.5m underspend in other city region projects. This can only be spent on existing projects which are still in delivery, which is a limited pool. Department for Housing, Levelling Up and Communities (DHLUC) have proposed that this funding be offered to the Retrofit for the Future programme to extend delivery by another year to June 2023 and is due to be approved at its Internal Project Group on 10<sup>th</sup> June 2022. Given the Combined Authority's existing housing retrofit programme, the Combined Authority officers have been approached to deliver the remainder of the programme on Sefton's behalf. If members are agreeable to this proposal these arrangements will be formalised between the Combined Authority and Sefton Council and will be formalised in a legal agreement. The form of the legal agreement is in discussion. It will likely to be a back to back agreement reflecting the overarching commitments made by Sefton to DHLUC relating to the use of the funding, enabling the Combined Authority to step into Sefton's position in utilising this new funding. As the form of contract is not yet finalised, delegation set out in recommendation (b) is requested.
- 3,3 As part of the collaboration work on Social Housing Decarbonisation Fund wave 2, a webinar was held in April with Registered Providers and Sefton Council. The purpose of the webinar was to explain the Retrofit for the Future programme and potential additional funding to ensure that expressions of interest were secured from the Registered Providers. In addition, a presentation was also made to the LCR Registered Providers Sustainability Group to ensure wide-spread opportunity. Consequently, a long list of eight potential projects has been gathered. These potential projects require further due diligence to determine
- those most suitable to meet the ERDF criteria,
  - have match funding available and
  - can deliver on time.

Any projects not successful in this initiative will be developed for wave 2 of the Social Housing Decarbonisation Fund, which is anticipated to open for bids in Autumn 2022.

#### **Brownfield Land Fund**

- 3.4 The original approval for shortlisted projects for the first £45m Brownfield Land Fund (BLF) was approved in November 2021, followed by the £14.9m top up fund in March 2022. In each paper, the Combined Authority committed to providing an

update on progress against commitments, spend and targets at the end of each financial year.

- 3.5 The table below shows that eight projects are now in contract, another three Funding Agreements are awaiting signing and the remainder of the projects are in various stages of due diligence. This covers just over a third of the total fund but realises almost half the minimum number of homes required to be built by the programme. There are now three projects which have already started building homes and should all be completed before March 2025.

Table 1 – List of Brownfield Land Fund projects approved and offered to end May 2022

Site	LA	Sponsor	Status	Homes	Total Spend (£m)
Foundry Lane	Halton	LA	In contract	360	3.70
Halton Court	Halton	LA	In contract	119	1.79
Denford Road	Liverpool	LA	In contract	105	0.28
Paddington Village (T1&T2)	Liverpool	LA	In contract	224	3.66
Grove Street	Liverpool	LA	Awaiting FA sign off	160	2.42
Lightbody Street	Liverpool	Torus 62 Ltd	In contract	195	2.92
Buckley Hill	Sefton	LA	In contract	63	1.05
Johnsons Building	Sefton	The Sovini Group	Awaiting FA sign off	121	1.48
Moss Nook (phase 1)	St Helens	Harworth Estates Investments Ltd	In contract	258	2.05
Moss Nook (Phase 3)	St Helens	Harworth Estates Investments Ltd	Awaiting FA sign off	262	1.95
House of Fraser	Wirral	LA	In contract	84	2.10
<b>Totals</b>				<b>1951</b>	<b>23.4</b>

- 3.6 The Lickers Lane project being delivered by Livv Housing in Knowsley has experienced a sharp rise in costs and the initial request for £300,000 gap funding has risen considerably. This scheme was on the Reserve List for the 2021 Private Sector call and was approved at the CA on 4<sup>th</sup> March 2022 to be brought forward for due diligence when the additional top up funding was accepted. In order to maintain the average spend of £15,000 per home target for Brownfield Housing Fund projects, a maximum of £400,000 can be offered to this project and

discussions around this are continuing with Livv Housing. Current delegations only allow officers to increase gap funding by 10% of the value of the project without reference to the Combined Authority for further approval. Approval is sought to allow officers to agree increased funding of up to £400,000 on this project. Whilst the project has some way to complete due diligence, this increased funding is requested to allow the project on a highly constrained brownfield land site to progress to FBC under the same delegation.

- 3.7 Some projects are experiencing issues with achieving a Benefit Cost Ratio of 1 which is a core requirement of the funding. This has led to the removal of the St Helens Town Centre from the programme with the potential for at least one other project to be removed on this basis. These issues have been raised with DLUHC and the Portfolio Holder for Housing and Spatial Planning will write to the Department to highlight the challenges with the fund criteria. The M10 group is also using the lack of flexibility in Brownfield Land Funds as an example of where greater devolution of funds is required to address local needs.

## **4. IMPACT AND IMPLICATIONS**

### **4.1. Financial**

The new £4.51m housing retrofit funds will bring additional projects to enable delivery of more energy efficiency improvements to housing. The Registered Providers (RPs) will bring the required 55% match funding to the project to enable delivery. The funds come with a component of programme management costs which will be used to offset CA staffing costs.

The profile of spend for the Brownfield Land Fund is challenging but the constant refresh of the housing pipeline will ensure a larger pool of projects to continue to bring into the programme is required.

### **4.2 Supporting the Corporate Plan**

The Fairer and Cleaner priorities of the Corporate Plan will be supported through the delivery of both the housing retrofit and Brownfield Land Funding (BFL). The retrofit monies will be spent on RP properties which house some of the more vulnerable residents in the city region who are being adversely affected by rising energy prices. The BFL programme is delivering additional affordable housing to provide for further residents in need of new, high quality housing.

Both programmes support the cleaner element as set out in the next paragraph.

### **4.3 Climate Change**

The retrofit programme will cut carbon emissions in RP homes supporting the net zero carbon target and providing innovation to lead the way for new means of cutting carbon emissions further in future retrofit work. Links with our universities and RPs will ensure this learning is at the cutting edge with various Key Knowledge Transfers in operation.

### **4.4 Equality and Diversity**

The protected characteristics of those households participating in the housing retrofit scheme will be collated. Improvements have been made to this collection template based on experience from the Local Authority Delivery 2 programme to

collate all household data rather than just the individual completing the form to get a fuller understanding of the households.

#### 4.5 Social Value

The RP sector has good practice in obtaining social value in respect of housing delivery improvements and will be encouraged to collate and report this activity. In particular, the creation of training opportunities is suitable for this programme. With the breadth of housing retrofit progressing, there is the potential to create a Lived Experience Retrofit Group with CA involvement to ensure that the lessons can be learnt from residents benefitting from retrofit activities and to improve processes for future programmes.

#### 4.6 Human Resources

The Housing Delivery team will be able to accommodate this work in the short term with the support of the Mayoral Delivery Programmes team and other corporate functions, particularly finance and legal. The funding comes with an element of staff costs allowed so it will be used to offset existing staff costs and recruit a new member of staff given the growing programme of housing retrofit delivery.

#### 4.7 Physical assets

Not applicable

#### 4.8 Information Technology

Not applicable

#### 4.9 Legal

The Combined Authority and Sefton MBC will enter into a legal agreement to set out their respective roles and responsibilities in delivering the retrofit programme and complying with ERDF requirements. Funding Agreements will be entered into with Registered Providers who are selected to deliver different elements of the programme. All legal agreements will be drafted and/or reviewed by Legal Services.

#### 4.10 Risks and Mitigation

The proposals to accept the ERDF funding are not without risk which is outlined below:

**Deliverability** –proposed projects need to be reviewed, some might need planning approval, contractors will have to be chosen, residents consulted and the project delivered. All this will be considered in choosing projects which are most likely to meet the timescales.

**Match Funding** – the ERDF funds need to have match funding from the RPs selected. This will again be a key criteria in identifying projects to ensure they are deliverable within the rules of the funds.

**Reputational** – this is a tight timescale to deliver the project. Strict project management will be key to ensuring that the projects meet the timescales set out in the grant funding agreements.

For the Brownfield Land Fund there are similar risks which are outlined below:

Financial – while the fund has been 10% over-programmed, the reduction in grant offered to projects and the loss of projects due to eligibility criteria continue to erode this margin. The pipeline will be refreshed with discussions with Local Authority led projects first as set out in the March 2022 paper and then schemes led by registered providers or private developers may be considered. Pre-development funding and other support to Local Authorities will continue to be provided to ensure a pipeline of projects to support the programme.

#### 4.11 Privacy

The retrofit programme is aimed at individual households and the characteristics of those households will be collated to address the impact of the programme. A DPIA will be completed to ensure this is done to retain individuals' privacy.

#### 4.12 Communication and Consultation

The retrofit funding is aimed at the Registered Providers (RPs) and, working with Sefton Council, the Combined Authority housing team have already held an initial consultation with the city region's RPs to understand the appetite to deliver this programme. Meetings with individual RPs will be held during June to finalise the individual projects.

### 5. **CONCLUSION**

- 5.1. The housing retrofit programme continues to grow with further funding for grants being made available. Given the scale of the retrofit that is required in the city region, every opportunity to attract additional funding to the city region is being exploited. The progress on the Brownfield Land Fund continues in the right direction to remove blighted sites with new homes for new and existing residents.

Dr Aileen Jones  
EXECUTIVE DIRECTOR  
Investment & Delivery

PORTFOLIO HOLDER  
Housing & Spatial Planning

PORTFOLIO HOLDER  
Climate Emergency & Renewable Energy