

Report Title	Brownfield Land Fund update
Portfolio Holder	Portfolio Holder for Housing and Spatial Planning
Summary of decision being sought	Approval of refreshed pipeline of schemes for Brownfield Land Fund.
Is this report exempt?	No
Is this a Key Decision	Yes
Is the report urgent	No
Is this decision to be exempt from call in	No
Local Authorities affected	All
<u>Impact and implications of this report</u>	
Financial impact	Yes, see paragraphs 3 and 4
Delegation of decision sought	Yes, see recommendations 2 (b) & (c)
Supporting the Corporate Plan	A Fairer City Region A Stronger City Region A Cleaner City Region A Connected City Region A Vibrant City Region
Climate Change Implications	Yes, see paragraph 4.3
Equality and Diversity implications	Yes, see paragraph 4.4
Social Value implications	Yes, see paragraph 4.5
Human Resources implications	Yes, see paragraph 4.6
Physical Assets implications	No
Information Technology implications	No
Legal implications	Yes, see paragraph 4.7
Risk and Mitigation	Yes, see paragraph 4.8
Privacy implications	No
Communication and consultation implications	Yes, see paragraph 4.9

Contact Officer(s)

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Appendices

Yes

Background Documents

No

LIVERPOOL CITY REGION COMBINED AUTHORITY

Friday, 18 November 2022

Report of the Executive Director - Investment and Delivery and the Portfolio Holder for Housing & Spatial Planning

BROWNFIELD LAND FUND UPDATE

1. PURPOSE OF REPORT

- 1.1. This report requests approval to a refreshed pipeline to allocate the £60m Brownfield Land Fund (BLF).
- 1.2 A further approval is sought for two previously approved projects, as partners have submitted a revised request for BLF which exceeds the 10% tolerance. A delegation is sought on the terms set out in this Report to the Executive Director of Investment and Delivery, in consultation with the Portfolio Holder for Housing and Spatial Planning and the Chief Legal Officer and the Treasurer.

2. RECOMMENDATIONS

It is recommended that the Liverpool City Region Combined Authority:

- (a) approve the process for allocating additional Brownfield Land Funds and the indicative funding amounts set out in Table 1 until all funding is fully allocated;
- (b) approve increased allocation for North Huyton Revive Phase 5 project in Knowsley and the Taskers project in Liverpool subject to due diligence and Full Business Case preparation;
- (c) delegate authority on the terms set out in this Report to the Executive Director of Investment and Delivery, in consultation with the Portfolio Holder for Housing and Spatial Planning, Chief Legal Officer and the Treasurer to approve funding for each of the further shortlisted projects following review of Full Business Cases and recommendations from the Strategic Investment Fund Internal Panel; and
- (d) delegate authority to the Executive Director of Investment and Delivery to finalise negotiations of detailed funding terms and associated agreements for each approved project, in consultation with the Portfolio Holder for Housing and Spatial Planning, Chief Legal Officer and the Treasurer.

3. BACKGROUND

3.1. The Combined Authority received just under £60m Brownfield Land Funds via two announcements in the March 2020 and November 2021 budgets from the Department of Levelling Up, Housing and Communities (“DLUHC”). The fund must deliver land suitable for at least 3,967 and preferably 5,000 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 Combined Authority approved a revised list of projects in March 2022 which are moving through due diligence in a systematic fashion. The current position of approved projects is outlined in Appendix 1 which show a combined total of 16 projects either in delivery or in the process of being finalised prior to commencement of delivery, covering all boroughs totalling just over £29m expenditure. The signed contracts reflect achievement of 42% of the BLF programme housing minimum target (1,670 homes).

3.3 Proposal

Two of the schemes - North Huyton Revive Phase 5 and Taskers Liverpool - were approved in principle in March 2022 and have requested additional funding.

In relation to Taskers, Liverpool, Ion have worked with Liverpool City Council Planners to review the mass and scale of the proposed scheme through Pre-Application discussions. The revised scheme now submitted for planning has 193 units and a BLF request of £2,895,000, representing an increase of £1.01m and an increase of 67 housing units from the initial ask.

Due to increased costs in land assembly and remediation, Knowsley Borough Council has increased their request in relation to North Huyton Revive Phase 5 – from £1m to an indicative £4.5m for the delivery of 300 new homes in North Huyton which will be subject to due diligence which will confirm final costs

3.4 Refreshed pipeline

In order to provide greater assurance on delivery of the funding within the timescales set by DLUHC, the pipeline of sites was refreshed to ensure a higher level of over programming. A further round of consultations were held with Local Authorities, Registered Providers and the private sector. Stakeholders were asked to submit expressions of interest which were scored using the same criteria for the previous BLF call for private sector projects in September 2021, including strategic fit and deliverability.

3.5 The Expressions of Interest were duly scored and the proposed Top-Up Pipeline is included below in Table 1, recommended for approval. The projects are ranked in priority order with the highest scoring project first as set out against the local strategic fit and deliverability.

Table 1 – Proposed Top-Up Pipeline

Site	LA	Sponsor	Homes	Estimated BLF (£m)
Three Sails Point, Widnes	Halton	Magenta	184	£2.76
Kew	Sefton	Torus	139	£2.09
Parr Fire Station, St Helens	St Helens	Gradan Homes	40	£0.6
Melwood, Liverpool	Liverpool	Torus	162	£2.43
Telegraph House, Crosby	Sefton	Virtue	72	£1.08
Parr Mount Court	St Helens	Torus	30	£0.45
Land at Manor Street, St Helens	St Helens	Westchurch Homes Ltd	47	£0.69
High Street Runcorn	Halton	Halton Housing	66	£0.9
Greenleas, Leasowe Road	Wirral	Starship	17	£0.24
Former Sutton Arms, Elephant Lane	St Helens	Childwall Homes NW Ltd	12	£0.18
Land at Rutland Street, St Helens	St Helens	Torus	77	£1.15
Former Ibstock Brickworks	St Helens	Backhouse Properties Group Ltd	242	£3.63
Dye House, Prescot	Knowsley	Livv Housing Group	45	£0.68
Park House	Sefton	Anwyl	106	£1.59
Cherryfield Drive	Knowsley	KMBC / Barratt Development	308	£4.62
Totals			1547	£23.08

3.6 If the Top-Up Pipeline and the two schemes cost increases are approved, the overall BLF Programme will be over-programmed by 25% (shown below in Table 2). This over programming is necessary to meet the delivery timescales set out in the funding award and will allow for forward planning for future funding.

Table 2 – Overall BLF Proposed Spend

Local Authority	GFA and/or FBC Approved	In Due Diligence – Expected to Progress	Top-Up Funding	Total
Halton	£5,485,000	£2,390,000	£3,660,000	£11,535,000
Knowsley	£390,000	£7,500,000	£5,295,000	£13,185,000
Liverpool	£9,275,850	£7,555,000	£2,430,000	£19,260,850
Sefton	£7,072,409	£0	£4,755,000	£11,827,409
St Helens	£4,774,500	£0	£6,700,295	£11,474,795
Wirral	£2,109,500	£9,706,024	£244,362	£12,059,886
Total	£29,107,259	£27,151,024	£23,084,657	£79,342,940

4. IMPACT AND IMPLICATIONS

4.1. Financial

This report outlines how the £60m BLF will be allocated over the next three years of the programme (shown in Table 3 below). Since the last report, DLUHC have confirmed the annual financial split in the funding to include the new funding allocated in March 2022. While the full spend target was not achieved in 2021-22, new contracts have been entered into and DLUHC consider this contractual commitment sufficient.

Table 3 – Financial profile of Brownfield Land Fund

Financial Year	20/21	21/22	22/23	23/24	24/25	TOTAL
Original BFL Fund total	£9m	£23m	£7.6m	£5m	£0m	£44.6m
Top up BFL Fund total			£0m	£9.9m	£4.9m	£14.8m
New profile (fund and top up)	£9m	£23m	£7.6m	£14.9m	£4.9m	£59.5m

4.2 Supporting the Corporate Plan

The programme supports various elements of the Corporate Plan with the main focus on a Vibrant City Region through the removal of derelict land, which is blighting communities, replacing it with quality housing. Different schemes are providing a very wide mix of housing types and tenures to retain and attract residents to the city region.

4.3 Climate Change

The requirements of the Fund stipulate that all homes must achieve an Energy Performance Certificate of at least B to ensure that they are reducing energy use in the new households. This is mainly through fabric improvements which are long lasting. Some schemes are going further through connections to district heating scheme or new technologies which will support the Net Zero Carbon agenda such as air source heat pumps rather than gas boilers.

4.4 Equality and Diversity

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.

4.5 Social Value

The use of the funds to support work experience, training and job opportunities is covered in each project under the social value questionnaire as part of the application process and will be incorporated into outcomes in the Grant Funding Agreements. Discussions have been held regarding promoting the Fair Employment Charter to all grant recipients.

4.6 Human Resources

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

4.7 Legal

The Combined Authority will enter into Funding Agreements with each grant recipient which will be drafted by Legal Services, in accordance with agreed Head 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.

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, and the Subsidy Control Act 2022 which is due to come into force this Autumn.

4.8 Risks and Mitigation

There are risks to accepting this funding which are listed below with mitigations:

The identified risks include:

Achieving financial targets – the yearly financial targets set before the programme began remains challenging and the addition of new funding with no extension to the end spend or target output date creates additional pressures. The delegations set out in this report aim to make swift but informed decisions to mitigate this risk.

Achieving output targets – at present there is no final target range approved with the new funding. However, given that there is a list of potential projects the Combined Authority is in a much better place to agree a realistic target with DLUHC.

Tight timescales to complete legal agreements – it is proposed to enter legal agreements wherever practicable before the end of December 2022. This will only leave just over 2 years to deliver spend and start on site which for construction projects is not a long period of time. A generic Grant Funding Agreement will be sent out to each applicant on confirmation of their inclusion in the programme with a strict set of timelines to adhere to with the aim of preventing slippage.

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.

Labour and Materials – there are increasing reports of construction inflation, materials and labour shortages which are affecting the prices and timely delivery of housing projects. It will be made clear to all applicants that any increase in construction costs following a grant offer will be their responsibility and no further grant aid will be forthcoming from the Combined Authority. Realistic timescales will be agreed to enter into Grant Funding Agreements with an understanding that the back-stop date for projects starting housing must be March 2025.

4.9 Communication and Consultation

The schemes are publicised in the Combined Authority's newsletters and through various local and regional media at each stage of interest. A programme of visits is planned for the Metro Mayor in partnership with Local Authorities over the next 12 months. Regular updates are discussed with the Local Authorities at the Growth Directors meeting and formally updated to the Housing and Spatial Planning Advisory Board.

5. CONCLUSION

The Combined Authority continues to progress housing schemes on previously used land to ensure the Brownfield Land Fund supports new, quality housing for the city region's needs. The demand for the funding is clear and work is already underway to provide an evidence base to continue to lobby government to continue this type of funding to address the extensive brownfield land issue in the city region.

DR AILEEN JONES
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COUNCILLOR GRAHAM MORGAN
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Housing and Spatial Planning

Appendices

Appendix 1 - Table 4 – List of projects in delivery and update status

Background Documents

None