

Greater Manchester Combined Authority

Date: 31 January 2025

Subject: GM Brownfield Housing Fund Reallocations

Report of: City Mayor Paul Dennett, Portfolio Lead for Housing First and Steve Rumbelow,
Portfolio Lead Chief Executive for Housing, Homelessness and Infrastructure

Purpose of Report

This report seeks GMCA approval to delegate authority to the GMCA Treasurer acting in consultation with the Portfolio Lead for housing. The purpose of the delegation is to approve new projects for funding, urgent variations to existing funding from the Brownfield Housing Fund (BHF) and to switch funding sources from other funds to the Brownfield Housing Fund, if required, to manage the year end programme position.

Recommendations:

The GMCA is requested to:

1. Delegate authority to the GMCA Treasurer acting in consultation with the Portfolio Lead for housing to approve new funding and urgent variations to existing funding from BHF, 31st January 2025 to 31st March 2025 to manage the BHF pipeline.
2. Delegate authority to the GMCA Treasurer to switch funding sources from other funds to the Brownfield Housing Fund in advance of 31 March 2025.
3. Note that any recommendations that are approved under the delegation will be reported to the meeting of the GMCA in May 2025.

Contact Officers

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Equalities Impact, Carbon and Sustainability Assessment:

Recommendation - Key points for decision-makers

It is recommended that the proposal is supported, as set out in the paper. The Decision Support Tool has identified the proposal will positively impact Housing and the Economy. The impact on the Carbon Assessment is currently unknown at this stage of the programme and will be monitored during and at the end of the programme.

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	G	The proposal will positively contribute to the number of affordable homes in GM. The proposal supports brownfield land being brought back into use where market failure has otherwise made this unviable. It may also support surplus to use buildings being demolished or retained and refurbished for new homes.
Economy	G	The deployment of £115m grant funding will contribute to improving economic development in the residential construction sector and associated supply chains. The deployment of £115m grant funding will support the delivery of 7000 new homes which will in turn increase jobs in the construction sector. The deployment of £115m grant funding will support the delivery of 7000 new homes which will in turn create jobs in the construction sector. The proposal will attract wider investment into GM. Wider investment will include private sector and other public sector funds. The proposal will increase opportunities for training and skills development in the construction sector and wider, e.g. apprenticeships.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		Schemes that are to be considered as part of this grant award from DLUHC will have due regard to sustainability credentials in line with the Carbon Neutral 2038 target and applied through an agreed set of criteria.
Fur	G Positive impacts overall, whether long or short term.	A Mix of positive and negative impacts. Trade-offs to consider. R Mostly negative, with at least one positive aspect. Trade-offs to consider. RR Negative impacts overall.

Carbon Assessment			
Overall Score		<input type="text"/>	
Buildings	Result	Justification/Mitigation	
New Build residential	TBC		
Residential building(s) renovation/maintenance	N/A		
New build non-residential (including public) buildings	N/A		
Transport			
Active travel and public transport	N/A		
Roads, Parking and Vehicle Access	N/A		
Access to amenities	N/A		
Vehicle procurement	N/A		
Land Use			
La	No associated carbon impacts expected.	High standard in terms of practice and awareness on carbon.	Mostly best practice with a good level of awareness on carbon.
			Partially meets best practice/ awareness, significant room to improve.
			Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management

The grants will be conditional upon a satisfactory outcome of detailed due diligence and ongoing monitoring confirmation that the schemes are being delivered satisfactorily.

In view of the nature of the Ministry of Housing Communities and Local Government (MHCLG) grant funding agreements for the Brownfield Housing Fund, any conditions will be mirrored in agreements between the GMCA and scheme promoters, mitigating any risk retained by the GMCA.

Legal Considerations

The GMCA have entered into agreement with MHCLG in order to receive the grant. The terms and obligations within the MHCLG grant agreement will continue to be flowed through to the ultimate grant recipients within the onward grant agreements to ensure that potential risks to the GMCA are passed on to those grant recipients.

An onward grant agreement and other associated legal documentation will be completed for each scheme ahead of the first grant payment.

As this is a grant the subsidy control position has been considered. The grant agreement from MHCLG to the GMCA is not deemed to be a subsidy as the GMCA will be acting as an intermediary for the funding and flowing through all of the grant money, other than its reasonable

administrative costs, to grant recipients to deliver the various Brownfield programme funded schemes. The GMCA is therefore acting in the capacity of an intermediary of the grant funding which is in line with the Government's Subsidy Control Statutory Guidance. Subsidy Control requirements will be considered further for each individual scheme allocation as part of the detailed due diligence, with any allocation being compliant with the Subsidy Control legislation.

Financial Consequences – Revenue

In a previous report £500k was approved to be used from Housing Investment Loans Fund surpluses towards legal costs. Some budget remains from this approval, and it is proposed that any further costs will be funded from the overage payments received to date from historic Brownfield grants.

Financial Consequences – Capital

This financial year's allocation (and therefore spend target) from Ministry of Housing Communities and Local Government is £74.9m, the capital expenditure proposed to be subject to delegation will contribute to this year's delivery.

Number of attachments to the report: 0

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

1. GMCA Trailblazer Devolution Deal (GMCA approval on 24th March 2023)
2. GMCA Brownfield programme (Devolution Trailblazer deal) - Methodology and Year 1 Allocations (GMCA approval on 30th June 2023)
3. Greater Manchester Brownfield Programme - Year 2 and 3 Methodology and Allocations (GMCA approval 26 January 2024)
4. GM Brownfield Programme (GMCA approval 14th May 2024)
5. GM Brownfield Programme (GMCA approval 27th September 2024) – Brownfield Housing Fund Reallocations
6. GM Brownfield Programme (GMCA approval 13th December 2024) – Brownfield Housing Fund Reallocations

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

Yes

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

1. Introduction/Background

- 1.1. GMCA manages a Brownfield Housing Fund (BHF) with monies from several sources: £135m capital allocations from the 2020 – 2025 MHCLG programme, and the £150m capital allocation as part of the 2023 Devolution Trailblazer. These are subject to rules set out in the associated grant agreements, including requirements to spend certain amounts of the allocations in certain financial years without the possibility of moving funding between years.
- 1.2. Allocations of the Trailblazer BHF funding for 2024/25 and 2025/26 financial years were approved by GMCA in January 2024. Since then, several projects have been withdrawn by applicants or otherwise fell out of compliance with the funding requirements, meaning the associated allocations will not be drawn down. This supports the need to maintain an overprogrammed position to ensure that the in-year spend target is achieved. In September and December CA therefore approved the reallocation of £30.5m of funding from the BHF for 2024/25.
- 1.3. There continues to be movement in the programme resulting in additional withdrawals of funding. This is owing to a range of factors but the impact of implementation the Building Safety Regulations and additional Affordable Homes Programme funding only being announced in the October Budget have had a significant impact on many projects in the programme and are outside the control of recipients or GMCA.
- 1.4. A delegation is therefore sought to make any necessary amendments to grant agreements, allocate funding to new projects, or switch funding sources from other funds to BHF in the period between 31st January 2025 and 31st March 2025 to ensure funding is spent in line with the grant agreement with MHCLG. It is proposed authority to be delegated to the GMCA Treasurer acting in consultation with the Portfolio Lead for Housing. This delegation will enable GMCA to manage the year end programme position.
- 1.5. Any recommendations approved under the delegations will be subject to the usual due diligence processes and will be reported to the meeting of the GMCA in May 2025.
- 1.6. To date, GMCA has successfully spent all tranches of brownfield funding awarded by government in line with targets set and continues to meet the outputs required.

2. Funding Withdrawals and Variations

- 2.1. The allocations approved by GMCA in January, September, and December 2024 were made on the basis that projects would draw down funding in the year(s) originally forecast and where this was no longer possible, the allocation would be withdrawn.
- 2.2. Against a spend requirement for 2024/25 of £74.5m, approximately £120m of allocations have been made to date. This means allocations are around 60% greater than the available funding, far in excess of the 25% overprogramming targeted to give certainty of spend. This is indicative of the significant movements experienced by projects in the programme and consequent withdrawals.

3. Funding Reallocation Process

- 3.1. In October and November 2024, GMCA invited proposals for projects which prospective recipients considered would be likely to be able to draw down funding by the end of March 2025. This included Registered Providers (RPs) and Local Authorities (LAs) who were given the opportunity to apply for funding for projects already in delivery that could evidence a viability gap (or a further viability gap for those projects already in receipt of BHF funding).
- 3.2. In order to manage the pipeline and respond to continued movement in the programme, resulting in additional withdrawals of funding, it is proposed that further decisions for the allocation of funding in this financial year are delegated to the GMCA Treasurer and the Portfolio Lead for Housing, in order to manage the year end position on the programme.
- 3.3. Delegated decisions will be made in line with previously agreed criteria where funding can be expended in this financial year to ensure the full spend of 2024/25 BHF funding.
- 3.4. All schemes must meet the eligibility criteria required by government:
- Benefit Cost Ratio of 1 (plus non-monetised benefits);
 - Green Book appraisal;
 - Evidence of market failure;
 - Housing delivery starts on site by March 2026.
- 3.5. Across the GMCA BHF, the target is to unlock brownfield land with capacity for at least 16,230 homes by 2025/26. GM expect to comfortably exceed this target on the basis this year's funding is fully expended.

4. Next Steps

4.1 . Projects in receipt of reallocated funding will be subject to the same monitoring and performance framework as projects with existing allocations to ensure continued compliance with GMCA's requirements.

4.2. All projects will also be subject to a further rigorous due diligence process prior to entering into a Grant Funding Agreement which will safeguard GMCA's interests and ensure that recipients deliver the homes supported by the grant, including the agreed proportion of affordable homes. This will include, where appropriate, overage provisions to limit excess profit arising from the projects.

5. Recommendations

5.1. Recommendations are set out at the front of this report.