

Greater Manchester Combined Authority

Date: 30 June 2023

Subject: GM Brownfield programme (Devolution Trailblazer deal) - Methodology and Year 1 Allocations*

Report of: Councillor Ged Cooney, Portfolio Lead for Housing and Steve Rumbelow, Portfolio Lead Chief Executive for Housing, Homelessness and Infrastructure

Purpose of Report

This report seeks the Greater Manchester Combined Authority's approval to the allocation of up to £51.1m of the three year £150m Brownfield programme that is part of the 2023 Devolution Trailblazer Deal. The allocation has been determined by the methodology set out in this paper.

Recommendations:

The GMCA is requested to:

1. Note that the GMCA Treasurer, acting in conjunction with the GMCA Monitoring Officer, will utilise existing delegated authority to agree the final terms of the Brownfield programme grant agreement with DLUHC;
2. Approve the methodology for prioritising schemes in Year 1 of the Brownfield programme, as set out in Section 2 and Appendix 1;
3. Approve the allocation of up to £51.1m of the overall £150m funding devolved to GMCA;
4. Approve the utilisation of up to £500k of the Housing Investment Loan Fund surpluses to contribute to the revenue funding requirements of delivering the programme; and
5. Delegate authority to the GMCA Treasurer, acting in conjunction with the GMCA Monitoring Officer, to effect the necessary legal agreements for the individual grants between the GMCA and grant recipients, as set out in Appendix 2.

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. The overall 3 year programme is required to unlock at least 7000 new homes by March 2026.
Economy	G	The deployment of £35m grant funding will contribute to improving economic development in the residential construction sector and associated supply chains. The deployment of £35m grant funding will support the delivery of 7000 new homes which will in turn increase jobs in the construction sector. The deployment of £35m 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 deliverability criteria.

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.
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Carbon Assessment

Overall Score		[Redacted]		
Buildings	Result	Justification/Mitigation		
New Build residential	[Redacted]	Unknown Unknown		
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				
Land use	N/A			
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 DLUHC grant funding agreements for this Brownfield programme any conditions will be mirrored in agreements between the GMCA and scheme promoters, mitigating any risk retained by the GMCA.

Legal Considerations

The GMCA will be required to enter into a grant agreement with DLUHC in order to receive the grant. Any terms and obligations within the DLUHC grant agreement will 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 DLUHC 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

Approval to utilise up to £500k from the Housing Investment Loan Fund surpluses is sought, in order to support the costs of delivering the programme.

Financial Consequences – Capital

Capital expenditure is formed of up to £51.1m from the overall £150m Brownfield programme fund that is devolved to GMCA over 3 years. Discussions are ongoing with DLUHC to agree an amended spend profile of £35m in Year 1. This is at the final stage of their internal approval process, awaiting HM Treasury agreement. If £35m is agreed, the Fund will be overprogrammed up to £51.1m in order to ensure the first year spend commitment is achieved. In the event more than £35m is spent, the GMCA will cashflow up to an additional £16.1m.

Monitoring and reporting assurance will form part of the existing Single Pot Assurance Framework. The GMCA Section 73 Officer and GMCA Monitoring Officer will be required to confirm that investment is being used for the purposes agreed under the respective fund to deliver to fund's objectives.

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)

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. As part of the Devolution Trailblazer, government and GMCA have agreed a £150m package for brownfield land, to support the delivery of at least 7000 homes by 2025/26. This, along with further detail in the devolution deal, provides certainty around the capital the GMCA is likely to have to support housing growth over the next 5-7 years. This funding is part of the overall government Brownfield and Infrastructure Land (BIL) fund and therefore GM schemes will not be eligible for the Homes England BIL.

1.2. Further details on the mechanisms around the funding parameters will be agreed with government in due course however it is anticipated to largely mirror that of the existing Brownfield Housing Fund requirements that GMCA has delivered over the past 3 years. These include per scheme:

- Benefit Cost Ratio of 1 (plus non-monetised benefits)
- Green Book appraisal
- Evidence of market failure
- Housing delivery starts on site by March 2026

1.3. Discussions with DLUHC are ongoing to agree the spend profile. The GMCA has requested a reprofile of the spend with £35m in Year 1, with £57.5m then being required to be spent in each of 2024/5 and 2025/6. This is at the final stage of sign off with DLUHC and this paper assumes the re-profile is approved. Given the history of slippage related to the existing Brownfield Housing Fund programme it is proposed that there is overprogramming up to £51.1m to account for any schemes which slip or fall away. In the event that projects don't slip and more than £35m is required to be spent in Year 1 then this will be cash flowed by the GMCA, taking up the year 2 allocation ahead of receipt from DLUHC.

2. Methodology and Prioritisation of schemes

2.1. For previous rounds of the existing Brownfield Housing Fund a prioritisation process was prepared and applied to determine a shortlist of schemes to be supported. It is the intention that a similar prioritisation is used, with a focus on affordable housing delivery and the provision of net zero/additional environmental benefits, but with a greater emphasis on deliverability for this first year.

2.2. The proposed process has been summarised below. The prioritisation process comprises two elements:

- a. **Eligibility Criteria** - individual criteria are on a Pass/Fail basis, schemes unable to evidence and 'Pass' all elements will not proceed to the next stage of prioritisation. These specific criteria have been identified by DLUHC as those conditions to be attached to the funding agreement, this is the criteria set out in 1.2. These elements remain unchanged from the existing rounds of Brownfield Housing Fund. In addition, for Year 1 projects, all grant must be drawn down by March 2024. A programme for start on site is required for each scheme to support delivery, along with cashflows and two sets of appraisals (one with Brownfield grant and one without).
- b. **Prioritisation Criteria** – the second stage is centred on a number of criteria with the following weightings.

	2023/24
Deliverability	50%
Value for Money	30%
Strategic Fit	20%

2.3. **Deliverability (50%)** – schemes scored on the basis of their current delivery position and progress. The overall score was arrived at through a review of information gathered on schemes through a submission of evidence by each of the Districts. Individual conversations with each of the Districts and associated landowners/developers has been carried out as appropriate to support this. The Deliverability metric is key to ensuring that sites where funding is being committed are capable of being brought forward within the timescales expected. Site works must commence and achieve 100% spend by March 2024 to protect against slippage and ensure deliverability within the permitted timescale. It also enables the GMCA to offer greater flexibility around grant rates and prioritise better outcomes from Year 2 onwards, with average grant contribution rates to projects in Year 1 being lower than those for subsequent years.

2.4. Previous tranches have demonstrated that projects have slipped despite appearing deliverable and therefore over-programming will help mitigate the risk around not meeting the spend profile required by DLUHC.

2.5. For Year 1, an over-programming approach of up to £51.1m will be taken.

2.6. **Value for Money(30%)**- schemes were determined as high, medium or low value for money based on the grant amount per unit as per the approach below:

- High VfM (100%) – less than £10k (No affordable or low carbon), £14k (Affordable or low carbon), £17k (Affordable and low carbon)
- Medium VfM (50%) - less than £14k (No affordable or low carbon), £17k (Affordable or low carbon), £20k (Affordable and low carbon)
- Poor VfM (0%) – More than £14k (No affordable or low carbon), £17k (Affordable or low carbon), £20k (Affordable and low carbon)

2.7. This metric ensures that schemes that meet a greater number of GM priorities have been scored more favourably. This balanced approach allows grant to be spent on a greater number of schemes (and thus unlocking more homes) and to deliver greater against GM priorities.

2.8. **Strategic Fit (20%)** – Schemes that are more strategic in nature have been given higher priorities. These are linked to if the scheme sits within a Growth Location or town centre, aligns with Places for Everyone and local policies, as well as demonstrating a contribution to wider objectives (Modern Methods of Construction/Skills/Environment and Biodiversity).

2.9. Successful scheme applicants will be required to enter into a Grant Agreement. The agreement will be similar to the existing Brownfield Housing Fund grant agreements and continue to include overage provisions. It is assumed that through the award of grant funding to individual recipients that this would then not result in a developer's profit exceeding an inappropriate level. The purpose of the overage mechanism in this case would ensure that any uplift on top of this is captured up to the value of the grant. This mechanism will be worked through on a scheme-by scheme basis.

2.10. There is a need to procure external legal support to document and advise on the Grant Agreements. Based on previous rounds of Brownfield Housing Funding, these are estimated to cost in the region of £10k per scheme. The procurement and award of these legal services will be determined by the GMCA Monitoring Officer and will be in line with GMCA Corporate Procedure rules.

2.11. The detailed criteria and prioritisation methodology is set out in Appendix 1.

3. Year 1 priority schemes

3.1. Through the Growth Locations structure and Directors of Place, the GMCA have engaged with Districts to identify brownfield sites that are able to start works in 2023/24. Many of these schemes are known to GMCA, with the majority falling into Growth Locations.

3.2. Over 100 schemes were initially identified as having potential to start works on site this financial year. Through further conversations and submission of evidence, 58 schemes have been ranked as the most deliverable and offering the greatest outcomes. All schemes have provided evidence that demonstrate they can start on site and draw down grant by end of March 2024 and have homes being built by March 2026. All schemes have a BCR of at least 1 and have evidenced market failure and the need for public sector grant support.

3.3. 58 schemes will commit c.£51.1m, which includes an overprogramming of up to £16.1m.

3.4. Headlines from the proposed Year 1 allocations include:

- Over 4,300 homes will be unlocked and supported;
- 83% of schemes include affordable housing, of which 30 schemes will deliver over 50% affordable homes;
- 67% of schemes include low carbon measures (with some still to be confirmed);
- 40 will be delivered by Registered Providers, 14 by the Private Sector, with the remainder directly delivered by Districts; and
- £11.6k average grant rate per unit.

3.5. As with all residential development, there remains a risk that issues may arise on individual schemes that stall or slow delivery. However, if these schemes deliver as set out, it will leave significant flexibility for the remainder of the programme with £100m to support the delivery of the remaining 2700 homes.

3.6. 6 of the 58 schemes have also been submitted by Districts to the One Public Estate Brownfield Land Release Fund - round 2 (BLRF2). Successful schemes are expected to be announced by One Public Estate over summer and any unsuccessful schemes will go through GMCA's due diligence, providing a second opportunity for them to be supported through GMCA's Brownfield programme. If they are successful through BLRF2 then they will be removed from GMCA's Brownfield programme.

3.7. The full list of proposed schemes can be found at Appendix 2.

3.8. From the prioritised schemes, the below are examples of the type of support the GMCA is able to offer through the devolution funding.

- Manchester City Council Project 500 - this is a single approach to bringing forward complex small to medium, surplus to use, brownfield Council owned land. The sites are being developed by Manchester's strategic Registered Provider partners and commit to delivering 100% affordable tenures as well as looking at the best energy solutions available on a site-by-site basis. All new homes will be built with a 'fabric first' approach and commit to include renewable energy and no gas. The GMCA has prioritised 17 of the sites in Year 1.
- A scheme in Wigan for over 150 homes, all of which are for affordable tenures, has a developer and contractor engaged but has stalled due to increasing levels of abnormalities being identified in the ground. Securing the grant will allow the development to continue.
- A scheme in Salford will see 38 new apartments built to provide supported accommodation for older people in the form of an Extra Care 'lite' scheme.

4. Recommendations

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

Appendix 1 Criteria and Prioritisation methodology

Pass/Fail	Brownfield land, BCR of 1, drawn down 100% grant by March 2024, homes started on site by March 2026, evidence of market failure.			
Prioritisation Criteria & Proposed Weighting	Areas to Consider		Information Requirements	Scoring Criteria/Weighting
	Land ownership status	15%	<p>Confirmation of who the applicant is (company number where applicant isn't the LA).</p> <ul style="list-style-type: none"> Confirmation of who owns the land / evidence that applicant has control of the land (e.g. title report, development agreement etc.). If land assembly is required – timescales to do <p>So</p>	<p>Green – Land in Single Ownership</p> <p>Amber – Options/agreements in place</p> <p>Red– Land Assembly required/ unknown timescales</p>
	Planning status	20%	<ul style="list-style-type: none"> Evidence of planning status for the specific 	<p>Green – Detailed/Full Planning</p>

Deliverability Schemes starting on site 2023/24 50% Weighting			scheme seeking funding – planning reference number to be provided and details of outstanding conditions.	Permission secured Amber – Planning will be secured before January 2024 Red – No planning permission secured
	Development partner / contractor appointed?	15%	Confirmation of who the delivery partner will be and evidence that they have been appointed / or programme to appoint.	Green – Developer Partner/Contractor in place Amber – Tender process underway Red – No Contractor in place
	Proposed start on site date 31 st March 2024 (earlier delivery given higher weighting)	20%	Project cashflow and development programme (showing works start on site, unit starts on site, funding drawdown and unit completions).	Green – Start on site before December 2023 Amber– Before 31 st March 2024 Red – Start on site after 31 st March 2024
	Other scheme funding sources / requirements	15%	Confirmation of other funding sources for the scheme / evidence that the Brownfield grant is the only outstanding fund.	Green – Grant Funding required only Amber – Grant Funding required as well as one other funding source

				Red – Grant Funding required as well as multiple (still TBC) funding sources
	Any key issues (e.g. site access, development partner capacity) that would prevent delivery starting on site and completing within the proposed programme?	15%	• Statement from the applicant confirming scheme deliverability.	Green – No other known delivery issues Amber – Delivery issues which can be mitigated Red – Delivery issues which severely impact delivery timescales
Value for Money 30% Weighting	Poor VfM	0%	More than £14k (No affordable or low carbon) £17k (Affordable homes or low carbon) £20k (Affordable homes and low carbon)	Red– Provides minimal value for money
	Medium VfM	50%	Less than £14k (No affordable or low carbon) £17k (Affordable homes or low carbon) £20k (Affordable and low carbon)	Amber- Provides medium value for money
	High VfM	100%	Less than £10k (No affordable or low carbon) £14k (Affordable homes or low carbon) £17k (Affordable homes and low carbon)	Green – provides high value for money
Schemes will be assessed in relation to their contribution towards the GM Strategy, PfE and GM Housing Strategy.				

Strategic Fit 20% Weighting	Does the scheme contribute to a place-based priority: <ul style="list-style-type: none"> • Located within a core Growth Location area and Town Centres (as defined within GMSF) • Supports town centre development 	50%	Strategic fit statement from the applicant describing how they meet some / all of the key objectives relating to place-based priority criteria.	Place-based priority: Green – Identified as P/E core growth area, town centre location or within associated District delivery documents Amber – Emerging/aspirational growth area, edge of town centre location Red – No allocation, strategic identification/significance within District
	Contribution to MMC/Skills/Environmental and Biodiversity	50%	Strategic fit statement from the applicant describing how they meet some / all of the key objectives	Green- All objectives met Amber- Some objectives met Red- No objectives met

Appendix 2 Year 1 Scheme Allocations

Authority	Scheme Name	Developer	RP/PR Developer	No of housing units	Grant required (£m)
Manchester	The Rossett	Great Places	RP	8	£ 120,000.00
Manchester	*Rodney Street	This City	PR	128	£ 1,680,000.00
Salford	Tootal / Eccles New Rd	Derive	RP	35	£ 595,000.00
Tameside	Land at Rutland Street	Prima Housing Group	RP	19	£ 190,000.00
Stockport	Edward Street	Guinness	RP	131	£ 1,637,000.00
Manchester	Rochdale Road	McGoff	PR	237	£ 2,370,000.00
Salford	Allotment Road	For Housing	RP	20	£ 200,000.00
Trafford	Warwick Road South	Southway	RP	80	£ 800,000.00
Salford	St Mary's	For Housing	RP	35	£ 490,000.00
Manchester	Louisa Street (Former Iron Foundry)	Jigsaw	RP	71	£ 1,065,000.00
Manchester	Brigham Street	One Mcr	RP	24	£ 360,000.00
Manchester	*Jurby Avenue	Irwell Valley	RP	13	£ 215,280.00
Bolton	Neighbourhood Bolton	Capital and Centric	PR	160	£ 2,227,173.00
Manchester	Downley Drive	Great Places	RP	52	£ 880,000.00
Manchester	Chorlton Irish Club	Southway	RP	29	£ 479,109.00
Manchester	Audrey Street / Egbert Street	One Mcr	RP	12	£ 180,000.00
Manchester	Lathbury Road	Jigsaw	RP	6	£ 90,000.00
Manchester	Longhurst Rd	Great Places	RP	22	£ 330,000.00
Oldham	Vaughan Street	Great Places	RP	46	£ 650,000.00

Salford	Fox Street	For Housing	RP	38	£	570,000.00
Tameside	Hartshead	Trafford Housing Trust	RP	162	£	1,825,000.00
Trafford	Tatton Place	Southway	RP	30	£	255,000.00
Bury	York Street	Kellen Homes	PR	211	£1,950,000	
Salford	Former British Vita	Kellen Homes	PR	168	£	1,580,000.00
Wigan	Belle Green Lane	WMBC	LA	12	£	204,000.00
Bolton	Harold Street/Cotton Street	Great Places	RP	27	£	405,000.00
Manchester	Cross Lane	Southway	RP	8	£	120,000.00
Manchester	Varey Street	Southway	RP	5	£	40,000.00
Manchester	Chorlton Baths Site	MSV	RP	50	£	450,000.00
Manchester	*Plant Hill Police Station	Irwell Valley	RP	12	£	175,000.00
Manchester	Osborne Yard	CERT/ MPG Ancoats	PR	90	£	1,350,000.00
Salford	St Boniface	Great Places	RP	24	£	360,000.00
Salford	St Simons Street 'Move on'	MSV	RP	42	£	500,000.00
Trafford	Clarendon House	CitiHaus	PR	68	£	400,000.00
Wigan	Bradley Lane, Standish	Torus	RP	155	£	2,325,000.00
Wigan	*Logwood Place	WMBC	LA	80	£	1,340,313.00
Bolton	Roxalina Street	Great Places	RP	74	£	1,184,000.00
Manchester	Oakwood Lodge	WCHG	RP	20	£	380,000.00
Rochdale	*Whitworth Road	RBC	LA	14	£	270,951.00
Bury	Green St	WC Investments	PR	132	£	1,980,000.00
Manchester	Minden Close	Southway	RP	2	£	30,000.00
Manchester	Winston Road / Hodge Street / Lordship Close	One Mcr	RP	28	£	420,000.00
Manchester	Kenyon Lane, Moston	Jigsaw	RP	10	£	150,000.00

Manchester	Olympic Freight Terminal	Kellen Homes	PR	272	£	4,624,000.00
Trafford	Christie Road	Southway	RP	60	£	900,000.00
Manchester	Didsbury Point	Southway	RP	76	£	1,140,000.00
Salford	C2	ECF	PR	196	£	1,470,000.00
Bolton	*Rivington Chase phase 3	Bolton	LA	219	£	2,000,000.00
Manchester	Queens Road	Guinness	RP	8	£	149,640.00
Manchester	Palgrave Avenue	Guinness	RP	7	£	131,194.00
Manchester	351 Palatine Road (Grants / Vik's Bar)	WCHG	RP	16	£	320,000.00
Manchester	Former Manox Works (Iron St / Coleshill St)	Landacre LTD	PR	410	£	2,000,000.00
Stockport	PJD - Chestergate	Great Places	RP	144	£	2,880,000.00
Oldham	Land to rear of 101-171 Belgrave Road Oldham and Land of Thatcher Street Oldham	First Choice Homes Oldham	RP	19	£	285,000.00
Manchester	Canberra Street	Guinness	RP	4	£	78,748.00
Manchester	Vine Street	Kirkland/ Jigsaw	PR	25	£	500,000.00
Tameside	The Hollies, Hollingworth	Jigsaw	RP	12	£	180,000.00
Wigan	Enterprise Park	Great Places	RP	106	£	1,590,000.00

*denotes schemes also submitted to the OPE's BLRF2 programme