

Greater Manchester Combined Authority

Date: 27 September 2024

Subject: Greater Manchester Brownfield Housing Fund Reallocations

Report of: Councillor 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 the GMCA's approval to the reallocation of £21.3m of funding from the GMCA Brownfield Housing Fund.

Recommendations:

The GMCA is requested to:

1. Approve the £11.1m allocations to projects identified in the "2024/25 Reallocations" schedule at Appendix 1.
2. Approve the £10.2m allocations to projects identified in the "2024/25 In-Principle Reallocations" schedule at Appendix 1, subject to successful due diligence being completed.
3. Approve the variations to projects detailed in Appendix 2.

Contact Officers

Key contact officer:

Andrew McIntosh Andrew.McIntosh@greatermanchester-ca.gov.uk

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.			
Overall	G Positive impacts overall, whether long or short term.	<table border="0"> <tr> <td>A Mix of positive and negative impacts. Trade-offs to consider.</td> <td>R Mostly negative, with at least one positive aspect. Trade-offs to consider.</td> <td>RR Negative impacts overall.</td> </tr> </table>	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.
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		
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 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

Capital expenditure is formed of £21.3m from the Brownfield Housing Fund devolved to GMCA. These reallocations are to maintain an overprogrammed position in 2024/25 to ensure the required spend of £74.9m is met this year.

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)

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

Bee Network 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. The withdrawal of projects supports the need to maintain an overprogrammed position in order to ensure that the in year spend target is achieved. In order to do this, it is proposed a further £21m of projects be brought forward for approval. If approved this would take the overall programme to a position of being 23% overcommitted, which is an appropriate level of overcommitment based on previous years' experience.
- 1.3 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

- 2.1 The allocations approved by GMCA in January 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 Projects which received an allocation in January 2024 that experience significant slippage will be added to the 'reserve list' of projects. This is the list of projects that applied for funding in late 2023 but were not selected as part of the initial allocations round approved in January 2024. This means they could, should they later demonstrate the ability to draw down funding in this financial year and further programme headroom be identified, have their allocations reinstated. This would be subject to further approval from GMCA.

3. Funding Reallocation Process

- 3.1 As noted in paragraph 2.2 above, projects that applied for funding in late 2023 but were not selected as part of the initial allocations round approved in January 2024 were held as a reserve list.
- 3.2 Local authorities were asked to review their respective parts of the reserve list and indicate which of the projects they considered would likely be able to draw down funding by the end of March 2025.
- 3.3 In addition, proposals were invited for new projects which were also considered likely be able to draw down funding by the end of March 2025.
- 3.4 Finally, proposals to increase the level of grant funding for projects with existing allocations were requested. These were principally to:
- a) Reflect positive changes in the projects (e.g. an increased number of units);
 - b) Address a wider strategic objective (transition from affordable rented to social rented units); or
 - c) To secure Homes England funding which otherwise could be allocated outside of Greater Manchester.
- 3.5 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; and
 - Housing delivery starts on site by March 2026.
- 3.6 The recommended allocations set out in this paper are based on the deliverability of the projects and their capability to draw down funding in the 2024/25 financial year. All are understood to meet the criteria set out in paragraph
- 3.7 Given the short amount of time to carry out the reallocation process and associated due diligence, it has not been possible to reach a conclusive view on the deliverability of all projects. As such, it is proposed that, for those projects for which the deliverability requires further scrutiny, allocations are made on an 'in-principle' basis. These projects will be subject to further investigations to be undertaken

within a month of this approval to confirm compliance with the requirements set out in paragraphs 3.5 and 3.6; allocations are contingent on projects meeting these.

- 3.8 A full list of the projects to be awarded reallocated funding and in-principle project allocations can be found at Appendix 1.
- 3.9 Together, these allocations will deliver the following:
- 25 projects supported;
 - £21,163,863 funding allocated on firm and in-principle bases;
 - 1,702 homes will be unlocked and supported, of which 563 are expected to be affordable homes and 102 social rented homes;
 - 40% of schemes will be built to Future Homes Standard or above; and
 - £12,435 average grant rate per unit (exclusive of existing allocations for projects in receipt of additional funding).
- 3.10 GMCA recognises the aspiration to deliver a higher proportion of social rented homes in line with wider GM priorities. The scope to do so is limited in that the maximum intervention rate of £30,000 per unit is generally less than the additional cost to change the tenure to social rented from other tenures. This is before the financial challenges of delivering on brownfield sites is considered. In addition, the inability to move funding into future years is a condition of the funding set by MHCLG, resulting in an approach focussed solely on supporting schemes that are capable of spending the funding in this financial year.
- 3.11 Across the GMCA Brownfield programme, the target is to unlock brownfield land with capacity for at least 16,230 homes by 2025/26. With these reallocations GM expect to comfortably exceed this target.

4. Other Variations

- 4.1 There are several projects that were allocated funding through previous approvals, however due to changes in project circumstances it is recommended that the Grant Recipient is amended. Details of these variations can be found in Appendix 2.

5. Next Steps

- 5.1 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.
- 5.2 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.
- 5.3 Reallocation of funding as set out in this report, in conjunction with existing allocations, are expected to allow expenditure of funding in 2024/25 in accordance with targets agreed with government. Should there be further slippage, it may be necessary to make further reallocations in which case additional approvals will be sought from GMCA to ensure compliance with the agreed spending profile.

6. Recommendations

- 6.1 Recommendations are set out at the front of this report.

Appendix 1

2024/25 Reallocations

Authority	Scheme Name	Recipient	Number of Homes	Brownfield funding required (£)
Manchester	Grey Mare Lane Plot A (Great Places) *	Great Places Housing Association	3	+£45,000
Manchester	Kenyon Lane Moston	Jigsaw Homes North	9	£180,000
Manchester	Lathbury Road	Jigsaw Homes North	6	£150,000
Manchester	Princedom Street *	Mosscaire St Vincent's Housing Group	22	+£91,534
Manchester	Talbot Mill	Capital&Centric (Adored) Limited	190	£2,850,000
Oldham	Brookdale Mews	Galleria Homes	13	£234,000
Rochdale	Corner Plot, Rochdale *	Rochdale Development Agency	33	+£121,579
Rochdale	Hornby Street †	Rochdale Council	12	+£120,000
Rochdale	Pilsworth Road †	Rochdale Council	8	-£120,000
Salford	Manchester Road West (Cutacre) - Phase 1	Great Places	71	£1,420,000
Salford	One Heritage Tower	One Heritage Tower	542	£2,800,000
Stockport	Stockport Probation Centre	Britannia Stockport Limited	45	£650,000
Tameside	Stamford Street Central, Ashton	Jigsaw Homes Tameside (JHT)	35	£700,000
Trafford	Bridgeworks	GDS1 Limited	32	£1,000,000
Trafford	Royal Canal Works	RCW Stretford Limited	11	£165,000
Trafford	Sale West Phase 3 *	Irwell Valley Homes	66	+£330,000
Wigan	Pit Pony, Ashton-in-Makerfield	Watson Construction (Holdings) Limited	22	£330,000

* Allocation is additional to existing funding approved by GMCA in January 2024.

† Allocation reflects equal and opposite movement of funding between two projects due to changing number of units.

2024/25 In-Principle Reallocations

Authority	Scheme Name	Recipient	Number of Homes	Brownfield funding required (£)
Bolton	Globe Works	Zorin Finance	134	£2,100,000
Manchester	One Chorlton	P J Livesey Group	235	£4,900,000
Oldham	Thornham Mill	Santhouse Pensioneer Trustee Company Limited (The)	60	£365,000
Oldham	Holt Street (former Mill and abattoir site)	MCI	53	£848,000
Stockport	Stockport 32-36 Lower Hillgate	Heaton Group	22	£440,000
Tameside	Britannia New Mill	Millson Group Ltd	45	£900,000
Tameside	Stockport Rd, Mossley	KMM Homes Ltd	25	£343,750
Wigan	Heysham Road/ City Road, Pemberton	Wigan Council	8	£200,000

Appendix 2

2024/25 Funding Variations

Authority	Scheme Name	Recipient	Brownfield funding required (£)	Reason for Variation
Manchester	Peelers Yard	CERT	£640,000	Previous approval was for £1.068m to Mulbury, who fell into administration. New Grant Recipient is CERT and grant amount £0.64m number of units increasing from 73 to 81.
Rochdale	The Junction, Middleton	First Choice Homes Oldham	£480,000	Grant Recipient was previously J Walker Homes Limited, however, following sale of land, the new Grant Recipient is First Choice Homes Oldham.
Tameside	228 Stamford Street Central	228 Stamford Street Central Ltd	£255,000	Grant recipient was previously Bricks & Soul Trading Ltd but is now B&S Ashton Ltd.