Report to the Combined Authority Board

2 September 2026

Brownfield Land Housing Fund and agreement with MHCLG

Report of the Director of Housing and Regeneration

Report Status:

This item is not exempt

Therefore exempt reasons are not applicable

1. Purpose of the Report and Summary

1.1 The purpose of this report is for the Board to note progress in establishing the Brownfield Housing Fund (BHF) eligibility and assessment criteria and allocation approach for the Mayoral Strategic Authority and to approve the next steps required to enable programme delivery.

1.2 The proposed approach to develop the programme and assessment criteria, is to continue engagement with the constituent Local Authorities, through the established BHF working group; to invite Council led promotion, through existing development pipelines and known business-plan brownfield sites to allocate and deploy the first-year's funding allocation. This reflects the most developed evidence currently available across the area and provides a practical route to identifying eligible housing-led brownfield opportunities for allocation.

1.3 The report also seeks approval to enter into the Mayoral Strategic Authority (MSA) agreement with MHCLG and to delegate authority to the Chief Executive to approve the finalised guidance and assessment process, and the allocation of funding to individual schemes within the approved programme and framework. This is intended to support efficient programme delivery and avoid delays that would arise if each scheme required a separate approval.

2. Recommendations

2.1 That the Executive Board agree to:

2.1.1 Note the progress made in developing the BHF eligibility guidance, assessment and scoring framework, and subsidy control and viability guidance (Appendices B1, B2, C1 & C2). To note the proposed approach to develop and agree the final documents and process through the BHF working group.

2.1.2 Note that the proposed assessment framework, subsidy control and viability assessment approach has been developed to align with the HEYCA Single Assurance Framework, HM Treasury Green Book principles and the broader emerging HEYCA investment framework and MHCLG funding requirements. Value for money assessments will be verified through third part appraisal for initial programme allocations.

2.1.3 Note the total funding allocation of £21,019,495, and annual proportions provided in the MSA to unlock a total of 701 new homes, providing an average allocation of £29,985.01 per home. Homes brought forward will need start on site before 31 March 2031.

2.1.4 Approve the approach of inviting Council led promotion, from established development pipelines and known business-plan brownfield sites to develop the initial BHF programme pipeline to allocate the first year's funding of £10,134,271.05; while the prospectus and 'call for sites' process is developed to invite broader scheme promoters.

2.1.5 Approve the Authority entering into the Brown Field Fund Agreement with MHCLG - Appendix A (to be updated in light of the additional revenue being made available - see paragraph 5.6).

2.1.6 Delegate authority to the Chief Executive, in consultation with the Portfolio Holder, the Section 73 Officer and the senior programme officer, to finalise the BHF assessment process, guidance and operational arrangements; provided these remain consistent with the principles set out in this report.

2.1.7 Delegate authority to the Chief Executive, in consultation with the Portfolio Holder, the Section 73 Officer and the senior programme officer, to assess and allocate BHF funding to individual schemes within the approved funding envelope and profile, subject to compliance with the approved framework, legal and financial sign-off.

2.1.8 Note the programme funding profile in Appendix A, and that any material change to the approved framework, funding envelope or delegations will be brought back for further approval.

3. Reasons for Recommendations

3.1 The HEYCA Single Assurance Framework requires devolved funding to be allocated through a robust, evidence-led processes that demonstrate transparency, legal compliance and value for money. The draft BHF Eligibility, Assessment and Scoring, Subsidy Control and Viability guidance has been prepared to provide the framework for brownfield housing investment, using gateway eligibility tests, weighted scoring and documented appraisal.

3.2 The proposed programme approach is intended to make use of the strongest site intelligence currently available through the evidence base of the constituent authorities. Their brownfield registers, housing pipelines and regeneration programmes provide the clearest starting point for identifying schemes that may be capable of early progression through the BHF process.

3.3 Developing the prospectus to facilitate a ‘Call for sites’ from broader scheme promoters (‘Applicants’) for allocations for years 2-4, will enable the assessment and allocation of initial funding to be completed and verified utilising developed programme and scheme information to test the assessment process before publication to broader scheme promoters.

3.4 The funding profile for allocation is 48% in year 1 (338 homes), presenting a challenge for ‘assured’ allocation and an opportunity to focus on key stalled sites. Years two and three alleviate pressure through an annual 11% (75 homes) proportion of the funding with year 4 seeing a 30% (213 homes) of the total allocation. This enables the work around the prospectus and wider engagement with scheme promoters to realise moderate allocation to start with and enables programmes to be coordinated for a robust allocation in year 4.

3.5 The funding longstop dates for each year’s funding will prescribe that BHF funding for eligible activities of each approved project will be committed within the same funding year with an agreed commencement date for the works; whilst an overarching longstop date for works to commence on housing development must be achieved by 31st March 2031.

3.6 Delegating individual allocation decisions to the Chief Executive, within an approved framework, will allow the programme to move at pace while retaining appropriate governance and assurance. Requiring separate approvals for each scheme would prolong the process and could delay the deployment of funding.

3.7 The intention of the Brownfield Housing Fund is to unlock brownfield sites, stalled through market failure and significant abnormal cost to remediate and enable housing development. The Brownfield Housing fund will in part be assessed against its leveraged financial benefit alongside other public and provide funding to demonstrate a multiplier effect through allocation.

3.8 All recommendations enable HEYCA to continue to progress its housing objectives at pace and with the necessary oversight by the Mayor and Portfolio Holder. Operational oversight will be maintained through the BHF working group including membership from both constituent council, ensuring a collaborative approach for finalising and agreeing the guidance and assessment requirements, determining the programme of allocations and monitoring progress of delivery.

4. **Background**

4.1 HEYCA has a range of strategic housing functions and powers, including strategic leadership and convening roles, the administration of housing and regeneration funding programmes, and land assembly and acquisition powers to support delivery. HEYCA's devolution deal sets out key responsibilities around brownfield housing and other subsidy tools/grants, with both the Gameplan and Local Growth Plan setting specific objectives around developing a regional housing pipeline and establishing a framework to unlock brown field land for housing development.

4.2 The HEYCA Single Assurance Framework confirms that Brownfield Land Housing Fund sits within the scope of devolved funds and that investment decisions should be taken within a Green Book-compliant business case framework. It also requires schemes to be identified, appraised, approved, monitored and evaluated through a structured process.

4.3 The draft BHF Eligibility, Assessment and Scoring, Subsidy Control and Viability Assessment guidance sets out a two-stage assessment process and guidance for ensuring robust viability and subsidy protocols. Stage 1 of the assessment applies gateway pass/fail tests covering brownfield status, housing outputs, deliverability, viability gap, land and planning position, value for money and subsidy control. Stage 2 applies weighted scoring across

Deliverability, Strategic Fit, Value for Money, Place-based Need and Quality and Sustainability.

4.4 The initial proposal is to establish the initial programme, promoted through existing constituent local authority pipelines and known brownfield opportunities, with those schemes then assessed through the BHF assessment framework, with alignment to overarching Investment Framework. This will provide a consistent basis for prioritisation while allowing the programme to be developed quickly.

4.5 The programme of sites will be aligned to the Strategic Place Partnership Business Plan, currently being developed, and is supported by work completed by officers from each constituent Local Authority with housing, planning, regeneration and economic development input sought throughout the process.

4.6 Work will be progressed alongside the initial programme development, to develop and issue a prospectus and 'call for sites', inviting business case applications for years two, three and four of BHF funding. Applications will be considered from scheme promoters including Registered Providers (Housing Associations), Private Sector Developers (subject to Subsidy Control compliance) and other third party and community cooperative housing developers.

5. Issues for Consideration

5.1 The initial BHF pipeline will be drawn from constituent local authority brownfield land registers, housing and regeneration pipelines, known business-plan brownfield sites and other housing-led regeneration opportunities identified through partner engagement. This will enable the Authority to establish a programme using the strongest available local evidence while retaining flexibility to refine the pipeline as further information becomes available. The pipeline will be developed in conjunction with the agreed strategic pipeline, where feasible, and align to the emerging Spatial Development Strategy.

5.2 Each scheme will be subject to the agreed two-stage assessment process. Only schemes passing the gateway criteria will proceed to scoring and prioritisation, and any allocation will be subject to due diligence, subsidy control compliance, affordability checks and formal funding conditions.

5.3 Value for money and BCR calculations submitted by scheme promoters will be verified by the Authority (with initial third-party support and verification) as part of the appraisal process. Scheme promoters will be required to provide full workings and supporting assumptions for verification, as outlined in the appended guidance.

5.4 As per the Funding Agreement (Appendix A), it is to be noted that confirmation is to be provided by August 2026, that a sufficient programme of schemes can be identified. This has not been achieved due to deferral of the decision in July 2026 and the absence of further Board dates until September.

5.5 Progress will be reported every 6 months to MHCLG, outlining progress against programme, in addition to a comprehensive annual statement providing scheme level detail, including viability assessments, market failures addressed, programme deliverables and updated on Local Plans.

5.6 MHCLG have advised that additional revenue funding can be secured, as provided to other MSA's to assist setting up the fund. MHCLG have advised by email this will be an additional £449,000 and that the MoU will be updated and issued to show this against 2026/27 spend profile. This will update year 1 total spend from £10,134,271.05 to £10,583,271.05.

6. <u>Equalities Impact Information</u>

6.1 This paper sets out HEYCA's Brownfield Land Housing Fund commitment and scope, supported by work commenced to develop the necessary framework for identifying and assessing appropriate scheme for which to allocate funding, with approval sought to enter into the agreement with MHCLG and delegate the approval for developing the programme, framework, governing progress. As such there are no equalities issues arising from the report and its recommendations, subsequent policy and programmes of work should be subject to separate and ongoing equalities impact assessment.

7. <u>Options and Risk Assessment</u>

7.1 **Option One** – Approve the recommendations for entering into the agreement with MHCLG and recommended delegations for programme development and funding allocation.

This is the recommended option. It will allow the Authority to finalise the assessment framework, develop the initial programme, provide reasonable mitigation to the required assurance to MHCLG required by August 2026 and enter into the agreement with MHCLG. This option will enable the allocation of funding to be efficient within an approved governance structure and established operational oversight.

7.2 **Option Two** – Approve the recommendations for entering into the agreement with MHCLG and require separate approvals for individual scheme funding allocations

This option is not recommended. It would retain direct Board approval of every allocation, but it would slow the programme and delay deployment of funding. It would also duplicate processes that can be managed through the approved assurance framework and officer delegation route.

7.3 **Option Three** – Enter in the agreement with MHCLG and defer the decision for individual scheme funding allocations.

This option is not recommended. It would delay implementation of the programme approach and create uncertainty around the route to scheme assessment and allocation.

8. Legal Implications and Statutory Officer Comments

8.1 The Monitoring Officer has been consulted on this report. Specific legal issues, including but not limited to, subsidy control issues, contractual issues (including using conditions in grant funding or other agreements as required) will be dealt with on a case-by-case basis and subject to appropriate assurance mechanisms being deployed.

9. Financial Implications and Statutory Officer Comments

9.1 The total Brownfield Housing Fund allocation of £21,019,495 is noted, together with the proposed annual funding profile and the additional revenue funding of £449,000 advised by MHCLG for 2026/27. The proposed approach is supported, subject to all allocations being contained within the approved funding envelope and annual profile, and subject to any material change in the funding agreement, programme profile, financial exposure or delegation arrangements being brought back for further approval.

9.2 All individual scheme allocations must be made in accordance with the HEYCA Single Assurance Framework, HM Treasury Green Book principles, subsidy control requirements, and the conditions of the MHCLG funding agreement. This includes robust assessment of deliverability, viability gap, market failure, additionality, value for money, affordability and financial risk before any funding commitment is entered into. Value for money and benefit-cost calculations should be independently verified where required, and scheme promoters must provide full financial information, assumptions and supporting evidence to enable proper due diligence, which will include verification of value for money and benefit-cost calculations.

9.3 The proposed delegation to the Chief Executive, in consultation with the Portfolio Holder, Section 73 Officer and senior programme officer, provides a proportionate route to enable timely programme delivery, provided that each decision is supported by appropriate financial, legal and programme assurance and that suitable funding agreements are in place before expenditure is committed. Given MHCLG's requirements for biannual reporting, annual statements, Section 73 Officer assurance, and notification of any slippage or deviation from the fund terms, ongoing monitoring arrangements must be established to track spend, outputs, delivery risks and compliance with the funding conditions.

9.4 On this basis, the recommendations are supported from a financial perspective.

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<u>Contact Officers:</u>

Simon Bishop – Director of Housing and Regeneration

Officer Interests: None

Appendices: APPENDIX A – Brown Field Fund agreement

APPENDIX B1: BHF assessment and scoring framework - Stage 1 gateway eligibility

APPENDIX B2: BHF assessment and scoring framework - Stage 2 prioritisation methodology

APPENDIX C1: Brownfield Housing Fund – Viability Assessment Framework

APPENDIX C2: Brownfield Housing Fund – Subsidy Control Process

Background Documents: None

APPENDIX A

Brownfield Housing Fund agreement
[MSA]Combined Authority

1. Purpose

The purpose of this document is to set out the terms and monitoring for [MSA]Combined Authority ("You") against the objectives agreed with MHCLG for use of the funding provided from the Brownfield Housing Fund. Funding is conditional on the delivery of key milestones that will be monitored through the process outlined within this document, monitoring will be led by You and reported to MHCLG in accordance with section 6 of this document.

2. Background

The Brownfield Housing Fund aims to create more homes by bringing more brownfield land into development. The fund helps ease the viability issues that brownfield projects face, alongside supporting wider economic growth. The fund has been delivered by mayoral strategic authorities and the continued operation of the fund aims to build on that established process and success.

3. Terms of the Fund

You must ensure the following principles are met:

- Projects are Green Book compliant with acceptable value for money (VfM), and you should seek the best possible VfM opportunities
- Projects must have an evidenced market failure, and could not happen without the financial support of the Brownfield Housing Fund. You should seek to prioritise projects with the highest additionality
- You must provide assurance, via the s.73 officer, that spending aligns with the fund objectives
- Homes brought forward will start on site before 31 March 2031
- Councils must either have an up to date Local Plan in place, or an agreed plan with MHCLG for getting a Local Plan in place, to receive funding
- You must satisfy the monitoring and reporting requirements, set out at section 6 below, including providing regular reporting on issues and deviations from agreed expectations and annual statements ahead of planned payments
- Adequate progress against the spend profile and key delivery milestones

Additionally, MSAs should:

- Consider projects that have an accelerated spending profile and apply this as a key criterion in decisions
- Utilise this funding to support regional economic growth, for example, using local small and medium sized enterprises or local supply chains where practicable

4. Allocation of Funding

DLUHC has agreed to provide You with £21,019,495 to unlock 701 new homes. See table 1.

Spend Profile - table 1.

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Year	Total	Year One – 2026/27	Year Two – 2027/28	Year Three – 2028/29	Year Four – 2029/30
Capital Spend Hull and East Yorkshire	£ £21,019,495	£ £10,134,271.05	£ £2,245,672.54	£ £2,245,672.54	£ £6,393,878.86

Allocation of funding for future years is provisional and will only be made available upon receipt of satisfactory evidence that You have met all of the Terms set out in section 3 and have also made sufficient progress against the spend profile set out above. In the event these terms are not met and/or there is a significant departure from the spend profile and/or a significant decline in delivery, MHCLG reserve the right to reduce or withdraw further funding to You.

You must tell us as soon as possible of any slippage against the spend profile; we will aim to amend funding schedules upon request [but this will be subject to HMT approval and we cannot guarantee to do so].

Payments will be conditional upon MHCLG's receipt of satisfactory s.73 officer and senior programme officer approval that You are on track with delivery and spend.

5. Identifying projects

There is an expectation that by August 2026 You should have confirmed you will be able to identify sufficient projects to be supported by this fund

6. Monitoring

You must provide a biannual report to demonstrate progress against key milestones and adherence to fund principles, and an annual statement.

Biannual report

- Contracted spend
- Expenditure
- Housing Starts
- Housing Completions
- Unlocked housing capacity

The annual statement must include (but is not limited to)

- Amount of remediated brownfield land readied for development
- Additionality
- VfM calculation for each project – projects must **be acceptable VfM (defined in the green book)**

- Delivery risks
- Market failures addressed
- Timing of housing outputs and assurance to avoid double counting with other Government investment programmes
- An update on Local Plans
- S.73 officer approval
- Project list with breakdown of project-level info, including: start on site, unlocked housing capacity, starts, completions, VfM, contracted amount, expenditure, grant per unit, total development cost

Reports must be received by the 30th day of the month: April (annual statement and project list), April and October (biannual report)

You must notify MHCLG in the event that you breach or deviate from, or expect to breach or deviate from, any of the Terms set out in section 3.

Following the annual statement, if MHCLG is satisfied that sufficient progress has been made, including demonstrating that spend has occurred against the spend profile and performance against programme and project milestones in your delivery plan have been met, payments will be made in line with the payment schedule in section 4 above.

7. Escalation Process

In the event progress against your project or programme delivery plans has slipped action and mitigation will be proposed by You.

If the mitigation is successful and the programme remains on track no further escalation is required. In the event that the mitigation does not bring the programme back on track, then this will be reported to MHCLG. A meeting to discuss remediation can be called by either party.

8. Funding Consequences

A provisional amount of £ has been committed through the Brownfield Housing Fund and all funding is conditional on sufficient progress being made. If sufficient progress has not been made in demonstrating that spend has occurred against the spend profile and performance against programme and project milestones in your delivery plan are being met, and/or if You have failed to meet all of the Terms set out in section 3 MHCLG reserve the right to reduce or withdraw further funding to You.

9. Continued Output Monitoring

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After payments have completed in 2029/30, You will continue to monitor housing outputs associated with the Brownfield Housing Fund payments. This will be undertaken on an annual basis and against the projects that benefitted from the Fund.

10. Final monitoring and evaluation report

Following the conclusion of the programme You must provide an evaluation report to MHCLG within a reasonable period of time to be agreed with MHCLG.

The following key research questions can be used as a guide when producing the evaluation report:

1. What outputs did the Brownfield Housing Fund deliver?
2. Did You combine funding with other government funds? Were there any ‘regeneration’ benefits as a result of this funding, or being able to combine funding?
3. Did the Brownfield Housing Fund provide short-term macroeconomic benefits?
4. What lessons can be learnt for designing future devolved housing funding?

MHCLG may conduct its own monitoring and evaluation of the programme and may request to interview [MSA]’s senior programme officers across a number of years The exact scope of these interviews will be informed by the results from the monitoring data included in the annual reports. But generally, the aim would be to collect lessons learned on pace of delivery, value for money processes, RDEL requirements, allocation methodology, ease of combining with other funding, as well as self-reported information from You on the regeneration impacts in a place, such as increased attractiveness of place, satisfaction of residents, the strategic benefits of being able to combine funding etc. MHCLG may also conduct an impact assessment to answer the key research questions. Collection of data on key metrics such as the number of jobs supported directly through remediation work and type of jobs, size of firms etc may assist this evaluation.

11. Branding and communications

MHCLG is providing this funding via Mayoral Strategic Authorities and using appropriate Government branding will recognise this partnership while increasing the profile of local projects. You should use Government branding to help promote projects supported via this fund and collaborate on external communications opportunities.

Where applicable and practicable you are expected to display the HMG logo.

For sites funded via the Brownfield Housing Fund You should consult and agree a communications plan with MHCLG where there are external communications opportunities and prior to You making a public announcement.

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Data Protection

MHCLG and You will co-operate with one another in order to enable each party to fulfil its statutory obligations under the UK GDPR and the Data Protection Act 2018 as amended, superseded or replaced from time to time.

Nothing in this agreement is intended to, or shall be deemed to, establish any partnership or joint venture between the parties, constitute either party as the agent of the other party, nor authorise either of the parties to make or enter into any commitments for or on behalf of the other party.

APPENDIX A

Equalities

Public bodies are bound by Section 149 of the Equality Act 2010 which requires them to comply with the Public Sector Equality Duty and eliminate discrimination, advance equal opportunity and foster good relations between people who share a protected characteristic and people who don't. You must comply with the Public Sector Equality Duty.

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This is not a legally enforceable agreement.

Annex – explanation / clarification of key terms

Market failure – See HMT Green Book for further information on market failures.

Counting housing starts - where the brownfield fund remediates the land and then, for example, Social and Affordable Homes Programme (SAHP) funding supports the provision of affordable homes then SAHP counts the start/completion of the home and the brownfield fund, as a land programme, counts the "capacity for x homes unlocked".

i.e. as is established practice the SAHP should continue to count the starts, and, in line with similar land funds, the brownfield fund should be marked on the capacity for housing it unlocks. We acknowledge that we expect homes to start on site by 31 March 2031. This remains the case, but the brownfield fund role is to get the land ready to enable this activity.

Payment in advance of need - MHCLG cannot pay in advance of need i.e. where money will not be spent in that financial year. There may be some exceptions to this rule in exceptional circumstances, which can be considered on a case by case basis.

APPENDIX B

APPENDIX B1: BHF assessment and scoring framework - Stage 1 gateway eligibility

APPENDIX B2: BHF assessment and scoring framework - Stage 2 prioritisation methodology

APPENDIX C

APPENDIX C1: Brownfield Housing Fund – Viability Assessment Framework

APPENDIX C2: Brownfield Housing Fund – Subsidy Control Process