

SCR HOUSING INVESTMENT BOARD**Date: Thursday 3 May 2018****Venue: SCR Meeting Room 2, 1st Floor, 11 Broad Street West, Sheffield****Time: 2.00 pm****AGENDA**

Item	Subject	Method	Speaker	Page
<u>Introduction</u>				
1	Welcome and Introductions	Verbal	Chair	
2	Apologies	Verbal	Chair	
3	Declarations of Interest			
	- In relation to any agenda item			
	- In relation to any activity since the last formal meeting	Verbal	Chair	
	- In relation to any forthcoming activity			
<u>For Discussion</u>				
4	Background to the Housing Fund	Presentation	Michael Hellewell	1 - 10
5	Role of the Board and Terms of Reference	Report	Michael Hellewell	11 - 16
6	Scheme Update / Pipeline and Decision Schedule	Presentation	Michael Hellewell	17 - 24
7	Investment Principles: Land Value Uplift	Report	Chris Collins-McKeown	25 - 28
<u>For Approval (Investment Decisions)</u>				
8	Scheme Recommended for Financial Approval	Report	Chris Collins-McKeown	29 - 46

Item	Subject	Method	Speaker	Page
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- Nanny Marr Road – Phase 2 (HF Scheme Ref 006)

Actions and Forward Planning

9	Agree Actions	Verbal	Chair	
10	Reporting of Investment Decisions to the Housing and Infrastructure Executive Board and the Combined Authority	Verbal	Michael Hellewell	
11	Any Other Business	Verbal	All	

DATE OF NEXT MEETING - Thursday 31st May, 14:00

Sheffield City Region

HOUSING INVESTMENT BOARD (HIB)

3rd May 2018

Sheffield City Region

ITEM 4: THE SCR HOUSING FUND: BACKGROUND

Background

- March 2017: A SCR **Pilot Housing Fund** (HF) of **up to £10m** agreed by the Combined Authority.
- **Contribute to housing growth** in the SCR through **enabling/ unlocking sites** and **accelerating activity**.
- Funding available to public and private sector partners.
- **Purpose:**
 - Support a range of different schemes;
 - Build a SCR 'track record' of delivery on housing;
 - Support schemes that wouldn't have otherwise happened ('fund of last resort');
 - Develop a flexible approach which can be scaled up;
 - To deliver a number of examples of what works/ what doesn't in SCR;
 - To test the extent to which to SCR can develop a re-cyclable fund for housing.

Progress to Date: Key Dates

- Launch of the HF prospectus: **27th September 2017**
 - Deadline for Expressions of Interest (Eols): **15th November 2017**
 - Initial assessment of Eols: **mid-November to mid-December**
 - Schemes invited to develop a Full Business Cases (FBCs): **21st December 2017**
 - Deadline for 'first wave' FBCs from Scheme Promoters: **30th March 2018**
- Page 4
- *"Where applicants can provide the required information and work with us to develop a compliant FBC at a faster pace ... we will endeavour to work with you to reach a funding decision within an accelerated timescale".*
 - SCR have developed a **flexible** and **streamlined approach**.
 - Schemes undergo **rigorous assessment** – compliant with SCR's Assurance Framework/ Govt guidance, tested against the principles of the fund and subject to robust due diligence.

Positive Media Coverage

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BOOSTING NEW BUILD NUMBERS IN SHEFFIELD

Michael Holwell, senior programme manager at the Sheffield City Region (SCR) Executive Team, has won a £10m regional pilot to set to deliver 1,500 homes and build five schools, £10m money.

Almost 1,500 new homes could be built in the SCR from the spring onwards in the next 12 months as a £10m regional pilot project has been awarded.

The rights of the scheme which applied to the SCR Housing Fund pilot are moving forward to the next stage to be judged on the basis of their business cases. If successful, this will involve funding at least £10m over the next five months, building a range of affordable housing schemes for three Sheffield areas.

The scheme is based on the use of the SCR local authority areas, and most of the homes will be built in the SCR, with the pilot, which was open to local authorities, regional housing providers and private developers, could become a model for future shared government investment in the city region.

The SCR fund, which is only the schemes in the city region, complement the government's existing national housing investment programmes. The SCR fund is available now and supports local schemes which would otherwise be difficult to fund. As well as looking at the economic and social benefits of projects, the pilot will see the submitted business cases in terms of how they will be delivered on time and within budget.

Factors to be considered in the right business cases will include the cost per home, the increase in land value and local amenities, how much private sector and additional

public sector investment can be generated and where government of the investment will come from in the SCR.

Simon Carr, a member of the SCR LEF said: "We have been delighted with the high level of interest in the scheme. This is not only for housing projects in the region, but also for a range of other projects which will help to build a place for future housing investment."

"The SCR is committed to build national partnership involving both the public and private sectors in developing and supporting schemes that create new homes, jobs and economic growth. We make it a priority to deliver this."

The SCR Housing Fund pilot is a major step in the SCR's commitment to support housing in places where it is needed, and where it is worth investing in new investment in public and community facilities.

The funding from the SCR is part of a £10m programme of investment. This includes a contribution from the government's Local Growth Fund, which is part of the government's investment in the Northern Powerhouse.

Michael, Secretary of the SCR, said: "We are delighted to see the SCR's role in the new partnership approach. The SCR is committed to build a place for future housing investment. The project was funded by the SCR LEF, which is part of the SCR's investment in the Northern Powerhouse."

Bid to create Europe's largest cluster for manufacturing

Local enterprise partnership

SHEFFIELD CITY REGION

Sir Nigel Knowles, chairman of the Sheffield City Region Local Enterprise Partnership.

ADVANCED MANUFACTURING is one of the huge strengths of the City Region, making it known around the globe, nurtured by the world-leading excellence of our universities, their collaboration with business, the support of the public sector, and a good legacy of industrial innovation.

In there anyone who isn't aware that we attract the investment of supermajor makers McLaren and Aston Martin.

More than 100,000 jobs in the region, the UK, will be the result of the investment of supermajor makers McLaren and Aston Martin. And who won't have seen the blades on the ice skates worn by Olympic skaters and Tovey and Dean, and the high-speed rails in the Winter Olympics – all made in the region. Together we are creating a new way forward for our immense heritage of skills. Our ambition now is to create Europe's largest advanced manufacturing cluster, which

our Advanced Manufacturing Innovation District (AMID) is already making a reality. The AMID sees work start next month on the Advanced Manufacturing Research Centre (AMRC) alongside the Legacy Park, while in the wings the National Centre of Excellence for Food Engineering is ready to be another key recipient.

With investors keen to hear about opportunities in the Sheffield City Region just last week at MIPIM Cannes, the global property conference, we showcased a long list of successes and ideas for the future.

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A fly-through app was unveiled to illustrate the exciting sites available for development and their connectivity across the region. See <http://bit.ly/2p3a00c> to explore it for yourself.

Key among the investment opportunities in the region is the £200m Sheffield City Gateway which will reshape the city for the 21st century and beyond.

In partnership with Sheffield Hallam University, this will create a new gateway between the city and the surrounding area, and combine high specification commercial, retail, and academic space including a hotel and public square, and a new location for university buildings. The project may include direct investment or joint venture

with the university, which is the landowner and able to commit up to £100m of estate to the project.

Our work to provide housing for the region is also coming to the fore, with an exciting £10m track housing pilot inspiring a host of innovative ideas.

Work starts this month on the first being built in the centre of Sheffield by the Guinness Partnership, one of the largest social housing and care providers in the UK.

Projects submitted for the pilot could provide 1,000 homes, with SCR infrastructure funding unlocking 1,000 homes.

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Sir Nigel Knowles, Chairman of the Sheffield City Region Local Enterprise Partnership.

Chatterfield Canal and River Rother. In Rotherham, Rotherham is a major new development planned for the north west of the town centre. Over the next 10 years it will provide around 2,500 new homes, along with employment opportunities, a new primary

school, play areas, sports pitches, allotments and a local centre. The project will be seeking development partners later in 2017 to achieve a start on site in 2019.

We are blessed with the beautiful Peak District on our doorstep, and a strong outdoor economy. To maximise visitor stays in the region, the City Region has helped get the 'Peak Resort' project close to Sheffield off the ground to provide quality accommodation and tempt tourists to stay longer.

York has started on the public infrastructure and Phase One of the resort will open in 2020. Investors interested in opportunities for Phase Two and Three can contact the City Region. Added to this great quality of life, we have emerging urban centres which are providing shops and leisure facilities fit for a 21st century region. Major regeneration is underway, from Barnley's Glass Works - the name is a nod to the heritage of the glassmaking industry for which it was famous - to the City Gateway in Doncaster, the Northern Gateway in Chesterfield, and the Heart of the City II in Sheffield. This is a region where many strengths come together and make many investment opportunities. Truly a great City Region to live, work, play and invest in.

City region's success at MIPIM

THE 27TH edition of global property conference MIPIM took place in Cannes, France from March 12 to 16.

Sheffield City Region celebrated the following success at the conference: The SCR was named the 'Best Foreign Direct Investment Strategy' in the FT Magazine awards, with

Sheffield City Council picking up the 'Best for Connectivity' prize.

The SCR's new interactive app, which allows potential investors to 'fly' through investment opportunities across the region, was launched at MIPIM and proved a great hit. See <http://bit.ly/2p3a00c> for more.

Sheffield City Region

//HIGH LEVEL OF INTEREST IN INNOVATIVE HOUSING FUND

Published 18th October 2017 at 11:19am

There's now less than a month left to apply for funds through a highly innovative new house-building scheme.

The Sheffield City Region Housing Fund is open for applications until Wednesday 15 November – and already there's been an exceptionally high level of interest.

THE HOME INFORMATION SERVICE
www.sheffieldcityregion.gov.uk

www.sheffieldcityregion.gov.uk Thursday, January 16, 2018

CONTACT DAVID
David Walsh
0114 276 0000
DAVID@SHEFFIELDCITYREGION.GOV.UK

£8m fund set to bring 1,500 homes

Almost 1,500 homes could be built in the Sheffield City Region from the spring as eight schemes move forward to the next stage of a competition for a share of an £8m fund.

The SCR Housing Fund offers cash to kickstart schemes in the next few months. The bids with the best business case will be successful.

The Sheffield City Region target is to provide at least 1,500 homes every year.

The pilot, which was open to local authorities, housing providers and private sector developers, could become a model for future devolved Government investment in the City Region.

It supports local schemes which would otherwise struggle to get the funding needed to get started. As well as looking at the economic and social benefits, the pilot will also test business cases to ensure schemes will be delivered on time and within budget.

Factors to be considered include the cost per home, any increase in land value

and local amenities, how much private sector and additional public sector resource can be generated, and what proportion of the investment will come back to the SCR.

Simon Carr, a member of the Local Enterprise Partnership for the SCR, said: "We have been delighted with the high levels of interest we received."

"This means we not only have promising projects to examine, but also have a pipeline of further projects which we will look at when further funding becomes available."

"We are deeply committed to providing high-quality homes which meet the needs of this booming region. I'm really looking forward to seeing spaces in the ground as the successful projects get under way."

"The way to get things done quickly is through the Sheffield City Region. We continue to build successful partnerships involving both the public and private sectors."

//1,500 HOMES HOPE WITH £8MILLION PILOT SUCCESS

Published 21st January 2018 at 7:35pm

Sheffield City Region

Funding Approved for the First Scheme

- Approved at the Combined Authority on 9th March: Less than 4 months since initial application (EoI).
- Scheme: Former Park Gardeners Club site.
- Location: Landmark site in Sheffield.
- Delivery Partners: The Guinness Partnership.
- £517,000 grant funding to unlock a stalled site.
- Joint investment with Homes England.
- Delivering 38 affordable homes for rent.
- Completion by June 2019.

Grants are agreed for 'fast-track' homes plan

THE FIRST project to be approved in a £50m 'fast-track' housing pilot scheme will allow 38 affordable flats to be built at a Sheffield landmark site by summer 2019.

One and two-bedroom flats will be built on the site of the former Park Gardeners Club close to the Park Hill flats and high above the Parkway.

The Combined Authority (CA) of the Sheffield City Region (SCR) has agreed a grant of £517,000 to the Guinness Partnership less than four months after the initial application to the pilot the Housing Investment Fund (HIF).

The Guinness Partnership, one of the largest social housing and care bodies in the UK, hopes to be on site this month, with the homes completed by June next year.

The funding from the Sheffield City Region is part of its £350m programme of investment, which includes a contribution from the Government's Local Growth Funding.

Bids were made for the SCR fund last November and further schemes are expected to be approved over the coming months.

John Berry, Northern Powerhouse and Local Growth Minister, said: "Government's Local Growth Funding, combined with the multi-million-pound investment from the Sheffield City Region, is helping to deliver the new affordable homes the region needs."

"We need to think innovative"

ly about how we can work across the private and public sector in order to meet the housing demands that come with a burgeoning population and a resurgent Northern Powerhouse economy."



The SCR HF Programme

- **High levels of interest in the fund:**

- Active engagement with 29 potential applicants at EoI Stage;
- Received 20 EoIs (conversion rate of c70%), seeking £25m+ from SCR;
- Schemes from applicants including Housing Associations, Private Sector, Local Authorities and Partnerships.

- **10 Schemes Progressing to Full Business Case:**

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- Potential to deliver over 1,200 homes (c30% affordable);
- Total SCR funding 'ask' of c£9.3m of which up to 50% could be recovered;
- Schemes in Sheffield, Doncaster, Chesterfield, Barnsley and Rotherham.

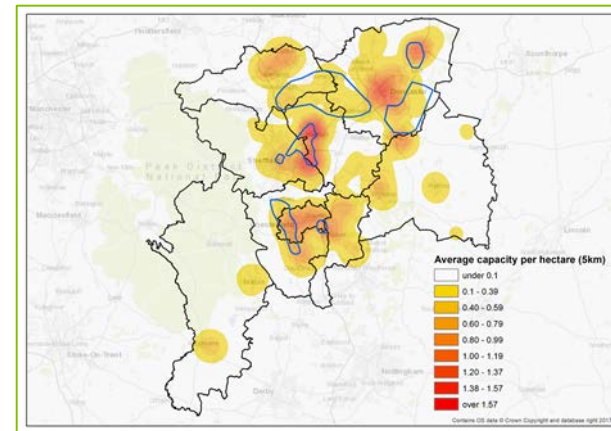
- **8 Schemes in our scheme pipeline:**

- Potential to deliver over 3,200 homes;
- Total SCR funding 'ask' of c£15.6m;
- Schemes in Barnsley, Bolsover, Doncaster, Rotherham, Bassetlaw and Sheffield.

Next Steps: reflecting on the pilot Housing Fund

- Lessons learnt (pilot evaluation) report for the HIEB/ CA: Summer 2018.
- **Ambition to grow the Housing Fund** - *‘supporting the delivery of the emerging SCR Housing Programme through the use of CA and Govt funds’.*
- **Key part of SCR Housing Deal** – *‘we have developed a flexible, responsive, robust and streamlined approach that is delivering new homes’.*

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Thank You

**An opportunity for discussion
and any questions**

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1. Context

At its meeting on the 22nd March 2017, the Sheffield City Region (SCR) Combined Authority (CA) agreed the establishment of the SCR Housing Fund (HF).

The SCR HF seeks to complement and 'plug the gap' in current nationally available housing investment programmes - unlocking development opportunities to deliver much needed homes.

The SCR HF offers a flexible approach to the allocation of funds to meet the requirements of individual schemes. It has been developed, and will continue to be managed, in line with the principles/ success criteria agreed by the CA (**see Annex A & B**).

On 30th October 2017, the SCR CA approved delegation of HF investment decisions to CA Statutory Officers for schemes requesting funds up to £2m¹.

In practice, this delegated authority is exercised by the SCR CA Senior Finance Manager (on behalf of the Chief Finance/ s73 Officer and the other SCR Statutory Officers) supported by the Housing Investment Board (HIB) (referred to as 'the Board' throughout this document).

2. Purpose of the Board

- Managing the SCR HF in line with the principles agreed by the SCR CA;
- Providing overall strategic leadership of the SCR HF - ensuring activity remains focussed on SCR CA/ Local Enterprise Partnership (LEP) agreed outcomes;
- Considering investment recommendations from Officers (via the SCR Appraisal Panel) and provide advice, guidance and challenge;
- Endorsing investment recommendations – enabling funding decisions to be made in a timely way, whilst ensuring detailed scheme scrutiny is carried out;
- Monitoring the overall performance of the SCR Pilot HF.

3. Governance and Accountability

The Board is a sub-board of the SCR Housing and Infrastructure Executive Board (HIEB), reporting to the SCR LEP and CA via the HIEB ('thematic Board') as detailed in the SCR Assurance Framework (<https://sheffieldcityregion.org.uk/wp-content/uploads/2018/03/SCR-Assurance-Framework-2018.pdf>).

¹ Any schemes seeking in excess of £2m investment will need to seek financial approval via the HIEB and CA. The HIB will be consulted on any such schemes.

The Board has been delegated responsibility for investment recommendations in relation to the SCR HF.

In practical terms, the CA Senior Finance Manager (on behalf of the Chief Finance/s73 Officer and the other SCR Statutory Officers) has delegated authority from the CA's Monitoring Officer to enter in to funding agreements up to the value of £2m on behalf of the CA.

Without fettering his or her discretion to do otherwise, the CA Senior Finance Manager will fully take in to account the advice and recommendations of the HIB.

In circumstances where the HIB cannot reach a consensus in terms of the advice it provides to the CA Senior Finance Manager, the investment decision will be deferred to the LEP for a final recommendation.

If the CA Senior Finance Manager cannot support the recommendations the matter will proceed to the CA for approval.

All decisions made by the HIB will be reported to the HIEB and the CA meeting(s). This will be done via the 'delegated approvals report' at next available meeting following the HIB meeting/ recommendation.

4. Membership and Chairing Arrangements

Membership of the HIB was agreed at the HIEB in February 2018 and reported to the CA in March 2018.

Board Member	Organisation	Board Role
Mayor Ros Jones	Doncaster MBC	<i>Chair</i> Lead CA Member
Martin McKervey	CMS Cameron McKenna Nabarro Olswang LLP	<i>Vice Chair</i> SCR Local Enterprise Partnership Representative
Owen Michaelson	Harworth Estates	SCR Local Enterprise Partnership Representative
Huw Bowen	Chesterfield BC	Lead Chief Executive
Rob Pearson	Homes England	Government Agency Representative
Mike Thomas	SCR Combined Authority/ Executive Team	Representative of the SCR CA Statutory Officers (on behalf of the SCR CA Chief Financial Officer)

Any changes to membership of the Board will require approval by the HIEB.

5. Quorum and Attendance

Each meeting needs to be attended by a minimum of three Board Members.

For decisions to be made/ the business of the Board to be transacted, the following members must be in attendance:

- One SCR LEP representative;
- One representative of the SCR CA Statutory Officers Group - this will usually be Mike Thomas (SCR Senior Finance Manager), although substitutes for this role are permitted in exceptional circumstances, and only with the prior agreement of the SCR Statutory Officers.

No other Board Members are permitted to send substitutes.

Board Members need to attend meetings on a regular basis. Failure to attend half of all meetings in any six-month period may result in the loss of your position on the Board and the HIEB considering alternative membership/ representation.

6. Declaration of Interest and Confidentiality

Board Members are required to declare any interests that are either personal, prejudicial or may be construed by observers, members of the public or others to be an association/ relationship that could be considered to conflict with, have the potential to conflict, or could be perceived to conflict with the interests of the HF/ work of the HIB.

For the avoidance of doubt, if a Member is uncertain then they should enquire with the SCR Executive Team for clarification either prior to the meeting or at the start of the meeting proceedings.

Any/ all interests need to be made prior to the meeting commencing and noting for records at each Board meeting.

Board members are subject to the LEP Declaration of Interest Policy and the CA Members Code of Conduct (Part 6a of the CA Constitution).

All information received in connection with the HIB should be considered confidential and should not be shared more widely or used for any other purpose.

7. Frequency of Meetings

The Board will meet approximately every 4 to 6 weeks – for the duration of the programme.

Depending on the workload at any particular time – more or less frequent meetings may be appropriate and some matters may be dealt with electronically or through a conference call.

8. National Guidance for Local Enterprise Partnership Decision Making Boards

This HIB is an advisory Board responsible for making recommendations relating to the investment of Local Growth Funds (LGF).

Business will be carried out in accordance with the following guidelines, namely:

- All key decisions to be published at least 28 days in advance via the CA Forward Plan;
- All reports must be published 5 working days in advance;
- Minutes must be published on the appropriate website within 10 working days after the meeting;
- All members must declare any interests (via the completion of an annual 'register of interests', with any changes/ interests linked to specific agenda items declared at each meeting).

Author: Michael Hellewell, Senior Programme Manager
Sheffield City Region Executive Team

Approved: XXxx May 2018

Review Date: Annually, due by XXxx May 2019

Annex A

Sheffield City Region Housing Fund – Operating Principles (agreed by the CA)

The following **principles** will guide the operation and deployment of the Fund, with individual schemes/ projects tested against each of the following at the Expression of Interest (Eol) and Full Business Case (FBC) stage.

- **Fund of last resort** – all other sources of currently available funds will need to have been considered and deemed unsuitable (in terms of availability and/ or timing), with scheme promoters needing to provide evidence of other funding sought and reasons why it is unsuitable.
- **Commitment from delivery partners** – except in exceptional circumstances, the Fund will not 100% fund any projects. Funds from other sources (public or private) will be required in order for schemes to be considered for support from the Fund. Typically, SCR will consider an intervention rate of up to 50%, although each project will be considered individually with the potential to provide further support where a clear case for investment can be evidenced.
- **Flexibility and Additionality** – as a ‘fund of last resort’, the fund aims to provide a range of financial tools and interventions to enable activity which would not otherwise happen (e.g. where funding is not available or the scheme doesn’t meet the criteria of other available funds). In broad terms the SCR is seeking to develop an approach whereby it is able to provide investment to address challenges and remove barriers to housing delivery.
- **Acceleration** – support from the fund will need to enable the acceleration of activity where market demand can be evidenced and independently assessed. This may be through i) increased speed of delivery on existing active housing sites (e.g. an intervention or investment that would increase planned annual activity, through the diversification of available products, or by opening up new outlets or active developers) and/ or ii) enabling activity (e.g. land remediation, site acquisition) which will unlock sites, making them ‘housing ready’ significantly quicker than would have been the case without support.
- **Deliverability** – scheme Promoters will be asked to provide a ‘commitment to delivery’. The SCR will require a clear statement of when new homes will be on site (by quarter/ year). Scheme promoters will be contracted in line with this ‘clear statement of delivery’. This will ensure that schemes which are realistic and deliverable are brought forward. Where schemes do not deliver the agreed outputs/ outcomes the clawback of funds will be considered.
- **Recoverability** - the starting point in relation to any investment/ intervention supported via this route is that some form of financial return will be required. It is acknowledged that in some cases this may not be possible, and the Fund governance arrangements will need to be able to exercise judgement in balancing deliverability/ outcomes and recoverability. The pilot will allow Scheme Promoters to put forward innovative proposals.

Annex B

Sheffield City Region Housing Fund – Success Criteria (agreed by the CA)

The agreed 'success criteria' for the pilot SCR Housing Fund are set out below.

- To contribute to the SEP target of increased housing delivery through prioritising investment in enabling infrastructure, as well as supporting the 'above ground' development of new homes *[focus on a range of different scheme types and building a SCR track record of delivery]*.
- To test a range of tools/ interventions which seek to address market failures present in SCR's housing markets whilst complementing and addressing gaps in existing National housing investment programmes *[supporting schemes which wouldn't have otherwise progressed]*.
- To test new approaches to scheme identification, appraisal and decision making which can inform the development of a long-term approach to SCR-led housing investment, as well as the commissioning arrangements for the SCR IIP *[focus on a more flexible approach which can be scaled up]*.
- To pilot a model which could be replicated in the future, providing a strong basis for future Government investment in the SCR (including gainshare), as well as leverage of private sector funds *[for the pilot to provide at least 5 examples of what works/ what doesn't in a SCR context]*.
- To test to what extent a local Housing Fund is recoverable, enabling the SCR to take a different view of risk and reward - considering the wider economic and social value of housing. At a fund level the aim is for at least 50% of the fund to be recycled/ paid back to the SCR *[testing the extent to which SCR can develop a sustainable delivery model]*.
- To develop an 'outcomes based approach' which public and private sector partners can engage with in order to maximise housing delivery and value for money *[to enable and/ or accelerate the delivery of between 300 and 500 new homes (as minimum)]*.

Sheffield City Region

ITEM 7: SCHEME UPDATE/ PIPELINE AND DECISION SCHEDULE

SCR HIB – 03/05/18

The Current SCR HF Programme

- **One scheme received accelerated funding approval:**
 - Former Park Gardeners Club site in Sheffield;
 - Approved at the Combined Authority on 9th March;
 - Less than 4 months since initial application (EoI).
- **Nine schemes progressing to Full Business Case ('FBC Schemes'):**
 - Potential to deliver over 1,200 homes (c30% affordable);
 - Total SCR funding 'ask' of c£9.3m of which up to 50% could be recovered;
 - Schemes in Sheffield, Doncaster, Chesterfield, Barnsley and Rotherham.
 - Intention to progress for financial approval in three 'waves'.
- **Eight schemes in our pipeline ('Pipeline Schemes'):**
 - Potential to deliver over 3,200 homes;
 - Total SCR funding 'ask' of c£15.6m;
 - Schemes in Barnsley, Bolsover, Doncaster, Rotherham, Bassetlaw and Sheffield.

Decision Schedule: Reported to the HIEB (29/03)

	Number of Schemes	FBC Deadline	Appraisal Panel Meeting	Forward Plan (publication deadline)	Reports Deadline	Target Funding Decision (HIB meeting)	Notification of Investment Decision(s)
1 st Wave	5	Friday 30 th March	Thursday 19 th April	26 th March	Int: 18/04 SO: 19/04 Circ: 25/04	Thursday 3rd May, 1400 - 1600	HIEB: 11th May CA: 11th June
2 nd Wave	1	Monday 30 th April	Wednesday 16 th May	27 th April	Int: 15/05 SO: 16/05 Circ: 22/05	Thursday 31st May, 1400 - 1600	HIEB: 29th June CA: 11th June
3 rd Wave	3	Mid-May (tbc)	Thursday 14 th June	25 th May	Int: 13/06 SO: 14/06 Circ: 20/06	Thursday 28th June, 1000 - 1200	HIEB: tbc CA: 30th July

FBC Schemes: Current Update (1st wave)

- All FBC's for 'first wave' schemes received by the 30th March deadline.
- SCR Target: within one month of receiving FBCs - schemes assessed, due diligence completed and initial consideration by the SCR Appraisal Panel.
- Decision Schedule represents an 'ideal view' – reflecting the commitment of the SCR Team to drive forward quality schemes at pace.
- This requires Scheme Promoters to:
 - Stay in contact with the SCR Team whilst developing their FBC;
 - Provide all the information requested by the agreed deadlines;
 - Respond quickly to clarification questions/ requests.

FBC Schemes: Current Update (1st wave)

Project Name (LA Area)		Applicant Type	Housing Units (at Eol)	Funding Type Sought (at Eol)	Comments and Recommendation
Nanny Marr Road (Barnsley MBC)		Housing Association	35	Grant	Following assessment of the FBC/ due diligence/ consideration by the Appraisal Panel – for consideration by the HIB on 3 rd May.
Page 21	Project 004	Local Authority	350	Grant & Loan	<p>Outstanding issues/ questions for clarification by the Scheme Promoter.</p> <p>Unable to recommend progression to the HIB at this stage.</p> <p>Scheme Promoters requested to provide all outstanding information by 23rd April to enable consideration in line with ‘2nd wave’ timescales.</p>
	Project 002	Private Sector	25	Grant & Loan	
	Project 005	Local Authority	250	Grant	
	Project 003	Partnership	351	Grant	

FBC Schemes: Current Update (2nd and 3rd wave)

Project Name (LA Area)	Applicant Type	Housing Units (at Eol)	Funding Type Sought (at Eol)	Comments
Project 007	Housing Association	53	Grant	2 nd Wave Scheme
Project 009	Local Authority	25	Grant	3 rd Wave Scheme The Scheme Promoter has requested to submit the FBC early. Potential to enable considered with 2 nd wave schemes.
Project 008	Private Sector	98	Loan	3 rd Wave Schemes
Project 010	Local Authority	10	Grant	

Updated Decision Schedule

(indicative, subject to change)

	Number of Schemes (total 9)	FBC Deadline	Appraisal Panel Meeting	Forward Plan (publication deadline)	Reports Deadline	Target Funding Decision (HIB meeting)	Notification of Investment Decision(s)
2nd Wave	Up to 6* (Target: 6)	Monday 30 th April	Wednesday 16 th May	27 th April	Int: 15/05 SO: 16/05 Circ: 22/05	Thursday 31st May, 1400 - 1600	HIEB: 29th June CA: 11th June
3rd Wave	Up to 8* (Target: 2)	Mid-May (tbc)	Thursday 14 th June	25 th May	Int: 13/06 SO: 14/06 Circ: 20/06	Thursday 28th June, 1000 - 1200	HIEB: tbc CA: 30th July

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Sheffield City Region Housing Investment Board

3rd May 2018

SCR Housing Fund Investment Principles: Land Value Uplift

Purpose of Report

The purpose of the report is to seek the views of the Board regarding land value uplift which is generated from the use of SCR LGF monies.

Thematic Priority

Secure investment in infrastructure where it will do most to support growth.

Freedom of Information and Schedule 12A of the Local Government Act 1972

This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

The Housing Investment Board are asked to:

- Provide a steer on the issues set out in this report regarding land value uplift to inform the LEP Board in establishing the future policy regarding investment decisions where land value uplift is a result of SCR investment.

1. Introduction

- 1.1 The SCR Pilot Housing Fund seeks to complement and plug the gap in current national housing investment programmes. The Fund will unlock development opportunities and deliver much needed new homes in the City Region. Funding is available to address specific market conditions which act as a barrier to growth. One of the key barriers to development is the cost of site remediation.
- 1.2 Land valuations are obtained in accordance with Valuation Standards and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). The Market Value of land is provided as a Gross Land Valuation which will assume the proposed development will have no onerous planning conditions and before any established abnormal development costs and/or planning gain implications have been accounted for. Where abnormal development costs or any planning gain implications are identified the value of the land will be reduced accordingly.
- 1.3 Following the launch of the pilot Housing Fund and subsequent receipt of Full Business Case (FBC) submissions, it has been highlighted that Local Growth Fund (LGF) investment is being sought by both private and public sector organisations to remediate and de-risk sites. The land value will increase following remediation works, therefore generating a land value uplift.
- 1.4 The views of the Board are requested on a point of policy relating to the consideration of land value uplift.

2. Proposal and Justification

Worked Example

- 2.1 The following information is provided to demonstrate/ identify the potential issues by way of a worked example:
- A site in private sector ownership;
 - The site has a current market value of c£250,000, subject to it being free of abnormal development costs and/or onerous conditions;
 - However, abnormal costs have been identified which total around £400,000;
 - The land therefore has a negative net land value of circa -£150,000 in its current state.
- 2.2 It is uncommon for the land purchase to take place prior to the commencement of any development - this is often to satisfy the requirements of the loan financing company in terms of 1st charge on the land.
- Where the land purchase needs to take place prior to any development commencing on site, a deferred payment is not uncommon. With developers often willing to pay the full land value (£250k) on completion of the development and sales proceeds.
- 2.3 Where public funds are requested to address the abnormal development costs and remediate the site (resulting in a land value uplift/ increase) the issue of how this increase in land value should be treated is one for consideration by the Board. It is worth noting that a number of factors need to be reflected upon, these are detailed below:
- LGF monies are not available to fund inflated land values or to increase developer profits;
 - Type of funding sought: grant or loan;
 - Ownership of the land/ relationship between land owners and developers;
 - Type of housing development proposed for the site: market, affordable etc...;
 - House prices within the area;
 - Without LGF funds to remediate the site, the increased land value of £250k cannot be realised.
- 2.5 In light of the above points, the Board are asked to consider whether:
- **All or a proportion of the land value uplift be returned for re-investment in other schemes rather than paying the developer to purchase the site?**
 - **Is the benefit of much needed additional housing, which would not have taken place without LGF, of sufficient value to the City Region and represent good Value for Money (VfM) that it is worth forgoing any/ all of the land uplift?**

- Should abnormal costs always be deducted from the gross land value and the net Land Value should be shown in the Full Business Case/ financial appraisal?

2.6 In addition, with regards to the public sector partners using SCR funds to remediate and de-risk sites and subsequently selling on to private housebuilders. Members are asked to consider:

- The extent to which the land is valued prior to SCR investment and post SCR investment to ensure any land value uplift is captured?
- Where LGF has been provided in the form of a grant -what amount of land value uplift should be considered with a view to LGF funds being returned and re-invested within the SCR Housing Fund?
- Whether the Combined Authority should consider acquiring the land, on behalf of the LEP, and retain a proportion or 100% of the land uplift to re-invest into the SCR Housing Fund?

3. Consideration of alternative approaches

3.1 **SCR do not provide funding to schemes where land value uplift is generated** – one of the main barriers to development across the City Region is challenging site conditions, rendering many schemes unviable. If the SCR Housing Fund did not support schemes such as this, a considerable number of sites across SCR would remain undeveloped/ stalled.

SCR invests in sites with challenging ground conditions/ infrastructure requirements (Preferred Option) – that each scheme be considered on its individual merits and that the impact of land value uplift be assessed on a scheme by scheme basis. The Board could then consider Officer recommendations regarding any conditions attached to the award of funding.

4. Implications

4.1 Financial

Funding decisions will be made by the Housing Investment Board or the CA on a scheme by scheme basis.

4.2 Legal

All schemes will be subject to due diligence with State Aid compliance tested.

4.3 Risk Management

The perception of the general public should be considered to ensure there isn't a perception that public funding is being used to increase private sector profits beyond levels which is deemed acceptable.

4.4 Equality, Diversity and Social Inclusion

None resulting from the recommendations of this report.

5. Communications

5.1 None resulting from the recommendations of this report.

6. Annexes

None.

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Sheffield City Region Housing Investment Board

3rd May 2018

**Scheme Recommended for Financial Approval:
 Nanny Marr Road (Phase 2), Darfield, Barnsley**

Purpose of Report

This report provides details of the Nanny Marr Road (Phase 2) Scheme (referred to as 'the Scheme' throughout this report) which has progressed through the agreed assurance process for the Sheffield City Region (SCR) Housing Fund (HF). The scheme is presented to the Housing Investment Board (HIB) for consideration and funding approval. Local Growth Funds (LGF) of £367,000 will enable the development of 35 new build affordable homes for rent and shared ownership in the Darfield area of Barnsley.

This report and the supporting annexes provide further details on the scheme and the applicant (Together Housing Association), with a view to supporting the HIB in reaching an investment decision.

Thematic Priority

With reference to the Strategic Economic Plan, the course of action proposed in this paper will help 'secure investment in infrastructure where it will do most to support growth'. It is also central to supporting housing growth which is critical to achieving the Sheffield City Region's economic ambitions. Supporting housing growth is an identified priority for the Combined Authority (CA) and Local Enterprise Partnership (LEP).

Freedom of Information and Schedule 12A of the Local Government Act 1972

This paper will be available under the Combined Authority Publication Scheme.

Annex A of this report is exempt under paragraph 3, part 1, section 12A of the Local Government Act 1972.

Recommendations

Members of the Housing Investment Board are asked to:

- **Review the information presented in this report and supporting annexes and consider the progression of the Nanny Marr Road Scheme to Full Approval and Award of Contract at a cost of £367,000 to the Local Growth Fund (LGF), subject to the conditions set out in the Appraisal Panel Summary (see Annex B).**
- **Endorse the SCR CA Senior Finance Manager (on behalf of the Chief Finance/ s73 Officer and the SCR Statutory Officers Group) in carrying out their role in respect of this scheme, in line with the delegated authority received from the CA.**

1. Introduction

- 1.1 At its meeting on the 22nd March 2017, the SCR CA agreed the establishment of the SCR HF. The HF seeks to complement and 'plug the gap' in current nationally available housing investment programmes; unlocking development opportunities to deliver much needed homes across the SCR.

The HF offers a flexible approach to the allocation of funds to meet the requirements of individual schemes. It has been developed, and will continue to be managed, in line with the principles agreed by the Combined Authority.

- 1.2 On 30th October 2017, the SCR CA approved delegation of HF investment decisions to CA Statutory Officers (or delegates) for schemes requesting funds up to £2m.

In practice, this delegated authority is exercised by the SCR CA Senior Finance Manager (on behalf of the Chief Finance/ s73 Officer and the SCR Statutory Officers Group) supported by the Housing Investment Board (HIB). The membership of the HIB was agreed by the Housing and Infrastructure Executive Board on 9th February 2018 and reported to the Combined Authority on 9th March 2018.

- 1.3 The SCR Assurance Framework requires that all schemes seeking investment undergo a thorough and proportionate scheme appraisal following the Treasury Green Book approach.

- 1.4 Given the pilot nature of the HF, and in recognition of the scale of the funding available, SCR have developed a flexible and streamlined approach to scheme assessment/ appraisal/ due diligence. This approach remains compliant with the SCR Assurance Framework, as well as prevailing Ministry of Housing, Communities and Local Government (MHCLG) and Homes England (HE) guidance.

- 1.5 Prior to consideration by HIB, the scheme has been through a process of technical appraisal by a Panel of Officers representing the SCR Statutory Officers, culminating in the recommendations presented for approval. These findings will inform the s73 Officers view regarding the Value for Money Statement and the Monitoring Officers view regarding the relative risks of the scheme presented.

- 1.6 In line with standard financial arrangements LGF support cannot be considered as granted/approved unless and until a Funding Agreement is executed by both parties.

2. Proposal and Justification

2.1 **Business Case Approval – Housing Fund: Nanny Marr Road, Darfield, Barnsley**

Nanny Marr Road is located within the Darfield area of Barnsley, situated within the Dearne Valley/ Junction 36 Growth Area (as set out in the SCR Strategic Economic Plan). It is well placed for easy access to the Dearne Valley parkway, and is close to the M1 (Junction 36). Phase 2 is the final phase of the development, with the whole scheme supported by Barnsley MBC.

- 2.2 Together Housing Association are seeking £367,500 of SCR LEP LGF to redevelop a 1.01ha brownfield site and deliver Phase 2 of affordable housing, consisting of semi-detached and one block of three mews properties. The scheme will also support 4 construction jobs (of which 3 are apprenticeships and 1 previously unemployed).

- 2.3 SCR HF grant funding is required to deliver 35 new 2, 3 and 4 bed affordable homes; 25 for rent and 10 for shared ownership. SCR funding will unlock £2.6m private sector investment and £1.6m public sector investment from Homes England.

- 2.4 The scheme mix comprises 11 x 2 bed 4 person, 12 x 3 bed 5 persons and 2 x 4 bed 6 person houses for rent and 10 x 3 bed 5 person houses for shared ownership. It is envisaged the scheme will start on site in September 2018 and will be available for occupation in December 2020.
- 2.5 The site is currently owned by Barnsley MBC and has high levels of abnormal development costs. In addition, the low value of rents and sales in this location also impacts on the scheme viability. The SCR appraisal and value for money statement are based on delivering homes which otherwise would not be delivered without SCR investment.
- 2.6 The scheme has a Benefit Cost Ratio (BCR) of 5.2 and a Net Present Value (NPV) of £1.53m and therefore delivers high value for money.
- 2.7 As the appraisal is based on acceleration/ delivery of housing and housing units are a direct outcome, clawback on the delivery of the outcomes (housing units) is recommended. In addition, as the scheme includes the direct sale of homes (25% shared ownership), overage clauses will form part of the contract.
- 2.8 The HIB are asked to consider the progression of Nanny Marr Road (Phase 2) to Full Approval and Award of Contract at a cost of £367,500 to the LEP LGF, subject to the conditions set out in the Appraisal Panel Summary Table attached at **Annex B**.

3. Consideration of alternative approaches

- 3.1 In respect of the Business Case approval; alternative approaches including 'do nothing' and 'do less' were considered as part of the options appraisal in the Economic Case of the Full Business Case.

3.2 Options Appraisal Summary (taken in part from the Full Business Case)

Do nothing – The implications of 'Do Nothing' will reap the exact opposite of the intentions for this area of Dearne Valley. Whilst jobs will be created through other projects; people will continued to have difficulty finding suitable and affordable homes. There is also the potential for Homes England and private sector funding to be lost to Barnsley and the SCR.

Do Something (Smaller SCR Investment) – May go some way to bridging the viability gap but will need to seek additional funding from elsewhere to deliver the scheme, with no other sources of funding identified by Executive Team Officers or the applicant at the point of approval.

Preferred Scheme – Accelerating and unlocking the delivery of 35 new affordable homes. Providing confidence of an affordable place to live for those seeking employment and remaining in the Dearne Valley.

The alternative approaches identified were either not viable or would significantly impact the value for money of the project.

4. Implications

4.1 Financial

The financial implications of this scheme have been fully considered by a representative of the s73 officer and included in the recommendations agreed by the Appraisal Panel as presented in **Annex B**.

4.2 Legal

The legal implications of each project have been fully considered by a representative of the Monitoring Officer and included in the recommendations agreed by the Appraisal Panel as presented in **Annex B**.

4.3 Risk Management

Risk management is a key requirement for each of the submissions and is incorporated into the Full Business Case submission. Where weaknesses have been identified in the Full Business Case in terms of risk management, further work to capture and mitigate these risks is included as suggested conditions as presented in **Annex B**.

4.4 Equality, Diversity and Social Inclusion

The site is located in a sub-market area with a strong need for additional affordable housing provision as evidenced within the Strategic Housing Market Assessment for the Barnsley MBC area (November 2017).

Evidence from the Council's Choice Based Lettings system also confirms there is currently a high demand for 2 and 3 bedroomed homes with an average of 99 and 87.5 bids respectively for each property which became available between November 2017 and April 2018. There were no vacant 4 bedroomed homes during this period.

This provides evidence that the investment from SCR will see the delivery of a scheme which is helping to address local housing need, as well as supporting housing growth linked to SCR's economic aspirations.

In addition, one of SCR's conditions of funding is that the homes remain 'affordable' for a minimum of the next 10 years.

5. Communications

- 5.1** The approval of the LGF business case, as well as other significant development milestones, present an opportunity for positive communication on behalf of the LEP. Officers from the SCR Executive Team will work with the LEP and relevant partner organisations on joint communications activity.

In addition, a condition of the contract award is that SCR's logo/ branding is to appear on all publicity materials.

6. Annexes

6.1

Annex A

Full Business Case for the Scheme (see 'Freedom of Information and Schedule 12A of the Local Government Act 1972' information on page one of this report).

Annex B

Appraisal Panel Summary Document.

REPORT AUTHOR	Michael Hellewell/ Chris Collins-McKeown
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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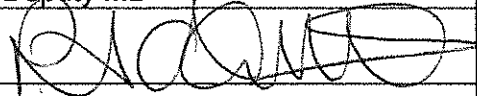

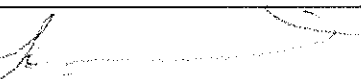
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Scheme Details		Appraisal Panel Summary		Recommendations / Conditions	
SCR Executive Board	Housing Investment Board	Strategic Case	This scheme ties into key themes within SCR's SEP and the transformation of the Dearne Valley and the Junction 36 Growth Area which has been identified as a key area for residential development. The provision of good quality, affordable homes for people on modest incomes is import for local economic growth. All housing units will be affordable.	Funding	LGF via the SCR Housing Fund
Project Name	Nanny Marr Road Phase 2	Value for Money	This project has a BCR of 5.2 and a NPV of £1.53m and therefore delivers high value for money.	Approval Requested	Full approval and award of funding
Scheme Promoter	Together Housing Association	Risk	There is a risk that the abnormal costs associated with remediating the land could increase further once works begin. This risk is however minimal as a detailed investigation has been undertaken. £87.5k contingency has also been set aside (increased from £50k based on Phase 1 expereince) but this is a buffer for the whole project and not the remediation works only.	Grant Award	£367,500
SCR Funding	£367,500			Grant Recipient	Together Housing Association
Total Scheme Cost	£4,514,725	State Aid	The FBC asserts that the development is for 100% social [affordable] housing. The applicant explains that the grant would be exempt from State Aid as a SGEI project.	Payment Basis	Grant

% SCR allocation	5%	Delivery	<p>The applicant has established processes and procedures for the development of housing schemes with a team of specialist accountable to the Board. Together Housing has a track record of delivering affordable housing and was recently rated G1 and V1 by Homes England. This is the highest rating for service delivery.</p> <p>The applicant has accepted that should the contingency budget not be required, SCR would require repayment of the grant to the same level as the remaining balance of contingency. However, it is their normal practice to hold a project contingency 12 months following practical completion.</p>	Claw Back Clauses	Clawback on outputs
Description				Conditions of Award	
<p>Nanny Marr Road is located within the Darfield area of Barnsley and sits within the Dearne Valley/Junction 36 Growth Area. The site is well placed for easy access to the Dearne Valley Parkway, and only 5 miles from M1 Junction 36.</p> <p>The scheme is a continuation from the 1st phase of development, whereby extensive consultation with the Local Planning Authority had taken place, producing robust and compliant scheme for the 1st phase. The principles established in the 1st phase will be applied to this scheme and the intention is to engage with the Local Planning Authority once more prior to the detailed planning application.</p> <p>The scheme comprises of a residential development of predominantly semi-detached houses. The project will provide 100% affordable homes either for rent and shared ownership.</p>				<ol style="list-style-type: none"> 1. Clause that use of the asset should remain as set out in the FBC for a minimum 10-year period after completion of the project. 2. SCR funding cannot be released ahead of securing all required statutory consents including satisfying all planning enquiries. 3. Confirmation that viable options are in place to ensure successful project completion even if cost of remediating site exceeds both LGF grant and contingency. 4. Confirmation that SCR will not be liable for any cost increases during procurement and delivery. 	

Record of Recommendation, Endorsement and Approval

Project Name – Nanny Marr Road Phase 2

Appraisal Panel Recommendation		Board Approval	
Date of Meeting	19/04/2018	Date of Meeting	
Head of Paid Service or Delegate	Ruth Adams Deputy MD	Approving Officer (Board Chair)	
Signature		Signature	
Date		Date	
S73 Officer or Delegate	Mike Thomas Senior Finance Manager	Statutory Finance Officer Approval Name: Signature: Date:	
Signature			
Date	24/4/18		
Monitoring Officer or Delegate	Steve Davenport SCR CA Solicitor		
Signature			
Date	23/4/18		

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