

HOUSING EXECUTIVE BOARD

Date: Thursday 31 May 2018

Venue: SCR Meeting Room 1, 1st Floor, 11 Broad Street West, Sheffield

Time: 2.00 pm

AGENDA

Item	Subject	Method	Lead	Page
Introduction				
1	Welcome and Introductions	Verbal	Chair	
2	Apologies	Verbal	Chair	
Declarations and Registers of Interest				
3	<ul style="list-style-type: none"> - Changes to any registers of interest for any member - In relation to any agenda item - In relation to any activity since the last formal meeting - In relation to any forthcoming activity 	Verbal	Chair	
4	Draft Minutes of the Previous meeting – 3rd May 18	Paper	Chair	1 - 6
For Discussion				
5	Updated Terms of Reference (for agreement)	Report	M Hellewell	7 - 14
6	Scheme Update/Pipeline and Decision Schedule	Presentation	C Collins-McKeown	15 - 18
For Approval (Investment Decisions)				
7	Scheme Recommended for Financial Approval: Leach Lane, Mexborough, Doncaster	Report	C Collins-McKeown	19 - 50

Item	Subject	Method	Lead	Page
Actions & Forward Planning				
8	Agree Actions	Verbal	Chair	
9	Reporting of Investment Decisions to the Housing and Infrastructure Executive Board and the Combined Authority	Verbal	M Hellewell	
10	Any Other Business	Verbal	All	

DATE OF NEXT MEETING – Thursday 28th June, 10:00

SCR HOUSING INVESTMENT BOARD

3 MAY 2018

SCR OFFICES, BROAD STREET WEST, SHEFFIELD

No.	Item	Action
1	<p><u>Welcome and Apologies</u></p> <p>Present:</p> <p><u>Board Members</u> Martin McKervey (LEP) – In the Chair Huw Bowen (Chesterfield BC) Rob Pearson (Homes England) Mike Thomas (SCR CA / Executive Team)</p> <p><u>In Attendance</u> Colin Blackburn, SCR Executive Team Michael Hellewell, SCR Executive Team Chris Collins-McKeown, SCR Executive Team Felix Kumi-Ampofo, SCR Executive Team Andrew Shirt, Joint Authorities Governance Unit</p> <p>Apologies were received from Board Members Mayor Jones (Doncaster MBC) and Owen Michaelson (Harworth Estates)</p>	
3	<p><u>Declarations of Interest</u></p> <p>Rob declared an interest in relation to agenda item 8, due to the applicant organisation seeking funding from Homes England.</p> <p>Rob also declared an interest in a scheme (former Park Gardeners Club site, Sheffield), due to this being a joint investment with Homes England.</p> <p>It was noted that, in relation to forthcoming activity, Board Members may be required to make a declaration of interest.</p>	
4	<p><u>Background to the Housing Fund</u></p> <p>Michael provided the Board with a presentation to outline the background, purpose and progress to date relating to the SCR Housing Fund.</p>	

	<p>Board Members were reminded that, in March 2017 a SCR Pilot Housing Fund (HF) of up to £10m was agreed by the Combined Authority. The Fund would contribute to housing growth in the SCR through enabling / unlocking sites and accelerating activity. Funding would be available to public and private sector partners.</p> <p>It was highlighted that all schemes would undergo rigorous assessment compliant with the SCR's Assurance Framework / Government guidance, tested against the principles of the Fund and subject to robust due diligence.</p> <p>Following the launch of the Housing Fund prospectus on 27 September 2017, the SCR had actively engaged with 29 potential applicants at Expression of Interest stage.</p> <p>Ten schemes had been invited to develop a Full Business Case as part of the 'first wave'. One scheme (former Park Gardeners Club site, Sheffield) had received accelerated funding approval at the Combined Authority held on 9th March 2018 for £517,000 grant funding to unlock a stalled site. This was a joint investment with Homes England delivering 38 affordable homes for rent with completion by June 2019.</p> <p>Nine schemes were progressing to Full Business Case and eight schemes were in the SCR pipeline.</p> <p>It was noted that a lessons learnt report reflecting on the pilot Housing Fund would be presented at the HIEB/CA in summer 2018.</p> <p>RESOLVED – That Members of the Housing Investment Board noted the presentation.</p>	
5	<p><u>Role of the Board and Terms of Reference</u></p> <p>A report was presented setting out the Role of the Board and its draft Terms of Reference. Board Members were asked to provide any feedback on the draft Terms of Reference.</p> <p>Following consideration of the draft Terms of Reference, Board Members felt that the wording needed to be revised to clarify the process in the event that the HIB could not reach consensus and the investment decision needing to be deferred to the LEP for a final recommendation.</p> <p>ACTION: Michael to obtain governance/ legal advice on the above point and a revised draft be presented to the Board at the next meeting.</p> <p>In relation to redacted information contained within the agenda papers, Rob felt that Board Members needed to receive all</p>	MH

	<p>information in order to make appropriate decisions. He queried why the information had been redacted.</p> <p>Chris provided a response, adding that, if there were any variables to a scheme these would be presented to Board Members at the meeting.</p> <p>It was agreed that legal advice would be obtained regarding future provision of confidential information to Board Members.</p> <p>ACTION: Michel to obtain legal advice.</p> <p>RESOLVED – That Housing Investment Board:-</p> <p>i) Noted its Role and draft Terms of Reference.</p> <p>ii) Requested to review its Terms of Reference after the third meeting of the Board.</p>	MH
6	<p><u>Scheme Update / Pipeline and Decision Schedule</u></p> <p>A presentation was delivered to provide Board Members with a scheme update, schemes in the pipeline and a decision schedule which had been reported at the HIEB on 29th March.</p> <p>The Board noted that there had been some slippage within the first wave of the programme. One scheme had received accelerated funding approval. Nine schemes were progressing to Full Business Case and eight schemes were in the SCR pipeline.</p> <p>Following assessment of the Full Business Case/ due diligence and consideration by the Appraisal Panel, Board Members would be asked to consider and endorse one investment scheme recommendation (Nanny Marr Road – Barnsley MBC).</p> <p>RESOLVED – That the Housing Investment Board noted the presentation and decision schedule.</p>	
7	<p><u>Investment Principles: Land Value Uplift</u></p> <p>A report was presented to seek the views of the Board regarding land value uplift which is generated from the use of SCR LGF monies.</p> <p>Board Members were reminded that funding was available to address specific market conditions which act as a barrier to growth. One of the key barriers to development was the cost of site remediation. The views of the Board were requested on a point of policy relating to the consideration of land value uplift.</p> <p>A worked example and a series of questions were set out within the report, requiring Board Members' comments.</p>	

	<p>In addition, a further series of questions were set out within the report asking for Board Members' comments with regards to public sector partners using SCR funds to remediate and de-risk sites and subsequently selling on to private housebuilders.</p> <p>Furthermore, two alternative approaches were set out within the report for Members consideration.</p> <p>Board Members considered the questions and agreed that they would consider requests for land value uplift on a case-by-case basis. There was consensus from Board Members that no public or private sector partner should profit from land value uplift.</p> <p>Rob stated that he would pass on the contact details for colleagues at Homes England who would be able to provide additional knowledge and assistance in this area.</p> <p>ACTION: Rob to provide colleagues contact details on to Chris.</p> <p>RESOLVED – That the Housing Investment Board agreed to consider land value uplift on a case-by-case basis.</p>	RP
8	<p><u>Scheme Recommended for Financial Approval – Nanny Marr Road – Phase 2 (HF Scheme Ref 006)</u></p> <p>A report was presented which provided details of the Nanny Marr Road (Phase 2) Scheme which had progressed through the agreed assurance process for the Sheffield City Region (SCR) Housing Fund (HF). The Scheme was presented to the Board for consideration and funding approval. Local Growth Funds (LGF) of £367,000 would enable the development of 35 new build affordable homes for rent and shared ownership in the Darfield area of Barnsley.</p> <p>The report and supporting annexes provided further detail on the scheme and the applicant (Together Housing Association), with a view to supporting the HIB in reaching an investment decision.</p> <p>RESOLVED – That the Housing Investment Board:-</p> <ul style="list-style-type: none"> i) Reviewed the information presented in the report and supporting annexes and considered the progression of the Nanny Marr Road Scheme to Full Approval and Award of Contract at the cost of £367,000 to the Local Growth Fund (LGF), subject to the conditions set out in the Appraisal Panel Summary. ii) Endorsed 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. 	

9	<p><u>Reporting of Investment Decisions to the Housing and Infrastructure Executive Board and the Combined Authority</u></p> <p>Investment decisions made by the Board would be reported at the Housing and Infrastructure Executive Board on 11 May 2018 and to the Combined Authority on 11 June 2018.</p>	
10	<p><u>Any other Business</u></p> <p>No further matters noted.</p>	
11	<p><u>Date of Next Meeting</u></p> <p>Thursday 31st May 2018, 2:00pm at 11 Broad Street West, Sheffield.</p>	

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Sheffield City Region Housing Investment Board: Terms of Reference



1. Context

At its meeting on the 22nd March 2017, the Sheffield City Region (SCR) Mayoral Combined Authority (MCA) 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 (noting the source of funding is drawn from the SCR Local Enterprise Partnership (LEP) Local Growth Fund (LGF) allocation) 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 MCA (**see Annex A & B**).

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

In practice, this delegated authority is exercised by the SCR MCA / LEP 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 MCA;
- 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 providing 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 MCA via the HIEB ('thematic Board') as

¹ Any schemes seeking in excess of £2m investment will need to seek financial approval via the HIB (for a recommendation)EB and the CA (for funding approval). The HIB will be consulted on any such schemes.

detailed in the SCR Assurance Framework (<https://sheffieldcityregion.org.uk/wp-content/uploads/2018/03/SCR-Assurance-Framework-2018.pdf>).

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

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

Before taking a delegated decision, and without fettering his or her discretion to do otherwise, the MCA / LEP Senior Finance Manager will fully take in to account the advice and recommendations of the HIB.

The MCA Senior Finance Manager will not take a decision that is not recommended by the majority of HIB members present at the meeting.

In circumstances where at the majority decision HIB cannot be reached a consensus in terms of the advice it provides to the CA Senior Finance Manager, the investment decision will be deferred to the LEP and/ or MCA 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 MCA 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 MCA in March 2018.

Board Member	Organisation	Board Role
Mayor Ros Jones	Doncaster MBC	<i>Chair</i> Lead <u>MCA</u> Member
Martin McKervery	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 <u>Mayoral</u> Combined Authority/ Executive Team	Representative of the SCR <u>M</u> 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.

FINAL FOR AGREEMENT

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 **M**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 **MCA 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. Information to support the Board in its role

There is a need to share enough information with the Board to support it in its role, whilst acknowledging the need to balance transparency and commercial confidentiality/ sensitivities for a Board with both private and public sector members.

The following information (forming the 'Private Document Pack') will typically be shared with Board Members where an investment recommendation is sought:

- A detailed cover report, presented in a standard format – including specific content on ‘what the proposed SCRLGF investment is delivering/ funding’ and any issues the Board need to be aware of in terms of ‘land value uplift’ (*);
- A redacted version of the Full Business Case for the scheme which is seeking an investment decision (redacted to remove commercially sensitive financial information);
- A checklist detailing supporting documentation considered as part of due diligence and appraisal process;
- Appraisal Panel summary – setting out the recommendation(s) to the HIB from the SCR Appraisal Panel, with any recommended conditions attached to the SCRLGF investment detailed (*).

The information detailed above and marked with a star (*) will be included in the publicly available ‘Public Document Pack’. The information excluded from publicly available document pack is exempt under Paragraph 3, Part 1, Section 12A of the Local Government Act 1972.

In addition, and as part of the HIB meeting(s); Officers will be in attendance and able to answer any detailed questions on the scheme(s) which Board members feel are relevant in reaching an investment recommendation.

7.8. 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.

8.9. 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 MCA 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 in the register or/ any interests linked to specific agenda items declared at each meeting).

Author: Michael Hellewell, Senior Programme Manager

Approved: ~~XXXX~~ 31st May 2018
Review Date: June/ July 2018 (after the first three meetings of the Board)
Annually thereafter, due by ~~XXXX~~ May 2019 June 2019

FINAL FOR AGREEMENT

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 6: SCHEME UPDATE/ PIPELINE AND DECISION SCHEDULE

SCR HIB – 31/05/18

The Current SCR HF Programme

- **Two schemes received funding approval:**
 - Former Park Gardeners Club site in Sheffield;
 - Nanny Marr Road Ph2 in Barnsley
- **Eight schemes progressing to Full Business Case ('FBC Schemes'):**
 - Potential to deliver over 1,100 homes (c30% affordable);
 - Total LGF funding 'ask' of c£9.4m 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'.
- **A further Eight schemes in our pipeline ('Pipeline Schemes'):**
 - Potential to deliver over 3,200 homes;
 - Total LGF funding 'ask' of c£15.6m;
 - Schemes in Barnsley, Bolsover, Doncaster, Rotherham, Bassetlaw and Sheffield.

FBC Schemes Status

Project Name	Local Authority Area	Status/Comments	No. of Units	Total LGF Funding (£)	Grant/ Loan	FBC Due	FBC Received	Target Appraisal Panel Date	Target Funding Decision (HIB)	Notification of Investment Decision
Former Park Gardeners Club (001)	Sheffield	Approved by MCA 09/03/18	38	517,060	Grant	30.03.18	28.01.18	01.03.18	09.03.18	HIEB: 29.03.18
Nanny Marr Road Ph2 (006)	Barnsley	Approved by HIB 03/05/18	35	367,500	Grant	30.03.18	30.03.18	19.04.18	03.05.18	HIEB: 11.05.18 MCA: 11.06.18
Leach Lane, Mexborough (002)	Doncaster	Report to HIB 31/05/18	25	350,020	Grant & Loan	30.03.18	30.03.18	16.05.18	31.05.18	HIEB: 29.06.18 MCA: 30.07.18
Project 003	Sheffield	Outstanding issues/ questions for clarification	309	1,737,589	Loan	30.03.18	30.03.18	14.06.18	28.06.18	HIEB: Tbc MCA: 30.07.18
Project 004	Chesterfield	Outstanding issues/ questions for clarification	350	1,793,588	Grant & Loan	30.03.18	30.03.18	14.06.18	28.06.18	HIEB: Tbc MCA: 30.07.18
Project 005	Chesterfield	Initial clarification responses received, due diligence ongoing	170	1,550,000	Grant & Loan	30.03.18	30.03.18	14.06.18	28.06.18	HIEB: Tbc MCA: 30.07.18
Project 007	Sheffield	Outstanding issues/ questions for clarification, due diligence ongoing	53	750,000	Grant	30.04.18	30.04.18	14.06.18	28.06.18	HIEB: Tbc MCA: 30.07.18
Project 008	Sheffield	Due diligence process commenced	98	1,000,000	Loan	18.05.18	18.05.18	14.06.18	28.06.18	HIEB: Tbc MCA: 30.07.18
Project 009	Barnsley	Due diligence process commenced	25	632,000	Grant & Loan	18.05.18	18.05.18	14.06.18	28.06.18	HIEB: Tbc CA: 30.07.18
Project 010	Rotherham	Due diligence process commenced	16	720,000	Grant	18.05.18	18.05.18	14.06.18	28.06.18	HIEB: Tbc MCA: 30.07.18
TOTAL			1,119	9,417,757						

Updated Decision Schedule – as at 31/05/18

(indicative, subject to change)

	Potential Number of Schemes (total 7)	FBC Deadline	Appraisal Panel Meeting	Forward Plan (publication deadline)	Reports Deadline	Target Funding Decision (HIB meeting)	Notification of Investment Decision(s)
Page 18 3 Wave	Up to 7	Friday 18 th May	Thursday 14 th June	25 th May	Int: 13/06 SO: 14/06 Circ: 20/06	Thursday 28 th June, 1000 - 1200	HIEB: 29 th June (Verbal) MCA: 30 th July

Sheffield City Region Housing Investment Board

31st May 2018

**Scheme Recommended for Financial Approval:
Leach Lane, Mexborough, Doncaster**

Purpose of Report

This report provides details of the Leach Lane Scheme (referred to as 'the Scheme' throughout this report) which has progressed through the agreed Appraisal Framework for the Sheffield City Region (SCR) Housing Fund (HF). The Scheme is presented to the Housing Investment Board (HIB) for consideration.

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 paper will be available under the Mayoral 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 Leach Lane Scheme to Full Approval and Award of Contract at a cost of £350,020 to the Local Growth Fund (LGF), subject to the conditions set out in the Appraisal Panel Summary (see Annex B).**
- **Endorse the SCR MCA / LEP 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 MCA.**

1. Introduction

- 1.1 At its meeting on the 22nd March 2017, the SCR MCA agreed the establishment of the SCR Housing Fund (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 MCA.
- 1.2 On 30th October 2017, the SCR MCA approved delegation of HF investments to Statutory Officers of the CA for schemes requesting funds up to £2m. In practice, this delegated authority is exercised by the SCR MCA / LEP 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 MCA on 9th March 2018.
- 1.3 The SCR Assurance Framework for LEP LGF requires that all schemes seeking investment undergo a thorough and proportionate scheme appraisal following the Treasury Green Book approach. 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 guidance.
- 1.4 Prior to consideration by the 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 Officer's view regarding the Value for Money Statement and the Monitoring Officer's view regarding the relative risks of the scheme presented.
- 1.5 In line with standard financial arrangements LGF Funding 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: Leach Lane, Mexborough, Doncaster**
Leach Lane is located within the Mexborough area of Doncaster, situated within the Doncaster Sheffield Airport Corridor (as set out in the SCR Strategic Economic Plan). Mexborough urban centre will benefit from this nearby development which is situated on the waterfront. There are good road and rail links to the Manvers employment area, with easy access to the motorway networks across South Yorkshire.
- 2.2 Fenwood Estates Ltd are seeking £350,020 of LEP LGF to redevelop a 0.5ha brownfield site and deliver 17 mews houses and 8 apartments for market sale.
- 2.3 LEP LGF funding is required to deliver 25 new 2, 3 and 4 bed homes for sale. All properties are aimed at the 1st time buyer's market, with prices starting at around £105,000 for a 2 bedroom apartment. SCR funding will unlock £0.45m private sector investment and £2.4m loan investment from Homes England.
- 2.4 The scheme mix comprises 8 x 2 bed 3 person apartments together with 2 x 2 bed 3 person, 12 x 3 bed 5 person and 3 x 4 bed 7 person houses for sale. It is envisaged the scheme will start on site in June 2018. The first 13 homes will be available for occupation in February 2019, the remaining 12 will be available for occupation by January 2020.

- 2.5 The site is currently owned by Mr & Mrs Fennell, Mr Fennell being the Chairman of Fenwood Estates Ltd, and has high levels of abnormal development costs. The land will be transferred to Fenwood Estates Ltd at a value of £1. The low sales values 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 4.5 and a Net Present Value (NPV) of £660,489 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, overage clauses will form part of the contract.
- 2.8 SCR HIB are asked to consider and approve progression of Leach Lane to Full Approval and Award of Contract at a cost of £350,020 to the SCR CA 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 FBC.

3.2 **Options Appraisal Summary (taken from the Full Business Case at Annex A)**

Do nothing – the implications of 'Do Nothing' will reap the exact opposite of the intentions for this area of the Doncaster Sheffield Airport Corridor. Whilst jobs will be created through other projects, people may have difficulty finding suitable, high quality homes. There is also the potential for Homes England funding and private sector funding to be lost to Doncaster and the SCR.

Do Something (Smaller SCR Investment) – given the high level of abnormal costs on the site it is essential to achieve maximum density (i.e. 25 units) or build a more exclusive development of executive homes which generate a higher sales return. There is currently no demand for executive homes in Mexborough

Preferred Scheme – 25 new homes for sale, which are aimed at the 1st time buyer's market will be delivered. This will provide confidence of an affordable place to live for those seeking employment and remaining in the Doncaster Sheffield Airport Corridor Area.

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**. The funding requested of £350,020 comprises 50% loan at commercial rates and 50% grant funding.

4.2 Legal

The legal implications of this scheme have been considered by a representative of the Monitoring Officer and are reflected in the recommendations agreed by the Appraisal Panel presented in Annex B. The grant funding of £175,010 will constitute State Aid to Fenwood, however, the aid will not be unlawful providing: i) it doesn't exceed the de-minimis threshold of €200,000 (£175,210 at the time of writing); and ii) the loan of £175,010 is at commercial rates under the Market Economic Operator (MEOP). The SCR Executive team have

received a copy of the applicant's Solicitors advice and Fenwood has confirmed they have not received de-minimis aid in the previous 3 financial years.

4.3 Risk Management

Risk management is a key requirement for each of the submissions and is incorporated into the full business case submissions. Where weaknesses have been identified in the FBCs in terms of risk management, further work to capture and mitigate these risks is included as suggested conditions as presented in **Annex B**. SCR will secure second charge in relation to the loan element as identified in Annex B. Although this presents a potential risk in the event of default, it is considered an acceptable risk.

4.4 Equality, Diversity and Social Inclusion

Mexborough has been identified as a regeneration area and will benefit from this development by enabling young people and families who are currently renting to purchase their own homes. Doncaster's Strategic Housing Plan identifies the need to build an additional 920 new homes each year.

This development will support the Government's strategy for the provision of first time buyer and starter homes. The 2, 3 and 4 bedroom properties will be competitively priced and the Help to Buy scheme will further assist those wanting to get onto the property ladder. The development will also provide those living nearby with access to larger homes to accommodate their growing family needs.

This provides evidence that the LGF 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.

5. Communications

- 5.1** The approval of the LGF business cases, as well as other significant development milestones, presents 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.

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