

SCR HOUSING INVESTMENT BOARD

25 JULY 2018

SCR OFFICES, BROAD STREET WEST, SHEFFIELD

No.	Item	Action
	Welcome and Apologies	
	<u>Present</u> Mayor Ros Jones CBE, Doncaster MBC (Chair)	
	Board Members	
	Huw Bowen, Chesterfield BC Rob Pearson, Homes England Mike Thomas, SCC / SCR Executive Team	
	Officers Michael Hellewell, SCR Executive Team Chris Collins-McKeown, SCR Executive Team Colin Blackburn, SCR Executive Team Craig Tyler, South Yorkshire Joint Authorities	
	Apologies for absence were received from Board Members Owen Michaelson (LEP) and Martin McKervey (LEP).	
1	WELCOME AND INTRODUCTIONS	
	The Chair welcomed everyone to the meeting.	
2	<u>APOLOGIES</u>	
	Apologies were noted as above.	
3	Declarations of Interest	
	No declarations were reported.	
4	DRAFT MINUTES OF THE PREVIOUS MEETING – 31 ST MAY 2018	
	The minutes of the previous meeting held on 3 rd May 2018 were agreed to be a true and accurate record.	
	All actions were confirmed as compete.	

5 UPDATED TERMS OF REFERENCE

The Board was presented with the amended Terms of Reference (ToR) and advised of the changes made since their presentation at the previous meeting. It was noted these relate to the role of the S73 officer and clarifications in respect of the decision-making process to ensure compliance with the Combined Authority constitution.

The Proposed changes were duly endorsed.

6 SCR HOUSING FUND – INITIAL LESSONS LEARNT

The Board received the presentation originally presented to the HIEB meeting of 29th June. The presentation provided an update on current progress with the Housing Fund (HF), offered an opportunity to comment on the review of current performance and considered some initial lessons learnt.

It was suggested the Board and potential future applicants would benefit from some improved guidance notes in relation to State Aid rules. Action: Michael to provide.

In considering the proposed areas for further improvement, the Board discussed whether the Exec Team is appropriately resourced to carry out all the suggested duties and additional work to strengthen HF supporting processes.

Consideration was given to the role of HIB and how the Board members might be given the 'correct' amount of information to help them perform a true scrutiny function in respect of the officer recommendations, and avoid becoming a notional rubber-stamping exercise.

Members were assured this work does go on in the background (supported by AFCOE who provide reports on risks and suggested loan interest rates in line with State Aid guidance).

It was agreed the current amount of information is insufficient and doesn't give HIB members enough assurance that that other options have been appraised.

In order to address this it was agreed that in the future the Board would be provided with more evidence of what valuations and appraisals have been undertaken in advance of HIB being asked to endorse a recommendation. It was agreed the Board would be provided with a full audit trail of what has been evaluated, and by whom (with signatures), to enable discrete challenges to be made of component parts of the process.

Action: Colin and colleagues to review the process of HIB information provision to comply with the Board's expectation it

MH

CB

	can 'add value' to the process as a challenging and scrutinising body	
7	SCHEME UPDATE/PIPELINE AND DECISION SCHEDULE	
	The Board was provided with the scheme pipeline update and decision schedule.	
	In relation to the previous item, members were advised of where due diligence has been undertaken in respect of the various schemes.	
8	SCHEME RECOMMENDED FOR FINANCIAL APPROVAL: HAWSHAW LANE, DONCASTER	
	A report was received to provide details of the Hawshaw Lane Scheme ("the Scheme"), noting this has progressed through the agreed Appraisal Framework for the Sheffield City Region (SCR) Housing Fund (HF).	
	Members questioned the Scheme's Benefit Cost Ratio (BCR) score of 1.9, noting this is below the score of 2 which is set as the benchmark for good value for money. However, the wider benefits of providing affordable housing (above the minimum policy requirement set by the Local Authority for this area) and unblocking of a stalled scheme in a priority area mean this delivers acceptable value for money to SCR for a scheme of this nature.	
	It was requested this matter be checked and the Board be provided with a more detailed explanation of why this BCR is viewed as acceptable by the Assurance Team. Action: Michael/Chris to check with the Assurance Team	МН/ ССМ
	Board Members also requested to see information (for this scheme, as well as for future schemes where relevant) on the BCR at the policy compliant level of Affordable Housing (15%) so it can be compared to the BCR of 1.9 which delivers 36% Affordable Housing (more than double the AH requirement for this site)	
	Members noted concerns regarding the reported land costs, with examples cited where similar sites in Barnsley had been purchased for significantly smaller sums.	
	It was noted the purchase price would be subject to an independent land valuation (RICS) report and will be adjusted accordingly. It was noted this is already recognised as a condition to be satisfied prior to contract execution. However, members queried why this information wasn't already known, given that the matter is due to be reported to Barnsley MBC full council in September 2018.	
	HIB members were made aware of the strong case for supporting the scheme, including:	

- It allows a stalled scheme in a priority area to proceed after several years of inaction. This is what the pilot SCR HF was set up to do;
- It delivers well above the Council's minimum affordable housing requirement (made possible only through SCR support) in an area where there is evidence of demand for affordable homes;
- Barnsley MBC are the developer. The Business Case sets out that the private sector doesn't have the appetite to take this development forward given the ground conditions and viability gap;
- There are sufficient conditions in the funding agreement to make sure the grant is repaid if margins are better or the land value is lower than currently estimated. Both conditions will improve eventual BCR.

RESOLVED, that the Board:

- 1. Notes the information presented in this report and supporting annexes and approves the progression of the Hawshaw Lane Scheme to Full Approval and Award of Contract at a cost of £632,000 to the Local Growth Fund (LGF), subject to the conditions set out in the Appraisal Panel Summary (at Annex B) and in particular the condition pertaining to land value appraisal.
- 2. Endorses the SCR MCA / LEP Senior Finance Manager (on behalf of the Chief Finance/ s73 Officer and the SCR Statutory Officers Group) to carry out their role in respect of this scheme, in line with the delegated authority received from the MCA.

POST MEETING UPDATE:

Two issues were raised in relation to the BCR of the scheme approved by the HIB on 25th July. Responses to both points are set out below.

A BCR of 1.9:

A BCR of 2.0 is viewed as 'good' value for money. This is however seen as a general guide which applies best to transport schemes.

The current Government Guidance for housing schemes states that a BCR of 1.9 is viewed as 'acceptable'.

In addition, the SCR Combined Authority Assurance Framework enables schemes with a lower BCR to be approved where the wider case for investment is strong. As set out at the meeting, this is the case of this scheme.

 BCR for the Hawshaw Lane scheme with changes in the provision of Affordable Housing:

	○ 36% AH – BCR = 1.9 (approved scheme)	
	More than double the AH policy requirement	
	○ 15% AH – BCR = 1.4	
	Delivery of policy compliant AH	
	0 0% AH – BCR = 1.0	
8	REPORTING OF INVESTMENT DECISIONS TO THE HOUSING	
	AND INFRASTRUCTURE EXECUTIVE BOARD AND THE	
	COMBINED AUTHORITY	
	It was confirmed the Board's decisions in respect of Item 7 will be	
	reported to the forthcoming meetings of the Combined Authority and	
	the Housing and Infrastructure Executive Board.	
	the Hodding and minastructure Excounte Board.	
9	ANY OTHER BUSINESS	
	ANT OTTER BOOMESO	
	The Board noted ongoing plans to develop a business case for an	
	extension to the Housing Fund.	
	extension to the modeling rand.	
	The Board discussed matters that will need to be considered should	
	there be any further call for additional projects. It was suggested this	
	, , , , , , , , , , , , , , , , , , , ,	
	could be aligned to the existing evidence base collated in relation to	
	the SCR's known priority housing sites (as undertaken by Ed Ferrari).	
10	Date of Next Meeting	
10	Date of Next Meeting	
	Friday 24th August 2 00pm at 11 Prood Street West Shoffield	
	Friday 24 th August, 2.00pm at 11 Broad Street West, Sheffield.	
1		