

**AGENDA**

<b>Items Title</b>	<b>Method</b>	<b>Speaker</b>
<b>Introduction</b>		
1. Welcome and Apologies	Verbal	Chair
2. Minutes & Actions of the Previous Meeting & Matters Arising	Paper	Chair
3. Declarations of Interest	Verbal	All
4. Urgent items / Announcements	Verbal	All
<b>Business items</b>		
5. EZ Accelerator Fund	Paper	Joanne Neville
6. SCRIF Business Case – Knowledge Gateway	Paper	Joanne Neville
7. Bids to the DCLG HIF and the OPE/LRF	Verbal	Michael Hellewell
8. SCR Housing Fund Update	Verbal	Michael Hellewell
9. Board Arrangements		Colin Blackburn
• Review of what's worked well and areas for improvement	Verbal	
• Pre-meets and meeting schedule	Verbal	
• Forward Plan	Paper	
• Membership	Verbal	
<b>Actions &amp; Forward Planning</b>		
10. Agree actions & Summary for Resolution Log	Verbal	Chair
11. AOB	Verbal	All

**DATE OF NEXT MEETING – 22<sup>nd</sup> December 2017**

**INFRASTRUCTURE/HOUSING EXECUTIVE BOARD**

**27<sup>th</sup> October 2017**

**ENTERPRISE ZONE ACCELERATOR FUND AND ENTERPRISE ZONE VISION REVIEW**

**Purpose of Report**

The report seeks to provide a review of the success of the Enterprise Zone Accelerator Fund and to seek Infrastructure/ Housing Executive Board approval as to whether to expand the offer to cover other “acceptable” uses within the Enterprise Zone (EZ) Vision.

**Thematic Priority**

This report relates to the following Strategic Economic Plan priorities:

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

**Freedom of Information**

Reports to Executive Boards are not made available under the Combined Authority Publication Scheme. This report is not exempt under Part II of the Freedom of Information Act 2000.

**Recommendations**

The IHEB is asked to extend the parameters of the Enterprise Zone Accelerator Fund to the supporting sectors deemed to be acceptable uses within the EZ vision (including logistics) as well as continuing to support end users in the modern manufacturing and technology sector.

**1. Introduction**

- 1.1** The SCR has provided the JESSICA Fund with £5m grant funding to be used flexibly in the form of grant or commercial loan to support development in the Enterprise Zones. At the Infrastructure Executive Board in January 2017 and confirmed at February’s meeting it was agreed that the Enterprise Zone Accelerator Fund (EZ Fund) would be prioritised for the first 6 months for projects in line with the EZ vision i.e. for end users in the modern manufacturing and technology sector. It was agreed that this would be revisited following 6 months to determine whether this should be extended to supporting sectors deemed to be “acceptable”.

- 1.2** Despite the EZ Vision prioritising the modern manufacturing and technology sector, development activity across SCR's 23 EZ sites has seen a range of developments coming forward. The advanced manufacturing cluster around the Sheffield and Rotherham EZ sites has gone from strength to strength with new occupiers including McLaren, Metalysis and Nikken. However, the EZ sites across the rest of the region have seen significant growth focused around the logistics sector with Great Bear taking approx. 900,000sqft in Chesterfield (800 jobs) and occupying a further site in Sheffield and Universal Components taking 165,000sqft in Barnsley (160 jobs). In addition, Peel have recently announced that their acquisition of the EZ site, the former Outokumpu site, will be brought forwards for a large logistics led business park providing 850,000sqft of space. In total to date there have been 47 businesses that have relocated onto the EZ creating 1027 jobs and it is recognised that the SCR EZ is performing well.
- 1.3** At the EZ Governance Board on 26<sup>th</sup> September, it was recognised that the logistics sector is an important sector that is performing well across the SCR with positive interest for further growth in the SCR.

## **2. Proposal and justification**

- 2.1** Following a Call for proposals the EZ Accelerator Fund received two proposals which have been subject to assessment and independent due diligence prior to presentation to the JESSICA Investment Board. One of the proposals seeks viability funding to speculatively deliver industrial floorspace within one of Barnsley's EZ sites. In order to align with the EZ Vision and the purpose of the fund for the first 6 months, the JESSICA Board have recommended conditions to restrict occupation to the modern manufacturing and technology sectors for a specified time period.
- 2.2** SCR has received feedback from BMBC that this restriction is stifling development. BMBC confirmed that 60% of enquiries received via their Enterprising Barnsley team for units of the size proposed were for logistics companies. BMBC confirm that whilst the size of unit proposed maximises the development potential of the site and keeps the costs down to minimise the viability gap it is also more attractive given its location to logistics companies. If the recommended condition remains, it will minimise enquiries that can be pursued to 40% and delay delivery of investment and jobs.
- 2.3** The purpose in allowing the EZ Accelerator Fund to focus on the preferred sectors within the EZ vision was to stimulate activity within the modern manufacturing and technology sector. By focusing solely on those priorities for 6 months it was envisaged that if opportunities existed then the fund would have been able to support them. However, the call for proposals only gave rise to two projects (one of which seeks to enable logistics use). This demonstrates that it is the market that determines the best use for the sites and the EZ Vision carries no weight in terms of prioritising uses for sites. For this reason, some of the EZ sites in the SCR due to their close proximity to the motorway and the neighbouring uses are more suited to logistics.
- 2.4** Given the existing mix of development to date on the SCR EZ, its job creation and the known future intentions of land owners, as well as to logistics being recognised as a key sector within the SCR new Inclusive Industrial Strategy our approach to EZ sites needs to reflect this. On this basis it is proposed that the EZ Accelerator Fund should be widened to allow for the other acceptable uses within the EZ Vision including logistics alongside the preferred uses within the Vision. This will speed up the delivery of development, investment and job creation across the SCR EZ.

### 3. Consideration of alternative approaches

- 3.1 The EZ Accelerator Fund could continue, as originally proposed, to target advanced manufacturing and technology sectors. A further call for projects could be invited to identify other future projects if the current projects proposed do not progress.

### 4. Implications

- 4.1 **Financial** – If both existing proposals to the EZ Accelerator Fund progress they will require all £5m of the EZ Accelerator Funding. This means that until funds are repaid or further funding is provided there will be no further calls for proposals for the EZ Accelerator Fund. It is expected that circa £2.5m of the original £5m EZ funding will be repaid to the Fund following completion of the developments and in due course this funding will enable further investments in the EZ to be made.

- 4.2 **Legal** - None arising from this report.

- 4.3 **Risk Management** - None arising from this report.

- 4.4 **Equality, Diversity and Social Inclusion** - None arising from this report.

### 5. Communications

- 5.1 There will be opportunities for communications activity to take place to promote that the SCR is supporting activity across the Enterprise Zone sites.

### 6. Appendices/Annexes

- 6.1 None.

<b>REPORT AUTHOR</b>	<b>Joanne Neville</b>
<b>POST</b>	<b>Senior Programme Manager (Infrastructure)</b>
Officer responsible	<b>Mark Lynam</b>
Organisation	<b>Sheffield City Region</b>
Email	<b>Mark.Lynam@sheffieldcityregion.org.uk</b>
Telephone	<b>0114 2203442</b>

Background papers used in the preparation of this report are available for inspection at: 11 Braod Street West, Sheffield S1 2BQ

Other sources and references: None

**INFRASTRUCTURE AND HOUSING EXECUTIVE BOARD**

**27<sup>th</sup> October 2017**

**APPRAISAL PANEL BUSINESS CASE RECOMMENDATIONS**

**Purpose of Report**

In line with the Sheffield City Region Single Assurance Framework projects seeking CA funding have been considered and recommended for Executive Board endorsement prior to presentation to the CA.

**Thematic Priority**

This report relates to the following Strategic Economic Plan priorities:

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

**Freedom of Information**

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**Recommendations**

The IHEB are asked to consider the recommendation to progress the scheme business case to Full Approval and endorse the entering into a loan agreement for Sheffield City Council: Knowledge Gateway at a cost of £4,115,000 subject to the conditions set out in the Appraisal Panel Summary Table attached at Appendix 1. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

**1. Introduction**

- 1.1** In line with the Sheffield City Region Single Assurance Framework this project has been through a process of technical Appraisal, utilising external support, and consideration by a Panel of Officers representing the SCR Statutory Officers. The outcomes of this process are the recommendations presented for endorsement of the Infrastructure Executive board prior to seeking approval from the CA.

## **2. Proposal and justification**

**2.1** The IHEB are asked to consider the recommendation to progress the scheme business case to Full Approval and endorse the entering into a loan agreement for Sheffield City Council's Knowledge Gateway scheme at a cost of £4,115,000 subject to the conditions set out in the Appraisal Panel Summary Table attached at Appendix 1. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

### **2.2 Assurance Framework**

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

Before papers are submitted to Executive Boards an independent technical appraisal is undertaken and reviewed by a panel of Officers representing the Statutory Officers of the SCR Executive. Where appropriate, due to the scale/risk and complexity of the project, this is supplemented by external appraisal from a panel of Consultants referred to as Central Independent Appraisal Team (CIAT).

The technical appraisal will scrutinise the business case documents submitted by scheme promoters to ensure completeness and test the responses to each of the 5 cases (Strategic, Economic, Financial, Management and Commercial) and will present their findings for each case and the project overall.

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.

### **2.3 Sheffield City Council Knowledge Gateway**

Sheffield City Council seek £4,115,000 of SCRIF for the Knowledge Gateway. The scheme involves a series of public realm interventions designed to improve the connectivity to and between several key development sites and improve the environment and setting for these sites. This is expected to unlock the potential for the delivery of 43,720sqm of new floorspace; accommodating 2,863 gross additional jobs (FTE), 491 residential units; and an net additional GVA uplift of more than £158m over 10 years, according to the submitted full business case. The plan attached at Appendix 2 demonstrates the location of the interventions and the sites this investment would unlock.

**2.4** The Knowledge Gateway business case was endorsed by the IEB in July 2016 but was never progressed to the CA for award of contract due to the possibility that the area surrounding Sheffield Midland Station may be required for alterations caused by HS2. Following confirmation from Government that the HS2 station will be located at Sheffield Midland Station, the Knowledge Gateway scheme has had to be revised.

**2.5** The key amendments to the scheme include:

- The removal of the Sheaf Square site which facilitated many job outputs
- An increase in costs for the remaining works following procurement. This means that an extra £300k is required from SCRIF to fully fund the acquisition and demolition of two properties at the top of Esperanto Place (fronting onto Arundel Gate) to improve the gateway and ensure appropriate connectivity. (£3.815m was endorsed by IEB in July 2016)
- To mitigate these additional funds in the wider LGF capital programme, SCC have offered up this saving from another of their SCRIF city centre schemes. This

additional spend is proposed to be spent this current financial year which helps improve the overall LGF programme position.

**2.6** Due to the removal of the Sheaf Square site from this project, the employment generation potential of the scheme (i.e. the indirect impact) has changed significantly, resulting in a loss of 67% of the proposed gross additional jobs, from a position of 862 jobs in the July 2016 business case, to 285 in the revised submission. However, this still provides value for money if these jobs are delivered, providing a cost per additional job of £14,822 and £57,066,699 of GVA.

**2.6** On this basis, given that the value for money case is based on the quantum and acceleration of additional jobs and that the jobs are an indirect outcome, it is recommended that SCRIF is provided to SCC on a loan basis initially to assist with meeting LGF spend targets this year and until the physical works are complete. Once the works are complete 50% of the loan will revert to a grant. The remaining funding will be tied to achieving the job creation within the time periods specified in the Full Business Case.

### **3. Consideration of alternative approaches**

**3.1** Alternative approaches including do nothing and do less were considered as part of the options appraisal in the Economic Case of the FBC, all of which were not viable alternatives or would significantly impact the value for money of the project.

### **4. Implications**

#### **4.1 Financial**

Financial implications have been fully considered by a representative of the S73 officer and included in the recommendations agreed by the Appraisal Panel as presented in this report.

#### **4.2 Legal**

Legal implications have been fully considered by a representative of the Monitoring officer and included in the recommendations agreed by the Appraisal Panel as presented in this report.

#### **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 in the appraisal panel summary sheets.

#### **4.4 Equality, Diversity and Social Inclusion**

None as a result of this report.

### **5. Communications**

**5.1** The business cases for the SCRIF schemes present an opportunity for positive communications; officers from the SCR Executive Team will work with the relevant local authority officers on joint communications activity.

### **6. Appendices/Annexes**

## 6.1 Appendix 1: Appraisal Panel Summary

<b>REPORT AUTHOR</b>	<b>Joanne Neville</b>
<b>POST</b>	<b>Senior Programme Manager (Infrastructure)</b>
Officer responsible	<b>Mark Lynam</b>
Organisation	<b>Sheffield City Region</b>
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Other sources and references:

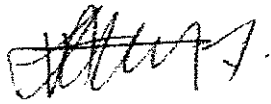



Scheme Details		Appraisal Panel Comments		Recommendations / Conditions	
<b>SCR Executive Board</b>	Infrastructure	<b>Strategic Case</b>	Investment in a series of interlinked public realm and highways enhancements in the 'Knowledge Gateway' area of Sheffield City Centre has a strategic rationale and basis in both Sheffield City Council and City Region economic strategy. The project is a follow on from the Grey to Green Phase 1 and University of Sheffield Campus projects which have already been funded through SCRIF.	<b>Funding</b>	LGF
<b>Project Name</b>	Knowledge Gateway	<b>Value for Money</b>	The scheme achieves a cost per gross additional job created of £14,822 and GVA benefit of £57,066,699. However, value for money from this investment rests on 2 fundamental issues: firstly that at least half of the estimated gross additional jobs are delivered; and secondly that they are delivered at the rate stated in the FBC. If these two conditions are met, this investment will yield a satisfactory return to the taxpayer. The risks and mitigation proposed are stated below.	<b>Approval Requested</b>	Contract Award – subject to conditions
<b>Scheme Promoter</b>	Sheffield City Council	<b>Risk</b>	Reasonable evidence has been provided on the progress of commercial and Sheffield Hallam University developments in the Knowledge Gateway area. But there are some outstanding uncertainties over the deliverability of some of the commercial and economic outputs associated with the SCRIF investment, particularly related to the quantum and rate of additional employment generation. The loan basis of the investment and clawback conditions seek to protect the SCR investment.	<b>Grant Award</b>	£4,115,000 - loan
<b>SCR Funding</b>	£4,115,000			<b>Grant Recipient</b>	Sheffield City Council
<b>Total Scheme Cost</b>	£6,532,000	<b>State Aid</b>	The project is considered neutral from a Sheffield City Region perspective.	<b>Payment Basis</b>	Loan Finance – upon completion of contract
<b>% SCR allocation</b>	63%	<b>Delivery</b>	Sheffield City Council has a demonstrable track record in managing public realm and highways capital projects in the City Centre.	<b>Claw Back Clauses</b>	Clawback linked to outcomes – see conditions surrounding conversion from loan finance to grant

Description	Conditions of Award
<p>Sheffield City Council is applying for £4,115,000 of SCRIF for the third package of infrastructure and public realm investment – ‘Knowledge Gateway’ – under the Sheffield City Centre SCRIF investment programme.</p> <p>Knowledge Gateway (KG) is made up of a series of interventions in the public realm with the following objectives:</p> <ol style="list-style-type: none"> <li>1. Support new campus developments by Sheffield Hallam University along the Paternoster/Pond St/Fitzalan Sq axis</li> <li>2. Enhance the ‘live-work’ function of the Cultural Industries Quarter (CIQ) around its main street Brown St/Paternoster Row through to Sidney St.</li> <li>3. Facilitate transformational change in the run-down Fitzalan Sq/ Esperanto Place reconnecting it to the Heart of the City and towards Castlegate.</li> <li>4. To facilitate expansion of the Central Business District into the Lower Sheaf Valley, taking full advantage of opportunities offered by the planned HS2 and Northern Powerhouse Rail plans and anticipated contraction of Pond St Bus Interchange.</li> </ol> <p>The key purpose of the scheme is to improve the connectivity to and between several key development sites and improve the environment and setting for these sites. This is expected to unlock the potential for the delivery of 43,720sqm of new floorspace; accommodate 2,863 gross jobs (FTE), 491 residential units; and an estimated net additional GVA uplift of more than £158m, according to the FBC.</p>	<p>SCR will give SCC a 100% loan for the scheme.</p> <p>At practical completion, 50% of this loan will convert into grant.</p> <p>Once half the jobs set out in the FBC are delivered the remaining 50% of the loan will also convert to grant.</p> <p>Given that SCRIF investment only returns value for money if the proposed acceleration occurs, clawback has to be linked to not only the quantum of outputs but also the rate of delivery. If at the end of three years (November 2020) at least 50% of the estimated jobs have not been achieved, for each job below half of the total that is not delivered, SCC will return £15k to SCR.</p>

## Record of Approvals

### Sheffield City Council 'Knowledge Gateway'

Appraisal Panel		Executive Board		CA	
<b>Date of Meeting</b>	18/10/17	<b>Date of Meeting</b>		<b>Date of Meeting</b>	
<b>SCR Officer Presenting Paper</b>	Felix Kumi-Ampofo AD – Programme Assurance	<b>SCR Officer Presenting Paper</b>		<b>SCR Officer Presenting Paper</b>	
<b>Signature</b>		<b>Signature</b>		<b>Signature</b>	
<b>Approving Officer</b>	Mike Thomas	<b>Approving Officer</b>		<b>Approving Officer</b>	
<b>Signature</b>		<b>Signature</b>		<b>Signature</b>	
<b>Date</b>	18/10/17	<b>Date</b>		<b>Date</b>	

**INFRASTRUCTURE AND HOUSING EXECUTIVE BOARD**

**27<sup>th</sup> October 2017**

**APPRAISAL PANEL BUSINESS CASE RECOMMENDATIONS**

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- To mitigate these additional funds in the wider LGF capital programme, SCC have offered up this saving from another of their SCRIF city centre schemes. This

additional spend is proposed to be spent this current financial year which helps improve the overall LGF programme position.

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None as a result of this report.

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**5.1** The business cases for the SCRIF schemes present an opportunity for positive communications; officers from the SCR Executive Team will work with the relevant local authority officers on joint communications activity.

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## 6.1 Appendix 1: Appraisal Panel Summary

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<b>POST</b>	<b>Senior Programme Manager (Infrastructure)</b>
Officer responsible	<b>Mark Lynam</b>
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<b>% SCR allocation</b>	63%	<b>Delivery</b>	Sheffield City Council has a demonstrable track record in managing public realm and highways capital projects in the City Centre.	<b>Claw Back Clauses</b>	Clawback linked to outcomes – see conditions surrounding conversion from loan finance to grant



Description	Conditions of Award
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**Record of Approvals**

**Sheffield City Council 'Knowledge Gateway'**

<b>Appraisal Panel</b>		<b>Executive Board</b>		<b>CA</b>
<b>Date of Meeting</b>	18/10/17	<b>Date of Meeting</b>		<b>Date of Meeting</b>
<b>SCR Officer Presenting Paper</b>	Felix Kumi-Ampofo AD – Programme Assurance	<b>SCR Officer Presenting Paper</b>		<b>SCR Officer Presenting Paper</b>
<b>Signature</b>		<b>Signature</b>		<b>Signature</b>
<b>Approving Officer</b>	Mike Thomas	<b>Approving Officer</b>		<b>Approving Officer</b>
<b>Signature</b>		<b>Signature</b>		<b>Signature</b>
<b>Date</b>	18/10/17	<b>Date</b>		<b>Date</b>



**Proposed Forward Plan for SCR HIEB Meetings V3 - 27 October 2017**

	<b>27<sup>th</sup> October</b> <b>(Executive members of IEB &amp; HEB only)</b>	<b>22<sup>nd</sup> December</b> <b>(first full HIEB meeting)</b>	<b>9<sup>th</sup> February</b>	<b>4<sup>th</sup> April</b>
<b>Business Items (including Business Case Endorsement)</b>	<ul style="list-style-type: none"> <li>• Bids to the DCLG HIF and OPE6/ LRF</li> <li>• The SCR Housing Fund – update on progress/ key milestones</li> <li>• SCRIF – Sheffield City Council: Knowledge Gateway</li> </ul>	<ul style="list-style-type: none"> <li>• SCR Housing Fund: Governance arrangements</li> <li>• SCR Housing Fund: Project level approvals (where relevant)</li> <li>• SCRIF – Barnsley Metropolitan District Council – J37 Phase 1a</li> <li>• SCR Housing Statement</li> </ul>	<ul style="list-style-type: none"> <li>• SCR Housing Fund: Project level approvals (where relevant)</li> <li>• SCRIF – Doncaster Metropolitan Borough Council – Quality Streets</li> <li>• SCR Infrastructure Investment Plan Review Project Plan</li> </ul>	<ul style="list-style-type: none"> <li>• SCR Housing Fund: Project level approvals (where relevant)</li> <li>• Draft SCR Energy Strategy and Delivery Plan</li> </ul>
<b>Performance Dashboard</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• SCRIF – Q2 Performance (retrospective)</li> </ul>	<ul style="list-style-type: none"> <li>• SCRIF – Q3 Performance</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>Discussion Items</b>	<p>Enterprise Zone Accelerator Fund Review</p> <p><b>Board Arrangements:</b></p> <ul style="list-style-type: none"> <li>• IEB and HEB: Review of what’s worked well and areas for improvement</li> <li>• Practicalities: pre-meetings, meeting date schedule</li> <li>• Agree Forward Plan for the next 3-4 months</li> <li>• Wider membership of the joint IEB-HEB</li> </ul>	<ul style="list-style-type: none"> <li>• Joint SCR-HCA Housing Investment Programme (including priority sites pipeline update)</li> <li>• SCR Energy Strategy and Delivery Plan baseline outputs</li> <li>• SCR Enterprise Zone draft Position Report &amp; Gov’t response to SCR EZ Business Plan proposals</li> <li>• SCR Housing Summit - revised proposals</li> <li>• MIPIM housing &amp; infrastructure emerging proposals</li> <li>• SCR Infrastructure Investment Plan Review – draft Project Brief</li> </ul>	<ul style="list-style-type: none"> <li>• SCR Estate Transformation Strategy</li> <li>• Annual SCR Housing Monitoring Report</li> <li>• SCR Energy Strategy and Delivery Plan emerging proposals</li> <li>• MIPIM housing &amp; infrastructure focus</li> <li>• SCR Digital Plan – digital infrastructure draft proposals</li> <li>• SCR Inclusive Industrial Strategy – Place (incl. Infrastructure &amp; housing).</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the Business Plan for the HIEB</li> <li>• SCR Infrastructure Investment Plan Review</li> </ul>
<b>Updates (including agreed ‘Standing Items’)</b>		<ul style="list-style-type: none"> <li>• SCR bids to/ engagement with national programmes (HIF/ OPE6/ LRF/ AC)</li> <li>• Future SCR project calls</li> <li>• Report from the SCR Joint Assets Board</li> <li>• More New Homes workstreams – progress report</li> <li>• HCA Programmes Performance Report</li> <li>• SCR Housing Providers Forum (quarterly)</li> </ul>	<ul style="list-style-type: none"> <li>• Report from the SCR Joint Assets Board</li> <li>• More New Homes workstreams – progress report</li> <li>• HCA Programmes Performance Report</li> </ul>	<ul style="list-style-type: none"> <li>• Report from the SCR Joint Assets Board</li> <li>• More New Homes workstreams – progress report</li> <li>• HCA Programmes Performance Report</li> <li>• SCR Housing Providers Forum (quarterly)</li> </ul>