

HOUSING BOARD

17th JULY 2019

HOUSING FUND - BRADWELL CLT AFFORDABLE HOUSING SCHEME

Purpose of Report

In line with the Sheffield City Region Assurance Framework, a project seeking Mayoral Combined Authority funding has been considered by the Sheffield City Region (SCR) Appraisal Panel and is recommended to the Housing Board for a policy steer and potential in principle investment decision.

The Scheme is seeking grant funding of £370,000 from SCR to provide 12 affordable homes in perpetuity in the village of Bradwell in the Peak District National Park. This report and supporting annexes provide details of the Bradwell CLT project

Freedom of Information

This paper will be available under the Combined Authority Publication Scheme however, Annex 1 is exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

Recommendations

The Board is asked to:

1. Decide the principle of the SCR Housing Fund being used to support the Bradwell scheme, and if so, invite the Scheme Sponsor to progress to Full Business Case; and
2. If the decision to Recommendation 1 above is to invite progression to Full Business Case, then subject to submission of a Full Business Case and a positive Appraisal Panel recommendation, delegate the final decision to grant fund 12 affordable homes in perpetuity in the village of Bradwell up to £370k, to the Head of Paid Service (or his appointed delegate) in consultation with the Housing Board's Co-Chairs.

1. Background

- 1.1 As part of the HF open call for projects, Bradwell Community Land Trust (BCLT) applied in November 2018 for funds to purchase 12 houses in Bradwell village which are currently privately rented by a single landlord (at below rental market rates). This would save the houses from being sold on the open market. The landlord has delayed putting the homes on the open market since October 2018 to allow for the BCLT to raise the funding to acquire the houses and keep them affordable for local residents in perpetuity. Peak District Rural Housing Association (PDRHA) have been selected by BCLT to lease and manage the properties should funding be secured to acquire them. A proposed funding package comprises PDRHA, Derbyshire Dales District Council

(DDDC), Homes England, and the SCR. The decision of Homes England to fund the scheme is awaited.

- 1.2 A Strategic Business Case (SBC) was submitted to SCR HF in May 2019. The SBC was reviewed by the SCR Appraisal Panel (Annex 1) and the project delivers good value for money with positive BCR and NPV value. However, the Appraisal Panel considered that they couldn't recommend that the project progress to Full Business Case (FBC) without a view being sought from the SCR Housing Board as to the principle of funding the scheme as it does not result in any new additional dwellings, which is a key aim of the SCR HF. It would though maintain affordable housing in an area of local need, which would otherwise be lost.
- 1.3 The view of the Board is therefore requested on the principle of enabling the HF to support the scheme (and invite a FBC to be submitted). Also, an approval would need to be confirmed based on a FBC before the next meeting of the Board as the landlord requires a decision by the BCLT before September. If agreeable, it is proposed that the Co-Chairs liaise with the Head of Paid Service to approve the funding subject to due process and a favourable Appraisal Panel FBC recommendation.

2. Proposal and justification

Bradwell CLT Affordable Housing Scheme

- 2.1 The Peak District Rural Housing Association (PDRHA) have been selected by BCLT to lease and manage the properties should funding be secured to acquire them. PDHRA have applied to the SCR HF for £370,000 grant to allow them to keep 12 affordable homes in Bradwell village from being sold on the open market and maintain them as affordable units in perpetuity.
- 2.2 The homes are an important part of the affordable housing stock in Bradwell and the Peak District and are currently occupied. The tenants have all lived in the properties for over fourteen years; six of the households are economically active; and four have children in the local school which struggles for pupil numbers. It is likely that the current tenants would need to move out of the properties should they be sold and there is no alternative affordable accommodation in the village.
- 2.3 BCLT originally submitted a Gateway Form (expression of interest) to SCR for £2.5m but the BCR and NPV values would not have been sufficient to warrant a funding offer from the HF. SCR and BCLT then worked to investigate other funding options with Derbyshire Dales District Council (DDDC) and Homes England, which reduced the SCR funding ask to £370,000. A funding package is being proposed from contributions from PDRHA, DDDC, Homes England and the SCR.
- 2.4 An important aspect of SCR HF is to help to contribute to the SEP housing growth ambition through investment in interventions to build or accelerate the building of new homes. This scheme would not do this as the homes are already built, but there would be an opportunity net cost of the loss of 12 affordable homes should they be sold on the open market. A letter of support confirming the housing need situation in Bradwell and the Peak District is attached at Annex 2.
- 2.5 The HF was intended to offer flexibility in meet bespoke local needs, so the scheme does support other relevant SCR HF objectives; namely:
 - Support for schemes which wouldn't have otherwise progressed by testing 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 (importantly not duplicating existing investment products); and

- To focus on a more flexible approach which can be scaled up by testing new approaches to scheme identification, appraisal and decision making which can inform the development of a long-term approach to SCR-led housing investment.

Funding this scheme would particularly demonstrate a flexible approach, worked up collaboratively with DDDC and Homes England to address a pressing local affordable housing need issue in Bradwell.

Strategic Business Case – Appraisal Panel

- 2.6** The independent technical appraisal team have scrutinised the SBC submitted by the Scheme Promoter (PDRHA) to ensure completeness and to test the responses to each of the 'five cases' (Strategic, Economic, Financial, Management & Commercial). The Appraisal Panel Summary of the SBC is attached at Annex 1, and the full SBC is available to Members on request.
- 2.7** The scheme has a BCR of 2.1 and a NPV of £512,783. As such, the scheme has been assessed as delivering 'good' value for money. The BCR and NPV include the benefits of safeguarding the health and welfare benefits associated with affordable housing provision. It is expected that the information PDRHA will present in their FBC will be the same as the SBC information presented in this report – only the format and final 'ask' will be amended.
- 2.8** The Appraisal Panel has therefore requested that the SCR Housing Board consider the principle of funding the scheme and, if so, requesting the Scheme Sponsor submit a FBC for consideration.

3. Consideration of alternative approaches

- 3.1** All other funding options have now been exhausted and the SCR HF ask is to cover the remaining scheme viability gap, so subject to Homes England agreeing to support the scheme as set out above, this scheme will not go ahead without the SCR funding. There is currently no alternative affordable accommodation or other affordable housing schemes in Bradwell and, therefore, the current tenants would likely need to relocate outside the village should the homes be sold on the open market.

4. Implications

4.1 Financial

The Bradwell scheme would cost SCR £370,000 to maintain 12 affordable units in perpetuity for the local community in Bradwell – this would come from the SCR Local Growth Fund Housing Fund. The average cost per unit spend for the HF programme to date is currently £10,700 per unit. The Bradwell scheme would be £30,800 per unit, but this reflects the comparatively high properties values in the Derbyshire Dales.

Should the principle of funding the scheme be agreed by the Board, and a positive recommendation on the FBC be provided by the Appraisal Panel, the Mayoral Combined Authority has delegated authority to the Head of Paid Service (or his

delegate) to approve Housing Fund investment decisions (grants and loans) of up to £2m. As the approval decision will be required before the next meeting of the Housing Board, it is proposed that the approval will be considered in liaison with the Board's Co-Chairs.

4.2 Legal

None arising from this report.

4.3 Risk Management

There is an opportunity cost to spending £370,000 on this scheme. This may be balanced by the risk of other viable projects not coming forward in time to spend the original £10m HF before the March 2021 deadline.

4.4 Equality, Diversity and Social Inclusion

None arising from this report.

5. Communications

- 5.1** In the event of a successful scheme, there may be opportunities for proactive communications across traditional, digital and social media.

6. Appendices/Annexes

- 6.1** Annex 1 – Bradwell Strategic Business Case Appraisal Panel Summary
Annex 2 – Letter from DDDC on Housing Need

REPORT AUTHORS: Becky Guthrie / Colin Blackburn

TITLE: Senior Programme Manager / Assistant Director Housing,
Infrastructure, Planning

Director responsible: Mark Lynam

Email: Mark.Lynam@sheffieldcityregion.org.uk

Telephone: 0114 220 3445

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

Other sources and references: N/A