

3rd SEPT 2020

HOUSING FUND (BROWNFIELD)

Purpose

This report describes the new Housing Fund specifically for brownfield sites and asks the Board to consider the criteria and assurance processes proposed to facilitate the delivery of the Fund set out in the appended prospectus.

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

The paper will be available under the Combined Authority Publication Scheme

Recommendations

Board members are asked to:

1. Note the details of the Housing Fund grant allocation and the ongoing work to progress early deliverable schemes;
2. Consider the proposed housing schemes for the competitive fund, and confirm the Board's views on submitting schemes.
3. Comment on the proposed criteria and assurance processes set out in the Housing Fund Prospectus in Annex 1, subject to any suggested Board amendments.

1. Introduction

- 1.1** On the 30th June 2020, the Government launched 'A New Deal for Britain' which is a key part of the Government's Strategy to rebuild Britain following Covid 19 and support the economic recovery across the UK.
- 1.2** As part of this strategy, £40.3m of capital funding and £841,000 revenue funding has been allocated to the Sheffield City Region Mayoral Combined Authority (MCA) for supporting development of housing schemes on brownfield land over the next 5 years.
- 1.3** This report sets out the proposals including the Draft Housing Fund Prospectus for delivering this programme within the MCA Assurance Framework guidelines to ensure proper due diligence and value for money.

2. Proposal and justification

Housing Fund (Brownfield)

2.1 The £40.3m capital and £841k revenue funding has been devolved to the MCA from the Government's Brownfield Housing Programme. This will enable the expansion of the MCA Housing Fund and ensure the MCA and LEP can support the delivery of a greater number of new homes to meet local needs which would otherwise not be brought forward by the Market. This will be particularly important as part of the response to the Covid-19 crisis that is seeing reduced construction and development activity.

2.2. The profile of capital funding over the five years agreed with MHCLG is as follows;

Early Delivery	Remaining Programme			
2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
£6m	£14m	6.66m	6.66m	6.66m

2.3 The revenue will primarily be used to accelerate the project pipeline to bring forward housing schemes for delivery in the next two years.

2.4 It is proposed to adopt a two phased approach to the Housing Fund Programme. Early spend upto March 2021 will necessitate a different approach to the full five year programme in order to seek to deliver the 'early deliverable schemes' within the initial timeframe. This is set out in more detail below.

'Early Delivery' (By March 2021)

2.5 The timeframe for spending the first six month's allocation prior to March 2021 means the assurance process for the first year will need to be 'flexed' to enable relevant schemes to be fast-tracked. The MCA Assurance Team are proposing the following process to meet the tight timeframe whilst maintaining a robust Assurance process:

- Local Authorities are being initially invited to submit Gateway Forms for eligible projects that can spend prior to March 2021 and start to deliver housing units within the first two years of the programme. It is not considered appropriate or practical to invite scheme proposals directly from private sector scheme sponsors in this initial phase.
- Initial scheme assessments will be undertaken rapidly and all eligible projects will be incorporated within a Housing Fund Programme Strategic Business Case (SBC) for 'Early Delivery.'
- This 'Early Delivery' SBC will be taken to the MCA in November for approval to accept onto the pipeline. It will also be brought to Housing Board for discussion.
- Assuming the MCA approves the SBC, the individual schemes will proceed directly to Full Business Case (FBC) stage, with revenue support being provided to support project development.

2.6 FBCs will go through the usual full MCA appraisal and assurance process to ensure proper due diligence and value for money. If FBCs are recommended for funding approval, schemes will be reported to this Board for decision for those schemes requesting funding up to £2m, and to the MCA for decision for those schemes requesting funding of £2m and over.

- 2.7** The assurance process for these 'early delivery' schemes will vary from the full programme, but the appraisal criteria for evaluation of individual projects at FBC stage will be same for the whole programme as set out in the Housing Fund (Brownfield) Prospectus attached at Annex 1.

Full Programme (to March 2025)

- 2.8** For the full programme the assurance process will revert to the full process previously used for Housing Funding in SCR. The proposed process and evaluation criteria are described in the draft Housing Fund (Brownfield) Prospectus attached in Annex 1. Views are invited by the Board on the draft Prospectus.
- 2.9** The new Strategic Economic Plan sets out the regional aspirations for growth, sustainability and inclusion, with a strong focus on innovation. The proposed assessment criteria for the Fund responds to these ambitions by proposing higher standards than has previously been applied for the Housing Fund, such as in relation to net zero carbon reductions, recognising the need to not unduly restrict scheme viability and development.
- 2.10** It is proposed that consideration will be given and proposals brought forward, initially to a future meeting of this Board, as to the most appropriate way to 'open up' the Fund to projects directly from the private sector.

Competitive Brownfield Fund announcement

- 2.11** MHCLG recently announced a bidding round for a further £40m (10% of the total £400m Brownfield Housing Fund), with scheme bids being invited from the Mayoral Combined Authorities. The focus of the bidding process and assessment is on identifying and supporting MCAs that can demonstrate they have ambitious scheme proposals and that all homes to be delivered using this 'Competitive' part of the funding (if successful) must be additional to those coming forward as a result of the existing MCA allocation of funding from the initial 90% of the fund.
- 2.12** The deadline for submission of proposed schemes is the 6th September and discussions are ongoing with partners to identify potential schemes for submission. A verbal update will be provided at the meeting on potential schemes for the Competitive Fund element, and the views of the Board are invited on whether to submit any proposals.

3. Consideration of alternative approaches

- 3.1** The full assurance process was considered for the 'early delivery' schemes as well as the full programme, but this would likely result in FBCs not being ready this financial year; resulting in the early schemes not being accelerated as planned, and potentially jeopardising future programme spend.

4. Implications

4.1 Financial

The MCA agreed to accept the £40.3m capital and £841,000 revenue funding at its previous meeting. The funding will be received as Section 31 grant which allows flexibility in how the MCA spends the funding. The FBC process will follow the MCA Assurance Framework to ensure proper due diligence and value for money.

The funding for the Housing Fund (BF) schemes will need to be committed in line with the profiled spend detailed in section 2.2 above and all funding will need to be committed by 31 March 2025.

4.2 Legal

Subject to the grant conditions being acceptable, arrangements to comply with the grant conditions will subsequently be put in place. The legal implications of acceptance of grant will be fully considered by the S73 officer in conjunction with a representative of the Monitoring Officer.

Legal implications of individual projects brought forward through the Housing Fund (BF) programme will be considered on a case by case basis by the S73 officer in conjunction with a representative of the Monitoring Officer.

4.3 Risk Management

Risk management is built into the MCA's due diligence processes and project and programme risks are regularly reviewed, and mitigating actions taken if necessary.

Key risks in delivering the programme are:

- Schemes not being delivered within programme timescales, resulting in potentially losing scheme funding;
- Insufficient partner capacity to progress schemes to FBC and delivery;
- Potentially escalating costs as the Market picks up post Covid 19 leading to unforeseen or cost over runs;
- Insufficient capacity within the MCA Executive to expedite the programme; and
- Complexity of funding packages for some schemes which may have an impact on delivery and the use of MCA funding;

4.4 Equality, Diversity and Social Inclusion

None arising from this report. The delivery of infrastructure and housing capital schemes will stimulate economic growth in SCR and therefore contribute to both the economic recovery and improve social inclusion.

5. Communications

5.1 The funding announcement has already been publicised. Further announcements may be required to publicise the programme more widely and there will be opportunities for positive communications as schemes are delivered.

6. Appendices/Annexes

Annex 1 – Draft Housing Fund (Brownfield) Prospectus 2020-2025

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