

HOUSING AND INFRASTRUCTURE BOARD

22nd October 2020

SCR BROWNFIELD HOUSING FUND

Purpose of Report

To provide an update on progress with the Housing Fund (Brownfield). To seek endorsement for the early schemes identified in Appendix 1 to progress to Full Business Case, subject to approval of a Strategic Business Case for the programme, and to seek approval of the revised programme 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

The Board is asked to:

1. endorse the Housing Fund (Brownfield) Prospectus in Appendix 1 and recommend approval to the MCA.
2. Note the process being undertaken to both identify the potential early deliverable housing schemes, and development of the Programme Strategic Business Case (SBC).
3. Agree to hold an exceptional meeting to consider the Housing Fund (Brownfield) Programme SBC in advance of the MCA meeting in November.

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. As part of this strategy, £40.3m of capital funding and £841k revenue funding has been allocated to the Sheffield City Region Mayoral Combined Authority (MCA) for supporting the development of housing schemes on brownfield land over the next 5 years.
- 1.2** This report provides an update to the proposals previously presented to the (former) SCR Housing Board on 3rd September 2020. It also sets out both the process being undertaken to identify the early deliverable housing schemes which will be proposed to be progressed to Full Business Case (FBC), and a revised draft Housing Fund (Brownfield)

Prospectus for delivering the programme, taking into account comments made at the previous meeting.

2. Proposal and justification

- 2.1 Over the next 5 years £40.3m capital and £841k revenue funding has been devolved to the MCA from the Government's Brownfield Housing Programme. The Housing Board on 3rd September agreed that funding should be managed in a two phased approach in response to the Government's requirement that the allocation of £6m for 2020/21 be defrayed by the end of March 2021.

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	6.67m	6.67m	6.67m

'Early Delivery' (By March 2021)

- 2.2 Local Authorities were invited to submit Gateway Forms outlining the projects that could be accelerated to spend prior to March 2021 and begin the delivery of housing units within the first two years of the programme. These schemes are currently being considered and the details will inform the development of a Housing Fund (Brownfield) Programme Strategic Business Case (SBC) for 'Early Delivery'.
- 2.3 This 'Early Delivery' SBC is being completed and appraised, to be considered by the Appraisal Panel over the next three weeks for recommendation, or otherwise, for inclusion onto the Fund's pipeline. Following this, it is proposed that a further Exceptional meeting of this Board be convened to consider the SBC, which if endorsed, will be taken to the MCA on the 16th November for approval.
- 2.4 To expedite scheme development, it will be important that local authorities are invited to commence work on these schemes' FBC's as early as possible, at risk, in order to provide as much time as possible to gather the detail required to support robust FBCs. 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, with those requesting £2m or over also being reported to the MCA approval.
- 2.5 It is intended to also allocate appropriate revenue resources to help accelerate FBC development and any accompanying proposals will be reported to the this Board alongside the Programme SBC. The intention is for the revenue funding to be capitalised at the point of a capital scheme approval, to be revolved back into the revenue 'pot' to enable support for project development of further housing pipeline schemes over the 5 year programme.

Competitive Fund

- 2.6 MCAs / LEPs were invited in early September to submit early deliverable major schemes for funding from a top-sliced £40m from Government's Brownfield Housing Fund. The MCA Three schemes with a funding requirement in 2020/21 were submitted to the Competitive Fund:

	2020/21	2021/22	Total
Allen Street and Smithfield (Sheffield Housing Zone North)	£1,227,750	£110,000	£1,337,750
Cannon Brewery (Sheffield Housing Zone North)	£4,309,500	£200,000	£4,509,500
Hoyle Street (Sheffield Housing Zone North)	£1,102,000	£126,000	£1,228,000

- 2.7** A decision by MHCLG has not yet been taken on these schemes, but an announcement is expected before the end of October. If these schemes are not agreed by Government, Local Authorities will be invited to consider moving them into the Housing Fund (Brownfield) pipeline subject to funding availability. Local Authorities may need to prioritise which of their schemes can be delivered in 2020/21 and 2021/22 in order to remain within the overall programme allocation for the financial years.

Full Programme (to end March 2025) – Prospectus

- 2.8** For the full housing programme, the assurance process will revert to the full process previously used for the SCR Housing Funding. The process and evaluation criteria are described in the Housing Fund (Brownfield) Prospectus attached in Appendix 2 which has been revised to take into account of the comments of the (former) SCR Housing Board.
- 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** To date, discussions on pipeline schemes have been focussed on local authorities, with some early discussions with Housing Associations. It is proposed to continue discussions with HAs on potential further pipeline schemes, and to bring back proposals at the next Board meeting regarding the timing of an ‘Open Call’ for wider stakeholder proposals. Once the programme is open, the programme SBC be updated and periodically presented to the Board for decision on acceptance of schemes on to the programme.

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 jeopardising future programme spend.

4. Implications

4.1 Financial

The MCA has agreed to accept the £40.3m capital and £841k revenue funding. 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.

Work is required between MCA finance officers and finance leads from partner organisations to determine how the proposed revenue revolving fund would work in practice.

The costs incurred by the MCA Executive in managing this programme of activity will be met from top-slices of the capital and revenue allocations over the life of the programme.

The funding for the Housing Fund (Brownfield) schemes will need to be committed in line with the profiled spend detailed in section 2.1 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 (Brownfield) 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 (Equality Act - Public Sector Equality Duty)

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

6.1 Appendix 1 – Draft Final Housing Fund (Brownfield) Prospectus

REPORT AUTHOR	Laurie Thomas
POST	Senior Programme Manager (Infrastructure)
Officer responsible	Mark Lynam
Organisation	Sheffield City Region
Email	Mark.lynam@sheffieldcityregion.org.uk
Telephone	0114 2203442

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