

HOUSING AND INFRASTRUCTURE BOARD

4th March 2021

GBF (GETTING BUILDING FUND) AND BHF (BROWNFIELD HOUSING FUND) PROGRAMME PROJECT APPROVALS

Purpose of Report

The paper seeks approval for six schemes with a total value of £9.794m grant and seeks delegated authority to the Head of Paid Service in consultation with the S73 and Monitoring Officer to enter into legal agreements for the schemes.

Freedom of Information

The paper will be available under the Combined Authority Publication Scheme.

Recommendations

The Board is asked to consider and approve:

1. The project 'Barnsley Town Centre Public Realm – Peel Square' for award of £1.755m grant from the Getting Building Fund subject to the conditions set out in the Assurance Panel Summary Table attached at **Appendix A**
2. The project 'Doncaster Town Centre Quality Streets' for consideration at the MCA (Mayoral Combined Authority) for award of £5.5m grant from the Getting Building Fund subject to the conditions set out in the Assurance Panel Summary Table attached at **Appendix B**
3. The project 'West Bar' for award of £0.655m grant from the Brownfield Housing Fund subject to the conditions set out in the Assurance Panel Summary Table attached at **Appendix C**
4. The project 'Malthouses' for award of £1.1m grant from the Brownfield Housing Fund subject to the conditions set out in the Assurance Panel Summary Table attached at **Appendix D**
5. The project 'Porterbrook' for award of £0.350m grant from the Brownfield Housing Fund subject to the conditions set out in the Assurance Panel Summary Table attached at **Appendix E**
6. The project 'RMBC – Small Sites' for award of £0.434m grant from the Brownfield Housing Fund subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix F**
7. Delegated authority be given to the Head of Paid Service in consultation with the Section 73 and Monitoring Officer to enter into legal agreements for schemes 1, 3, 4, 5 and 6 covered above.

1. Introduction

- 1.1 On 30th June 2020 the MCA was awarded £33.6m GBF to invest in 'shovel-ready' projects that will provide stimulus to local economies. The funds need to be defrayed by 31st March 2022 which allows an 18-month delivery window.

To date £13.326m grant has been approved across eight projects, with a further £7.255m for consideration in two projects presented in this paper. Four remaining projects are still to complete development and come forward for an approval decision.

Guidance received from Government states that Sheffield City Region will be expected to deliver the agreed projects and any significant changes to the projects will be discussed and agreed with the Government in advance. All investment decisions must be undertaken in line with locally agreed audit and scrutiny arrangements.

- 1.2** The MCA received confirmation of £40.34m BHF award on 22nd of December 2020 with the aim of creating more homes by bringing more brownfield land into development. The Fund aims to ease viability issues that brownfield projects face alongside wider interventions aimed at economic development.

This paper requests approval of the first four BHF projects with a total value of £2.539m schemes subject to the conditions set out in the Appraisal Panel Summary Table.

2. Proposal and justification

2.1 Peel Square (GBF)

A GBF grant of £1.755m is requested by BMBC (Barnsley Metropolitan Borough Council) for renewal and diversification of the commercial and economic activity within Barnsley Town Centre. Peel Square will be re-established as a historic town space with a simple square that re-defines this area as a key space for the town. The work includes the removal of stalls and clutter to open up views of the buildings and creating a flexible event space with opportunities for pop up stalls.

- 2.2** The project has a clear rationale and aligns to the SEP (Strategic Economic Plan) and RAP (Renewal Action Plan). The risk around COVID both in the delivery of the capital works and the future use of the Town Square are considered. The project is designed to create flexible town centre space which should help mitigate any longer term impact of COVID.

The project is considered able to deliver within the GBF timeframe, with planning in place and a contractor already procured. Works are expected to be completed towards the end of 2021.

The Benefit Cost Ratio (BCR) of the project is anticipated to be up to 1.94, which represents nearly £2 of benefit for every £1 of public money invested. This is considered to represent acceptable value for money.

- 2.3** The project is recommended for approval with a condition of delivery being to agree to undertake a suitable evaluation on completion.

2.4 Doncaster Town Centre – Quality Street (GBF)

A GBF grant of £5.5m is sought from DMBC (Doncaster Metropolitan Borough Council) for continued delivery of the Doncaster Quality Streets programme to support and enable new investment in the town's urban employment and residential development zones. The scheme includes a mix of traffic management, street lighting, junction improvements, active travel provision, landscaping and environmental improvements, as well as the provision of new digital infrastructure.

The overall aim of the scheme is to develop a streetscape that is suitable for all road users and caters for the urban centre through supporting pedestrians, bike users, disabled and buses in a safer environment.

The project has also applied for £3.5m from the TCF (Transforming Cities Fund) which is being considered by the Transport thematic board prior to the full £9m request being passed to the MCA for a decision on March 22nd 2021.

- 2.5** The project explains how it meets Doncaster's Inclusive Growth Strategy, their Cycling strategy and local plan. It also aligns with the objectives of the Transforming Cities Fund and SEP (Strategic Economic Plan). The project is deliverable, with budget approvals set for March 2021, preliminary works and procurements due to begin immediately and the Council planning to utilise in-house suppliers where possible. The project proposes to create 400 jobs over a ten year period.

The project presents a benefit cost ratio of 1.7:1. Independent assurance of the business case accepts that the calculation is sufficiently detailed and uses robust methodologies. Therefore the project is considered acceptable value for money.

- 2.6** The project is recommended for approval to go on to the Mayoral Combined Authority meeting for a final decision at the March 22nd meeting. A condition of delivery is recommended within the assurance panel summary to agree to undertake a suitable evaluation on completion.

2.7 West Bar (BHF)

A grant of £0.655m is sought from SCC (Sheffield City Council) for the West Bar (Bridge Street Highways, Infrastructure and Enabling Works) project which will deliver a new highway retaining wall and road layout to facilitate 2-way traffic on Bridge Street junction with the Inner Ring Road (IRR), Openreach diversion works at Bridge Street and demolition works to clear the West Bar site to enable the construction works.

This work is part of a larger £150 million development to be delivered in partnership with the private sector. Undertaking this work will assist towards enabling the delivery of 368 new private rented housing units, 430m² of commercial floorspace and 5,500m² of associated high quality public realm.

- 2.8** The project fits well with the Councils' New Homes delivery plan and meets the objectives of the SEP around the themes of 'Vibrant and Resilient Places' and 'Land, Housing and the Built Environment'. The project has identified some delivery risks regarding cost increases with mitigations already in place to minimise the impact on the project. Independent assurance has concluded that the project represents good value for money. The assessment estimates that the uplift in land value is £2.7m. This represents a BCR of over 4.

- 2.9** The project is recommended for approval with a condition to monitor the adequate progression of the scheme into delivery. The project is also asked to provide further explanation around why the national rules on subsidy control are not applicable in this project.

2.10 Malthouses (BHF)

Sheffield Housing Company is seeking a grant of £1.097m for the Malthouses scheme. The scheme aims to deliver 73 new two, three and four bed homes on brownfield ex-housing land in Parson Cross, Sheffield. The funding being sought is to fund the difference between the anticipated Gross Development Value and the higher Gross Development Cost of the scheme.

2.11 The project will deliver 3.65% of the local housing annual target and meets the objectives of the SEP around the themes of 'Vibrant and Resilient Places' and 'Land, Housing and the Built Environment'. The project has identified key delivery risks of changes in costs or sales which may affect overall profitability. These risks are mitigated by the applicant's local experience and having a strong sales strategy in place. The timeline of project delivery looks realistic, with construction works anticipated to begin in June 2022. Independent assurance has concluded that the project represents acceptable value for money. The assessment estimates that the uplift in land value is £1.298m. This represents a BCR of 1.18.

2.12 The project is recommended for approval with a condition to monitor any excess profits, which if realised should be partly used to repay grant. The project is also asked to provide further explanation around why the national rules on subsidy control are not applicable in this project.

2.13 Porter Brook (BHF)

Sheffield City Council are seeking £0.350m for site clearance of the Porter Brook site within the Cultural Industries Quarter of the Sheffield City Centre. The project focuses on the demolition of a two-storey building on the Porter Brook site which is currently used for car parking, to provide a cleared site that is ready for development. The applicant owns the freehold to the site and has secured vacant possession of premises.

Once the site is cleared, Sheffield City Council will seek developer interest for housing targeted at young professional workers, potentially via a build-to-rent development. The site is estimated to have the potential to accommodate up to 200 one- and two-bedroom apartments.

2.14 The project is assessed to have a clear rationale with previous attempts at private sector development unsuccessful. With the Council undertaking the preparatory work this will bring the scheme forward in delivery by an estimated two years. Risks are considered in relation to the wider development of the site. The scheme is estimated to deliver a BCR of 1.4 and is therefore considered acceptable value for money. Other indirect outcomes such as improving the local labour pool or increasing the visual benefits from the area being enhanced may also add additional value to the scheme.

2.15 The project is recommended for approval with conditions to adequately monitor the progression of the scheme. Further risk register information is requested which deals with risks related to the demolition and site clearance.

2.16 RMBC Small Sites

Rotherham Metropolitan Borough Council request £0.434m to enable the development of affordable housing on existing brownfield sites. As part of the Council's Housing Development Programme, 32 homes for rent will be delivered across three schemes, comprising nine Housing Revenue Account (HRA) owned sites. Scheme 1 focuses on delivering 14 bungalows across two sites, scheme 2 is in East Herringthorpe with plans to deliver 13 houses across 5 sites and scheme 3 is in Thrybergh, delivering 5 houses across 2 sites.

MCA funds are requested to contribute towards land remediation and preparation prior to housing development to help address the viability gap for the sites in question.

2.17 The project meets RMBC's local policies and will assist towards meeting annual Council targets. It also contributes towards the themes within the SEP aiming to improve the quality of existing and new housing stock. The project is estimated to have a BCR of 1.3 which is considered acceptable value for money. Additional national guidance to value the benefits of regeneration indicate that more than £1.5m of indirect benefits may arise from

the investment. Scheme 1 is considered delivery ready, with future schemes planned to take place at a slightly later date.

- 2.18** The project is recommended for approval with conditions to adequately monitor the progression, particularly the delivery of schemes 2 and 3.

3. Consideration of alternative approaches

- 3.1** The BHF projects presented in the paper have been accelerated through the Assurance Framework for consideration at FBC (Full Business Case) stage. An alternative approach of the projects submitting OBC (Outline Business Cases) prior to developing FBC's would likely result in the early schemes not being accelerated as planned, and jeopardising future programme spend.

4. Implications

4.1 Financial

For GBF the expenditure target is £33.6m to be fully spent by the end of the 21/22 financial year. BHF has a target of £20m spend by the end of 21/22 financial year. Unspent funding could be returned to Central Government.

4.2 Legal

Conditions of approval on the housing projects request that grant recipients take professional advice over whether schemes meet national rules on acceptable public subsidies.

4.3 Risk Management

Delivery risks on the schemes overall costs are covered through conditions attached in the appendices. Risks and Issues management is reported regularly to the MCA Executive as part of contract monitoring.

High risk schemes will continue to be monitored and any changes will be reported back to the Housing and Infrastructure Board and MCA.

4.4 Equality, Diversity and Social Inclusion

Projects are required to provide schedules of inclusive growth indicators and targets which are incorporated into schemes.

5. Communications

- 5.1** The business case for these schemes presents opportunities for positive communications; officers from the MCA Executive Team will work with the relevant officers on joint communications activity at the appropriate time.

6. Appendices/Annexes

- 6.1** Appendix A – Peel Square Assurance Panel Summary
Appendix B – Quality Streets Assurance Panel Summary
Appendix C – West Bar Assurance Panel Summary
Appendix D – Malthouses Assurance Panel Summary
Appendix E – Porter Brook Assurance Panel Summary
Appendix F – Rotherham Small Sites Assurance Panel Summary

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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

Other sources and references: