

Housing and Infrastructure Board

22 June 2021

Housing Fund (Brownfield) Revised Programme SBC and MHCLG Pipeline

Is the paper exempt from the press and public?	No
Reason why exempt:	Not applicable
Purpose of this report:	Policy Decision
Funding Stream:	Housing Fund (Brownfield)
Is this a Key Decision?	Yes
Has it been included on the Forward Plan?	Yes

Director Approving Submission of the Report:

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Executive Summary:

To consider the revised Programme Strategic Business Case for the South Yorkshire Housing Fund (Brownfield) programme, including accepting onto the programme pipeline the proposed additional schemes; with a view to submitting the programme pipeline to MHCLG.

What does this mean for businesses, people and places in South Yorkshire?

Future delivery of the schemes will contribute to the delivery of both new housing and the regeneration and reuse of brownfield sites in support of the Strategic Economic Plan and Recovery Action Plan objectives.

Recommendations:

- To approve the Revised Programme Strategic Business Case for the South Yorkshire Housing Fund (Brownfield) and accept the additional schemes onto the pipeline as set out Paras 2.6 and 2.11.
- To approve the updated revenue spend profile for the Phase 2 schemes as set out in Para 2.15.
- To agree for the Phase 1, 2 and 3 schemes to be submitted to MHCLG as the current known five year Housing Fund (Brownfield) Programme, noting the overprogramming approach being proposed and the risks associated with the 'Remaining Programme' schemes at this stage.

Consideration by any other Board, Committee, Assurance or Advisory Panel
Assurance Panel 08 June 2021

1. Background

- 1.1 In 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 was allocated to the Sheffield City Region Mayoral Combined Authority (MCA) for supporting the development of housing schemes on brownfield land (up to end March 2025).
- 1.2 The strategy for developing the Housing Fund (Brownfield) was set out in the Programme Strategic Business Case (SBC) endorsed by the Housing and Infrastructure Board in January 2021; which was subsequently approved by the MCA. This Revised Programme SBC and revised pipeline of schemes updates the original SBC. Importantly, of the £40m total funding, the spend profile agreed with MHCLG was for £20m of this to be spent by the end of March 2022.
- 1.3 This report provides an update to the proposals previously presented to the Board and seeks endorsement of the proposed revised Programme Strategic Business Case (SBC) for the Housing Fund (Brownfield) Programme, including associated revenue approvals. The Board is also asked to support the proposed programme list of schemes for submission to MHCLG as the current Housing Fund (Brownfield) Programme.

2. Key Issues

Revised Programme SBC

- 2.1 The MCA Executive Team have been working with the South Yorkshire Local Authorities to develop a pipeline of brownfield housing schemes that meet both the MHCLG Brownfield Housing Fund requirements and the objectives of the MCA and LEP set out in the Strategic Economic Plan.
- 2.2 Appendix A presents the MCA Assurance Panel Summary of the proposed revised Housing Fund (Brownfield) Programme, which recommends approval of the revised Programme SBC. The proposals for the revised programme are summarised below.

Phase 1 – ‘Early Delivery’ 20/21 Schemes

- 2.3 The Phase 1 ‘Early Delivery’ schemes were taken through a ‘flexed’ assurance process to achieve approvals in the first 6 months of the programme (up to March 2021). Four schemes were approved by this Board in March with the Allen Street scheme being presented for approval to the Board under Item 9. Together, these initial ‘Early Delivery’ schemes are set to unlock 794 homes over the life of the programme, which is 31% of the Fund’s minimum target of 2,500 homes.

Phase 1 – ‘Early Delivery’ 20/21				Current Status
Scheme Name	Local Authority Area	2020 / 21		
		Capital £	Units	
West Bar	Sheffield	655,000	369	Approved
Malthouses	Sheffield	1,096,853	73	Approved
Porter Brook	Sheffield	350,000	200	Approved
Allen Street (to be confirmed)	Sheffield	546,250	120	Subject to approval – see separate agenda item
Small Sites 20/21	Rotherham	433,950	32	Approved
2020/21 Total		3,082,053	794	Subject to Allen Street approval

Phase 2 – ‘Remaining Programme’ 2021/22 Schemes

- 2.4 The Phase 2 ‘Remaining Programme’ 2021/22 schemes, totalling £18.935m and estimated to unlock 1,703 homes over the life of the programme, are set out in the table below.
- 2.5 Ten of these schemes were accepted onto the programme pipeline at the previous Board meeting in January 2021 and subsequently approved by the MCA. The Board also approved revenue allocations for these schemes in January to help accelerate the development of the scheme business cases. It is noted that the vast majority of the homes to be unlocked in Phase 2 are from two schemes in Sheffield.
- 2.6 Four schemes are being submitted to the Board for acceptance onto the Programme SBC pipeline, which if approved by the Board would allow the schemes to be progressed to the Outline Business Case (OBC) stage.

Phase 2 – ‘Remaining Programme’ 2021/22				Current Status*
Scheme Name	LA Area	21/22		
		Capital (£)	Units	
Cannon Brewery (Housing Zone North)	Sheffield	2,254,750	405	OBC
Attercliffe	Sheffield	1,870,000	750	OBC

Park Hill 4	Sheffield	5,617,722	95	For consideration onto pipeline
Norfolk Park 10	Sheffield	1,483,174	120	For consideration onto pipeline
Shirecliffe 2	Sheffield	1,029,237	42	For consideration onto pipeline
Small Sites 21/22	Rotherham	420,416	29	BJC
Eastwood	Rotherham	1,749,000	46	OBC
Goldthorpe Market Phase 1	Barnsley	144,000	9	BJC
Goldthorpe Market Phase 1a	Barnsley	112,000	7	BJC
DMBC Small Sites	Doncaster	£890,000	42	OBC
Former Nightingale School	Doncaster	1,570,000	60	OBC
Adwick	Doncaster	1,200,000	60	OBC
Phase 1 Council Build Programme	Doncaster	495,000	33	For consideration onto pipeline
21/22 Total		18,835,299	1,698	

* Note: BJC=Business Justification Case (schemes upto 500k); OBC=Outline Business Case (schemes over 500k)

Phase 3 – ‘Remaining Programme’ 2022-25 Schemes

- 2.7 The proposed Phase 3 ‘Remaining Programme’ 2022-25 schemes, totalling £43.158m and estimated to unlock 1,894 homes over the life of the programme are set out in the table below. These have been proposed following a ‘scoring’ of a long list of schemes provided by the local authorities with key scoring criteria including whether a scheme is with a SEP Growth Area; strategic fit; and certainty of scheme delivery.
- 2.8 Five of these schemes have already been accepted onto the pipeline as part of the original Programme SBC approved in January 2021 and are already being supported with Housing Fund (Brownfield) revenue to accelerate business case development. However, the other eleven schemes in the table below are being submitted to the Board for consideration to accept the schemes onto the Programme SBC pipeline to allow scheme promoters to start progressing schemes to the next BJC or OBC stage.
- 2.9 The schemes in this later phase of the programme are at various stages of development and all require significant further work to establish their scheme parameters and confirm outputs, costs and delivery mechanisms and timescales. As such there is a greater level of risk associated with these Phase 3 schemes, which is as expected at this early point in the Programme, and is why an ‘overprogramming’ approach is being proposed at this stage with the combined schemes’ funding ask (Phases 1,2 and 3) being c50% greater than the £40m available from the Fund.
- 2.10 These three Phases are proposed to be submitted to MHCLG as the current known Housing Fund (Brownfield) Programme.

- 2.11 It is expected that over the five year programme, some schemes will be withdrawn as currently unknown circumstances negatively impact on a scheme or the scheme doesn't meet the MCAs Assurance requirements. Also, other schemes may come forward for inclusion onto the pipeline as priorities evolve and other opportunities are presented. This process will be managed by the MCA Executive and any proposed further updates to the Programme SBC will be reported to the Board for consideration.

Phase 3 - 'Remaining Programme' 2022-25				Current Status*
Scheme Name	LA Area	2022 - 2025		
		Capital (£)	Units	
Abbey Stainless	Sheffield	-	500	For consideration onto pipeline
Park Hill P5	Sheffield	-	112	For consideration onto pipeline
Claywood	Sheffield	-	50	For consideration onto pipeline
Snail Hill	Rotherham	-	24	For consideration onto pipeline
Canklow	Rotherham	-	45	BJC
Forge Island	Rotherham	-	70	OBC
Ship Hill	Rotherham	-	40	For consideration onto pipeline
Riverside North	Rotherham	-	120	OBC
Riverside South	Rotherham	-	44	OBC
Town Residential Project	Barnsley	-	50	For consideration onto pipeline
Goldthorpe Pre-1919 redevelopment	Barnsley	-	20	BJC
Berneslai Close	Barnsley	-	9	For consideration onto pipeline
BMBC garage infill sites	Barnsley	-	30	For consideration onto pipeline
Courthouse - The Seam	Barnsley	-	100	For consideration onto pipeline
Minster Quarter	Doncaster	-	190	For consideration onto pipeline
Town Centre - St Sep, Wharfe Road	Doncaster	-	350	For consideration onto pipeline
Main & Service Towns	Doncaster	-	140	For consideration onto pipeline
2022 - 2025 Totals		43,158,826	1,894	

* Note: BJC=Business Justification Case (schemes upto 500k); OBC=Outline Business Case (schemes over 500k)

- 2.12 The MCA Executive will continue to work with local authority sponsors to develop the pipeline schemes' business cases including consideration of the schemes in the 'long list' (Reserve List) that have currently not been proposed for inclusion onto the pipeline, should their circumstances change or the availability of funding increases.

Breakdown of Revenue Allocation – 2020-2022

- 2.13 The Board approved £567,000 of the total £841,000 revenue at the previous meeting on the 6th January 2021, to both support and accelerate business case development of the Phase 2 schemes and for MCA Executive support costs for 2020/21 and 2021/22. An additional £35,000 has been allocated to provide additional support to local authorities to develop / finalise their Phase 2 schemes' OBCs to help meet the end of July deadline. Discussions are also continuing with local authority partners regarding further opportunities for revenue support for pipeline schemes' development, and any further proposals will be reported to future meetings of this Board for consideration
- 2.14 It is also expected that as the Phase 2 schemes are approved later in this financial year, the revenue will be recycled to support and accelerate the business case development of other pipeline schemes.
- 2.15 Six projects were approved for revenue funding in January 2021 with the financial expenditure anticipated at the time to occur during 2020/21 and 2021/22. However, during contracting, projects have submitted revised spending profiles with increased expenditure occurring in 2021/22. The revised spending profiles of the revenue projects are set out in the table below.

Scheme	2020/21	2021/22	Total
Goldthorpe, Barnsley District	9,470	70,530	80,000
Canklow, Eastwood & Riverside, Rotherham		207,000	207,000
DMBC Small Sites, Doncaster		70,000	70,000
Former Nightingale School, Doncaster		30,000	30,000
Adwick, Doncaster		30,000	30,000
Attercliffe Waterside, Sheffield		130,000	130,000
MCA programme and financial management support	10,000	10,000	20,000
Total	19,470	547,530	567,000

3. Options Considered and Recommended Proposal

3.1 **Option 1**

Continue to work with Local Authorities partners and their selected 'sponsored' scheme promoters on the prioritised pipeline, submitting this as the current known Programme to MHCLG, and updating the Housing and Infrastructure Board via the Programme SBC and subsequent business case submissions.

3.2 **Option 1 Risks and Mitigations**

The key and most immediate risks with this option relate to a potential underspend in 2021/2022 against the profiled spend requirement of £20m, and remaining on target to deliver against the MHCLG's minimum target of 2,500 homes 'unlocked' by the end of March 2025.

These risks are summarised below:

- The ability to develop scheme business cases for schemes in Phase 2 (2021/22) that are compliant with MCA assurance requirements and milestones. MCA Executive and local authorities to continue to develop a pipeline of schemes that can be brought forward should any schemes fall out of the programme. Should programme performance be significantly lower than expected then the Housing and Infrastructure Board has the option to consider undertaking an open call.
- The ability of pipeline schemes to meet the minimum BCR of 1 so they are able to be funded through the programme. Initial BCR calculations have been undertaken for Phase 2 schemes. The MCA Executive will continue to work with local authorities to achieve the minimum BCR and seek to replace schemes in the programme to meet programme ambitions and targets.
- The ability to achieve the in-financial year spend profile in line with current agreed timescales. This mainly relates to Phase 2 (2021/22) schemes. Seek agreement with MHCLG of any proposed revised spend profile to reflect the ongoing pipeline and business case development positions.
- Capacity within local authority and partner organisations to produce compliant business cases within required timeframes. To help address this, local authorities have been invited to apply for revenue budget to support the development of scheme OBCs and FBC's.
- Capacity of the MCA Executive Team to work with applicants to support them through the OBC and FBC processes. Revenue budget is being utilised as required to resource business case support. Capacity and workload would be further stretched should an open call be made.

3.3 **Option 2**

To undertake a full open call for the Housing Fund (Brownfield) Fund

3.4 **Option 2 Risks and Mitigations**

There is a pipeline of sites for delivery over the next four years of the programme totalling c£65m which have been identified through collaboration with Local Authority partners. With the reserve list, this figure rises to over £100m. Due to the long timescale, there is a large degree of uncertainty with many of these longer term

schemes as to their viability and deliverability, but they do represent the current key priority brownfield housing sites across South Yorkshire as identified with the local authorities. Key risks are therefore:

- Reputational risk if MHCLG allocation cannot be spent. Many of the Local Authority schemes in the pipeline have high intervention rates and carry several delivery risks around land assembly, site conditions, market demand and low values hampering land value uplift. Progress will only be made if there is commitment by local authorities to deliver these schemes, but it does leave the programme open to a risk of underdelivering which could be potentially be mitigated with an open call for private sector schemes.
- Open call potentially dilutes the impact of the Fund. At this stage adding more private sector schemes to the pipeline may redirect the focus away from the 'hard-to-do,' longer term projects that could perhaps be unlocked in the remaining four years of this programme.
- Scoring criteria. If an open call was made, scoring criteria could be used to filter for value for money, deliverability and strategic fit but again this may rule out or divert resources away from the existing programme of priority brownfield housing schemes.

3.5 **Option 3**

Not to utilise the remaining programme capital funds allocated by MHCLG

3.6 **Option 3 Risks and Mitigations**

The key risk with this option is the opportunity cost to the region of not utilising this allocated brownfield housing funding, as well as the reputational risk to the MCA of not delivering a brownfield housing programme and, in doing so, also not supporting construction jobs and supply chains across South Yorkshire and beyond.

3.7 **Recommended Option**

Option 1. However, performance should continue to be monitored, and should there consider to be a risk to not meeting the programme housing and spend targets, then Option 2 remains an option for the Board to consider adopting at any time throughout the programme.

4. **Consultation on Proposal**

4.1 This Board endorsed, and the MCA subsequently approved, the first Programme SBC in January 2021. At this Board's meeting in January, the above 'recommended option' was agreed and this approach has been followed in developing the Housing Fund (Brownfield) pipeline that accompanies the revised Programme SBC.

4.2 The MCA Executive continues to work closely with the South Yorkshire authorities, particularly the Housing Directors and their teams to develop scheme business cases and maintain an updated project pipeline.

5. **Timetable and Accountability for Implementing this Decision:**

- 5.1 The South Yorkshire Housing Fund (Brownfield) revised Programme SBC June 2021 is presented for the Board's comments and proposed for approval to accept the additional Phase 2 and 3 schemes onto the programme pipeline.
- 5.2 Scheme sponsors are expected to work up Phase 2 business cases for funding approval and begin delivery by the end of this financial year. A schedule of business case timelines for Phase 3 schemes over the remaining four years will be worked up with local authority partners as further work is undertaken and additional information becomes available.

6. Financial and Procurement Implications and Advice

- 6.1 Brownfield capital funding is awarded in annual allocations. Funding has been received for financial year 2020/21, but the quantum of future allocations is currently contingent upon the MCA meeting the government target of having incurred expenditure of £20m by the end of March 2022. This report notes that based on the current profile of schemes this target is unlikely to be met.
- 6.2 Whilst discussions continue with government around this target, and the possibility remains that the terms of the funding may be relaxed, it is imperative that, where possible, schemes are accelerated into contract and delivery. The revenue funding awarded by government for the acceleration of schemes offers the MCA the opportunity to deploy targeted funding to support this issue.
- 6.3 In line with other funded programmes, the MCA's costs of managing the programme, including the costs of assurance, in-programme administration, and the required monitoring and evaluation, will be met from a top-slice of the capital allocations.

7. Legal Implications and Advice

- 7.1 Subject to approval by this Board, contracts will be agreed with the relevant local authorities for the additional revenue allocations.
- 7.2 Any individual scheme progressing will follow the MCA Assurance Framework prior to approval and award of grant. The MCA has the requisite functions to provide grant to local authorities for this purpose.

8. Human Resources Implications and Advice

- 8.1 There are no human resources implications directly arising from this report.

9. Equality and Diversity Implications and Advice

- 9.1 Ensuring equality and diversity will be a consideration for all schemes, aligning with the intentions of the Equality Act and Public Sector Equality Duty and the inclusivity policy approach of the Strategic Economic Plan. Each business case will identify any implications.

10. Climate Change Implications and Advice

- 10.1 None as a direct result of this report. However, all schemes will consider climate change implications within business cases.

11. Information and Communication Technology Implications and Advice

11.1 None as a direct result of this report.

12. Communications and Marketing Implications and Advice.

12.1 There are no direct communications and marketing Implications as a result of this report. A wider communications plan will be prepared for the Housing Fund (Brownfield) schemes as and when investment decisions are made, and the MCA Executive Communications Team will lead this work.

List of Appendices Included

A Housing Fund (Brownfield) Revised Programme Strategic Business Case June 2021 Assurance Panel Summary

Background Papers:

None