

Housing and Infrastructure Board

24 June 2021

Programme Approvals

Is the paper exempt from the press and public?	No
Reason why exempt:	Not applicable
Purpose of this report:	Funding Decision
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:

This paper requests approval of BHF (Brownfield Housing Fund) for the Allen Street project subject to the conditions set out in the Assurance Summary at Appendix A.

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

Approval of applications for grant funding which aims to unlock land for Housing Developments aims to improve availability of suitable housing for South Yorkshire residents, support businesses to develop land for housing which was previously economically unviable and also make the region a more attractive place to live.

Recommendations:

The Housing and Infrastructure Board approve:

1. Progression of “Allen Street” project to full approval and award of £0.546m grant to Sheffield City Council subject to the conditions set out in the Assurance Summary attached at Appendix A
2. 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 the schemes covered above.

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

1. Background

- 1.1 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.
- 1.2 In March 2021 the first four BHF projects with a total value of £2.539m were approved for funding at the Housing and Infrastructure Board. This paper presents the fifth project for a decision which, if approved, will take the total amount granted to £3.085m.

2. Proposal and Justification

- 2.1 A BHF grant of £0.546m is sought from Sheffield City Council for acquiring the leasehold interest in a site to bring forward development of 120 new homes by the market. The total project costs are £1.093m with match funding coming from the Councils own resources. The project costs will include purchase and demolition. Subsequent to the project activity it is hoped that the cleared site will be developed for up to an eight storey residential block.
- 2.2 Strategic Fit The proposed site is located close to popular residential areas of Kelham and Neepsend of Sheffield City Centre, although these areas are the other side of the A61 inner ring-road. An extensive market assessment of the central Sheffield residential market undertaken by Colliers/Aspinall Verdi in 2020 highlights that although Allen Street’s location is close to Kelham and Neepsend, it does arguably sit behind other locations identified in the hierarchy outlined within the Colliers Report.
- 2.3 If left to the market, SCC make the case that the site will go undeveloped, with public sector funding needed to bring the freehold and leasehold interests together and to mitigate some of the risks and costs to clear the site.
- 2.4 The scheme aligns well with several local and regional policies, namely supporting the housing targets for Sheffield and the wider area.
- 2.5 Delivery In respect of the purchase and demolition works, the scheme is relatively straightforward. The assessment of the scheme has raised concerns highlighted in the Colliers report around the strength of Private Rented Sector within the City Centre. This raises questions about the future viability of the scheme when it is marketed commercially to developers. Whilst Sheffield City Council have provided evidence to support the improving strength of the market, there is a level of

uncertainty around whether further public sector investment may be needed to secure the housing units.

2.6 **Value for Money** The assessment has concluded that a value for money assessment based on information provided by Sheffield City Council would mean that the project is deliverable for around 1:1.1, which means that for every £1 public investment there may be £1.10 worth of benefits derived. This would meet the minimum standard set for the Brownfield Housing Fund. The assessment does highlight that there is a level of uncertainty around whether further public funds may be needed to deliver the full scheme, which may affect any value for money calculation. However, if wider benefits such as improvement to the local area, are taken into account then this could improve the overall position.

2.7 In summary the project is recommended for full approval and award of £0.546m grant to Sheffield City Council subject to the conditions set out in the Assurance Summary attached at Appendix A

3. Options Considered and Recommended Proposal

3.1 Option 1

Do not approve the project as presented

3.2 Option 1 Risks and Mitigations:

A key risk of not approving funding is failure to utilise Brownfield Housing Fund grant allocation for 21/22. This may result in public funding being lost to South Yorkshire. Work is ongoing to mitigate against this risk by improving the project pipeline so that other schemes may take up available grant funding if projects fail to go ahead.

3.3 Option 2

A smaller grant funding offer could be made for a smaller project to be delivered.

3.4 Option 2 Risks and Mitigations:

A risk of a smaller grant offer is that the project is likely to become unviable to deliver for the City Council. This would then potentially leave it to the market to progress the scheme with an uncleared site and more complicated leasehold and freehold arrangements

3.5 Option 3

Approve the recommendation.

3.6 Option 3 Risks and Mitigations:

There is a level of uncertainty around whether the investment will bring the benefits of housing without further public subsidy. A risk is therefore that the approved project does not deliver value for money. This can be mitigated to an extent by standard contract conditions that limit the amount of grant funding on the site to the level in this paper. Close contract management of the scheme is necessary to monitor delivery of benefits.

3.7 Recommended Option

Option 3

4. Consultation on Proposal:

- 4.1 Project sponsors are required to publish their SBC's on their own websites (or an appropriate summary of the submission) and must consider all comments received and reflect this in the next stages of the application process. The grant applicant also states that consultation with the community and other interested groups will take place through the statutory planning process once the selected developer submits a planning application.

5. Timetable and Accountability for Implementing this Decision:

- 5.1 On approval decision the statutory officers will prepare and issue the grant award with the grant applicant. The project is expected to complete spend of the costs during the financial year 21/22.

6. Financial and Procurement Implications and Advice

- 6.1 The project will support the delivery of the 21/22 financial target of £20m expenditure for the BHF. Work continues to develop the pipeline for the BHF which is dealt with in a separate paper which is being considered on the agenda today.

7. Legal Implications and Advice

- 7.1 The applicant has made the case that the project meets subsidy control rules. Any sale of the developed site will be done through full procurement at market rates to guard against any subsidy being passed onto a private developer. Suitable contract conditions will be included within the contract to support compliance.

8. Human Resources Implications and Advice

- 8.1 N/a

9. Equality and Diversity Implications and Advice

- 9.1 Appropriate equality and diversity considerations are taken into account as part of the assessment of the project business cases. The Council is keen to explore different types of tenure for the developed site.

10. Climate Change Implications and Advice

- 10.1 The scheme aims to support the delivery of net zero carbon by delivering housing in a sustainable location that is less reliant on private transport and supports travel by walking and cycling, and public transport. It will produce new housing that is more energy efficient and thermally efficient than the existing stock.

11. Information and Communication Technology Implications and Advice

- 11.1 N/A

12. **Communications and Marketing Implications and Advice. Please also refer to consultation undertaken as per Section 4:**

12.1 The approval provides positive opportunities to highlight how the CMA's investments support people, businesses and places across South Yorkshire.

List of Appendices Included

A Assurance Summary – Allen Street

Background Papers:

None