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**Report of:** *Executive Director of Place*

**Report to:** *Cabinet Member for Transport and Development*

**Date of Decision:** *4 December 2018*

**Subject:** *Housing Infrastructure Fund Forward Fund Co-Development*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="checked" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="checked" type="checkbox"/>	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? <i>Transport and Development</i>		
Which Scrutiny and Policy Development Committee does this relate to? <i>Economic and Environmental Wellbeing</i>		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="checked" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>260</i>		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="checked" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		
<i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>		

**Purpose of Report:**

Approval is being sought for the release of a further £712,000 of revenue funding to complete Stages 2 & 3 (out of total 3 stages) of the Housing Infrastructure Fund Forward Fund ('HIF FF') Business Case production, as part of the estimated total cost of £962,000 that will produce the detail required for a Gateway 2 (Outline Business Case ('OBC') submission.

The release of £250,000 initial funds was endorsed by the Strategic Capital Board and approved by the Executive Director of Place in July 2018. This enabled the appointment of external consultants to start the feasibility tasks required on the Highways and Flood elements of the Business Case and enabled procurement of the initial transport and land surveys.

Approval is sought from the Cabinet Member for Transport and Development, following Place Portfolio Leadership Team (PLT) approval in September 2018, to release the further £712,000. Strategic Capital Board (SCB) endorsed the use of Growth & Investment Fund ('GIF') funding, using New Homes Bonus revenue to fund the £962,000.

**Recommendations:**

The Cabinet Member is recommended to:

- Approve the release of a further £712,000 of Revenue funding to complete Stages 2 & 3 of the HIF FF Business Case and SCC Outline Business Case production set out in this Report.
- Approve the highway and flood works feasibility being carried out by Arup as a sub-contractor of Turner & Townsend in accordance with the existing Capital Delivery Partner contract.
- Approve the highways surveys being carried out by Amey in accordance with Schedule 7 of the existing Highways PFI contract.

**Background Papers:**

1. *HIF Co-Development SCB Paper*
2. *HIF Bid Plan*
3. *HIF Resources Breakdown*
4. *EIA 260 Homes for All Delivery Plan*

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>Tim Hardie</i>
		Legal: <i>Sarah Bennet</i>
		Equalities: <i>Louise Nunn</i>
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	<b>EMT member who approved submission:</b>	<i>Laraine Manley</i>
3	<b>Cabinet Member consulted:</b>	<i>Jack Scott</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	<b>Lead Officer Name:</b> <i>Tom Hawley</i>	<b>Job Title:</b> <i>Head of Housing Growth Programme Delivery</i>
	<b>Date:</b> <i>03 December 2018</i>	

## 1. PROPOSAL

1.1 The Council's growth ambition is to deliver over 18,000 new homes and 19,400 new jobs in the Sheffield and Rotherham growth corridor over the next 10 years. To enable the first phase of housing growth, a comprehensive infrastructure and site enabling scheme has been initiated comprising highways improvements, flood mitigation measures, placemaking improvements, land assembly and site remediation. Completion of the scheme will unlock around 30 brownfield sites with capacity for approximately 4,000 new homes. This scheme is the subject of a Housing Infrastructure Fund Forward Fund (HIF FF) Expression of Interest that was submitted to Ministry of Housing, Communities and Local Government ('MHCLG') in September 2017.

1.2 The Council has been selected by MHCLG to progress a Business Case seeking £58,500,000 from the HIF to enable MHCLG to make an investment decision on this proposed £81,000,000 project. This would deliver the aforementioned programme of works to overcome identified infrastructure and site constraints that are currently limiting housing growth in this location.

1.3 Without the HIF FF funding, it is estimated that significantly less units will be unlocked by 2025 compared to approximately 4,000 units.

1.4 The HIF FF bid submissions will be made as follows:

10 September 2018 – funding decision expected from November 2018

3 December 2018 – funding decision expected from February 2019

1 March 2019 – funding decisions expected from May 2019

1.5 The Council intends to submit the HIF Forward Fund (HIF FF) Business Case in March 2019 to enable the housing growth plan to progress. This project will also need to be developed in order to submit an Outline Business Case for Gateway 2 approval in May 2019. Continuation of the project programme is required in order to meet the HIF FF expenditure commitment deadlines of March 2023.

1.6 It is anticipated that £962,000 is required to cover the following Stages to develop the project to Capital Gateway 2 approval:

Stage	Activity	Amount
Stage 1	Initial Activity to respond to imminent guidance from MHCLG	£250,000
Stage 2	Production of a Business Case to MHCLG requirements	£446,292
Stage 3	Secure Council Gateway 2 Approvals	£265,708
<b>Total</b>		<b>£962,000</b>

1.7 The internal and external commissions have been structured into these stages to minimise financial liabilities from the project and minimise possible abortive

costs in the event that the HIF FF Bid is unsuccessful. The anticipated milestones for the 3 Stages are as follows:

Stage 1 completion - end August 2018  
 Stage 2 completion – end November 2018  
 Stage 3 completion – end April 2019

1.8

At the end of each identified milestone, an End of Stage report will be produced showing project progress and actual resources costs. The decision to continue on to the following stage will be taken by the Director for Housing and Neighbourhood Services who is the Project Sponsor.

1.9

It must be noted that whilst the above stages have been set to reflect the HIF FF Bid requirements, the project will be developed in parallel to enable submission for Gateway 2 approval in May 2019. The resources costs identified above therefore include the cost of project development to Gateway 2.

1.10

A summary of the total £962,000 estimated spend is as follows:

Item	Cost
Capital Delivery Service Fees <i>Programme Management Support, Technical Project Management, Cost Management</i>	£117,000
Capital Delivery Partner Fees <i>See 4.2.3 below regarding External Procurement</i> <i>Turner &amp; Townsend fees – 7.88% of Arup consultant fees</i>	£35,000
Commercial & Business Development Fees <i>Fixed fee to cover commercial/procurement costs</i>	£1,000
Arup Highways feasibility fees <i>See 4.2.3 below regarding External Procurement</i>	£370,000
Arup Flood Works feasibility fees <i>See 4.2.3 below regarding External Procurement</i>	£70,000
SCC Departmental Internal Fees <i>Housing Growth, Highways, Flood, City Growth, Planning, Property, Legal, Finance</i>	£274,000
Survey Fees <i>Land Remediation Desktop Studies and Highways/Transport Surveys</i>	£75,000
Contingency	£20,000
<b>Total</b>	<b>£962,000</b>

1.11

The breakdown of the stages is the included in Appendix A (HIF Resource Breakdown) along with the spending breakdown of the £250,000 that was the subject of the initial approval dated 2 July 2018.

## 2. HOW DOES THIS DECISION CONTRIBUTE?

2.1

The decision to release the further £712,000 of Revenue funding to complete Stages 2 & 3 of the HIF Business Case production will enable the continuation of the project. The project will contribute to the ambitions within the Corporate Plan by delivering the following:

- 2.1.1 An in-touch organisation
- Unlocking of potential housing sites to enable the building of new homes
  - A61 corridor and Inner Relief Road junction improvements creating increased capacity and links for vehicle, cyclists and pedestrian movements
  - Strengthen housing market confidence through wayfinding environment incorporating placemaking to encourage a strong residential identity and safety
  - Increasing accessibility and links to the universities, hospitals and city centre amenities.
- 2.1.2 Strong Economy
- Flood prevention civil engineering installations along the Upper Don corridor, specifically relating to the City Centre to Neepsend (Don/Loxley confluence) section to protect the area and encourage investment.
  - Land remediation works on relevant sites identified for housing to minimise the site abnormalities currently creating constraints to viable building development.
  - Increased numbers of residential planning applications, homes being built and associated economic benefits to the city.
  - Disposal of remediated land to housing developers
  - Encouragement of private investment due to increased market confidence
- 2.1.3 Thriving Neighbourhoods and Communities
- Creation of a wayfinding environment incorporating placemaking to encourage a strong residential identity and safety to give the market confidence to invest.
  - Housing development in the identified area that will contribute to urban densification.
  - Proximity to a wide range of city centre cultural and recreational facilities, employment, transport links and the main University campuses.
- 2.1.4 Better health and wellbeing
- A61 corridor and Inner Relief Road junction improvements creating increased capacity and links for vehicle, cyclists and pedestrian movements
  - Creation of a wayfinding environment incorporating placemaking to encourage a strong residential identity and safety
  - Increasing accessibility and links to the universities, hospitals and city centre amenities.
- 2.1.5 Tackling Inequalities
- Enabling the provision of new homes and the creation of communities in a location with proximity to a wide range of city centre cultural and recreational facilities, employment, transport links, hospitals and the main University campuses.

### 3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 Extensive internal Council consultation has taken place to decide the actions to progress this project. The three Stage approach to delivery and approvals of the project to Gateway 2, as identified above, has been agreed as the most sensible approach to take to govern the proposed required expenditure and ensure HIF Bid submission timescales are met.
- 3.2 External consultation is not required at this early stage of the project. Consultation with relevant stakeholders will take place throughout the project at the relevant times.

### 4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

#### 4.1 Equality of Opportunity Implications

- 4.1.1 Increasing the viability of the potential housing sites will increase opportunities for Small and Medium Enterprises to acquire small sites to develop.
- 4.1.2 All infrastructure projects will be tendered using established frameworks.
- 4.1.3 By supporting the delivery of a range of new homes of different types and tenures, this project will help to advance equality of opportunity by providing better access to a safe and suitable home in a neighbourhood close to key facilities and support networks.

#### 4.2 Financial and Commercial Implications

##### 4.2.1 Project Financial and Commercial Risks:

Description	Impact	Mitigation
SCC further funding approvals not received in time to continue to employ external services and engage meaningfully with MHCLG	Quality of HIF bid submission will be significantly compromised as SCC does not have the necessary capacity to undertake the work in-house. Possibly will have to pay consultants acceleration costs to meet bid deadlines.	Commissions of external services have been split into deliverables that have been priced individually. Only deliverables affordable within existing approvals will be instructed.  Expenditure of £250,000 already approved will be monitored closely and external commissions halted if necessary until further approvals in place.

		To ensure quality of HIF bid submission, SCC may decide to delay submission until March 2019.
HIF Forward Funding Bid not successful and therefore no immediate opportunity to capitalise these costs	Approved bid development funding will have to be fully absorbed by SCC or another funding source (see detail in 4.2.2 Funding Approvals section below).	Minimise the costs required to develop the bid and ensure activity can be re-used to seek investment from other sources.

#### 4.2.2 Financial and Commercial Implications – Funding approvals

4.2.2.1 SCB have endorsed the request for the total GIF requirement (£962,000) on the understanding that this money is potentially at risk and the GIF may incur a loss should the HIF bid be unsuccessful.

4.2.2.2 Should the HIF bid be unsuccessful, the activity undertaken at Stage 1, 2 or 3 can still be used to lobby Government to reconsider (potentially with Mayoral advocacy), or to seek investment from alternative sources, such as the Sheffield City Region, or the project could be packaged differently and funded in isolation by the Environment Agency or Department for Transport.

4.2.2.3 If the £962,000 is fully approved, the Council will endeavour to recover this expenditure through the HIF or alternative funding source for the project, so that the £962,000 can be repaid back into the GIF on the “evergreen” principle. Whilst every effort will be made to recover the monies in this way, at this time it is not possible to confirm if this reimbursement will be available to the Council from HIF, as we have not yet received the relevant guidance from MHCLG.

#### 4.2.3 Financial and Commercial Implications - External services procurement

4.2.3.1 The Capital Delivery Service has a Capital Delivery Partner existing framework contract with Turner & Townsend. This contract was established to overcome potential resourcing issues in meeting the professional requirements of the Clients of the Capital Delivery Service. The contract is used when there is a requirement for professional services that are not available in-house and also when the Capital Delivery Service cannot resource a commission within existing internal resource capacity.

4.2.3.2 Through the Capital Delivery Partner contract, Turner & Townsend can provide project management, cost management and principal designer



services that the Capital Delivery Service would normally undertake. In cases where the services of specialist consultants are required, a framework of consultants form part of the contract that can be accessed when required. In this instance, the specialist consultant is procured through Turner & Townsend and becomes a sub-consultant to Turner & Townsend.

- 4.2.3.3 One of the sub-consultants frequently employed via the Capital Delivery Partner is Arup due to the wide range of consultancy services they provide.
- 4.2.3.4 Arup have been instrumental in providing the feasibility work required for the 1st Stage HIF EOI, both for the Highways and Flood and Drainage elements. It has been confirmed by both Highways and Flood that the Council does not have the resource to further refine the current feasibility.
- 4.2.3.5 For the Highways element, procuring Arup as a sub-consultant to Turner & Townsend through the Capital Delivery Partner is the quickest route available and the most sensible option. Arup can utilise the existing information they have already developed on the Highways scheme included in the HIF EOI and run the Sheffield databases and systems required to carry out the required traffic modelling. Any other consultant procured would need to employ Arup to carry out the required modelling which would lead to a further fee uplift.
- 4.2.3.6 For the Flood and Drainage element, Arup are currently working with the Flood and Water team and CDS under the Upper Don/Sheaf Catchment studies commission with a value of £559,000 (CA089-2014). An initial feasibility has been carried out on the Upper Don Valley, running from the City Centre to Stocksbridge. The feasibility of a section from Neepsend towards the North of Sheffield has recently been refined to provide the required information for a SCRIF bid. It is anticipated that similar work will be required to cover the City Centre to Neepsend section for the HIF Bid. Based on this, it is estimated that Arup's fee will be £75,000. As the estimated value of this commission is above 10% of the existing Upper Don/Sheaf Catchment studies commission, Commercial Business Development advise that it is not appropriate and auditable to extend the existing commission by this value. It is therefore accepted that Arup will also be procured as a sub-consultant to Turner & Townsend through the Capital Delivery Partner for the HIF Flood feasibility refinement as for the Highways element (see 4.2.3.2 above).
- 4.2.3.7 A meeting was held between Commercial Business Development, Capital Delivery Service ('CDS') and the Senior Finance Manager from Internal Audit in early May 2018 to confirm that the procurement of Arup, as a sub-consultant to Turner & Townsend, for the services identified above was acceptable as procurement through the Capital Delivery Partner. It was agreed that this procurement for the services value of £475,000 posed no risk to the approved yearly value of procurement through the Capital Delivery Partner (£1million) and therefore was in line with the Procurement Strategy for the Capital Delivery Partner Framework.
- 4.2.3.8 Highways surveys are required to be carried out to inform the work of Arup as part of the Highways element of the bid. Procuring these surveys using the existing Highways PFI contract is the quickest route available and the most sensible option.
- 4.2.3.9 The Highways PFI contract contains two different types of service – 'core' and 'non-core'. 'Core' works cover the investment and maintenance in our

highways infrastructure. 'Non-core' works cover the design and construction of capital works for both highway and off highway schemes. The procurement of surveys falls under 'non-core' works.

- 4.2.3.10 The PFI contract contains no obligation to use Amey for non-core works and there is no exclusivity implied. However, the vision was for the Council to have a preferred external provider with the capacity to design and build a wide range of highway and civil engineering related schemes previously undertaken by the Council's in-house provider, Street Force. This is covered by our existing contract with Amey at Schedule 7 of the Highways PFI contract.

#### 4.3 Legal Implications

- 4.3.1 The Council has general competence found in section 1 of the Localism Act 2011 that allows the Council to do anything that an individual may do provided that the activity is not restricted by any other enactment.
- 4.3.2 The Council must ensure that any services that need to be procured are procured in accordance with the Council's Standing Orders and the Public Contracts Regulations 2015. The proposals outlined in this Report meet these requirements.
- 4.3.3 Any contracts awarded must ensure compliance with all applicable legislative requirements and provide for effective service delivery, value for money and ensure the delivery of the project outcomes.
- 4.3.4 The legal implications of a successful bid will be the subject of a further report prior to acceptance of any funding.

#### 4.4 Other Implications

- 4.4.1 Health:
- This project will enable the delivery of more smaller and affordable homes in areas where they are needed and will help single and younger households to move into their own home.
  - The project will enable the delivery of more affordable family sized homes in areas where they are needed and will have a positive impact on the educational attainment of some children by providing more opportunities for families to move out of over-crowded housing conditions.
- 4.4.2 Poverty and Financial Inclusion:
- There are significant spatial inequalities that exist in Sheffield and this project will enable the delivery of mixed tenure communities to meet the needs of current and future households.

### 5. **ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 The alternative option is a 'Do Minimum' option as follows:
- Road, public transport, flood, drainage and public realm investment takes place at the scale and to the timetable enabled by the market.
  - Site acquisition and land remediation is dependent on existing internal council funds limited to S106 and Capital Receipts which are

insufficient to meet demands for the foreseeable future.

- 5.2 This would mean that no sites were enabled by the Council. The limited funds would only facilitate investment with private landowners on a limited number of sites to off-set the abnormal costs of development and/or to enhance the quality of outputs.
- 5.3 Without the HIF funding, it is estimated that significantly less units will be unlocked by 2025 compared to approximately 4,000 units enabled via HIF by 2025.

## **6. REASONS FOR RECOMMENDATIONS**

- 6.1 Without the HIF funding, it is estimated that significantly less units will be unlocked by 2025 compared to approximately 4,000 units enabled via HIF by 2025.
- 6.2 The HIF Funding will enable project completion and consequently the following:
- Give strategic coherence to a collection of brownfield sites, that will give the market confidence to invest in the construction and purchase of new homes
  - Viable Council housing development in the Housing Zone
  - Disposal of remediated land to SME housing developers
  - Encouragement of further utilities installations and upgrades due to increased residential customer base.
  - New and existing residents to access amenities, leisure, healthcare and education through better transport links.

## **7. APPENDICES**

- 7.1 Appendix A –HIF Resources Breakdown