



**Author/Lead Officer of Report:** Janet Sharpe

**Tel:** (0114) 273 5493/07764959663

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

**Report to:** *Leader, Sheffield City Council*

**Date of Decision:** *22nd March, 2019*

**Subject:** **Housing Infrastructure Fund Business Case submission to Government** (*Sheffield Housing Zone: North*)

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/>	
- Affects 2 or more Wards	<input checked="" type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Planning & Development		
Which Scrutiny and Policy Development Committee does this relate to? Safer and Stronger Communities		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? 260		
Does the report contain confidential or exempt information?	Yes <input checked="" type="checkbox"/>	No <input 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"The appendices to this report are not for publication because they contain exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended being Information relating to the financial or business affairs of any particular person (including the authority holding that information) and the balance of the public interest is that the information not be published."</i>		

**Purpose of Report:**

The Leaders report sets out the vision for the Sheffield Housing Zone: North neighbourhood and how the City Council, working with its partners and local stakeholders, will enable its delivery. This area has capacity for around 8,000 new homes (this will include a minimum of 10% affordable housing that will be delivered in accordance with affordable housing policy currently being reviewed) over the next 20 years. The area has been identified as a priority enabling brownfield development sites in sustainable locations. The proposal set out in this report is to seek funding from the Government's Housing Infrastructure Fund (HIF) for around £56m for infrastructure to be built by 2023/24. This will include highways, flood defence, site assembly, site preparations, and place-making works that will unlock new housing in this area.

**Recommendations:**

That the Leader:

1. Endorses Sheffield City Council's commitment to enabling and accelerating new housing in the target area for this funding request, to improve the diversity of house types, property tenures and quality of homes available in the city.
2. Approves the proposal to apply for HIF funding of up to £56m in conjunction with Sheffield City Region for this project as outlined in this report.
3. To note that if the HIF bid is successful a further report will be brought forward to approve the acceptance of the funding, once the terms and overall project structure have been confirmed.
4. Approves the procurement strategy for the highways and flood feasibility works as detailed at section 8 of this report.
5. Approves the procurement strategy for the highways surveys as detailed at section 7.2.4 of this report being carried out by Amey in accordance with Schedule 7 of the existing Highways PFI contract.
6. Delegates the contract awards relating to recommendations 4 and 5 to the Director of Finance & Commercial Services.
7. Approves the Council funding required for the bid preparation, development and design work and bid submission as detailed in section 7.2.2 of this report.
8. Notes the Financial Implications of this proposal as set out in Section [7] of this report.

**Background Papers:**

*(Insert details of any background papers used in the compilation of the report.)*

- **Appendix A: Sites and Boundary– Confidential Appendix**
- **Appendix B: Neighbourhood Vision Plan – Confidential Appendix**
- **Appendix C: Project Governance - Confidential Appendix**
- **Appendix D: Site Specific Information – Confidential Appendix**
- **Appendix E: Financial Assumptions – Confidential Appendix**
- **Appendix F: Programme Plans and Vision – Confidential Appendix**
- **Appendix G: HIF Key Assumptions – Confidential Appendix**
- **Appendix H: Estimated HIF Delivery Programme – Confidential Appendix**

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: Jane Wilby
		Legal: David Hollis
		Equalities: Louise Nunn
<p><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></p>		
2	<b>EMT member who approved submission:</b>	<i>Laraine Manley</i>
3	<b>Cabinet Members consulted:</b>	<i>Mazher Iqbal, Olivia Blake, Lewis Dagnall, Jim Steinke and, Leader Julie Dore (Cabinet Lead for Housing)</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> Janet Sharpe	<b>Job Title:</b> Director of Housing and Neighbourhood Services
	<b>Date: 22nd March, 2019</b>	

## EXECUTIVE SUMMARY – Sheffield Housing Zone: North

### 1. Executive Summary

- 1.1 Sheffield is a successful, growing city with an increasing demand for new homes in the city. Providing a range of affordable and market homes supports the city's economy by helping people into work, especially those furthest away from the labour market, and by attracting and retaining businesses and their workforce. By increasing the range of affordable homes of all tenures supports the Council's ambition to improve the health and wellbeing of people in the city to access regardless of income a good quality home that meets their needs.
- 1.2 This report seeks approval to submit the business case to Government for the Sheffield Housing Zone: North bid. The bid is for around £56 million pounds of grant funding for infrastructure in the Sheffield Housing Zone: North area. It would help support the delivery of around 8,000 new homes over the next 20 years with the Council controlling the delivery of around 1,400 new homes. It is estimated that around 800 new affordable homes could be included within the total.
- 1.3 In November 2018 Cabinet approved the New Homes Delivery Plan that set out proposals for building around 2,000 new homes per year that are needed in the city in key locations over the next 5 years. Sheffield Housing Zone: North was a part of the city identified as one of a number of priority areas.
- 1.4 Sheffield Housing Zone: North has for a long time been an important industrial area for the city but recently the area has experienced changes and exciting new mixed used developments are now taking place. However, although current private sector activity is signalling that the time is right to re-shape this location, piecemeal development won't deliver at the pace or of the quality that the city needs. The previous industrial uses, low land and residential property values, flood risk and multiple landowners and a lack of infrastructure capacity make it difficult for the market to deliver a range of good quality and much needed homes.
- 1.5 Furthermore our arterial roads are already operating at over capacity. Problems on the inner ring road near to the city centre are particularly acute because congestion results in tailbacks into the city centre that will cause serious and widespread delays across the public transport system. More new housing in this area would add to this congestion unless a strategic solution is provided.
- 1.6 The Council therefore needs to support the market to re-introduce housing in a planned way; on brownfield land particularly through re-modelling sustainably located former industrial areas and by providing new and improved infrastructure.
- 1.7 In 2017 Sheffield successfully acquired Housing Zone status from the Government for this area and, although no additional funding was secured at the time of the bid, this endorsement by Government ensured priority access to future Government funded programmes.
- 1.8 In March 2018, the Council approved a further ask from Government for this area. An Expression of Interest (EOI) was submitted for funding from the Housing Infrastructure Fund (HIF). This is a substantial new fund that is targeted at areas that need infrastructure to unlock new housing. Sheffield's proposal was approved in principle and the Government agreed to work with the city to co-produce a business case for funding. A multidisciplinary project team has been working on the programme since 2018 and the deadline for bid submission is the

22<sup>nd</sup> March 2019. If approved this money could be released later this year and all spending will need to take place by March 2024. Further Council spending at risk in developing the proposals is required to ensure that this deadline can be met should the grant award be made to Sheffield.

- 1.9 This proposal includes developing an ambitious spatial vision for the new neighbourhoods working with local stakeholders. It aims to, once the infrastructure is in place, facilitate the building of around 8,000 new homes and enabling the development of over the next 20 years of around 55 sites, as detailed in the attached plan. The sites are all brownfield, mostly in private ownership and the new and improved infrastructure is critical if we are to achieve the right density, type and quality of homes, including more affordable homes.
- 1.10 Subject to HIF funding, the Council would directly intervene on 6 sites with a capacity for around 1,400 new homes creating a significant catalyst across this market area. Whilst the authority would seek to acquire control of the sites through negotiation, it is considering the need to use its compulsory purchase powers to enable delivery of the vision for the area.
- 1.11 Set out in more detail in Appendix F - The Sheffield business case will seek funding for three types of intervention within this area:

- **Place-making.** Developing an attractive place to live with housing choice, a vibrant and attractive public realm, easy access to the tram and city centre and a great range of local facilities. Facilitating and accelerating housing delivery by increasing market confidence, reducing risk, and removing barriers to development. Achieved through land assembly, site preparation, and working with the private sector to deliver homes on the 6 intervention sites. As well as directly delivering new homes, this will also stimulate the market and act as a catalyst for wider regeneration.

If left to the market there is a risk that the sites will remain in commercial/ industrial use. In addition, if the market considers these sites for housing there is a risk housing development might not be of the right tenure, design quality or type to have a transformative effect in this area, which could then stifle its true potential and provide housing which caters for a narrow customer group rather than creating mixed and balanced communities.

- **Highway improvements.** In order to prevent a severe impact upon the highway network in the city that would be created by a significant number of new homes, highway improvements are required to avoid the risk of the tram and bus routes being blocked at peak times – in particular where queuing from Shalesmoor blocks across Brook Hill Roundabout and into the city centre and beyond.

If left to the market it is unlikely that these strategic upgrades would be delivered. Individual site contributions through S106 would continue to deliver piecemeal solutions as they fund highway improvements to make the residential scheme acceptable. Each scheme would contribute Community Infrastructure Levy (CIL), but it would take many years of development in order for CIL to be able to fund these strategic improvements.

- **Flood defences.** In order to reduce the risk of flooding to some sites in this area This proposal includes developing an ambitious spatial vision for the new neighbourhood working with local stakeholders. It aims to, once the infrastructure is in place, facilitate the building of around 8,000 new homes over the next 20 years on approximately 55 sites, as detailed in the attached plan. The sites are all brownfield, mostly in private ownership and the new and improved infrastructure is critical if we are to achieve the right density, type and quality of homes, including more affordable homes.

Subject to HIF funding, the Council would directly intervene on 6 sites with a capacity for around 1,400 new homes creating a significant catalyst across this market area. Whilst the authority would seek to acquire control of the sites through negotiation, it is considering the need to use its compulsory purchase powers to enable delivery of the vision for the area.

- 1.12 The Council is unlikely to be in position in the near future, to fund these strategic enhancements. The transition may happen over time without Council intervention, but it would be slow and may not provide the quality or type of homes and public spaces that are needed to realise the housing and economic potential of this new neighbourhood.
- 1.13 The total cost of the proposals in this programme is £65m. The Sheffield bid to Government will seek funding of around £56m from the HIF Fund. A commitment by the Environment Agency (EA) has been given for £3m but will be firmly secured in due course. This report also proposes a further £6m contribution from the Council over the life of the project
- 1.14 This report seeks approval to apply to the Housing Infrastructure Fund (HIF) Forward Fund, for funding to deliver the infrastructure needed for the Sheffield Housing Zone: North that will act as a catalyst to unlocking housing and economic growth ambitions for this area. The city can then build on this success to secure the investment it needs to bring about the strategic regeneration of the entire Don Valley economic corridor.

## **Background**

- 2.1 The Housing Infrastructure Fund (HIF) prospectus was launched in July 2017, and was described as: “a government capital grant programme of up to £2.3 billion, for new physical infrastructure which will unlock sites in the areas of greatest housing demand and help to deliver up to 100,000 new homes in England. Funding will be awarded to local authorities on a highly competitive basis”. The fund has been further boosted by Government with the total funding available being at £5.5 billion. Specifically this fund will be targeted at areas that need wider infrastructure and remediation funding to bring back into use brownfield and/or redundant sites where HIF could bring these sites forward for development.
- 2.2 In March 2018, the Council approved An Expression of Interest (EOI) for funding from the Housing Infrastructure Fund (HIF) for the Sheffield Housing Zone: North area. Sheffield’s proposal was approved in principle and Government agreed to work with the city and develop a co-produced business case that could be submitted to the Ministry of Housing, Communities & Local Government (MHCLG) to attract the funding that it needs. Detailed work has taken place since 2018 so that this can be presented back to Government by 22nd March 2019. The original Government guidance documents state applicants will have a response within 2 months. For planning purposes we are assuming to have an acceptable offer from Government by September, 2019. If approved this money could be released later this year and all spending will need to take place by March 2024 for the infrastructure works, with housing being delivered after this period (by 2038). Attached at Appendix F sets out what is proposed for the key areas of the bid for Highways, Flood, Housing and Place-making).
- 2.3 The work and preparatory costs to date have mainly been incurred by the Council (£962k). This application has the support of SCR and is being made by the Council. As full details of the terms of HIF funding and the overall governance structure are confirmed it is proposed that a further report is brought to the Leader to approve the acceptance of the funding and Council’s contribution once these details have been clarified.
- 2.4 The business case requires the applicant to set out a preferred option and a reduced HIF option that is based upon less Government money being awarded but where there will be less positive strategic and / or economic benefits to society. If the HIF funding is offered on a reduced basis this would also be the subject of a further report to approve the acceptance of the funding.

2.5 The HIF business case has been developed by a multi-disciplinary team of Council staff from Housing, Planning, City Regeneration & Property Services, CDS, Flood & Water Management, Highways and Finance & Commercial Services, with the Director of Housing & Neighbourhood Services as Project Sponsor. External support has been provided by Turner Townsend and Arup, via. The Capital Delivery Partner Framework, for Bid Project Management and Highways and Flood feasibility design and cost management. Further external support has been funded by the Government for the appointment of BDP Steer for economic modelling and support and bid writing, and Jones Lang LaSalle as property consultants.

2.6 All HIF funding must be spent on eligible infrastructure activity by March 2024, which means that the Council will need to continue to develop the infrastructure plans into sufficient detail so that the HIF spend deadline can be met if the Council's business case is approved by MHCLG. However, after submission of the bid any costs that need to be incurred to further develop plans (until the outcome of the bid is known) will be kept to a minimum and authorised by lead Director (sponsor) and Leader (Cabinet Lead) and, follow the normal Council financial approval processes.

### 3.0 **Creating mixed communities**

3.1 Over the next 15 to 20 years, 8,000 homes would be built on around 55 sites spread across the Sheffield Housing Zone: North area. A new housing vision for this area will be agreed to ensure it reflects the type of neighbourhood we want to create. It is proposed that the new homes will cater for families, young people and older households who wish to locate to a vibrant neighbourhood close to the city centre. This will include the provision of affordable housing, which will be in accordance with the affordable housing policy currently being reviewed. See appendix F for Housing Market Evidence

3.2 The vision and intention is to develop:

- High quality houses, of all sizes, for sale and affordable home ownership
- Larger, more spacious flats for private rent and sale
- Smaller flats for social and affordable rent
- An attractive offer for downsizers
- Age friendly and wheelchair accessible homes across all tenures

3.3 The approach will enable affordable housing of a range of types and tenures to be developed, by direct public intervention and by removing some of the commercial pressures and viability issues that make affordable housing difficult to achieve.

3.4 To achieve this aim the council will develop a masterplan with all relevant stakeholders.

### 4.0 **Proposed Place-making Programme Assuming £56m of HIF Funding is secured:**

4.1 The attached site plan at Appendix A and B sets out the scale of the ambition for the HIF submission.

#### **Site-based Interventions:**

4.1.1 It is proposed that SCC leads on a number of actions that will accelerate delivery. These will vary according to the prevailing market conditions at the time and specific site conditions and issues but will include land assembly, site investigation, site-preparation, (clearance/remediation), business relocation etc. The unlocking of these sites through site assembly coupled with demolition and remediation works will enable them to be brought to market to deliver housing starts and regeneration at a faster pace than would be achieved by the private sector alone. See Appendix D for further detail.

## 4.2 **Creation of a new neighbourhood hub and mixed use housing led development**

- 4.2.1 Appendix D details the proposed sites that would be remediated and developed to create a high quality mixed use scheme with a more residential feel in Sheffield Housing Zone: North area and have a catalytic effect in the wider area. Plans will be developed for a high quality mixed tenure housing scheme that will be attractive to young people, older people and families.
- 4.2.2 The plans will also include for a “neighbourhood hub” which include flexible retail units that will help draw residents and visitors together and promote a “neighbourhood feel”. See Appendix B for the proposed ‘Neighbourhood Hubs’.

## 4.3 **Creation of Rutland Place: Pedestrian and Cycle Improvements to Rutland Road**

- 4.3.1 This will provide an upgrade to the existing pavements creating an attractive and practical link between the Rutland Place intervention and the Rutland Road junction highways improvements, continuing across Penistone Road towards Infirmary Road neighbourhood centre and tram stop. Such improvements will encourage sustainable movement between the proposed housing developments and the Sheffield Housing Zone: North neighbourhood hub, in one direction, and the Penistone Road/Infirmary Road facilities and transport links, in the other direction. This will help to transform the perceptions of the area, giving it a more residential neighbourhood feel and space for residents and visitors to spend time enjoying the river. It will help make the adjacent land more attractive for residential, food, beverage and retail development by the private sector.

## 4.4 **Riverside Walk**

- 4.4.1 Extension of the riverside walk is proposed. The River Don is an important and currently under-used asset in the area. A high quality walkway along the river’s edge will provide a unique selling point for the area, where developments will be encouraged to make the most of the river. It is preferable to develop this walk-way in conjunction with the flood intervention though it will be dependent upon the outcome of dialogue between the Council and the relevant landowners.

## 4.5 **Flood defences and resilience works**

- 4.5.1 It is technically feasible to provide protection for a 1 in 100 years + Climate Change flood event, north of Ball St Bridge to the South side of the river enabling residential development on some sites (attached plan at Appendix A which shows the areas protected). The Defra standard will be achieved along the rest of this stretch. This will provide strategic flood defences whilst also allowing for residents and visitors to gain access to riverside walks as higher defence standards would require higher walls that would prevent this access from being safe and feasible.

## 4.6 **Highway Improvements**

- 4.6.1 **Shalesmoor Roundabout** will be replaced with a sophisticated T-junction to increase capacity through the junction, provide additional operational flexibility and provide enhanced paths and crossing points for pedestrians and for cyclists to benefits residents and visitors to the Kelham Island end of the target area. Changes here also create two new areas of public space in particular a considerably improved environment around Shalesmoor tram stop.
- 4.6.2 The improvements to the **Rutland Rd – Penistone Rd junction** will enable traffic to turn right out from Rutland Rd, reducing the need for convoluted manoeuvres along side streets or via u-turns on the Inner Ring Road to travel north along Penistone Road, provide additional capacity on Penistone Road and a new and improved signalised crossing point for pedestrians and for cyclists.

- 4.7 Combined, these improvements will mitigate the risk of the tram and bus services from being blocked by queuing vehicles traffic and causing grid-lock from occurring in the city centre. It is estimated that the capacity will support 8,000 new homes in this area to be built over the next 15 to 20 years.
- 4.8 It is proposed that the Council will lead on the delivery in partnership with local landowners and private sector developers, using the governance structure proposed in Appendix C. The Council has experience of delivering major infrastructure and regeneration programmes of this nature.

## **5. HOW DOES THIS DECISION CONTRIBUTE?**

5.1 The proposal supports the Corporate Plan priority to create and sustain thriving neighbourhoods and communities through increasing the supply of new housing as part of the City's long-term economic growth strategy. The recent designation of a "Housing Zone" by Homes England covers much of the City Centre and this area and, supports this ambition.

### 5.2 An in-touch organisation

- Unlocking of potential housing sites to enable the building of new homes and creating through consultation a new housing vision for this area
- Strengthen housing market confidence through wayfinding environment incorporating place-making to encourage a strong residential identity and safety
- Increasing accessibility and links to the universities, hospitals and city centre amenities.
- Creating much needed employment opportunities
- Helping to address concerns in the local community, in particular around the safety of pedestrians in the vicinity of Neepsend Bridge

### 5.3 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
- A61 corridor and Inner Ring Relief Road junction improvements creating increased capacity and improved provisions for motor vehicle, cycle and pedestrian movements

### 5.4 Thriving Neighbourhoods and Communities

- Creation of a wayfinding environment incorporating place-making to encourage a strong residential identity and safety to give the market confidence to invest.
- A new housing and open space vision for the area, including a minimum of 10% Affordable Housing in the area (in line with an updated affordable housing policy) together with a mix of tenures, types and quality of homes and, 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.
- In turn, allowing new homes to be built in a location that minimises traffic generated by new housing, and the adverse consequences of this
- Local jobs, apprenticeships and opportunities for local suppliers, custom build and SME

opportunities

#### 5.5 Better health and wellbeing

- New and improved pathways and crossings for pedestrians and for cyclists, enabling active travel
- Creation of a wayfinding environment incorporating place-making to encourage a strong residential identity and safety
- Increasing accessibility and links to the universities, hospitals and city centre amenities.
- Range and choice of housing for all income groups and wider public realm

#### 5.6 Tackling Inequalities

- The investment to enable a great range of homes to be built will have a positive impact on housing choices for many groups including some with protected characteristics
- 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.
- Introducing appropriate choice of affordable housing into the area

5.7 If the bid is successful and the infrastructure and activity explained above is implemented, then there will be positive impacts for equality of opportunity for people to buy, part own and rent new housing in the target area.

5.8 As part of the Council's procurement strategy every reasonable effort will be made to maximise local labour and local supply chains and create a number of apprenticeships.

5.9 By encouraging housing growth in this area, there is the potential for landowners of employment land to want to release their land for residential use. In some instances this could result in business tenants being asked to vacate their premises or they may be "priced out" of certain premises in the area. Any potential impact on existing businesses and jobs will be carefully managed and minimised, retaining businesses in this area and the city wherever possible. A range of measures will be put in place to support any business re-location.

### **6. HAS THERE BEEN ANY CONSULTATION?**

6.1 The proposal to put this area forward for HIF funding has followed consultation with the relevant Cabinet Member in 2017 and local MP's, more recently with representatives from two local community groups, local Councillors, property professionals during November and December 2018. The responses have confirmed that this area would benefit from interventions to help stimulate development, but consideration needs to be given to how the future housing development and type of homes built contributes positively to the city and the locality which is best done through the planning system.

6.2 Some feedback queried the emphasis upon highway improvements over rail station provision to the adjacent freight line, as a means of enhancing this form of public transport. However, the timescales for HIF expenditure would have been prohibitive for this infrastructure and the area is within close proximity to the main station. Furthermore, a new railway station could only be to provide for only 1-2% off peak hour trips from existing and new residential areas in the vicinity. The highway improvements would still be required to provide for the remaining 98% of trips (whether this be for the proportion made by car, to protect city centre public transport services, or the proportion made by foot, by bicycle or by public transport that benefit from the new and improved pedestrian and cycle paths and crossings including connecting to public transport stops).

6.3 Consultation is also planned with wider stakeholder groups including SCR, ward councillors, local schools, resident groups, health, business, retail and MP's if funding is secured and as the scheme is

being planned.

- 6.4 In December 2018, a request was made to the Council from a local residents group to form a Neighbourhood Forum, for the purpose of producing a Neighbourhood Plan for this area. This is allowed within Planning Policy and was approved on 28<sup>th</sup> February, 2019 by the Head of Planning. It is proposed that this work will help inform wider plans for the area from a residents and local business perspective.

## **7. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

### **7.1 Equality of Opportunity Implications**

There are no direct equality implications of submitting the HIF bid. Full consideration of the equality impacts will be completed as and when we have an offer of HIF funding and the terms of that funding are known.

### **7.2 Financial and Commercial Implications**

It is proposed that Sheffield City Council will contribute up to £6m support for the HIF bid. This could include the availability of both capital and revenue funding. Consideration must also be given to an ongoing long-term commitment to support the subsequent maintenance requirements of the investment, specifically with regards to the Flood programme. The overall investment will serve to bring about the following benefits:

- Levering in up to £56m additional investment from the Government's Housing Infrastructure Fund (HIF).
- Bringing forward stalled development sites and accelerating housing delivery within the target area.
- Assist in the regeneration of target area and the wider City Centre.
- Delivering much needed mixed housing units within the City Centre.
- Capital receipts and income from Community Infrastructure Levy (CIL).
- Additional Council Tax and Business rates from new homes and businesses
- Receipt of New Homes Bonus to replenish the Growth Investment Fund.
- Affordable housing units or commuted sums in lieu of affordable housing provision.
- Opportunity to explore and trial alternative development methods including use of joint ventures and procurement of development partners.

The HIF bid will be appraised by MHCLG against the project's Benefit Cost Ratio (BCR). This measure shows the relative benefits generated for each £1 of cost and is a consistent approach to measuring value for money and overall public welfare generated by the project. Two BCRs will be run and appraised for the programme; one relating to the direct HIF investment and benefits and a wider BCR that captures a broader scope of strategic investments.

## 7.2.1 Project Costs

At this stage in the development of the bid the total indicative project spend is split between the 4 key work-streams and an element of programme management as follows:

Table 1

Work-stream	£'000s
Highways	20,702
Flood	13,993
Place-making	4,024
Land Assembly	25,297
Delivery Management Team	703
<b>Total</b>	<b>64,719</b>

Total project costs have been calculated with reference to our delivery partners in each of the work-streams above and have included external market cost verifications. Within each work-stream, cost provisions for design, management, construction, land, professional fees, contingency and inflation have been accounted for, in line with relevant indices and timing of forecast cash-flows. Further discussions on assumptions are provided in the appendices to this report.

There are many benefits for the Council making a contribution to the project:

- It demonstrates that this project and this area are a priority for the Council; to the extent it is willing to commit up to £6m of its own resources to lever in additional investment from Government.
- Provides the opportunity to re-shape this neighbourhood and ensure the tenure, mix and type of homes to be provided meet the needs of this area
- Use Government funding for the infrastructure works needed to bring forward homes in this area rather than using the Council's own resources.

As further detailed in section 7.2.2 it is necessary for the Council to spend £962k to submit the business case and further costs of up to £800k may need to be incurred in order to have the necessary momentum and preparedness for a positive decision and then meet the Government's HIF spend deadline of March 2024. Following a decision on the funding by MHCLG, these costs will either be reclaimed from the grant awarded if successful, or met from the Council's own resources.

## 7.2.2 Funding Model

An application will be made to DEFRA to make a financial contribution towards the flood protection works, which is estimated to be between £3m and £5m of Grant in Aid. This will help reduce the financial ask of HIF and improve the project's overall BCR. A value of £2.8m has been included in the financial modelling work to support the bid. This is a prudent estimation of the potential funding achievable given the outcomes of the programme. If Grant in Aid monies are awarded from DEFRA at a higher level than this £2.8m estimation, SCCs contribution would reduce in accordance. Table 2 shows the breakdown of funding to support this bid by source.

Table 2

Funding Source	£'000s
HIF grant funding	55,950
Other new funding (including SCC)	5,964
Other grant funding (EA)	2,805
<b>Total Project Funding</b>	<b>64,719</b>

Alongside this investment decision and bid to the HIF fund, the Council are considering making a range of other investments in regeneration and transformational projects in the area. Table 3 illustrates this range of complementary projects and demonstrates our commitment to the strategic vision presented in the bid.

Table 3

Funding Source	£000's					Totals
	Brownfield Acquisitions	Inner Relief Road	Grey to Green Phase 2	Parkwood Site Access Road	Upper Don Valley Flood Alleviation Phase 1	
SCC	5,000	850	1,713	0	0	7,563
EA	0	0	0	0	2,000	2,000
SCR	0	3,787	3,320	4,800	3,500	15,407
ERDF	0	0	836	0	0	836
CRT	0	0	50	0	0	50
<b>Totals</b>	<b>5,000</b>	<b>4,637</b>	<b>5,919</b>	<b>4,800</b>	<b>5,500</b>	<b>25,856</b>

In this wider strategic context, consideration will be given to make strategic acquisitions in brownfield site land assembly within this defined geographical location. This is shown in the above table at potentially £5m SCC investment. Further grant funding has been awarded by Sheffield City Region of £3.787m towards the Inner Relief Road (Bridgehouses highway improvement scheme) matched with a further £850k from the Council, the Local Transport Plan and DfT sources on this project. Other related projects include Grey to Green Phase 2 a £5.92m investment from sources shown above, Parkwood Site Access Road a £4.8m project with SCR funding and Upper Don Valley Phase 1 with funding from SCR at £3.5m and EA at £2m. This range of projects represents a further £26m investment into the area, above the HIF bid.

Whilst these investments are proceeding independently of the HIF bid, there are key components here of the overall highway strategy to provide capacity to mitigate risks to the public transport network in this area. The total investment, including both the HIF programme and these complementary projects is shown in table 4. This £90m total investment in the area contributes towards improving the wider BCR for the bid; it demonstrates our commitment to improving the infrastructure in this critical development area in the city.

Table 4

Total Investment (Including complementary)	£000's
HIF	55,950
SCC (£5.964m new funding + £7.563m committed)	13,527
Other (£2.805m EA new funding + £18.293m committed)	21,098
<b>Total</b>	<b>90,575</b>

Of the SCC required new funding per the above funding table, it is anticipated the split between capital and revenue would be as follows:

Table 5

SCC Investment requirement	£'000s
Capital	5,514
Revenue	450
<b>Total</b>	<b>5,964 *</b>

Should we be successful in securing more than £2.8m funding from EA, the investment needed by SCC would reduce accordingly. The EA grant is based on the number of homes protected by the infrastructure so an application to the fund will only be made if we are successful in securing the HIF funding. There is also an opportunity to explore further SCR funding as part of the bid development, which would also in turn reduce the capital commitment from SCC.

### 7.2.3 Income Projections – years 2019-2028

The HIF bid covers direct investment in assembling 6 sites in the target area alongside the necessary highway and flood works. This strategic investment piece is expected to have a catalytic effect in the market and the further 49 sites in the surrounding area will be brought forward into the delivery pipeline in the short to medium term. The effect of this investment is represented in the table 6 income forecast. This is a direct benefit to the Council as a result of this investment by realising the future revenue streams that would otherwise not be achievable within this timeframe. The income modelling projections are based on best estimates of housing delivery at this stage and are provided here for illustrative purposes as a guide. Through further development of the programme, we are likely to refine our estimations of delivery, impacting upon the below indicative forecasts. Whilst this income is a direct benefit to the Council, it does not form part of the cost benefit calculation within the economic case of the bid. The economic benefits captured in the BCR are based upon the benefits of the Land Value Uplift as a result of the investment not revenue received to the authority.

Table 6

Income Stream £'000s	Y1 2019/20	Y2 2020/21	Y3 2021/22	Y4 2022/23	Y5 2023/24	Y1-5 Total 2019-24	Y6-Y10 2024-28	Y1-Y10 Total 2019-28
New Homes Bonus	86	519	1,326	2,143	2,509	<b>6,583</b>	8,369	<b>14,952</b>
Council Tax	123	771	2,031	3,362	4,168	<b>10,455</b>	29,856	<b>40,311</b>
CIL	193	517	764	796	550	<b>2,820</b>	2,746	<b>5,566</b>
Capital Receipts	0	0	0	16,250	3,500	<b>19,750</b>	0	<b>19,750</b>
<b>Total</b>	<b>402</b>	<b>1,807</b>	<b>4,121</b>	<b>22,551</b>	<b>10,727</b>	<b>39,607</b>	<b>40,971</b>	<b>80,579</b>

Table 7

<b>Units</b>	205	848	1,145	879	258	<b>3,335</b>	1,950	<b>5,285</b>
<b>Cumulative Units</b>	205	1,053	2,198	3,077	3,335	<b>3,335</b>	5,285	<b>5,285</b>

Whilst the sites included in this forecast above are part of the growth delivery plan strategy, without this strategically focussed investment, we would otherwise be unable to recognise the financial benefits within this timeframe.

CIL and New Homes Bonus would flow back into the Council's Growth and Investment Fund to support

other strategic growth focussed priorities for the city. Additional Council Tax revenue would be accounted for in the Council's General Fund and will be utilised to support our existing services. HIF funding rules apply to any Capital Receipt income, which would also flow back into the Council's Growth and Investment Fund provided these are general fund sites. Capital Receipts generated from the HIF Programme cannot be used for HIF funded activity but there is an expectation by Government (MCHLG) that they would be utilised on other housing growth or infrastructure projects in the city. This issue will be clarified further when the terms of the HIF funding agreement is finalised later in 2019.

Further details on underlying assumptions to the above income projection are set out below. These financial assumptions are consistent with the modelling presented in the Housing Growth Delivery Plan (HGDP) that was approved at Cabinet in November 2018 and the income forecasting assumptions used for the Council's Growth and Investment Fund (GIF). Should the bid be successful, the build out trajectory forecasts from the HIF project will be overlaid into the HGDP and GIF financial models to ensure consistency in the available funding from the GIF and to measure the outputs of the investment in the HGDP.

## 7.2.4 Commercial Implications – External Services Procurement

A detailed option appraisal is to be undertaken to inform the most appropriate programme management approach to deliver this project, given the timescales for delivery and the level of work required prior to delivery.

The current approach is that Capital Delivery Service (CDS) has a Capital Delivery Partner contract with Turner & Townsend, which was competitively procured through the regional YORconsult framework. The contract is used when there is a requirement for professional services that are not available in-house and also when CDS cannot resource a commission within existing internal resource capacity.

Under this contract, Turner & Townsend can provide project management, cost management and principal designer services that CDS 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.

One of the sub-consultants frequently employed via the Capital Delivery Partner is Arup. They provide a wide range of relevant professional services to support the delivery of Council projects.

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 Teams, that the Council does not have the resource to further refine the current feasibility.

For the Highways element, procuring Arup as a sub-consultant to Turner & Townsend through the Capital Delivery Partner is the quickest and most effective route available. 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. This would add unnecessary interfaces and lead to a further fee uplift.

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. 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, we do not believe it is appropriate to extend the existing commission by this value. Arup will therefore 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. Internal Audit have been consulted and are in agreement with this approach.

Highways surveys are required to inform the work of Arup as part of the Highways element of the bid. Procuring these surveys using the 'non-core' route in our existing Highways PFI contract is the quickest and most efficient option.

The estimated costs of using Council resources and, Turner & Townsend & Arup for these services up to the submission of the HIF bid in March 2019 is £962k. A further £800k will need to be spent between to finalise the designs and ensure we are in a position to commission and procure the individual elements of this project, as summarised in the table below:

Table 8

Workstream	Summary	Bid Submission Cost	New Activity Cost	Workstream Total
Highways	Progress Design, Consultation and Approvals	£450,000	£450,000	£900,000
Flood	Progress Design to allow EA Funding Confirmation	£290,000	£200,000	£490,000
Land Assembly	Fees to progress option costs, surveyors fees, legal fees, site investigation costs reacting to market opportunities	£95,000	£150,000	£245,000
Other costs		£127,000	£0	£127,000
<b>Total</b>		<b>£962,000</b>	<b>£800,000</b>	<b>£1,762,000</b>

Every effort will be made to only incur further costs if essential to avoid spending Council resources until outcome of the bid is known.

It is anticipated that the HIF funding will be confirmed and a funding agreement signed by October 2019. However, in the event that there is a delay in finalising terms it may be necessary to commission this work in advance of the signature of the funding agreement in order to meet the overall HIF funding deadline.

In terms of the wider HIF project, any cost overruns on the project will need to be covered by Sheffield City Council. To minimise this risk appropriate levels of Cost Inflation, Contingency and Optimism Bias have been factored into the costs of the interventions. However, unforeseen issues and costs that exceed these allowances will need to be covered by the Council. This is normal practice when securing grant funding. The programme of works has been sequenced to complete in advance of the March 2024 deadline to avoid cost over-runs.

A further mitigation is ensuring that each element of this scheme is subject to rigorous project management. Individual capital projects will be subject to the Council's capital gateway process to ensure that all relevant factors are taken into account as proposals and designs are finalised and the relevant costs and risks are identified.

The terms and conditions of the HIF grant have not been issued by MHCLG or Homes England at this time. Upon receipt of the terms and conditions, advice will be sought from Finance & Commercial Services and Legal Services in order to understand these and to clarify and negotiate with MHCLG as appropriate before entering into the final agreement and drawing down the funding.

Any surpluses or any funds that the Council can recover from landowners or developers for these interventions can be retained by the Council, but must be recycled back into enabling future housing growth activity in the city outside of this specific project.

### 7.3 Legal Implications

- 7.3.1 The Council has a number of powers in relation to regeneration and works. Where the funding bid is seen as calculated to facilitate, or is conducive or incidental to, the discharge of those functions then it is permitted by s111 Local Government Act 1972. Alternatively the power is afforded by the General Power of Competence under the Localism Act 2011.

7.3.2 The procurement of the works and services outlined in the report must comply with the Public Contract Regulations 2016 and the Council's own Contract Standing Orders.

7.3.3 Further legal implications will be considered for each element of the proposal as they proceed to approval. This will include any State Aid implications, although in general public funding for general infrastructure projects that are not aimed at particular economic entities will not amount to unlawful aid for these purposes.

#### 7.4 HR implications

7.4.1 In order to fulfil the Council's obligations to deliver all elements of the project then Council staff will need to be allocated to support the project and it may also be necessary to recruit additional staff. A project structure chart has been developed and will be kept under review by the Project Sponsor and where additional resources are required the relevant approvals will be sought.

### 8. **ALTERNATIVE OPTIONS CONSIDERED**

8.1 **Do Nothing** – by not submitting this business case, it will miss an opportunity to secure funds that can be used in a comprehensive way to tackle a variety of obstacles to new homes in this part of the city. This will result in many of the sites remaining undeveloped, missing an opportunity to regenerate a key part of the city, provide additional homes and generate economic benefits for the city and wider region. It could also result in SCC investing its own resources if it does not want to stifle development in this area or, wants to influence the type of housing being built.

8.2 **Seek a Reduced amount of HIF** – this could still deliver a range of benefits, but would not offer the comprehensive suite of intervention to realise the full 15-20 year potential of this area as a revitalised and successful neighbourhood. A reduced option is included in the business case and comprises:

Reduced Option – this is mainly around reducing the work around the Shalesmoor Roundabout and works would be limited small-scale improvements to the existing configuration re-route of pedestrian paths and crossings only and, some reductions on the level of place-making activity.

### 9. **REASONS FOR RECOMMENDATIONS**

9.1 It is recommended that the Leader approves the submission of the Business Case to Government (MHCLG) as this offers the most appropriate funding opportunity to deliver a comprehensive package of intervention to unlock housing growth in a part of the city that can be revitalised.

9.2 There is demand for more homes to be built in Sheffield and there is strong rationale for why many of these homes should be built close to the city centre on vacant and underutilised brownfield land. Although the private sector is engaged in bringing forward some development activity in this area there are a number of sites where development activity has stalled or is yet to start.

9.3 The Council is unlikely to be in position in the near future, to fund these strategic enhancements. The transition may happen over time without Council intervention, but it would be slow and may not provide the quality or type of homes and public spaces that are needed to realise the housing and economic potential of this new neighbourhood. It is also unclear how the negative effects on the highway network will be avoided.

9.4 The benefits of such an approach are more people using the city centre to support its vibrancy, making better use of previously developed land, removing blight from derelict land, regenerating parts of the city, making better use of existing infrastructure through significant strategic intervention

The proposed interventions will help to transform the perceptions of this area, it will encourage private

- 9.5 investment to deliver new homes in the area and give the Council a greater chance of securing homes that are suited towards the needs and demands of residents.
- 9.6 The proposed suite of interventions are being recommended to the Leader as the most suitable combination of activity to unlock new housing in this location whilst still meeting the requirements and evaluation principles of the HIF.

## Appendices

- **Appendix A: Sites and Boundary – Confidential Appendix**
- **Appendix B: Neighbourhood Vision Plan – Confidential Appendix**
- **Appendix C: Project Governance - Confidential Appendix**
- **Appendix D: Site Specific Information – Confidential Appendix**
- **Appendix E: Financial Assumptions – Confidential Appendix**
- **Appendix F: Programme Plans and Vision – Confidential Appendix**
- **Appendix G: HIF Key Assumptions – Confidential Appendix**
- **Appendix H: Estimated HIF Delivery Programme – Confidential Appendix**

