

# HOUSING FUND PROSPECTUS UPDATED: NOVEMBER 2018



*This prospectus has been reviewed and updated based on our experience of the Sheffield City Region Housing Fund to date, this includes several improvements based on feedback received from the organisations we have engaged with over the last year.*

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## FORWARD

In March 2017 the Sheffield City Region (SCR) Combined Authority (CA) agree the establishment of a pilot Housing Fund (HF) of up to £10m<sup>1</sup>.

The launch of the HF in November 2017 resulted in high levels of interest, with schemes totalling almost £25m coming forward from a range of applicants including Housing Associations, the private sector, Local Authorities and public-private partnerships.

We continue to work with scheme promoters to develop schemes to the point where an investment decision can be made by our Housing Investment Board (HIB).

### **The Sheffield City Region Housing Fund: The story so far...**

- The first HF supported scheme was approved less than four months since the initial application.
- First new homes supported by the HF will be completed during Summer 2019.
- The SCR approach to the HF has received positive media coverage and has been cited as an 'innovative approach'.
- We have developed a streamlined and robust process which is compliant with the SCR LEP Local Growth Fund Assurance Framework and has been peer reviewed by National Government.
- As a locally managed fund we have remained flexible and responsive to local market conditions.
- We have maximised the use of SCR funds by co-funding schemes with Homes England and signposting to other potential sources of support.
- The SCR target remains - to progress schemes up to the original HF allocation of £10m for funding approval by the end of the 2018/19 financial year
- Based on the success to date, the CA is to consider a further enhancement of the HF

We have a strong pipeline of potential HF schemes which we are continually reviewing. However, **we are keen to build a larger pipeline of deliverable schemes** which will help us demonstrate further demand for the HF, continue to build on our strong track record of delivery and importantly deliver the homes we need to support our economic growth.

**Please get in contact if you have scheme you would like to discuss in more detail.**

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<sup>1</sup> An allocation was made from the SCR Local Enterprise Partnership Local Growth Fund in order to establish the HF.

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## STRATEGIC CONTEXT

SCR needs to build more homes; our Strategic Economic Plan (2004) set a target of 70,000 new homes (or c7,000 per year) by 2024. Net housing completions have risen steadily over past 6 years from 3,122 (2012/13) to 6,610 (2017/18).

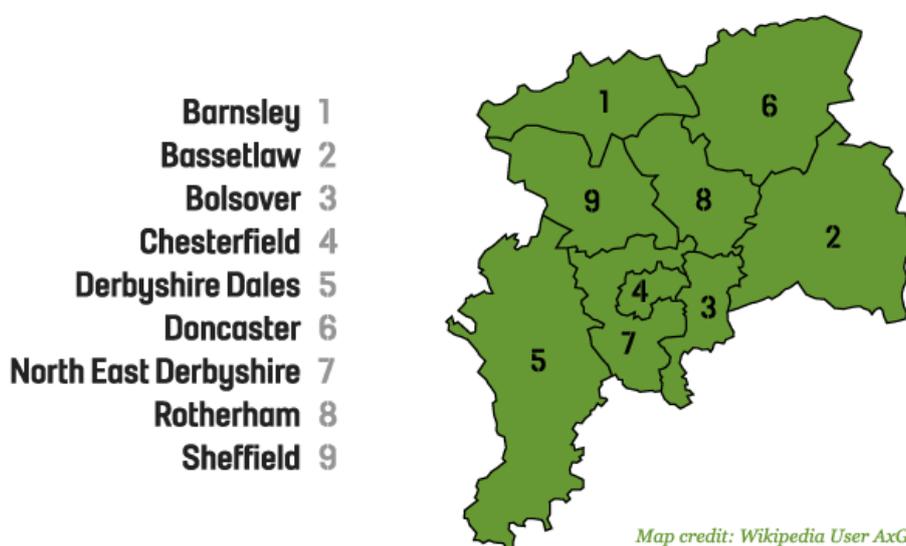
Despite recent positive performance we are not complacent – based on our current performance we have delivered over 18,200 net additional dwellings over the past 3 years (against a SEP target of 21,000+). We know there is a need to ‘catch up’ after several years of below target housing delivery, and given that delivery still isn’t at the levels set out in our SEP.

Of all new homes built in 2015/16 around 600 (18%) were classified as affordable. Nationally it was estimated that affordable housing accounted for 40% of all homes built, and a recent study in to affordable housing in SCR suggested that the annual affordable housing requirement for SCR (based on information from Local Plans) is around 33%.

At a SCR level we are clear that we need to increase the delivery of affordable and high-quality homes, ensuring our residential offer supports our economic aspirations as well as the needs of our growing and changing population. It’s about increasing not only the number of new builds overall, but the availability of good quality, affordable housing, which is close to public transport and well connected to employment opportunities.

## BACKGROUND

The SCR HF will complement and plug the gap in current national housing investment programmes. The SCR Housing Fund will help to unlock development opportunities and deliver much needed new homes in the Region. The majority of other funds currently available to support housing delivery are national funds, where competition between regions is extremely high; SCR’s Housing Fund is a **City Region level fund**; only available to support schemes delivered within the 9 Local Authority areas which make up SCR (as shown below).



### WHAT'S DIFFERENT ABOUT THE SCR HOUSING FUND?

- This funding is ready and waiting to support priority housing projects in SCR, offering a **degree of certainty** as SCR considers which projects support our housing and economic growth ambitions (and therefore fit best with the criteria of the fund).
- Funding decisions are made at a **local level**, within SCR – enabling us to consider **funding which is flexible** in its approach, for example by **addressing specific market conditions which act as a barrier to growth** or coming to a SCR view on **what constitutes a 'good' return on investment**.
- Any **funding recovered will be returned to the SCR for future re-investment** – this enables SCR to consider the **use of recycled funds even more flexibly**.
- Funding is **available to a wide range of public and private partners across the housing sector**, including Local Authorities, Registered Providers and private sector developers (subject to the production of a compliant Business Case, as well as Value for Money and State Aid considerations).
- National funding products and initiatives are often oversubscribed, with funding decisions made within a national context. Previously such approaches have not favoured northern areas such as SCR. We are able to **consider innovative proposals which are different and exciting, making schemes which are struggling to attract funding happen as part of a SCR-wide programme**.

### WHAT IS THE PURPOSE OF SCR'S PILOT HOUSING FUND?

1. ***To focus on a range of different scheme types and building a SCR track record of delivery*** by contributing to the Strategic Economic Plan (SEP) target of increased housing delivery through prioritising investment in enabling infrastructure, as well as supporting the 'above ground' development of new homes.
2. ***To support schemes which wouldn't have otherwise progressed*** by testing a range of tools/ interventions which seek to address market failures present in SCR's housing markets whilst complementing and addressing gaps in existing National housing investment programmes (importantly not duplicating existing investment products).
3. ***To focus on a more flexible approach which can be scaled up*** by testing new approaches to scheme identification, appraisal and decision making which can inform the development of a long-term approach to SCR-led housing investment.
4. ***To have a number of examples of what works/ what doesn't in a SCR context*** by piloting a model which could be replicated in the future, providing a strong basis for future Government investment in the SCR, as well as the leverage of private sector funds.
5. ***To test the extent to which SCR can develop a sustainable delivery model*** by testing to what extent a local Housing Fund is recoverable, enabling the SCR to take a different view of risk and reward - considering the wider economic and social value of

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housing. At a programme level the aim is for at least 50% of the fund to be recycled/ paid back to the SCR

6. ***To enable and/ or accelerate the delivery of new homes*** by developing an 'outcomes based approach' which public and private sector partners can engage with to maximise housing delivery and value for money

## **WHO CAN BID FOR FUNDING?**

Funding is **available to a wide range of public and private sector partners across the housing sector** (subject to the production of a compliant Business Case, as well as Value for Money and State Aid considerations), including:

- Local Authorities within the Sheffield City Region;
- Housing Associations/Registered Providers;
- Private Sector Developers (subject to State Aid), including SMEs;
- Partnerships/ Joint Venture Companies.

## **WHAT TYPE OF INVESTMENTS/ SCHEMES CAN THE HOUSING FUND SUPPORT?**

The HF aims to provide a range of financial tools and interventions to enable activity which would not otherwise happen (e.g. where funding is not viable or the scheme doesn't meet the criteria of other available funds).

However, investment available via the HF is finite, as such the fund should be viewed as a 'fund of last resort'. The ambition remains to recover/ recycle some proportion of the HF for future investment, as such grants will only be provided as a last resort.

The HF offers a flexible approach to the allocation of monies, for example non-recoverable funds (grant), part-recoverable funds, loan funds and other funding solutions to meet the requirements of individual schemes across our City Region. We will discuss with you the most appropriate type of investment support for your scheme based on the overall strength of your business case. We do consider co-funding of schemes. Where you feel this best meets the needs of your scheme we welcome early discussion with all partners.

Funding is only available to support **capital expenditure only**.

Where proposed schemes unlock or accelerate the delivery of new housing supply, the rules around Local Growth Funding (which are capital funds and subject to standard accounting rules relating to capital expenditure) enable us to support the following types of investment/ intervention:

- Off-site infrastructure;
- Neighbourhood infrastructure (including public realm, place-making interventions) which enhance assets ('betterment');
- Site Remediation and demolition to prepare sites for housing;
- On site infrastructure (on sites in public ownership due to State Aid restrictions);
- Direct delivery of new homes (subject to State Aid restrictions);

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- Site acquisition and land assembly;
- Capacity to support any of the capital delivery activity detailed above where it is directly attributable to the creation or maintenance of a capital asset.

In addition, where sites have been selected, the following pre-development activity focussed on de-risking sites and making them more attractive for future investment can also be supported by the fund (this activity will be 'at risk' with any abortive costs to be met by the applicant should the scheme not progress as agreed).

- Site investigation/ geotechnical work;
- Masterplanning.

**Please note that the fund cannot be used for options appraisal or feasibility testing as this fall outside of the rules of capital funding.**

The above list is not exhaustive. We are keen to consider innovative proposals which are different and exciting, making those schemes which are struggling to attract funding happen as part of a SCR-wide programme.

### **HOW DO I APPLY FOR FUNDING?**

Every scheme is different. We are however committed to working with you to ensure that potential schemes can be assessed in a robust, timely and proportionate way.

The information set out below demonstrates the stages a typical scheme will need to progress through. We are happy to provide you with all the documents you may need to complete at an early stage so you can better understand the information we require as your scheme progresses.

You will be supported throughout by a dedicated resource in the SCR team.

#### **1. Contact the SCR Team to discuss your proposed scheme**

We will request a meeting with you to discuss your scheme in more detail.

We may ask you to complete a short 2 page 'Gateway Form' form to aid discussion.

This can be found on our website via the following link:

<https://sheffieldcityregion.org.uk/wp-content/uploads/2018/08/SCR-LGF-Gateway.docx>

Where schemes are not suitable for the HF, applicants will be signposted to other potential sources of funding. Our experience of the HF to date suggests that schemes progress most quickly and efficiently through our application, appraisal and approval processes where applicant stay in contact with the SCR Team throughout, provide all the information requested by the agreed deadlines and respond quickly to clarification questions/ requests.

#### **2. Completion of a Strategic Business Case (SBC) document**

At this stage we are looking to collect all the information required in order to consider the eligibility of your scheme to proceed to the next stage. It is therefore essential that applicants provide all the information requested.

Depending on the funds available and how well developed your scheme is, we may will decide at this stage if your scheme is to progress to the next stage or is to be placed in to our pipeline to be invited forward at a future time.

### **3. Completion of a Full Business Case (FBC) document**

Once schemes are given the 'green light' to proceed to this stage, the applicant (supported by a dedicated resource in the SCR Executive Team) will be required to complete a standard report for submission to the SCR Housing Fund Governance Board. This additional information will enable a more comprehensive Value for Money assessment to be carried out, as well as for schemes to be tested in a way which is compliant with the SCR Assurance Framework.

### **4. Assessment, Appraisal and Due Diligence**

Assessment and appraisal will be undertaken by a dedicated internal team. The need for external/ independent appraisal will be considered on a case-by-case basis.

This tends to be an iterative process and can take several weeks as we ask for further information or request that you undertake further work in order to assist in reaching a funding recommendation with appropriate conditions.

### **5. Consideration by the SCR Housing Investment Board**

Our HIB meets approximately every 6 weeks and will consider your FBC and the funding conditions recommended by Officers.

Where schemes are seeking in excess of £2m from SCR, a funding decision will be required from the Combined Authority (this meets approximately every 2 months).

Prior to providing funds to successful schemes, we will discuss and agree the terms of the contract and arrangements for ongoing monitoring of the scheme

## **WHAT DOES A 'GOOD' SCHEME LOOK LIKE?**

A strong submission will clearly demonstrate that:

1. The scheme cannot proceed without support from SCR's Housing Fund and that there are no alternative funds currently available ('fund of last resort'). The case for financial support from the public sector (in whatever form) needs to be clearly made.
2. The scheme is deliverable, and that the timescales are realistic. The scheme must deliver additional new housing units which otherwise would not be delivered and/or accelerate housing delivery. We will prioritise 'good' schemes that can commence delivery soon after SCR approval has been granted.
3. The scheme is supported locally. Applicants will need to evidence that there is Local Authority support for the proposed scheme. Evidence of compliance/ alignment with planning policy, growth strategies (economic and housing) and objectively assessed housing need will need to be clearly set out.

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4. The scheme contributes towards the SCR's strategic aims and demonstrates strong links to SCR's ambitions for economic growth, as well as alignment to any wider funding/ interventions (e.g. accessibility, sustainable transport). Location is key and priority will be given to schemes which support housing growth in, or with good links to the major growth areas and existing urban centres set out in the SCR IIP.
5. The scheme will address housing needs of the neighbourhood. Applicants will need to demonstrate the contribution of the proposed new homes to SCR (and Local Authority) housing targets and provide evidence of market demand (or need) for the scale and type of housing development proposed.
6. The scheme overall represents good value for money, and that all information has been provided to carry out an initial value for money assessment.
7. All risks have been considered, and actions identified to mitigate the risks, including an early assessment of State Aid implications.
8. The Applicant has demonstrated they have the capacity and experience/ expertise to deliver the proposed scheme.
9. There is commitment from the delivery partners to provide funds from other sources (public and/or private). **Typically, the Housing Fund will not 100% fund any scheme.**

### HOW WILL SCHEMES BE ASSESSED?

Drawing on national best practice (the 'DCLG Appraisal Guide' and the 'HCA Additionality Guide'), the Housing Fund will prioritise schemes/ projects based on the factors set out below (a scoring matrix will be used in order to generate a single prioritised list based on a range of factors):

- **Strategic fit** – strong links to SCR's ambitions for economic growth, as well as alignment to wider funding/ interventions (e.g. accessibility, sustainable transport etc.).
- **Local Authority Support (compliance with statutory plans and processes)** – applicants will need to evidence that there is Local Authority support for the proposed scheme. In particular, evidence of compliance/ alignment with planning policy, growth strategies (economic and housing) and objectively assessed housing need will need to be clearly set out.
- **Market failure** – a clear statement, with supporting evidence, as to what market failure the scheme seeks to address. Evidence of what other types of support have been sought will also be requested at this stage.
- **Location** – supporting housing growth at identified SCR-level strategic growth areas (or at locations with good links to strategic growth areas).

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- The contribution of the proposed new homes to SCR (and Local Authority) **housing targets**.
- **Additionality** - as a 'fund of last resort', the HF aims to provide a range of financial tools and interventions to enable activity which would not otherwise happen (e.g. where funding is not available at all or within reasonable timescales and/ or the scheme doesn't meet the criteria of other available funds). Individual scheme proposals will need to demonstrate why existing funds/ products are not suitable, with opportunities to signpost to other sources of investment and to co-invest with Homes England sought to maximise the use of SCR funds.
- Evidence of **market demand (or need)** for the scale and type of housing development proposed.
- **Leverage** – how much total private sector and additional public sector resource can be levered in per £1 of Housing Fund invested.
- **Recoverability** – if relevant to the scheme, what proportion of the HF investment will be returned to the SCR and over what time period. The starting point in relation to any investment/ intervention supported via this route is that some form of payback will be required, with the application process requiring a statement on how this is likely to work on a scheme-by-scheme basis. However, it is acknowledged that in some cases this may not be possible, and any funding decisions will need to balance deliverability/ outcomes and recoverability.
- **Overall value for money (initial assessment)** – this will depend on the type of scheme seeking support – however, an initial assessment will be carried out based on factors such as land value uplift, additionality BCR and the net public sector cost per house delivered (net allows for recovery/ repayment, and for other funds which may have been invested in an earlier stage of the scheme to be taken in to consideration).
- **Evidence of any acceleration** (e.g. months/ years) which can be achieved through Housing Fund support. Support from the HF will need to enable the acceleration of activity where market demand can be evidenced and independently assessed. This may be through i) increased speed of delivery on existing active housing sites (e.g. an intervention or investment that would increase planned annual activity, through the diversification of available products, or by opening up new outlets or active developers) and/ or ii) enabling activity (e.g. land remediation, site acquisition) which will unlock sites, making them 'housing ready' significantly quicker than would have been the case without support from the Housing Fund.
- **Evidence of deliverability** (e.g. planning status, land ownership, delivery partnerships in place etc.). SCR will require a clear statement of when new homes will be on site (by quarter/ year). Applicants will be contracted in line with this 'clear statement of delivery'. This will ensure that schemes which are realistic and deliverable are brought forward. Where schemes do not deliver the agreed outputs/ outcomes, the clawback of funds will be considered.

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- **Commitment from delivery partners** – the HF will not 100% fund any projects, with funds from other sources (public or private) required in order for schemes to be considered for support from the Fund.

This information will be collected from applicants at an early stage in order to limit abortive work, and give SCR certainty on the pipeline of potential schemes. This may inform an initial sifting/ filtering and prioritisation process where the total value of schemes is greater than the funds available.

### **TERMS AND CONDITIONS**

For approved schemes, the grant recipient will claim funding quarterly in arrears. Payments will be based on progress reports from the Applicant Organisation. Progress will be monitored against the agreed contract and delivery arrangements.

All terms of the contract and arrangements for ongoing monitoring will be agreed with individual Applicant Organisations prior to providing funding.

We may consider a more flexible approach to payment terms where the Applicant can clearly demonstrate this is essential in order to deliver the scheme.

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## WHERE CAN I FIND MORE INFORMATION AND SUPPORT?

If you would like to discuss a potential scheme or have any questions please **contact Becky Guthrie or Michael Hellewell** in the SCR Executive Team (details below).



[becky.guthrie@sheffieldcityregion.org.uk](mailto:becky.guthrie@sheffieldcityregion.org.uk)

[michael.hellewell@sheffieldcityregion.org.uk](mailto:michael.hellewell@sheffieldcityregion.org.uk)



0114 220 3451

0114 220 3412

## USEFUL LINKS:

*For details of Sheffield City Region's Strategic Economic Plan (SEP)*

<https://sheffieldcityregion.org.uk/economic-strategy/growthplan/>

*For details of Sheffield City Region's Integrated Infrastructure Plan (SCR IIP):*

<https://sheffieldcityregion.org.uk/economic-strategy/scr-integrated-infrastructure-plan/>

*The SCR IIP Executive Summary can be located at:*

<http://sheffieldcityregion.org.uk/wp-content/uploads/2016/11/SCRIIP-Exec-Summary.pdf>

*For the purpose of defining an SME please refer to the European Commission definition:*

[http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)

*For details on State Aid see <https://www.gov.uk/guidance/state-aid>*