

# Assurance Summary (SBC)

VERSION 1 24.11.2021



## 1 – SCHEME DETAILS

<b>Project Name</b>	Waverley Net Zero Carbon Pilot (Parcel 4C)	<b>Type of funding</b>	Grant
<b>Grant Recipient</b>	Harworth Estates (Waverley Prince) Ltd	<b>Total Scheme Cost</b>	£30.05m
<b>MCA Executive Board</b>	Housing and Infrastructure	<b>MCA Funding</b>	£1.472m
<b>Programme name</b>	Brownfield Housing Project	<b>% MCA Allocation</b>	4.9%
<b>Current Gateway Stage</b>	SBC	<b>MCA Development costs</b>	n/a
		<b>% of total MCA allocation</b>	n/a

## 2 – PROJECT DESCRIPTION

Waverly 4C is an upcoming phase of Harworth's Waverley Regeneration Scheme, a 740-acre brownfield site (formerly the Orgreave Colliery and Coking Works) located at Junction 33 of the M1 Motorway, east of Sheffield City Centre, abutting the Advanced Manufacturing Park to the east. Waverly 4C will deliver 87 fully modular 100% "Whole Life-Cycle Net Zero Carbon" residential units, representing Harworth's first net zero scheme.

The business case outlines that Harworth Group is seeking £1.472m of Brownfield Housing Fund (BHF) capital grant funding to contribute towards a total scheme cost of £30.05m. The business case outlines that grant funding is required to address a number of the abnormal cost items specific to the Waverley 4C site and the extra over-build costs associated with delivering a net carbon zero scheme which contribute to a £2.3m viability gap. The business case states that the abnormal costs are directly related to the site's brownfield status, irregular shape and topography.

The business case states that the additional costs associated with the modular net zero carbon scheme versus a traditional build scheme equate to circa £1.2m in additional cost.

BHF funding has been requested to make the proposed project financially viable for the developer. Without BHF intervention the development appraisal forecasts a 10.2% developer profit on GDV (£2.9m) and the with c.£1.5m BHF grant development appraisal forecasts a 16.3% (£4.7m) developer profit. The business case states that Harworth, as with any large developer/housebuilder on a complex brownfield site of this nature and scale, would typically target a profit on GDV of around 20%. Based on the Assessor's experience with similar schemes a 15-20% range appears reasonable.

### 3. STRATEGIC CASE

#### *Project rationale*

The rationale for bringing forward Waverly 4C presented by the SBC consists of three main strands of argument:

1. Addressing a need for housing in the region: “Harworth has demonstrated the market demand at Waverley with 2,383 plots already sold to housebuilders and 1,416 homes already occupied by residents.”
2. Need for Brownfield regeneration: “The site is a derelict brownfield site, is aesthetically unattractive and an eyesore for neighbouring residents and serves as a detriment to the quality of the wider physical and ecological environment. It is insecure and is located adjacent to a works access road providing opportunities for anti-social behaviour. Through its comprehensive redevelopment as a high-quality housing site, this will address these.”
3. Alignment with Net Zero ambitions: The business case states that the scheme will be a fully modular 100% “Whole Life-Cycle Net Zero Carbon” development and Harworth’s first net zero scheme which will contribute to Rotherham Metropolitan Borough Council and SYMCA’s shared ambitions to be fully net zero carbon by 2040, directly in response to the declared Climate Emergency across the Borough. The scheme aims to become a catalyst for future schemes of this nature across South Yorkshire.

These three strands of argument provide a solid rationale for bringing the Waverly 4C site forward.

The business case identifies 3 market failures associated with the site and proposed development to justify the use of public sector funding.

1. Quasi-public good: The business case identifies the infrastructure, remediation and blight removal as a quasi-public good market failure, stating this is beneficial to the wider general public not just the site promoters.
2. Negative Externalities: The site in its existing state produces several negative externalities, including being aesthetically unattractive and an eyesore for neighbouring residents
3. Public Good: The business case identifies the direct environmental benefits and potential catalytic environmental impacts generated by the scheme as a public good.

In summary, the rationale for the project presented in the business case is focussed on its potential to bring a brownfield site back into economic use, meet a need for housing in the MCA region, whilst also supporting the MCA’s net zero ambitions through project design. The market failures outlined present a clear justification for public sector intervention.

#### *Strategic fit*

*Complete Annex 1 at the end of this form.*

The SBC makes a robust case for Waverly 4C’s strong alignment with the SYMCA’s SEP and RAP on a number of key strands within the ‘Stronger, Fairer, Greener’ outcome structure.

Net Zero: The SBC demonstrates that the scheme will significantly reduce carbon emissions from that expected of a standard housing development, not only during the construction period but throughout the whole life cycle. Achieved through the installation

	<p>of measures such as roof-mounted photovoltaic solar panels which will power the air source heat pumps for heating and hot water during use and electric vehicle charging points. As a pilot net-zero carbon scheme, Waverly 4C also provides a best practice case study for other developers in the region and wider to deliver similar energy-efficient schemes.</p> <p>Health: Benefits outlined by the SBC include those associated with reductions in pollution from CO2 emissions, in addition to direct health benefits associated with people living in more energy-efficient homes with reduced propensity for damp issues. Additionally, the business case states that Waverley is a highly accessible location with bus routes providing regular access to neighbouring employment locations, allowing for significantly reduced car usage than if people were to move to less connected places potentially reducing vehicular traffic and associated emissions.</p> <p>The business case also outlines the project's contribution to the Enterprise, Employment and Education Strategic Outcome Indicators, making the case that the housing delivered will increase the local labour supply and population, supporting the high-value business at the AMP and facilitating closer physical access to education opportunities at the AMRC.</p>
<i>Proposed outcomes</i>	<ul style="list-style-type: none"> <li>• 2.4 Hectares of Brownfield Land Remediation</li> <li>• 87 Housing units delivered</li> <li>• 100% of the dwellings delivered on the scheme will achieve “whole life-cycle carbon neutrality”.</li> <li>• Dwellings will include sustainable features to ensure net zero carbon during use, including solar panels, electric vehicle charging, and power source heat pumps.</li> <li>• The carbon residual carbon emissions produced during construction will be measured and offset through the investment in similar carbon reduction schemes.</li> </ul>

#### 4. VALUE FOR MONEY

A summary of the economic case BCR position for the Waverley 4C project is presented below:

Based on SYMCA and Total Public Sector Funding Only		Preferred Option	
A	Present value benefits	£	1,848,645
B	Present value costs	£	1,525,282
C	Present value other quantified impacts	£	1,351,946
D	Net present public value [A-B+C]	£	1,675,309
E	Initial Benefit:Cost Ratio [A/B]		1.21
F	<b>Adjusted Benefit:Cost Ratio [(A+C)/B]</b>		<b>2.10</b>
H	<b>Value for money category</b>		<b>High</b>

The benefits presented in the economic case model are presented below:

Benefit Categories	Preferred Option
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<b>Initial Benefits</b>	Land Value Uplift	£	1,848,645
	<i>Total Initial Benefits</i>	£	1,848,645
	Placemaking Benefits	£	234,758
	Residents into employment - construction	£	1,094,638
	Combined GHG Savings	£	22,500
	<i>Total Adjusted Benefits</i>	£	1,351,946

The methodology used to calculate the gross economic benefits is sound and the additionality assumptions across the benefits streams all appear reasonable.

As a result, there is limited risk to both the initial (1.21) and adjusted (2.10) BCRs for SYMCA and the total public sector cost presented in the revised economic case.

## 5. RISK

Harworth has provided a register of the 5 risks they view to be most pertinent to consider, alongside an assessment of the risk's likelihood, impact and mitigation plan. The details of the identified risks are as follows:

No.	Risk	Likelihood (High, Med, Low)	Impact (High, Med, Low)	Mitigation
1	Unknown Ground Conditions	Medium	High	Harworth has the knowledge and experience of delivering housing on this site. Further surveys and SI works will be undertaken to fully understand the extent of this and to firm up the scheme enabling costs in due course. 7.5% contingency allowance for abnormal costs included.
2	Legal (Procurement/Subsidy Control)	Low	Med	Main contractor to be procured for the infrastructure and construction works and all costs to be independently validated by a professional Employers' Agent. All contractors/consultants are procured well in advance of the anticipated construction start date. All works will be competitively tendered or have costs independently validated. A formal Subsidy Control opinion will be provided to support an FBC in due course.
3	Planning	Low	High	Outline planning consent already secured for the wider Waverley development. Reserved Matters consent required. Risk of non-approval of this consent is low due to the current outline consent, relationship with the planning authority and alignment of the scheme to planning policy. This will be mitigated through early dialogue and pre-app discussions with the Council in order to put forward an acceptable scheme.
4	Build Cost inflation	Medium	High	This will be mitigated through reviewing associated costs regularly up until a point where we will enter into a fixed-price contract with the contractor for the enabling works and main build packages.

5	Market Demand	Low	Medium	Low risk based on established market demand proven across the wider site.
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The risks identified and their relative likelihood/impact stand up well to scrutiny. The mitigation plans provided are adequate at SBC but would hopefully be further progressed as an FBC is pursued (In particular ground condition surveys to be undertaken, subsidy control opinion sought and planning discussions furthered).

## 6. DELIVERY

The key delivery milestones outlined in the SBC and indicative programme for Waverly 4C are as follows:

Key Milestone	Completion Date
Outline Design	Jan-23
Issue Outline Case to MCA	Feb-23
Issue Full Business Case to MCA	Jul-23
Complete full design	Dec-23
Satisfy all statutory requirements (e.g. planning permission)	Dec-23
Procurement complete	Feb-24
Works commence	Mar-24
Works complete / Project opening	Feb-26

The key delivery milestones outlined appear reasonable. However, it should be noted that works continue past the BHF spend deadline (March 2025) and in Appendix A.2 all the MCA funding is due to be spent in 2024/2025 onwards. Whilst the delivery timetable allows a full year to spend the BHF funding (works commence March 2024), SYMCA may wish to seek further assurance all funding can be spent before the spending deadline.

Alongside this, it should be noted that the programme indicates that a FBC will be issued in July 2023 to the MCA, 5 months before designs are complete. It may be sensible to delay the issuing of the FBC to the MCA slightly, to ensure the project is sufficiently developed to robustly evidence the deliverability of the project.

## 8. RECOMMENDATION AND CONDITIONS

<b>Recommendation</b>	Proceed to OBC/FBC
<b>Payment Basis</b>	
<b>Conditions of Award (including clawback clauses)</b>	