

Assurance Summary (SBC)

VERSION 1 24.11.2021



1 – SCHEME DETAILS

Project Name	Sky-House - Waverley Central	Type of funding	Grant
Grant Recipient	Sky-House Co. (White Rose) Limited	Total Scheme Cost	£21.9m
MCA Executive Board	Housing & Infrastructure	MCA Funding	£1.3m
Programme name	Brownfield Housing Fund	% MCA Allocation	5.9%
Current Gateway Stage	SBC	MCA Development costs	n/a
		% of total MCA allocation	n/a

2 – PROJECT DESCRIPTION

Sky House is looking for £1.3m in SYMCA BHF funding towards a proposed housing development scheme at Waverley Central in Rotherham. The proposed development will allow for the development of 106 homes, comprising a mix of 1-, 2-, 3-, and 4-bedroom homes, of which approximately 25% will be affordable housing to comply with policy requirements. The funding will also be for public open space and site landscaping; formal and informal green spaces; a local area for play.

The Sky House Waverley Central project delivers upon the *Spatial Strategy for Rotherham (CS1)* which recognises the need to provide housing and employment uses at Waverley. The business case states that the homes will be built to provide high-density, high-quality homes with high-efficiency levels that minimise energy consumption and exceed building regulation requirements. Alongside housing, the Waverley Central development will also deliver on the following outputs which support the ambition to create vibrant and sustainable community development:

At this stage, the site has obtained full planning permission and is ready for development.

MCA funding is needed to bridge a viability gap for the scheme relating to the affordable housing requirement and increased costs in labour and construction materials. Sky House make the case that without access to the grant funding via the BHF the scheme would not be viable and be unlikely to come forward for development.

The business case outlines that the affordable housing requirement and increased costs in labour and construction materials have negatively impacted viability. To evidence this, 2 development appraisals were prepared by Aspinall Verdi, 1 for the project with BHF funding and 1 without BHF funding. The without-intervention development appraisal forecasts a 9.03% developer profit on GDV (£2.19m) and the with c.£1.3m BHF grant development appraisal forecasts a 14.95% (£3.62m) developer profit on GDV.

The development appraisal shows that BHF is needed to bring the profit on GDV to an acceptable level for the developer. Whilst further narrative / evidence could have been provided to demonstrate a 14.95% profit on GDV is comparable with the market averages, based on the Assessor's experience of similar schemes, the level of profit sits within an acceptable range.

3. STRATEGIC CASE

Project rationale

The core rationale for the project presented in the BHF application is the project's alignment with the Rotherham Core Strategy and Special Area Policy Area for Waverley (i.e. the delivery of the Waverley Regeneration Scheme). To evidence this the business case outlines that the project has received approval on the outline planning application for the proposed scheme and that reserved matters are currently been agreed upon.

The justification for public sector intervention presented in the business case is based on 4 factors, policy compliance, increasing construction and labour costs, anticipated slower build and sales rates and a risk of a reduced GDV. Taken together these factors provide a some justification for public support. To strengthen the case for public sector intervention, site / scheme-specific market failures could be identified, e.g. public goods (public realm / infrastructure), and positive externalities (wider regeneration / removal of eyesores).

Strategic fit

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

Greener: The SBC demonstrates a commitment from Sky-House to achieve a SAP A rating and zero carbon offsetting during construction. The business case outlines that key features of typical Sky-House developments include app-enabled electric heating, eco-friendly pumps for renewable hot water, Solar Panel, and EV charging points all offering significant energy savings. The overall contribution of the project to the SYMCA's Greener ambition will need to be confirmed once the final design/specification of the housing is available.

The business case outlines that the site is located in a low flood-risk area and that mitigations identified in the Air Quality Assessment will ensure air pollution is not an issue during the construction phase.

Furthermore, the business case states that the 1st of 3 Sky-House developments on Waverley (completed in 2020) was a finalist for the Yorkshire Variety Awards for Best Innovation Housing and a finalist in the Planning 2020 awards, demonstrating a track record of innovative developments.

Stronger: The SBC makes 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.

In addition to this, the business case outlines that the site is located in a low flood-risk area and that mitigations identified in the Air Quality Assessment will ensure air pollution is not an issue during the construction phase.

Fairer: The SBC outlines active travel opportunities and access to green space and a Medical Centre at Olive Lane will support health improvements to residents.

4. VALUE FOR MONEY

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

VFM based on SYMCA Funding Only		Preferred Option
A	Present value benefits	£2,377,861
B	Present value costs	£1,370,629
C	Present value other quantified impacts	-£456,538
D	Net present public value [A-B+C]	£550,693
E	Initial Benefit:Cost Ratio [A/B]	1.73
F	Adjusted Benefit:Cost Ratio [(A+C)/B]	1.40
H	Value for money category	Low

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

Benefit Categories		Preferred Option
Initial Benefits	Land Value Uplift	£2,347,447
	Public realm amenity benefits	£30,414
	<i>Total Initial Benefits</i>	£2,377,861
Adjusted Benefits	Health benefits of affordable housing	£65,803
	Placemaking Benefits	£403,619
	Residents into employment - construction	£915,452
	Combined GHG Savings	-£1,841,412
	<i>Total Adjusted Benefits</i>	-£456,538

The methodology used to calculate the total gross and net economic benefits, on the whole, is sound. Whilst there is a slight risk that the public realm amenity benefits and labour market re-entrants (construction jobs) benefit streams have been marginally overestimated, however adjustments to these would have limited impact to both the initial (1.73) and adjusted (1.40) BCRs for SYMCA and the total public sector costs presented in the revised economic case.

However, it should be noted that the BCRs calculated for viable alternative 1 – do less are higher (initial: 4.43 and adjusted: 3.45) than the preferred option. It is however important to note, the preferred option justification for taking the preferred option forward is based on its strategic strengths (i.e. higher proposition of affordable housing) and deliverability (finance and planning).

5. RISK

Sky House has provided the following table in the business case to indicate the top five risks identified for the Waverley Central development alongside proposed mitigations.

No.	Risk	Likelihood (High, Med, Low)	Impact (High, Med, Low)	Mitigation	Owner
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1	Changes within the macro economy/property market which lead to reduced sales prices	Med	High	Monitoring of the market through agents and examination of local market activity. Ensuring that the timing of delivery of the development (to completion), a high-quality product and marketing take place to ensure demand.	Sky House
2	Construction costs inflation continue and thus costs are greater than forecast – assumption here is 5% contingency, inflation has also been factored into the construction costs.	Med	High	To ensure where possible the costs at time of commencement of development are robust and where possible prices 'locked-in'.	Sky House
3	Staff shortage affecting capacity, skills and staff.	Low	Med	To manage the programme and resources dynamically such that where construction programme can be maintained.	Sky House
4	Delays in delivery of necessary materials and products for the scheme.	Low	Med	Sky House has an established product, with established relationship with suppliers. Orders will be placed in a timely manner such that delays can be identified and mitigated during the construction stage.	Sky House
5	Brownfield Funding Decision and completion of agreement delays project.	Med	Med	Effective communication of decision making processes and timely exchange of information should help to ensure that project decisions are made in alignment with funding timing.	SYMCA/Sky House

This list is comprehensive, particularly taking into account Appendix A.3 of the business case outlining further information on the risks such as cost implications, risk control/mitigation and status. It seems well considered with proportionate mitigations in place to manage risks throughout the life of the project.

6. DELIVERY

At the time of writing the business case, the outline design and full design of the proposed Waverley Central scheme were completed. The indicative dates for the future key milestones are set out below:

Milestone	Date
Issue Outline Case to MCA	February 2023
Satisfy all statutory requirements (e.g., planning permission)	Reserved matters being agreed, anticipated March/April 23
Issue Full Business Case to MCA	April 2023
Procurement complete	May/June 2023

Works Commence	May 2023
Works complete/project opening	Project opening to sales in early 2024

Sky House has already spent the last 12 months securing outline planning permission for Waverley Central with reserved matters due to be agreed upon in March / April 2023.

The issuing of the Outline Case to SYMCA and FBC submission has slipped. Through clarification responses, Sky-House stated that this would be reflected at the FBC stage should the project proceed.

8. RECOMMENDATION AND CONDITIONS

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

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