

## 1 – SCHEME DETAILS

<b>Project Name</b>	Sky-House - Waverley Central	<b>Type of funding</b>	Grant
<b>Grant Recipient</b>	Sky-House Co. (White Rose) Limited	<b>Total Scheme Cost</b>	£20,456,094
<b>MCA Executive Board</b>	Housing and Infrastructure	<b>MCA Funding</b>	£1,300,000
<b>Programme name</b>	Brownfield Housing Fund	<b>% MCA Allocation</b>	6.3%
<b>Current Gateway Stage</b>	FBC	<b>MCA Development costs</b>	n/a
		<b>% of total MCA allocation</b>	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 aims to deliver 96 homes and public open space on a brownfield site within the Waverley Regeneration Scheme, which is neighbouring the Highfield Commercial Area, Advanced Manufacturing Park (AMP), and the site for the proposed Olive Lane local centre.

The total project costs amount to £20.46m, with £19.16m coming from private investment and the remaining from BHF funding (6.3% of total project costs). The business case states that the 96 homes will be built to provide high-density, high-quality homes with high-efficiency levels that minimise energy consumption and exceed building regulation requirements.

RMBC has stated that 25% of the homes brought forward will need to be affordable. The business case outlines it has been agreed with the council that 18 (c.19%) will be provided on-site and that an off-site affordable housing contribution will be paid to the equivalent of 14 homes / £1.04m.

Alongside the proposed units the business case outlines that the Waverley Central development will also deliver on the following outputs which support the ambition to create a vibrant and sustainable community development:

Outputs	Number
Brownfield Land Developed	2.24ha
Local Area of Play Open Space	0.1ha

Trees	16
Grass verges	228m <sup>2</sup>
Landscaped boundary	2,864m <sup>2</sup>
Pedestrian only route	647m <sup>2</sup>
Car parking spaces	126
Covered bike parking	12

### MCA Funding

The business case states that the £1.3m SYMCA BHF funding is to support the provision of affordable housing on-site, by funding the following items:

Item	Cost
Site works	
Underground ducting requirements	£53,925
Foundation solutions	£192,000
Installation of gas membranes to all plots	£42,616
Public Open Space and Site Landscaping	
Enhanced design of street furniture and railings	£100,000
Local Area for Play (LAP)	£80,000
Tree-lined streets	£10,400
Grass verges	£10,260
Landscaped boundary around the site	£71,600
Retaining Wall	
To the rear of the site for car parking	£100,000
Pedestrian Links	
Linear route from the play area through the site	£31,290
Linear route through the site from the pub	£14,000
Low Carbon Features	
Air source heat pumps	£144,000
PV	£240,000
Inflation (1.5%)	£210,000
<b>Total</b>	<b>£1,300,091.60</b>

### Evidence of Need for MCA Funding

The business case outlines that the affordable housing requirement and increased costs in labour and construction materials have negatively impacted viability.

To evidence this, two development appraisals have been prepared by Aspinall Verdi, one for the project with BHF funding and one without BHF funding. The without BHF intervention development appraisal forecasts an 8.53% developer profit on GDV (£1.93m) whilst the with c.£1.3m BHF grant development appraisal forecasts a 14.94% (£3.36m) developer profit on GDV.

The business case indicates that BHF funding 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 14.94% profit on GDV is comparable with the market averages, based on CIAT's experience of similar schemes, the level of profit sits within an acceptable range and the principles to demonstrate the need for public funding are clear. This however could have been strengthened by clearly identifying site-specific market failures (e.g. public goods, negative externalities or merit goods).

### 3. STRATEGIC CASE

<p><i>Options assessment</i></p>	<p>The business case presents a brief description of three options which have been considered in the development of the proposed Waverley Central housing scheme. These are outlined below:</p> <ol style="list-style-type: none"> <li>1. <b>Do minimum</b> – The site remains cleared and undeveloped due to market failure.</li> <li>2. <b>Viable alternative option 1</b> – A reduced affordable housing contribution below that required by local policy at 15% of all units being affordable.</li> <li>3. <b>Preferred option</b> – Full policy compliant delivering the required affordable housing contribution of 15% of all units being affordable.</li> </ol> <p>The business case provides multiple justifications for selecting the 'preferred option' including outlining that the preferred option will achieve the SMART objectives where the others do not. The assessment of the options against the SMART objectives is accurate and provides a robust justification for selecting the 'preferred option'.</p> <p>Alongside this, the business case outlines that the 'preferred option' is also the most deliverable of the options with outline planning consent in place and finance secured.</p>
<p><i>Statutory requirements and adverse consequences</i></p>	<p><b>Planning</b></p> <p>An outline planning application was submitted in August 2021 which was approved in October 2022. A reserved matters application was submitted in December 2022 which the business case states was approved subject to public consultation which ended on the 16<sup>th</sup> June 2023. A link has been provided to the planning application and it appears as though the scheme is awaiting a decision notice.</p> <p><b>Transport</b></p> <p>The business case states a transport assessment was prepared as a part of the planning application for Waverley Central by Steer, which assessed the transport impacts of the housing to demonstrate the local network can accommodate the travel demand.</p>

	<p>The business case states that the site is cleared and ready for development and will have a positive impact on social value, therefore, having no economic or social disbenefits. This assessment appears reasonable based on the existing site conditions and the project's alignment with the ambitions of the Waverley Regeneration Project.</p> <p>In terms of adverse environmental consequences the following documents have been prepared in support of the Reserved Matters Planning Application:</p> <ul style="list-style-type: none"> <li>• Bio-diversity Enhancement Plan</li> <li>• Flood Risk Assessment</li> <li>• Arboricultural Survey and Constraint Report</li> </ul> <p>These reports were prepared to identify and mitigate against any adverse environmental benefits and have resulted in the scheme requiring the implementation of 23 bird boxes around the site and hedgehog highways.</p>
<p><i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i></p>	<p>The FBC makes a robust case for Waverley Central's alignment with the MCA's SEP key themes (Stronger, Greener and Fairer outcomes). An assessment of the project's alignment with each of the outcomes is presented in order of strength:</p> <p><b>Greener:</b></p> <p>The FBC outlines a commitment to achieving a SAP A rating for the proposed housing and identifies the key features typically included within Sky House developments which would offer energy savings to future occupiers to achieve this. Features include app-enabled electric heating, eco-friendly pumps for renewable hot water, Solar Panel and EV charging points. The FBC also states that carbon offsetting is also used on all projects via Carbon Footprint Ltd.</p> <p>Regarding the carbon intensity of the transport network, the FBC outlines that future residents will benefit from cycle lanes and tracks to encourage sustainable travel within Waverley enabling them to access the adjacent local amenities at Waverley Town Centre and employment opportunities at the AMP. Alongside this, the business case outlines that the Waverley Town Centre (which is equidistant between Sheffield, Rotherham and Meadow Hall) benefits from an adjacent bus service on Highfield Springs.</p> <p><b>Stronger:</b></p> <p>The FBC outlines that the project will directly create jobs during the construction phase and for the maintenance and management of the completed development. Alongside this, the FBC states that the new residents in the property will increase spend locally, supporting local amenities and the proposed long-term financial sustainability of the proposed development at Olive Lane which will provide retail spaces, a gym, offices, restaurants, cafes, a supermarket, medical centre and a community space.</p> <p>The FBC also makes the case that the high quality / aspiration housing delivered will help to attract highly skilled workers increasing the local labour supply and population, and supporting the growth of the AMP and the high-value business within it.</p> <p><b>Fairer</b></p>

The business case states that Sky-House is a Real Living Wage employer. Alongside this, the business case states that the project itself will create local employment and apprenticeship opportunities. In terms of well-being, the FBC makes the case that the creation of an attractive place to live with access to greenspace will support resident health outcomes. The primary contribution of the project to SYMCA's fairer theme will be the delivery of the 18 affordable units on-site and the off-site affordable housing contribution.

#### 4. VALUE FOR MONEY

##### Value for Money Statement

A summary of the economic case for the SYMCA and total public sector BCR position is presented below:

VFM based on SYMCA Funding Only		Preferred Option
A	Present value benefits	£2,150,321
B	Present value costs	£1,370,629
C	Present value other quantified impacts	£13,229
D	Net present public value [A-B+C]	£792,920
E	Initial Benefit:Cost Ratio [A/B]	1.57
F	<b>Adjusted Benefit:Cost Ratio [(A+C)/B]</b>	<b>1.58</b>
H	<b>Value for money category</b>	<b>Medium</b>

The total public sector BCR is the same as the SYMCA BCR, with BHF the only public sector funding for the project.

In summary, based on the BCR estimated by the applicant and the assessment of non-monetised benefits the project has the potential to represent value for money for SYMCA.

#### 5. RISK

The business case and Appendix A.3 identify the following top 6 delivery risks and their mitigations:

Risk	Likelihood (High, Med, Low)	Impact (High, Med, Low)	Mitigation	Owner
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

Construction costs inflation continues 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
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
Extreme weather impacts on construction works.	Med	Med	Allowances have been made for impact of weather events within the programme, these may be sufficient.	Sky House
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
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 phase.	Sky House

With the majority of preconstruction activities complete (securing finance, planning, legal and RIBA Stage 4 designs) the applicant has identified the key risks associated with the remaining preconstruction activities (procurement), the construction phase of the project and the sale of the new houses. The risks identified demonstrate a clear understanding of the key project delivery risks, their likelihood, potential impact and owner. The mitigations identified are appropriate and should therefore help to reduce either / both the likelihood and impact of the key risks.

The business case states that all funding has been secured with private finance agreed with St Brides (SY Pension Fund), which will be made available for the project construction start date as per the draw-down agreement. As such, there do not appear to be any risks associated with securing full funding, however, should SYMCA wish to fund the project, they may wish to do so having seen evidence of the finance agreement.

The business case does not identify any risks associated with procurement activities, stating that Sky House are a contractor-developer that has already established relations with the supply chain and local contractors through the current development at Waverley. Based on these relationships, Sky House do not anticipate any risks associated with procurement or price increases. This provides assurance Sky House have a clear understanding of the current market conditions, however, until sub-contractor works go out for tender and materials are sourced, there is a residual risk of a low response to works packages or price increases.

## 6. DELIVERY

The applicant has set out a detailed programme of activities required to deliver the project. These are summarised below:

Stage	Key Milestone	Start	Completion
Pre-Construction	Planning	December 2022	June 2023
	RIBA Stage 4	December 2022	April 2024
	Procurement	January 2023	August 2023
	Legal	April 2023	May 2023

	Enabling works	June 2023	June 2023
	Grant consultation and award	August 2023	August 2023
	Road & Sewers	September 2023	February 2024
	Sales	August 2023	May 2024
Construction	Phase 1 (28 homes)	September 2023	October 2024
	Phase 2 (10 homes)	April 2024	January 2025
	Phase 3 (20 homes)	June 2024	June 2025
	Phase 4 (20 homes)	November 2024	October 2025
	Phase 5 (18 affordable homes)	May 2024	April 2025
	Completion		October 2025

Overall, the timetable for the pre-construction activities appears reasonable. Further detail could have been provided outlining the scale / activities within enabling works to provide a greater assurance that these activities can be completed in the proposed timescales, whilst also providing an understanding of any dependencies associated with these activities. SYMCA may wish to request an update on whether the enabling works have been completed as anticipated in June 2023 and if not whether this would result in slippage later in the programme.

The programme does not specifically outline the key milestones for the Public Open Space and Site Landscaping works, pedestrian links and retaining wall, all funded by SYMCA BHF. SYMCA may wish to seek assurance that these works are included within the programme and scheduled to be completed by the March 2025 BHF deadline.

*Is the procurement strategy clear with defined milestones?*

The business case states that Sky House are the developer and general contractor for the Waverley Central project and therefore responsible for delivering the scheme through planning and on to completion. Sky House will therefore sub-contract works packages which will be competitively tendered.

The business case states that supply chains for sourcing materials have already been identified through the adjacent Waverley development currently being delivered by Sky House, providing assurance materials can be sourced.

Sky House has outlined the contractor works required for the Waverley Central Project, showing a clear understanding of the procurement activities that need to be completed.

*What is the level of cost certainty and is this sufficient at this stage of the assurance process? Has the promotor confirmed they will cover any cost overruns?*

The business case indicates that the level of cost certainty is 95%, however, given procurement has not been completed and costs are not based on final tender prices, there is a risk the final cost of the project vary by more than 5%. In particular, the business case highlights current uncertainty with energy prices and supply chains meaning the price of materials such as steel fluctuates.

The risk of significant price changes is somewhat mitigated by Sky House's (who have produced the cost estimate for the project) understanding of current material and labour costs from their current activities delivering similar schemes a Waverley and their intention to use some of the same suppliers and contractors.

The business case states that Sky House will look to ensure work packages are done on a 'fixed' basis where possible, reducing the risk that project costs will increase once procurement has been completed. Should project costs increase, the business case states that the contingency allowance (£0.62m (5%)) for the project and developers' profit (£3.36m) will be used to make up the shortfall. Whilst the contingency allowance, isn't significant, the business case states that an inflation allowance has been included in the cost estimate. Whilst not clear what the inflation allowance is, this alongside the contingency allowance and developers' profit combined provide assurance of sufficient budget for cost overruns.

*Has the promoter demonstrated clear project governance and identified the SRO? Has the SRO or other appropriate Officer signed of this business case?*

The business case identifies the SRO for the project as David Cross CEO of Sky House. The business case also outlines that he will be supported by Ryan Ratcliffe (Managing Director), Rebecca Prince (Brand Manager) and Richard Ratcliffe (Commercial Manager).

The applicant outlines the organisation structure of the company, detailing the internal resource and capacity of Sky House. The in-house expertise covers quantity surveying, sales, legal, finance, site and project management and estate management, demonstrating the expertise required to fulfil their role as developer-contractor. The organogram details a clear reporting structure for the Sky House team.

*Has public consultation taken place and if so, is there public support for the scheme?*

The business case outlines that stakeholder consultation has been completed through the outline planning application process and the reserved matters consultations which were completed on the 16<sup>th</sup> of June. As such the business case states all statutory consultees have been engaged.

Whilst the business case provides a clear overview of the stakeholder engagement undertaken, demonstrating its compliance with statutory plans and processes, the business case could have been strengthened by outlining the findings from the stakeholder engagement undertaken to demonstrate public support for the project.

*Are monitoring and evaluation procedures in place?*

The business case sets out the approach to evaluating the Waverley Central project, identifying key outputs and outcomes the success of the project will be evaluated against. The outputs and outcomes identified align with 5 of 8 objectives set out in section 2.4 of the revised FBC, whilst also capturing the wider ambitions of the project. The outputs and outcomes identified and their alignment with the project's objectives is outlined below:

Objective	Outputs and Outcomes to be measured	Target
Development of a 2.24-ha brownfield site	Remediation of brownfield land	2.24ha



Accelerated delivery of new high-quality residential housing comprising 96 residential units	Housing units delivered	96 to the proposed housing type matrix
Provision of 18 affordable housing units on site and 10 No affordable units offsite	Affordable units delivered	18
Low carbon design	Low carbon design	Provision of air source heat pumps, PV, heat recovery technologies, energy-efficient appliances, SUDS, Stud facade systems, Controlled hot water systems, SAP A rating, zero carbon offsetting
Improved health and well-being – high-quality landscaping	Not identified	
Improved health and well-being – pedestrian-only linear routes	Not identified	
Improved health and well-being – Tree-lined streets	Not identified	
Improved health and well-being through the delivery of Local Areas of Play	Community greenspace delivered	100m <sup>2</sup> Local Area for Play
Additional measure	Car parking spaces delivered	126 spaces and 30 visitor spaces with EV charging
Additional measure	Construction jobs (years)	443
Additional measure	Sales data and number of owner-occupiers	n/a

The outputs and outcomes identified are relevant and provide a strong base from which to evaluate the success of the project. However, it is recommended that the monitoring and evaluation plan is revised to assess the success of the project against the 3 objectives not currently covered:

Objective	Outputs and Outcomes to be measured	Target
Improved health and well-being – high-quality landscaping	M <sup>2</sup> of landscaping	228m <sup>2</sup> of grass verges and 2864m <sup>2</sup> of landscaped boundary
Improved health and well-being – pedestrian-only linear routes	Not identified	647m <sup>2</sup> of new pedestrian routes
Improved health and well-being – Tree-lined streets	Not identified	Planting of 16 trees.

Alongside this, it is also recommended that the delivery of the 14 off-site affordable dwellings / off-site affordable contribution of £1.04m is monitored and evaluated alongside the on-site contribution.

The business case outlines Sky House's intention to undertake two evaluation reports:

1. A short interim evaluation report in April 2024 (middle of the building contract), focussed on spend to date and outputs delivered to date and the forecast programme for remaining outputs.
2. Final evaluation report focussed on the delivery of all outputs and outcomes.

## 7. LEGAL

The applicant has provided a 7-principles subsidy control assessment. This provides some assurance that the project can be Subsidy Control compliant. This should be reviewed with the SYMCA legal team for the avoidance of doubt, before making any funding decision.

## 8. RECOMMENDATION AND CONDITIONS

<b>Recommendation</b>	Full grant award subject to conditions
<b>Payment Basis</b>	Payment on defrayal
<b>Conditions of Award (including clawback clauses)</b>	

***The following conditions to be included in the contract.***

1. Applicant will cover any cost overruns without unduly compromising outputs/outcomes. This is to ensure the scheme is not value engineered in a way that risks the project not delivering against its objectives i.e. (PV panels, quality of housing, quality of public realm and Local Area of Play, EV Charging Stations).
2. Clawback on outcomes at the MCA's discretion

***The following conditions must be satisfied before contract execution.***

3. Evidence of internal Board approval to proceed.
4. Solicitor's opinion to confirm Subsidy Control position.
5. Confirmation of the definitive set of outputs and outcomes which the MCA will contract against and monitor.
6. Agree detailed schedule of inclusive growth indicators and targets (e.g. % of [previously unemployed] locals offered permanent contracts and apprenticeships, mentoring and school engagement and engagement with the local supply chain) to ensure the project delivers wider socio-economic benefits and that these can be captured, monitored and reported.
7. Confirmation of all sub-contractors procured
8. Evidence of private finance agreed with St Brides (SY Pension Fund) fully secured
9. Provide key milestones for the Public Open Space and Site Landscaping works, pedestrian links and retaining wall (all funded by SYMCA BHF). Provide evidence that these works are included within the programme and scheduled to be completed by the March 2025 BHF deadline.
10. Monitoring and evaluation plan to be updated to include the following items:
  - a. 228m<sup>2</sup> of grass verges and 2864m<sup>2</sup> of landscaped boundary
  - b. 647m<sup>2</sup> of new pedestrian routes
  - c. Planting of 16 trees.
  - d. delivery of the 14 off-site affordable dwellings / off-site affordable contribution of £1.04m

The conditions above should be fully satisfied by 30.09.2023. Failure to do so could lead to the withdrawal of approval.

***The following conditions must be satisfied before drawdown of funding.***

11. All required statutory consents including planning enquiries must be satisfied.

The outputs and outcomes identified are relevant and provide a strong base from which to evaluate the success of the project. However, it is recommended that the monitoring and evaluation plan is revised to assess the success of the project against the 3 objectives not currently covered:

Alongside this, it is also recommended that the delivery of the 10 / 14 off-site affordable dwellings / off-site affordable contribution of £1.04m is monitored and evaluated alongside the on-site contribution.