

Assurance Panel Summary

Scheme Details

Project Name	Malthouses New Housing Scheme		
Grant Recipient	Sheffield Housing Company Ltd		
MCA Executive Board	Housing & Infrastructure	MCA Funding	£1.1m
% MCA Allocation	9%	Total Scheme Cost	£12.5m

Appraisal Summary

Project Description
<p>The Malthouses New Housing Scheme is seeking £1,096,853 from the MCA Housing Fund. The applicant is Sheffield Housing Company Ltd, a joint venture between Sheffield City Council, Keepmoat Homes and Great Places Housing Group. The scheme aims to deliver 73 new, two, three and four bed homes on brownfield ex-housing land in Parson Cross, Sheffield. Sheffield City Council is the current landowner and will contribute the land to the Applicant for a nominal value of £1. The funding being sought is to fund the difference between the anticipated Gross Development Value and the higher Gross Development Cost of the scheme.</p>
Strategic Case
<p>The scheme will contribute towards the local housing targets, which the Applicant has calculated to equal 3.65% of the local housing annual target. The Applicant has identified elements of the scheme that will contribute towards SEP ambitions of the “Vibrant and Resilient Places”, “Innovation, Enterprise and Growth”, “Skills, Employment and Education”, and the “Land, Housing & Built Environment” objectives. The Applicant is also proposing to support the climate emergency and net-zero carbon initiatives by building two pairs of semi-detached homes which will adopt a higher environmental performance specification. This will incorporate learning and product testing shared by Keepmoat in order to assess the performance of two 80% enhanced environmental performance homes, and two 100% zero carbon homes. The Applicant has confirmed it is in ongoing discussions with the Council regarding other opportunities to offer a proportion of other tenure alternatives, for example affordable rent or shared ownership.</p>
Value for Money
<p>After adjusting for displacement, combined Land Value Uplift in NPV terms has been assessed at £1.298m. This delivers a combined, adjusted BCR of 1.18, which indicates the proposed MCA investment can deliver acceptable value for money.</p>
Risk
<p>Top 5 Risks as highlight in the Business Case are:</p> <ul style="list-style-type: none"> • Lack of funding (Probability: unspecified / Impact: High) • Assumptions on costs and sales values are not realised (Probability: Medium / Impact: Medium) • Unforeseen development costs (Probability: Medium / Impact: Medium) • Market downturn affecting build and sales rate (Probability: Medium / Impact: Medium) • Delays to planning approval (Probability: Low / Impact: Medium) <p>The applicant states that development finance is required to fund construction and realise the associated economic benefits of the scheme. The proposed source of this loan is identified (Keepmoat Great Places).</p> <p>The risk of costs associated with ground conditions and services have been included in the cost estimates of the scheme.</p> <p>The risk of expected sales values not being realised has been accounted for in the contingency cost estimates, however if lower sales values are achieved this will negatively affect the land value uplift impact of the scheme. The Applicant explains that this will be minimised by their sales strategy and local experience, including generating early interest and options to change the tenure offer to lessen the impact of economic downturns.</p>

Delivery

The project governance and management arrangements outlined in the business case are clear and considered appropriate for the project. The project team is well identified and made up of appropriate parties consisting of an effective mix of external and internal personnel. The addition of the organogram adds to the robustness of the management case.

Key milestones are set out clearly covering both the initial site preparation works and the full construction of property works. The project is now at the planning application submission stage and planning permission is anticipated to be received in March 2021 with site preparation works commencing shortly thereafter. The site is then expected to be paused whilst another nearby Applicant site completes its sales in order to avoid competing stock coming on to the market simultaneously. During this period however, preparatory work to facilitate the build will be completed such as discharging planning conditions and tendering the main build contract. Construction works are anticipated to commence June 2022 with completion expected by January 2024. The Assessors are not aware of any reason why the timelines would not be realistic.

Legal

Subsidy Control requirements are being investigated by the Applicant who has engaged a law firm to advise on Subsidy Control related matters. The appointed law firm has started assessing the matter and in an initial letter to the Applicant, it has confirmed the following:

"...our initial assessment is that there is a credible basis for the whole of the grant either not amounting to unlawful state aid and/or being covered by an exemption or a combination of exemptions. Our detailed advice will follow once we have had the opportunity to examine the information provided in more detail."

Recommendation and Conditions

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

The following conditions must be satisfied before contract execution.

1. 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.
2. Confirmation of how SHC will cashflow finance the build if the expected contractor (Keepmoat) does not win the contract
3. Submission of acceptable Subsidy Control opinion

The conditions above should be fully satisfied by 6th April 2021. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

4. Submission of evidence of SHC's Board approval for the scheme.
5. Submission of a detailed project plan and risk register including sufficient contingency provision for all activities and related mitigation costs.

The following conditions must be included in the contract

6. Suitable overage clause to be included within the contract.
7. Clawback will be applied on outputs at MCA discretion

Record of Recommendation, Endorsement and Approval					
Malthouses New Housing Scheme					
Assurance Panel Recommendation		Board Endorsement		MCA Approval	
Date of Meeting		Date of Meeting		Date of Meeting	
Head of Paid Service or Delegate	Ruth Adams Deputy CEX	Endorsing Officer (Board Chair)		Approving Officer (Chair)	
Signature		Signature		Signature	
Date		Date		Date	
S73 Officer or Delegate	Gareth Sutton Group Finance Director	Statutory Finance Officer Approval Name: Signature: Date:			
Signature					
Date					
Monitoring Officer or Delegate	Steve Davenport SCR MCA Solicitor				
Signature					
Date					