

Items	Title	Method
For Approval (Investment Decisions)		
1.	Scheme Recommended for Financial Approval: Little Kelham, Phase 2, Sheffield	Report and Background Information
2.	Scheme Recommended for Financial Approval: Modern Methods of Construction, Rotherham	Report and Background Information

Sheffield City Region Housing Investment Board
Thursday 31st January 2019
(Investment endorsement sought via written procedures)

Scheme Recommended for Financial Approval:
Little Kelham Scheme Phase Two (Sheffield)

Purpose of Report

In line with the Sheffield City Region Assurance Framework, a project seeking Mayoral Combined Authority funding has been considered by the Sheffield City Region (SCR) Appraisal Panel and is recommended to the Housing Investment Board for an investment decision.

This report and supporting annexes provide details of the Little Kelham Scheme: Phase Two in Sheffield. The Scheme is seeking loan funding of £1,000,000 from SCR to deliver a super low energy development of 172 new build 1-4 bed homes for market sale in the heart of Kelham Island. The scheme also includes 8,500 sq ft of commercial office space.

Thematic Priority

Secure investment in infrastructure where it will do most to support growth.

Freedom of Information and Schedule 12A of the Local Government Act 1972

This report will be made available under the Mayoral Combined Authority Publication Scheme.

Annex A and B of this report are exempt from the 'public version' of this report under paragraph 3, part 1, section 12A of the Local Government Act 1972 (due to commercially sensitive information). However, this information is made available to Members of the Housing Investment Board on a confidential basis to support them in reaching an investment decision.

Recommendations

The Members of the Housing Investment Board are asked to:

- Consider the information presented in the report and supporting annexes and agree the proposed loan of £1,000,000 to Citu Little Kelham Ltd from the Local Growth Fund, to support the Little Kelham Scheme (Phase Two), enabling the Head of Paid Service (or his appointed delegate) to enact the decision under the delegation made by the Mayoral Combined Authority.
- Note that further to a unanimous agreement by the Housing Investment Board, the Mayoral Combined Authority has delegated authority to the Head of Paid Service (or his delegate) to approve Housing Fund investment decisions (grants and loans) of up to £2m.

1. Introduction

1.1 Background to the Sheffield City Region Housing Fund

The SCR Mayoral Combined Authority (MCA) has approved delegations for Housing Fund investments to the Head of Paid Service for the MCA for schemes requesting funds up to £2m. In practice, this delegated authority is exercised by the SCR MCA / Local Enterprise

Partnership (LEP) Senior Finance Manager (on behalf of the Chief Finance/ s73 Officer and the SCR Statutory Officers Group) supported by the Housing Investment Board (HIB).

1.2 The SCR Assurance Framework for LEP Local Growth Fund (LGF) requires that all schemes seeking investment undergo a thorough and proportionate scheme appraisal following the Treasury Green Book approach. Prior to consideration by the HIB, the scheme has been through a process of technical appraisal by a Panel of Officers representing the SCR Statutory Officers, culminating in the recommendations presented for approval. These findings will inform the s73 Officer's view regarding the Value for Money Statement and the Monitoring Officer's view regarding the relative risks of the scheme presented.

1.3 The Sheffield City Region Housing Investment Board

The Terms of Reference for the HIB¹ allow matters (including the endorsement of investment decisions) to be dealt with electronically (via e-mail) where this is most appropriate. The ability to convene quorate meetings of the HIB has been impacted on by diary commitments and a delay in allocating a new LEP Board member to the HIB (following one of the LEP Board members coming to the end of their tenure).

1.4 Given the need to continue to make swift funding decisions, it was agreed at the Housing and Infrastructure Executive Board meeting on 15 November that in the short term, HF investment decisions could be made based on e-mail responses (referred to as 'written procedures'). This report details a HF proposal for HIB Members' consideration via written procedures.

2. Proposal and Justification

2.1 Little Kelham Scheme: Phase Two, Sheffield

As the Scheme Promoter and Loan Recipient, Citu Little Kelham Ltd are seeking a loan of £1,000,000 (one million pounds) from the SCR LEP LGF to enable the delivery of a super low energy development (built to Passivehaus principles²) of 172 new build homes for market sale in Kelham Island. The development site is owned (freehold title) by Citu Little Kelham Ltd.

2.2 Kelham Island is situated on the northern edge of Sheffield City Centre (an identified strategic growth area for SCR), remains a popular area with evidence of high levels of market demand for the type of housing proposed. This area remains popular with young professionals and recent graduates. This scheme will contribute to enhancing a housing offer with digitally-enabled smart homes built to super low energy Passivehaus principles (in Phase 1, a substantial number of units were sold 'off-plan' early in the development), which will contribute to retaining talent, supporting high quality and high value employment.

2.3 Providing new homes in Kelham Island is key to Sheffield City Council's (SCC's) ambitions to provide homes in this key central location, allowing urban workers to commute via active travel (walking, cycling) or public transport modes; reducing both congestion and pollution. This development also supports SCC's 'brownfield first' policy in their emerging Local Plan. The scheme consists of a mix of apartments (169) and houses (3), with homes having between one and four bedrooms. The majority of the development will consist of one bed apartments (109). With 218 bed spaces across the development, the scheme will help deliver much needed houses in an area which is of strategic importance at both a Sheffield City and a SCR level. With support from the SCR, the first homes will be available for occupation by July 2020, with the scheme completed by early 2022

¹ Housing Investment Board, Terms of Reference: Section 5 – Quorum and Attendance & Section 8 – Frequency of Meetings.

² <https://www.bre.co.uk/page.jsp?id=2856>

- 2.4** SCR LEP LGF funding is required to support the financing of the development, as Citu's current loan arrangement does not provide sufficient equity to enable further borrowing to build out Phase 2 of the scheme. Their current £1m loan is due to be repaid during Quarter 4 2018/19 and no alternative sources of funding are currently identified or accessible. If the current loan is maintained, interest costs would be c£10,000 per month. This would continue to erode the profitability and viability of the scheme.
- 2.5** The loan from SCR will allow Citu to repay the £1 million land loan, enabling Citu to take out development finance with a senior lender to undertake remediation and infrastructure works and complete the first 39 homes. The new senior lender would take the land as security (1st charge), and SCR would be given second charge on the land. The development of the 172 low carbon homes (and offices) will be accelerated by an estimated 5 years.
- 2.6** Beyond the delivery and construction of high quality energy efficient homes at a faster pace; the scheme delivers many wider benefits, including:
- A simplified supply chain with considerably reduced carbon miles required for production, using a sustainably farmed crop;
 - Reduced wastage in the housing production process through accurate material planning;
 - Over 70% of materials required for Citu homes are sourced from the Yorkshire area, reducing transport related emissions and supporting local businesses growth; and
 - 8,500 sq.ft. of commercial space (supporting up to 70 FTE jobs) targeted at new and expanding businesses in the City Centre, particularly SMEs. The offices will provide workspace for high skilled occupations, particularly creative workers.

Independent Appraisal, Value for Money and Recommendation

- 2.7** The independent technical appraisal team have scrutinised the Full Business Case documentation (see **Annex A**) and wider supporting information (see **Annex B**) submitted by the Scheme Promoter to ensure completeness and to test the responses to each of the 'five cases' (Strategic, Economic, Financial, Management & Commercial).
- 2.8** The scheme has an adjusted Benefit Cost Ratio (BCR) of 13.7 (which is above the benchmark of 2.0) and has a Net Present Value (NPV) of £1,207,581. As such the scheme has been assessed as delivering 'very good' value for money.
- 2.9** The Appraisal Panel Summary (see **Annex C**) provides a summary of the Scheme and highlights the recommendation ('full approval and award of loan funding – subject to conditions'), the payment basis ('upfront loan at a competitive rate') and the 'conditions of the award' (including clawback on outputs').

3. Consideration of alternative approaches

- 3.1** Alternative approaches including 'do nothing' and 'do less' were considered as part of the options appraisal of the Economic Case. All the other options considered were not viable alternatives or would have significantly impacted on the value for money and/or the outcomes.

3.2 Options Appraisal Summary (adapted from the Full Business Case at Annex A)

Do nothing (no SCR investment) – The site has been stalled for 10 years and would at best stall for another 5 years (depending upon market conditions at that time). At worst Citu would dispose of the site and not proceed at all. The site risks stalling for several years until the internal cash resources become available.

Do more (a larger SCR investment) – The assessment of the Full Business Case does not require a larger SCR investment, as the funding sought is to repay an existing loan.

Do less (a smaller SCR investment) – If less, the site would remain stalled and incur interest, security and insurance costs of c£12,000 per month, undermining scheme viability.

Preferred Scheme (recommended SCR investment) – As recommended, it is considered that the proposed scheme strikes the right balance, sharing risk with the private developer, but enabling the scheme to go ahead that would otherwise remain stalled for years to come.

4. Implications

4.1 Financial

The financial implications of this scheme have been fully considered by a representative of the Section 73 Officer (Chief Finance Officer) and included in the recommendations agreed by the Appraisal Panel as presented in **Annex C**. Loan repayments will be linked to sales proceeds, with repayments commencing once 50% of the properties have been sold. Based on their current cashflow projections, repayments to SCR will commence in January 2022.

4.2 Legal

The legal implications of this scheme (including any State Aid considerations) have been fully assessed by a representative of the Monitoring Officer (Chief Legal Officer) and are reflected in the recommendations agreed by the Appraisal Panel as presented in **Annex C**.

4.3 Risk Management

Risk management is a key requirement for each scheme supported by SCR. Information provided by the Scheme Promoter is thoroughly assessed as part of the independent assessment/ appraisal. The recommended 'conditions of the award' (**Annex C**) deals with any identified weakness and/ or mitigations, as well as the need to monitor risks throughout the life of the project and notify SCR of any significant risks or changes to the Scheme.

4.4 Equality, Diversity and Social Inclusion

The scheme will help to reduce vehicle emissions and encourage healthier transport options such as walking and cycling. The development will be built with considerably less parking spaces than homes, encouraging residents to live without cars, and will include provision for cycling storage. The train station is within easy access (15 minutes walk). Good public transport routes operate in the area including the tram and bus network.

5. Communications

- 5.1 The approval of this HF investment, as well as other significant development milestones, present an opportunity for positive communication on behalf of the LEP/ MCA. Officers from the SCR Executive Team will work with the LEP/ MCA and relevant partner organisations on joint communications activity. In addition, a condition of the contract award is that SCR's logo/ branding is to appear on all publicity materials, including on the site information boards.

6. Annexes

6.1 Annex A

Full Business Case for the Scheme

Annex B

Information Checklist: Additional supporting information considered in the appraisal.

Annex C

Appraisal Panel Summary Document.

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Background reports and information used in the preparation of this report are available for inspection at: SCR MCA Offices, 11 Broad Street West, Sheffield, S1 2BQ.

Other sources and references: SCR HIB Terms of Reference

<https://sheffieldcityregion.org.uk/about-us-governance-policy/meetings/>

Scheme Details		Appraisal Panel Comments		Recommendations / Conditions	
SCR Executive Board	Housing Investment Board	Strategic Case	<p>Little Kelham Phase 2 is within Sheffield's strategic growth area, located half a mile from Sheffield City Hall, and less than 1 mile from Sheffield train station.</p> <p>Providing housing in this central location will allow urban workers to commute via walking and cycling, reducing congestion on arterial routes. This is a key challenge for Sheffield City Centre as identified in the SCR IIP.</p>	Funding	LGF via the SCR Housing Fund
Project Name	Little Kelham Phase 2	Value for Money	This scheme will accelerate the delivery of 172 homes and has an adjusted BCR of 13.7 and a NPV of £1,207,581. The BCR indicates that the project will return very good value for money.	Approval Requested	Full approval and award of funding – subject to conditions
Scheme Promoter	Citu Little Kelham Ltd	Risk	<p>This LGF loan will be used to repay an existing loan which then allows the promoter to borrow a further £6m to ensure project completion.</p> <p>Upon drawing down of initial loan. SCR will take first charge on the land, currently valued at £2m. Upon draw down of the development loan, SCR will take second charge on the scheme. A parent company guarantee has been offered however, due to other commitments on other projects, this may be insufficient.</p> <p>This risk is mitigated by SCR ensuring that the senior lender has the confidence to provide the requisite funding to deliver the scheme. Secondly, Phase 1 of this project was popular and substantial number of units sold off plan, early in the development.</p> <p>Finally, the latest cashflow projections show sufficient profit margins even after all loan commitments are repaid.</p>	Grant Award	£1m
SCR Funding	£1m			Grant Recipient	Citu Little Kelham Ltd
Total Scheme Cost	£14,735,051	State Aid	This is proposed as a loan at a commercial rate, therefore state aid rules will not apply	Payment Basis	Loan of £1m at competitive rate, to be paid upfront
% SCR allocation	6.8%	Delivery		Claw Back Clauses	Clawback on outputs

Description	Conditions of Award
<p>A low carbon development of 172 new build 1-4 bed homes for market sale and offices space in the heart of Kelham Island. A continuation of the award-winning Little Kelham development, the project features digitally-enabled smart homes built to super low energy Passivehaus principles.</p> <p>The Phase 1 scheme is a mix of housing and commercial space, with half of the properties already sold. Phase 2 will provide high quality homes for sale in Kelham Island and provide an alternative tenure to the Cheyne market rent/sub-market rent scheme being development across the road.</p> <p>Over 70% of materials required for Citu homes are sourced from the Yorkshire area, reducing transport related emissions and supporting local businesses growth.</p>	<p><i>The following conditions have to be satisfied before drawdown of funding.</i></p> <ol style="list-style-type: none"> 1. All required statutory consents including all planning enquiries must be satisfied. 2. Confirmation that viable options are in place to ensure successful project completion even if cost of remediating site exceeds current estimate. 3. An updated risk register which takes account of increased number of units and any associated conditions from other funders/partners. 4. Updated delivery plan (Gantt Chart) which takes account of increased number of units. 5. Confirmation that funders monitoring (QS) reports will be shared with SCR on a monthly basis, once scheme is on site. <p><i>The following conditions have to be satisfied before contract execution.</i></p> <ol style="list-style-type: none"> 6. Submission of revised business case which reflects all changes including scheme design and increased units. 7. Confirmation of funding from senior lender including making available to SCR all terms and conditions of development loan. 8. Submission of acceptable repayment schedule specifying how many units need to be sold before repayments begin and when final payment will be received. <p>The conditions above should be fully satisfied no more than 3 months following HIB approval. Failure to do so could lead to the withdrawal of approval.</p>

Record of Recommendation, Endorsement and Approval

Project Name Little Kelham Phase 2

Appraisal Panel Recommendation		Board Endorsement			
Date of Meeting		Date of Meeting			
Head of Paid Service or Delegate	Ruth Adams Deputy MD	Board Chair			
Signature		Signature			
Date		Date			
S73 Officer or Delegate	Mike Thomas Senior Finance Manager	Head of Paid Service Approval			
Signature					
Date					
Monitoring Officer or Delegate	Steve Davenport SCR CA Solicitor				
Signature					
Date					

Sheffield City Region Housing Investment Board
Thursday 31st January 2019
(investment endorsement sought via written procedures)

Scheme Recommended for Financial Approval:
Modern Methods of Construction Pilot Scheme (Rotherham)

Purpose of Report

In line with the Sheffield City Region Assurance Framework, a project seeking Mayoral Combined Authority funding has been considered by the Sheffield City Region Appraisal Panel and is recommended to the Housing Investment Board for an investment decision.

This report and supporting annexes provide details of the Modern Methods of Construction (pilot) Scheme in Rotherham (referred to as 'the Scheme' throughout this report) which is focussed on testing innovative methods to deliver high quality, energy efficient homes at a faster pace. The scheme is seeking grant funding of £664,000 from Sheffield City Region to deliver 22 affordable homes.

Thematic Priority

Secure investment in infrastructure where it will do most to support growth.

Freedom of Information and Schedule 12A of the Local Government Act 1972

This report will be made available under the Mayoral Combined Authority Publication Scheme.

Annex A and B of this report is exempt from the 'public version' of this report under paragraph 3, part 1, section 12A of the Local Government Act 1972 (due to commercially sensitive information). However, this information is made available to Members of the Housing Investment Board on a confidential basis to support them in reaching an investment decision.

Recommendations

Members of the Housing Investment Board are asked to:

- Consider the information presented in the report and supporting annexes and agree the proposed grant of £664,000 to Rotherham MBC from the Local Growth Fund, to support the Modern Methods of Construction (pilot) Scheme; enabling the Head of Paid Service (or his appointed delegate) to enact the decision under the delegation made by the Mayoral Combined Authority.
- Note that further to a unanimous agreement by the Housing Investment Board, the Mayoral Combined Authority has delegated authority to the Head of Paid Service (or his delegate) to approve Housing Fund investment decisions (grants and loans) of up to £2m.

1. Introduction

Background to the Sheffield City Region Housing Fund

- 1.1** The SCR Mayoral Combined Authority (MCA) has approved delegations for Housing Fund investments to the Head of Paid Service for the MCA for schemes requesting funds up to £2m. In practice, this delegated authority is exercised by the SCR MCA / Local Enterprise Partnership (LEP) Senior Finance Manager (on behalf of the Chief Finance/ s73 Officer and the SCR Statutory Officers Group) supported by the Housing Investment Board (HIB).
- 1.2** The SCR Assurance Framework for LEP Local Growth Fund (LGF) requires that all schemes seeking investment undergo a thorough and proportionate scheme appraisal following the Treasury Green Book approach. Prior to consideration by the HIB, the scheme has been through a process of technical appraisal by a Panel of Officers representing the SCR Statutory Officers, culminating in the recommendations presented for approval. These findings will inform the s73 Officer's view regarding the Value for Money Statement and the Monitoring Officer's view regarding the relative risks of the scheme presented.

The Sheffield City Region Housing Investment Board

- 1.3** The Terms of Reference for the HIB¹ do allow matters (including the endorsement of investment decisions) to be dealt with electronically (via e-mail) where this is most appropriate. The ability to convene quorate meetings of the HIB has been impacted on by diary commitments and a delay in allocating a new LEP Board member to the HIB (following one of the LEP Board members coming to the end of their tenure).
- 1.4** Given the need to continue to make swift funding decisions, it was agreed at the Housing and Infrastructure Executive Board meeting on 15 November that in the short term, HF investment decisions could be made based on e-mail responses (referred to as 'written procedures'). This report details a HF proposal for HIB Members consideration via the written procedures.

2. Proposal and Justification

2.1 Modern Methods of Construction Pilot Scheme, Rotherham

As the Scheme Promoter and Grant Recipient, Rotherham MBC are seeking £664,000 from the SCR LEP LGF to enable the delivery of 22 affordable homes across 4 sites (all of which are in Council ownership). Two of the sites are in Rotherham Town Centre, an identified strategic growth area for SCR. All the sites are in areas of high housing demand, providing a housing type (smaller properties) for which there is a proven and growing need.

- 2.2** The homes will comprise a mix of twelve 2-bedroom bungalows for older people to rent and ten modular homes (or pods) for single person households (including short stay accommodation). All the homes will be offered to tenants at an affordable rent through Rotherham MBC. With support from the SCR, completion of the first units is expected by the end of 2019.
- 2.3** SCR LEP LGF funding is required to address some of the additional costs associated with delivering homes on physically constrained sites, as well as enabling different Modern Methods of Construction (MMC) technologies to be tested on a range of different sites.
- 2.4** The size and location of these sites means they are not generally attractive to private developers, therefore a tailored solution with the public sector taking the lead is required. SCR's investment represents c25% of the total scheme cost. Rotherham MBC will contribute c56% of the total scheme costs, with an application to Homes England's Shared Ownership and Affordable Housing Programme to be made to secure the remaining funding required.

¹ Housing Investment Board, Terms of Reference: Section 5 – Quorum and Attendance & Section 8 – Frequency of Meetings.

- 2.5** Beyond testing innovative methods of delivery and construction to build high quality, energy efficient homes at a faster pace; the scheme delivers many wider benefits, including:
- The lessons learned from this pilot, which will be shared widely, will be beneficial to other housing organisations across the SCR;
 - Testing several new approaches demonstrating ‘proof of concept,’ with the potential to inform a wider programme to accelerate housing delivery on small sites across the SCR;
 - Diversification of the local construction industry by offering opportunities to SME builders.

2.6 Independent Appraisal, Value for Money and Recommendation

The independent technical appraisal team have scrutinised the Full Business Case documentation (see **Annex A**) and wider supporting information (see **Annex B**) submitted by the Scheme Promoter to ensure completeness and to test the responses to each of the ‘five cases’ (Strategic, Economic, Financial, Management & Commercial).

- 2.7** The scheme has a Benefit Cost Ratio (BCR) of 2.4 (which is above the benchmark of 2.0) and has a Net Present Value (NPV) of £884,000. As such the scheme has been assessed as delivering ‘acceptable’ value for money.
- 2.8** The Appraisal Panel Summary (see **Annex C**) provides a summary of the Scheme and highlights the recommendation (‘full grant award with clawback on outputs and outcomes’), the payment basis (‘payment on defrayal’) and the ‘conditions of the award’.

3. Consideration of alternative approaches

- 3.1** Alternative approaches including ‘do nothing’ and ‘do less’ were considered as part of the options appraisal of the Economic Case. All the other options considered were not viable alternatives or would have significantly impacted on the value for money and/or the outcomes.

3.2 Options Appraisal Summary (adapted from the Full Business Case at Annex A)

Do nothing (no SCR investment) – Would require the whole project to be funded by the Council. As a pilot project with associated risks, it would be difficult to secure funding due to other pressures on the Council’s Housing Revenue Account. As such, it is unlikely the units would be delivered within the next 2 years and any delivery resulting in lower numbers/quality.

Do more (a larger SCR investment) – A larger SCR investment would allow the Council’s Housing Revenue Account funding to be used to deliver housing on other small sites. However, the SCR HF operates as a ‘fund of last resort’ and seeks only to provide investment where this is necessary to address a funding gap, accelerate delivery and/ or enable innovate schemes to progress where there is wider benefit to the SCR.

Do less (a smaller SCR investment) - A smaller contribution from SCR would mean that additional Council Housing Revenue Account resources would need to be deployed, at the cost of delivering housing on other small sites.

Preferred Scheme (recommended SCR investment) – As recommended, it is considered that the proposed scheme strikes the right balance in terms of shared risks, with Rotherham MBC carrying much of the financial risk with significant support from public sector partners.

4. Implications

4.1 Financial

The financial implications of this scheme have been fully considered by a representative of the Section 73 Officer (Chief Finance Officer) and included in the recommendations agreed by the Appraisal Panel as presented in **Annex C**.

4.2 Legal

The legal implications of this scheme (including any State Aid considerations) have been fully assessed by a representative of the Monitoring Officer (Chief Legal Officer) and are reflected

in the recommendations agreed by the Appraisal Panel as presented in **Annex C**.

4.3 Risk Management

Risk management is a key requirement for each scheme supported by SCR. Information provided by the Scheme Promoter is thoroughly assessed as part of the independent assessment/appraisal. The recommended 'conditions of award' (**Annex C**) deals with identified weaknesses and/or mitigations, as well as the need to monitor risks throughout the life of the project and notify SCR of any significant risks or changes to the Scheme.

4.4 Equality, Diversity and Social Inclusion

The information provided by Rotherham MBC provides evidence that investment from SCR will see the delivery of a scheme which is helping to address local housing need as well as supporting housing growth linked to SCR's economic aspirations. Specifically, the scheme will provide homes suitable for:

- Older people (e.g. bungalow style with level access) who wish to downsize but remain within their local communities and/ or close to local services;
- A range of single households (e.g. care leavers, those requiring temporary accommodation during assessment, students) who are affected by welfare reform and require smaller, self-contained homes with lower weekly rents.

5. Communications

- 5.1** The approval of this HF investment, as well as other significant development milestones, present an opportunity for positive communication on behalf of the LEP/ MCA. Officers from the SCR Executive Team will work with the LEP/ MCA and relevant partner organisations on joint communications activity. In addition, a condition of the contract award is that SCR's logo/ branding is to appear on all publicity materials, including on the site information boards.

6. Annexes

6.1 Annex A

Full Business Case for the Scheme (see 'Freedom of Information and Schedule 12A of the Local Government Act 1972' information on page one of this report).

Annex B

Supporting Information Checklist: In addition to the Full Business Case, a range of supporting information has been examined and taken in to account as part of the assessment/ appraisal process. The checklist provides an overview of the information considered.

Annex C

Appraisal Panel Summary Document: This details the recommendations and any conditions of the award following independent assessment/ appraisal of the Scheme and details the recommendation(s) of the Appraisal Panel.

REPORT AUTHOR	Michael Hellewell
POST	Senior Programme Manager
Officer responsible	Mike Thomas, SCR MCA / LEP Senior Finance Manager (delegated authority from the Head of Paid Service to approve Housing Investment decisions on behalf of the Mayoral Combined Authority)
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Background reports and information used in the preparation of this report are available for inspection at: SCR MCA Offices, 11 Broad Street West, Sheffield, S1 2BQ.

Other sources and references: SCR HIB Terms of Reference

<https://sheffieldcityregion.org.uk/about-us-governance-policy/meetings/>

Appraisal Panel Summary

Project Name	Modern Methods of Construction pilot		
Grant Recipient	Rotherham Metropolitan Borough Council		
SCR Executive Board	Housing & Infrastructure	SCR Funding	£664k
% SCR Allocation	25%	Total Scheme Cost	£2.63m

Project Description

This pilot will enable the Council to test different Modern Methods of Construction (MMC) products and ascertain suitability (a) to meet specific housing needs and (b) for small infill sites. 22 affordable homes will be delivered overall and if successful this could be scaled up to a larger programme. 12 of the homes will be two-bedroom bungalows using offsite construction methods. Ten will be modular homes. Learning will be shared with SCR and other housing providers.

Strategic Case

Many of the Council's small sites are decommissioned garage sites which have constraints such as narrow access roads. The additional costs make them more difficult for the Council to deliver without external funding support. Due to the size and location of the sites, these are not attractive to private developers and a tailored solution is required. However, it is essential that the Council identifies an expedient delivery route for its small sites, alongside larger brownfield sites, to achieve growth targets. The SCR Housing Fund will allow the Council to identify the optimum MMC method for some of our smaller constrained sites which could lead to the development of a more extensive programme.

Value for Money

This project has a BCR of 2.4 and a NPV of £884k and therefore delivers acceptable value for money.

Risk

Homes England grant funding has not yet been secured.

Final development costs are yet to be confirmed. Risk costs could be higher than anticipated. Mitigation proposals include extensive informal market dialogue to estimate realistic costs and use of Build Offsite specialist organisation to support process.

Ground conditions still to be confirmed. Surveys have been commissioned on bungalow sites, further investigations required for pod sites. Appointment of 'main contractor' to oversee pod supplier and installation.

If there are cost over-runs, these will be funded by Rotherham Council.

Delivery

Contractor to be appointed in November 2018. Still awaiting planning approval (expected Jan 19).

The project will be managed by an experienced case officer who has successfully delivered similar projects from conception to procurement and through to completion. A robust approach to contract management, performance monitoring and progress reporting will be followed and the Council's

Housing and Regeneration Programme Delivery Board will oversee delivery. Prince 2 programme/project management methodologies will be followed.

Legal

Applicant has reported state aid does not apply as the grant will not subsidise the contractor and there will be no distortion of the market. Solicitor’s opinion will be required to confirm this, prior to contract execution.

Recommendations

Recommendation	Full grant award with clawback on outputs and outcomes
Payment Basis	Payment on defrayal
Conditions of Award (including clawback clauses)	
<p><i>The following conditions have to be satisfied before drawdown of funding.</i></p> <ol style="list-style-type: none"> 1. All required statutory consents including all planning enquiries must be satisfied. 2. Confirmation that viable options are in place to ensure successful project completion even if costs exceed current estimate. 3. An updated risk register which takes account of increased number of sites and units and any associated conditions from other funders. 4. Updated delivery plan (Gantt Chart) which takes account of increased number of sites and units. <p><i>The following conditions have to be satisfied before contract execution.</i></p> <ol style="list-style-type: none"> 5. Submission of evidence that all necessary RMBC internal approval are in place. 6. That a comprehensive State Aid advice, from a solicitor, is submitted. 7. Agreement that a clause stating that use of the asset should remain as set out in the FBC for a minimum 10-year period after completion of the project, to be included in Funding Agreement. 8. Agreement to provide SCR with a full report on the lessons learnt from the pilot – this should include a review of all elements of the pilot including, but not limited to: procurement, specifications used, costs, methods of construction, infrastructure issues and considerations, delivery timescales, approach to assurance/ construction warranty, any ongoing maintenance issues, summary of key lessons 9. Agreement to provide a presentation of lessons learnt (as detailed above) to SCR and partners (full details and format to be agreed with the SCR Executive Team). The last two conditions to be satisfied at the point where all units have been completed with the follow-on report 12 months later. 10. Agreement that clawback will be applied proportionately on the outputs (completion of the number of units proposed (22)). 11. Agreement that suitable overage clauses are included in Funding Agreement <p>The conditions above should be fully satisfied by end of March 2019. Failure to do so could lead to the withdrawal of approval.</p>	

Record of Recommendation, Endorsement and Approval

Project Name

Appraisal Panel Recommendation		Board Endorsement		CA Approval		
Date of Meeting		Date of Meeting		Date of Meeting		
Head of Paid Service or Delegate	Ruth Adams Deputy MD	Endorsing Officer (Board Chair)		Approving Officer (Chair)		
Signature		Signature		Signature		
Date		Date		Date		
S73 Officer or Delegate	Mike Thomas Senior Finance Manager	Statutory Finance Officer Approval				
Signature						Name:
Date						Signature:
Monitoring Officer or Delegate	Steve Davenport SCR CA Solicitor					Date:
Signature						
Date						