

Appraisal Panel Summary

Project Name	Falstaff Phase 3		
Grant Recipient	Sheffield Housing Company		
SCR Executive Board	Housing	SCR Funding	£1,517,144
% SCR Allocation	8.8%	Total Scheme Cost	£17,163,144

Project Description

Falstaff Phase 3 is 106 new build 2, 3 and 4-bedroom home development for market sale (100 units) and shared ownership (6 units). The scheme has planning approval and full tender costs have been received from Keepmoat Homes. However, due to the low projected sales values in the area and costs to deliver the site, the site is currently not viable with a projected negative residual land value of minus £1,517,143. SCR gap-funding of £1,517,144 is sought to help fund the initial construction infrastructure costs and delivery of the affordable housing (6 homes for shared ownership) in order to improve the viability to a land-value of £1 in order to facilitate the delivery of the new homes.

Strategic Case

SCR investment will facilitate development of 106 family homes for open market sale and shared ownership in a low-priced area and neighbourhood that has previously suffered from a lack of private investment.

To assist viability, projected sales values have been increased from the current achieved prices on the Phase 2 scheme (whilst at a level of acceptable risk for SHC) which completed in October 2018. Without SCR support, it is likely the site will not progress or be delayed even further until alternative gap-funding can be sourced in the future. This will impact on housing growth in the city could adversely affect the economic ambitions of SCR and partners.

Value for Money

This project has a BCR of 3 and an NPV of £3,004,629 and therefore delivers high value for money.

Risk

Top 5 risks identified in the FBC:

1. Funding (High) - Without secured SCR funding, the housing scheme will not progress
2. Assumptions on Costs and Values are not realised (Medium)
3. Unforeseen development costs (Medium)
4. Market downturn affecting build and sales rate (medium)
5. Delays to planning approval (Low)

Since SBC stage and due to required internal board approvals to protect risk against future build cost inflation costs, the FBC costs also now includes build cost inflation for the duration of the scheme (rather than being fixed for 12-months as per SBC stage).

To clarify, the original build cost tender price was a fixed-price tender for a period of 12-months and subject to inflation after that period. This revised price now fixes inflation-risk for the duration of the programme.

This means there is expected to be very minimal build cost-shift during the development, and sales-risk can be focused on and managed accordingly within the forecast profit position. The build-price is in effect a 'locked-in' fixed tender price to enter into contract on. This has resulted in a higher funding-bid to SCR compared to what was submitted at SBC stage.

Delivery

Delivery will be through Sheffield Housing Company (SHC), a local housing company established by Sheffield City Council (SCC), Keepmoat Homes and Great Places Housing Association.

SHC has an agreed Operations Manual on Project and Quality Management which was signed off by SHC.

SHC has successfully delivered over 650 homes to date. The partnership benefits from strong governance, with the Project Director performing the role of Project Executive. The Project Director will be supported by key stakeholder representatives who, together, form a Project Board. The key stakeholders include the City Council and Keepmoat Great Places. The Project Board is responsible for project assurance.

Legal

The application for funding is made on the basis of a mixture of state aid routes including de minimis, SGEI and no aid.

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

The following conditions must be satisfied before contract execution.

1. Submission of revised full business case which reflects all clarifications and comments, ensuring consistency throughout the document and appendices as this will be the basis of any funding agreement. This should include the definitive set of outcomes which SCR will contract against and monitor.
2. Confirmation that the profiled 2019/20 LGF spend can be defrayed in year, as SCR is unable to guarantee that this will be reprofiled beyond year end, and/or that SHC will cover any additional works from alternate sources.
3. 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.

The conditions above should be fully satisfied by 30th June 2019. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

4. All required statutory consents including all planning conditions must be satisfied.
5. Submission of evidence of SHC's Board approval for the scheme.
6. Formal confirmation of all other funding approvals required to deliver the project.
7. Formal confirmation of commitment to address any cost overruns without unduly compromising project outputs and outcomes.
8. Submission of a detailed project plan and risk register including sufficient contingency provision for all activities and related mitigation costs.
9. Submission of acceptable State Aid opinion

The following conditions to be included in the contract

10. Suitable overage clauses to cover state aid requirements