

Housing and Infrastructure Board

Thursday, 16 March 2023

Programme Approvals

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| Is the paper exempt from the press and public? | No |
| Reason why exempt: | Not applicable |
| Purpose of this report: | Funding Decision |
| Is this a Key Decision? | Yes |
| Has it been included on the Forward Plan of Key Decisions? | Yes |

Director Approving Submission of the Report:

Gareth Sutton, Chief Finance Officer/s73 Officer.

Report Author(s):

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Executive Summary

This report requests approval for three schemes. The total amount of funding involved is £5.05m. The report also seeks to update Board on progress with other schemes that were seeking funding decisions before 31 March 2023.

What does this mean for businesses, people and places in South Yorkshire?

This report is seeking approval to progress business cases for three investment proposals which will support the MCA's aspirations.

Recommendations

The Board consider and approve:

1. Approval of £3m grant award to Sheffield City Council for the "West Bar" project.

2. Approval of £1.3m grant award to Great Places Housing Association for the “Blue Mans Way, Catcliffe” project.
3. Approval of £0.75m grant award to Sky House Co Ltd for the “Sky House – Devonshire Quarter” project.
4. Approval for delegated authority to be granted to the Head of Paid service in consultation with the Section 73 Officer and the Monitoring Officer to enter into legal agreement for the above schemes at points one, two and three.
5. Note that the projects detailed at para. 2.4, where funding is available from Government on a short time frame, were considered at the MCA on 6 March. The Market Gate Bridge (Barnsley) project was approved, and the Rotherham Libraries and Markets and Waterfront (Doncaster) projects approval decisions were delegated to the Head of Paid Service in conjunction with the Co-chairs of the relevant thematic Board.

Consideration by any other Board, Committee, Assurance or Advisory Panel

Assurance Panel

08 March 2023

1. Background

1.1 This report seeks approval for three projects for £5.05m grant. The projects have been subject to a rigorous assessment in line with the Assurance Framework.

1.2 **Brownfield Housing Fund (BHF)**

In Summer 2020, the Government launched ‘A New Deal for Britain’ which is a key part of the Government’s Strategy to rebuild Britain following Covid 19 and support economic recovery across the UK. As part of this strategy, a total of £53.79m of capital funding was allocated to the South Yorkshire Mayoral Combined Authority (SYMCA) for supporting the development of housing schemes on brownfield land over 5 years. The Blue Mans Way and Sky House proposals plan to deliver 136 new homes towards the BHF target.

1.3 **Gainshare**

The landmark Devolution Deal was agreed in July 2020 which negotiated a new deal between local council leaders and central Government. The Deal offered new powers relating to economic development and an additional £30m of funding a year for the benefit of South Yorkshire, to improve infrastructure, transport, skills and housing. The West Bar project is delivered as part of the Gainshare allocation.

2. Key Issues

2.1 **West Bar – SCC – Full approval of £3m grant**

The West Bar project aims to regenerate 7.33 acres of brownfield site located between the city centre, Burngreave and Kelham. The wider project will deliver a mixed used district which includes grade A office space, new apartments and new public realm. The grant request is to enable high quality public realm development which will help set the tone for successful letting of offices and apartments in the current and future phases. SCC make the case that cost increases and viability pressures mean that the £3m grant funding is required to enable the development to continue to be implemented at a high standard.

West Bar is the second largest regeneration project in Sheffield city centre and has been the subject of a public sector driven partnership for several years with the formal development agreement between Urbo and SCC being concluded in February 2015. Over £15m of private sector funding has already been spent on design, planning, site assembly and reclamation work to date, including a full CPO and land assembly process. The project is now considered 'shovel-ready' and elements are already under construction, but the funding request will ensure full delivery of the West Bar scheme at the high-quality level which all delivery partners aspire to.

The assurance of the scheme states that the applicant has undertaken a comprehensive development appraisal. The applicant has concluded that £21.80 worth of benefits will be delivered for every £1 of SYMCA funding. The high BCR partly reflects the low public sector contribution (0.8%) to the overall schemes costs. Whilst the assessment has raised concerns which may indicate a lower BCR (benefit cost ratio), it is felt that the project would still represent acceptable value for money.

The Housing and Infrastructure Board have delegated responsibility from the MCA to make the funding award decision on the West Bar project. The Board are asked to approve grant of £3m. Further details of the scheme assurance and conditions of approval are held in Appendix A.

2.2

Blue Mans Way, Catcliffe – Great Places Housing Association Full approval of £1.3m grant.

Great Places is seeking £1.3m of BHF towards an overall investment of around £13m to deliver 76 new affordable housing units on a brownfield site located in Rotherham close to the Advanced Manufacturing Innovation District. The site has historically been subject to opencast mining that has been filled back and subsequently used for agriculture. The project is aiming for all homes to have an EPC (Energy Performance Certificate) B rating.

The project has demonstrated a good rationale for public sector intervention where the grant will plug a viability gap resulting from significant abnormal cost increases. The project demonstrates an acceptable BCR of 1.25.

The Board are asked to approve £1.3m grant for the project. The Board are also asked to delegate authority to the Head of Paid service in consultation with the Section 73 Officer and the Monitoring Officer to enter into legal agreement for the Blue Mans Way scheme. A number of conditions are recommended for the project for onward monitoring including potential clawback of funding in the event that outputs and outcomes are not delivered. Further details of the scheme assurance are held in Appendix B.

2.3

Sky House – Devonshire Quarter – BJC for funding recommendation (£0.75m)

Sky House Co Ltd is seeking £0.75m of BHF towards an overall investment of £8.87m to deliver 60 residential units in the south west of Sheffield city centre. Planning consent was received in December 2022 and heads of terms are agreed for land ownership. However, abnormal costs associated with demolition, site preparations and planning consents are contributing towards a viability gap. The

applicant has stated that BHF grant will cover the viability gap and enable delivery of the homes.

The assessment has concluded that viability gap of £0.75m is justified and appears reasonable. The assurance has also concluded that the project may deliver £3.93 of benefits for every £1 of SYMCA funding invested, so is therefore considered to offer acceptable value for money.

The Board are asked to approve £0.75m grant for the project. The Board are also asked to delegate authority to the Head of Paid service in consultation with the Section 73 Officer and the Monitoring Officer to enter into legal agreement for the Sky House – Devonshire Quarter scheme. A number of conditions are recommended for the project for onward monitoring including potential clawback of funding in the event that outputs and outcomes are not delivered. Further details of the scheme assurance are held in Appendix C.

2.4

Project Progress Update

An update was provided at the February 2023 Housing and Infrastructure Board regarding projects requiring accelerated approvals. The 'West Bar' scheme is included in this paper for a decision on funding. An update of progress of the other schemes is included below:

Rotherham Libraries and Markets (RMBC - £3.4m grant funding)

The scheme in central Rotherham plans to enhance existing facilities to create a key hub and flexible space for the local community. The funding is used to address a viability gap on the overall project. The project involves 6,235 m² of improved public realm, new library facilities and 635 m² of new and refurbished office space.

Progress: At the 6th of March 2023 MCA meeting the grant award decision has been delegated to the Head of Paid Service in conjunction with the Co-chairs of the relevant thematic Board.

Market Gate Bridge (BMBC - £2.5 grant funding)

The scheme is constructing a pedestrian bridge over the main Sheffield to Leeds railway line in Barnsley town centre. The new connection is important for the long term plans for the town centre, providing an active travel link into the recently completed Glass Works development. Increasing costs have left a shortfall in funding to complete the scheme.

Progress: This award was approved at the MCA meeting on the 6th March 2023

Waterfront (DMBC - £6.5m grant funding)

The scheme is for £6.5m grant funding to cover remediation and inflationary pressures on a key strategic Council owned plot on the outskirts of the city centre. £18.6m Levelling up Fund is already awarded for the city centre which is partly being used to transform the waterfront into a destination which includes a hospital, green space and commercial uses.

Progress: At the 6th of March 2023 MCA meeting the grant award decision has been delegated to the Head of Paid Service in conjunction with the Co-chairs of the relevant thematic Board.

The Housing and Infrastructure Board are asked to note progress of the above schemes.

3. Options Considered and Recommended Proposal

3.1 Option 1

Reject one or more projects from progressing.

3.2 Option 1 Risks and Mitigations

Rejection of some, or all, of the recommendations in this report would mean the region foregoing the forecast benefits arising from the investment.

3.3 Option 2

Approve all recommendations

3.4 Option 2 Risks and Mitigations

Approval of the schemes would require a commitment being made against the MCA's gainshare allocation.

3.5 Recommended Option

Option 2

4. Consultation on Proposal

4.1 Project sponsors are required to publish business cases on their own websites (or an appropriate summary of the submission) and must consider all comments received as part of the project development and delivery.

5. Timetable and Accountability for Implementing this Decision

5.1 The promoter is responsible for the further development of projects that have gateway approval to the next stage of the MCA Assurance process.

6. Financial and Procurement Implications and Advice

6.1 The proposed investments presented in this report are all fully funded and within budget.

7. Legal Implications and Advice

7.1 The legal implications of the projects are fully considered by a representative of the Monitoring Officer and included in the recommendations agreed within the Assurance Summaries.

8. Human Resources Implications and Advice

8.1 N/A

9. Equality and Diversity Implications and Advice

9.1 Appropriate equality and diversity considerations are taken into account as part of the assurance of the project business cases.

10. Climate Change Implications and Advice

- 10.1 The schemes include new and/or enhanced improvements to public and community infrastructure. This aims to deliver benefits for health and the prosperity of towns and cities, positively contributing to the SYMCA's climate change aspirations.

11. Information and Communication Technology Implications and Advice

- 11.1 N/A

12. Communications and Marketing Implications and Advice

- 12.1 The approvals provide positive opportunities to highlight the difference the MCA's investments will make to people, passengers, businesses and places across South Yorkshire and how Members are taking action to support the region's recovery from COVID.

List of Appendices Included

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| A | Assurance Panel Summary: West Bar |
| B | Assurance Panel Summary: Blue Mans Way, Catcliffe |
| C | Assurance Panel Summary: Sky House – Devonshire Quarter |

Background Papers

N/A

Assurance Summary

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1 – SCHEME DETAILS

| | | | |
|------------------------------|----------------------------|----------------------------------|--------|
| Project Name | West Bar, Sheffield | Type of funding | Grant |
| Grant Recipient | Sheffield City Council | Total Scheme Cost | £10.6m |
| MCA Executive Board | Housing and Infrastructure | MCA Funding | £3m |
| Programme name | TBC | % MCA Allocation | 28.3% |
| Current Gateway Stage | FBC | MCA Development costs | n/a |
| | | % of total MCA allocation | n/a |

2 – PROJECT DESCRIPTION

This project is part of the wider West Bar development. West Bar is noted as being the second largest regeneration project within Sheffield City Centre (covering 7.33 acres of brownfield land) and includes Built to Rent (BTR) accommodation, offices, retail, and student accommodation.

When complete, West Bar will comprise approximately 1,000,000 sqft (93,000 sqm) of space including over 565,000 sqft (52,500sqm) office space, accommodating between 6,000 and 8,000 jobs and provide over 525 units of apartments. The first phase comprising 395,226 sqft (36,718 sqm) of offices and 368 apartments has been funded by Legal & General and construction is underway.

£3m of grant funding is requested to deliver high quality public realm infrastructure, due primarily to building cost inflation that would otherwise necessitate value engineering the project. The applicant states, value engineering the project in this way would cause delay whilst the design, quality and quantity of the landscaping is renegotiated with SCC Planning Department to discharge the relevant Reserved Matters Planning Conditions. The poorer quality environment would also slow the pace of the take-up and occupancy of the offices and flats.

Section 2.3 sets out what will be delivered with SYMCA funding, as below:

- Site remediation and ground improvements.

- Underground drainage and attenuation systems.
- Hard landscaping.
- Soft landscaping including tree planting.
- Landscape Furniture (bollards, seating, refuse bins etc).
- External lighting
- Public Art (largely incorporated in landscaping).
- Signage and Wayfaring.
- Length of Newly Built Road – 275m
- Length of New Cycle Ways – 1200m
- Length of New Active Travel Route – 600m
- Public Realm Improved (sqm) – 14,192m2
- Number of New Cycle Parking –200 within the public realm – in addition to 280 cycle racks in Phase 1 A/B and 4C of the buildings.

If SYMCA funding was not forthcoming, the applicant has confirmed that the following value engineering would be undertaken:

- Omission of the granite, concrete and paving proposed throughout the masterplan and replacement of this with a tarmac product such as plain tarmac or a tar spray and chip finish.
- Simplification of the soft landscaping to reduce planting area and remove proposed trees to replace with grass areas at flat grade.
- Change of levels to be dealt with via grass banks only.
- Increase in quantity of the soft landscaping areas to approx. 70% of the site area which will reduce servicing access routes and pedestrian routes.
- All feature lighting, furniture and signage will be removed from the costs leaving functional column lighting only.
- Signage will be dealt with through building mounted signage and no furniture provided.

There is ambiguity in the business case as to the spatial extent and scope of the public realm works to be undertaken under this funding application. **Throughout the business case the works are referred to as fully contained within Phase 1, which consists of Plots 1A, 1B and 4A, for which works are fully procured and costs fixed. However, the Supplementary Form refers to the extent of the public realm in relation to Plots 1A, 1B, 4A, and Plots 4B and 4C, while the cost plans submitted with the application refer to the public realm in relations to Plots 1, 2, 3, 4A-C, 5 and 6.** A high level plan of the plots and public realm is also provided in the business case in 2.1 and Appendix 6, but it appears to exclude parts of the public realm in and around these plots, so it is currently very unclear what is and what isn't included. Confirmation was sought on this issue but the response does not provide clarity. **Furthermore, detailed design of the public realm does not yet appear to have been completed and responses to clarification questions appear to indicate the applicant is waiting for confirmation of SYMCA funding before firming up plans and specifications.**

3. STRATEGIC CASE

Options assessment

An options assessment has been undertaken with a 'do minimum' option and two viable alternative options considered, as well as the preferred option.

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| | <p>The 'do minimum' option involves the delivery of a reduced specification public realm. This option has been discounted on the basis that it would require renegotiation with the planning authority to satisfy the planning permissions. This would slow take-up of the office space / BTR apartments and may stall the site.</p> <p>One viable alternative option involves re-phasing the delivery of the public realm work into alternative phases and removes the public realm from future phases on plots 4B and 4C. This option has been discounted on the basis that it would breach the planning permission and other agreements with SCC and Legal and General.</p> <p>Another viable alternative option involves delivering all the public realm work in one single phase at a higher cost. This has been discounted firstly based on the higher upfront costs required, and secondly because it doesn't make sense from a phasing perspective to complete public realm works (including landscaping etc) in advance of other construction works which would then likely damage the public realm.</p> <p>Finally, the preferred option has been selected on the basis that it is the most economically advantageous scheme, meets the conditions of the planning permission and allows an accelerated take-up and occupancy of phase 1 buildings and improved return on rents achieved.</p> |
| <p><i>Statutory requirements and adverse consequences</i></p> | <p>Planning permissions are required and outline planning permission was granted for the full West Bar masterplan in 2017. Since then, reserved matters planning permission has been granted for plots 1A, 1B and 4A.</p> <p>Transport Assessments have been undertaken for the development. These propose a number of highway and access improvements to mitigate the impact of the development. The TA has been approved as part of the outline planning application.</p> |
| <p><i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i></p> | <p>The West Bar development is well aligned with the SEP. It is noted that the wider scheme aims to provide access from deprived communities in Sheffield to the city centre and West Bar thereby improving connectivity to jobs and opportunities for everyone, which is aligned to the SEP vision of '...grow an economy that works for everyone'. The scheme also contributes to the aims of the SEP by providing new, better quality, appropriately priced, housing in the City Centre.</p> <p>Information is also included on how this specific public realm / infrastructure project is aligned to the RAP. This includes providing pedestrian and cycle links from deprived areas to the city centre, as well as that the works included in this specific scheme will improve the take-up and sustainability of phase 1 buildings which will then ultimately lead to the delivery of further phases.</p> |
| <p>4. VALUE FOR MONEY</p> | |
| <p>Value for Money Statement</p> | |
| <p>The applicant and development partner have undertaken a comprehensive development appraisal of the scheme options; however, the economic assessment itself, which is based on both direct and indirect land value uplift, could have been more robust.</p> | |

Throughout the business case, and in clarification questions, the project is referred to as fully contained within Phase 1 which includes Plots 1A, 1B and 4A. However, on examination of the development appraisal, it is clear that this and the economic assessment, are based on a wider number of plots including Plots 1, 2, 3, 4A, 4B, 6, 7 and others.

The applicant has stated that they have not used Optimism Bias in the economic assessment, stating that Phase 1 costs (Plots 1A, 1B & 4A) are 99% certain and fixed. However, this is not true of the other plots used in the economic assessment.

No additionality factors have been applied to the economic assessment and the applicant has stated against each of the key factors (i.e. leakage, displacement, economic multipliers) "n/a". It is not clear why displacement effects would not apply to this development.

The applicant has used a discount factor of 20% instead of 3.5%, as advised by Treasury and explained in HMT Green Book. This was raised but was dismissed by the applicant.

In the economic assessment the applicant has not been able to provide an NPV and BCR for the Do Minimum that allows comparison with the other options. Instead, the difference between the Gross Development Values for the Do Min and Preferred Options have been presented and this is the basis for the economic assessment in determining the NPV and BCR for the Preferred Option only.

The applicant sets out that the economic assessment is based on the key assumptions below:

- Office rents reduced by 20% for loss of place making premium down to £20.50
- Office yield moved out 0.5% to 5.75%
- Office rent free period increased from 12 to 18 months
- Residential / Student rent reduced by 20% for loss of place making premium down to £46.25
- Residential yield moved out 0.5% to 5.75%

Although the impact of these assumptions appears to be high in relation to the nature of the scheme, there is evidence from past studies which potentially support the rent increases and reduced rent-free periods as a result of high-quality public realm, as follows:

- Savills: Spotlight Development: The Value of Placemaking (2016): "Spending an extra 50% on placemaking, in markets where this leads to a higher sales value and faster sales rate, **can boost the land value by around 25%**, depending on required rates of return"
- A 2007 study undertaken by NWDA & RENEW Northwest found that not only could good urban design lead to an **increase of 15-20 per cent in rental or capital value** but that it would also accelerate lettings and sales rates
- The Value of Public Space (CABE) "**Many cities are also now seeing that the redevelopment of high-quality public spaces aids the regeneration of an area, with commercial property prices increasing in those locations.** There is evidence too that a well-planned, well-managed public space has a positive impact on the price of nearby domestic properties".

It is not clear in the above assumptions why the office and residential yields are different between the Do Min and Preferred options, what these yields represent and how they factor into the overall calculation of the GDV.

Within the development appraisal the applicant is estimating that developer profits would reduce from £41.7m (11.82% profit on cost) to -£32.3m (-9.06% profit on cost), if SYMCA funding was not forthcoming. It is possible to see, based on the assumptions underpinning the economic assessment (i.e. 20% rent increase, reduced rent free periods), how they have come to this conclusion; however, **in reality this appears to be disproportionate to the scale of the intervention relative to the SYMCA funding request.**

The applicant has calculated the direct uplift in land value as £84.5m; however, this should be taken into consideration with the points above.

In relation to the calculation of indirect place making benefits to the wider area, the applicant has focussed on uplift to properties at the northern end of the site, rather than take a radius around the whole site. The rationale being that these are the wider key areas to benefit from the development based on the direct links the project provides these sites to the city centre. These areas range within 50 to 100m of the northern edge of the site, which is considered conservative and even more so given that a radius around the entire site has not been used, and therefore robust. Overall, the indirect land value uplift assumed to be created by the project is estimated at 5.3%, taking into account a range of factors including impacts on property values, reduced void periods and that investment in student and commercial units becomes more attractive.

It should be noted in relation to the indirect wider land value uplift, the applicant has only calculated the uplift for the Preferred Scenario and not the Do Minimum scenario, therefore it is not evident how much of the uplift that has been calculated is actually deadweight. This was raised as part of clarification questions, but the response does not provide clarity. Furthermore, the applicant has not been able to provide supporting evidence to underpin the assumptions underpinning a 5.3% uplift.

In summary, the indirect uplift in land value has been calculated as £3.13m; however again, this should be taken into consideration with the points highlighted above.

Overall, the Net Present Value of the project is estimated to be £72.8m and have a BCR of 21.8. This is as calculated by the applicant, but with an adjusted discount factor of 3.5% and should be taken into consideration noting all the points raised above. It is noted that these are very high values, but in part will reflect the relatively low public sector funding contribution (0.8%), compared with the scale of the wider regeneration project and the purported far-reaching impacts of the public realm in this context.

5. RISK

Top 5 risks as stated in the FBC are as follows:

1. Planning Consent – failure to discharge all final Conditions
2. Build Cost Inflation
3. Funding – SYMCA funding not forthcoming
4. Construction co-ordination – efficiency of h+s issues of infrastructure and public realm works on site at the same time.
5. Take up and letting – slower than anticipated or stalling

Specifically in relation to the Public Realm, key risks have been identified with appropriate mitigation measures in place. Confirmation of MCA funding will ensure 4 of the top risks are mostly mitigated. Given that SCC and Urbo have confirmed cost are fixed and they will cover any cost overruns, there is little risk posed to the SYMCA. **The main risk to the MCA would be the Take Up and Letting as this would impact on the realisation of the economic benefits. The main mitigation strategy proposed again is confirmation of SYMCA funding to allow the public realm to be completed to the high spec desired standard.**

Key risks to the MCA are ensuring the public realm is delivered to the agreed specification, enabling the benefits of the project to be fully realised in order to achieve value for money. To mitigate against this risks the following contractual conditions are recommended:

- Confirmation of the scope, specification and costings of the public realm to be delivered by MCA funding.
- Confirmation that public realm works are fully procured, and costs are fixed.
- Confirmation of the definitive set of outputs and outcomes which the MCA will contract against and monitor.
- Clawback on outcomes.
- Submission of a legal opinion providing confirmation of Subsidy Control compliance
- Agreed milestones for project evaluation.

In relation to Phase 1, the applicant indicates all funding is secured and fully tendered. Phase 1 of the development will be fully funded by Legal and General (via Peveril Securities) who will be the ultimate owner of the development on completion of the works. Confirmation is still required whether all public realm works fall within Phase 1 and confirmation of this is recommended as a condition of award.

6. DELIVERY

The timetable for delivery appears reasonable. Procurement was completed June 2022 and outline planning granted, subject to reserve matters planning conditions. Construction of the BTR and office buildings for Phase 1 are already underway, with Public Realm works scheduled to start July 2023 and practical completion Dec 2024 (BTR plots 1A/B) and April 2024 (Office plot 4A).

Procurement for Phase 1 (plots 1A,1B,4A) has already taken place, with a Principal Contractor (Bowmer & Kirkland) contracted under a JCT DB2016 contract to deliver the building works and associated external works, drainage and landscaping. Within the building contract, Bowmer and Kirkland are obligated to procure a competitive price for the works using standard procurement methods. Once prices are obtained for the works, these are then subject to review by costs consultants Gardiner & Theobald.

Building contracts are now in place for the delivery of buildings on plots 1A/1B (368 Build to rent apartments) and plot 4A (100,000 sq.ft. Offices) together with all associated external works, drainage and landscaping (this project). The prices within the building contract are fixed for the duration of the Building Contract.

Future building plot procurement will be conducted in a similar manner whilst Urbo always reserving the right to revert to selective competitive tendering in the event that Urbo and B+K are unable to reach agreement on price and terms following the process; however, as noted previously the two companies are closely related, sharing the same Directors and registered office addresses.

Cost certainty is stated at 99%, procurement is stated as complete and costs fixed for Plots 1A, 1B and 4A. However, as raised previously, the spatial extent of the public realm and any crossover with other phases/plots still needs to be confirmed. The applicant has confirmed that all cost increases will be covered by Urbo.

The applicant has outlined governance arrangements in identifying key delivery partners, key roles in the project, as well the SRO. Andy Dainty, Director of Urbo (West Bar) Limited is identified as the developer/client and ultimately responsible for the delivery of West Bar masterplan. An organogram has been provided; however, this is very high level. The response would have benefitted from more information on decision boards/oversight committees, lines and frequency of reporting. **The SRO has not signed the business case.**

Consultation has been undertaken with key stakeholders demonstrating positive support for the project, as set out below:

- **Local community** - Public consultation was undertaken during the Outline Planning stage and a full report was produced showing widespread support from the local community.
- **Relevant businesses** - Public consultation was also undertaken with local businesses. This is referred to in the public consultation report and was also extremely positive.
- **Environment Agency** - The EA has been consulted as part of the planning process. The project raises the level of developed land and takes the entire site out of the 1:100 year flood risk area.
- **Planning Authority** - The project has outline consent for up to 1.4 million sq.ft. of mixed-use space. The first phase has full planning consent.
- **Highway Authority** - Full consultation has taken place as part of the statutory planning process.

The FBC states SCC Officers will liaise with the developer Urbo to complete quarterly SYMCA monitoring reports on contracted project milestones, outputs and outcomes. As part of Urbo's funding agreement with L&G, L&G will allow Urbo access to occupancy and rental data such that the take up and income from the buildings can be monitored. Urbo has retained AspinallVerdi-Property Regeneration Consultants as public sector funding advisors in respect of this FBC. AspinallVerdi will be retained to provide SYMCA with a Delivery Closure Report / Financial Closure Report as part of the Project Evaluation. This will be at the appropriate milestones to be agreed with SYMCA as part of this funding agreement.

7. LEGAL

The applicant has had initial consultation with Clyde and Co solicitors in relation to compliance with Subsidy Control. **The applicant has however stated to avoid abortive costs they cannot provide a legal opinion until confirmation of SYMCA funding approval.** They have stated they do not believe Subsidy Control will be problematic and is likely to follow previous BHF advice.

8. RECOMMENDATION AND CONDITIONS

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|---|---------------------|
| Recommendation | Full grant award |
| Payment Basis | Payment on defrayal |
| Conditions of Award (including clawback clauses) | |
| <i>The following conditions to be included in the contract.</i> | |
| 1. Any allocated funding drawn down and not committed by the deadline is returned through the inclusion of funding clawback mechanism as part of the grant agreement. | |
| 2. Clawback on outcomes at the MCA's discretion | |
| <i>The following conditions must be satisfied before contract execution.</i> | |
| 3. Evidence of internal Board approval to proceed. | |
| 4. Solicitor's opinion to confirm Subsidy Control position. | |

5. Confirmation that public realm works are fully procured, and costs are fixed.
6. Confirmation of the definitive set of outputs and outcomes which the MCA will contract against and monitor.
7. 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.
8. Agreed milestones for project evaluation.

The conditions above should be fully satisfied by 31.03.2023. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

9. All required statutory consents including planning enquiries must be satisfied.
10. A complete risk log which includes cost estimates if risks materialise

Assurance Summary

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1 – SCHEME DETAILS

| | | | |
|------------------------------|----------------------------------|----------------------------------|-------|
| Project Name | Blue Man's Way, Catcliffe | Type of funding | Grant |
| Grant Recipient | Great Places Housing Association | Total Scheme Cost | £13m |
| MCA Executive Board | Housing and Infrastructure | MCA Funding | £1.3m |
| Programme name | Brownfield Housing Fund | % MCA Allocation | 10% |
| Current Gateway Stage | FBC | MCA Development costs | n/a |
| | | % of total MCA allocation | n/a |

2 – PROJECT DESCRIPTION

Great Places (Registered Provider) is seeking £1.3m of SYMCA BHF towards an overall investment of c.£13m to deliver 76 new affordable housing units on a brownfield site, bound by the A630 (Sheffield Parkway) to the north, a supermarket to the west and residential uses to the south and east. The site, located in Rotherham close to AMID, has historically been subject to opencast mining that has been filled back and subsequently used for agriculture.

The business case states that the dwellings will be of sustainable construction and energy efficient. The project is aiming for all homes to have an EPC B rating.

The business case states that Great Places are applying for BHF to make the existing scheme viable for the developer (Strata). The business case states that as a result of significant cost variation (18%), the scheme is no longer viable and would result in a £1.3m loss for Strata, prohibiting them from continuing to develop the site. It is noted that this is exactly 10% of the overall project cost.

The business case states that the cost variation is a result of global geopolitical factors and labour shortages in the UK. The scale (18%) and cause of these cost issues appear reasonable but could have been supported by more robust evidence such as contractor and material quotes.

The business case states that the grant funding will cover the total loss and the overhead costs incurred by the main contractor Strata. Costs have increased by a total of £2.12m. This will be covered by the £1.3m BHF grant, £0.27m contingency spend and the developer forfeiting profit of £0.54m. The business case states

that the total cost of the scheme is c.£13.0m. This has been adjusted as it reflects the inclusion of an additional £0.27m contingency which the business case states is not included in the current cost estimate.

The business case and clarification questions state that should work be delayed or not continue, there is a risk Homes England will clawback / remove their funding (£3.32m) from the project.

Given that Strata are unlikely to fall into administration if SYMCA support is not forthcoming, Great Places were asked to outline their rationale for not exploring being stricter with the contractual terms (fixed-price JCT Design & Build). The rationale provided is summarised below:

- Both Great Places and Strata are committed to delivering affordable housing in Rotherham
- The funding only covers Strata's overheads, with both parties scheduled to make a loss on the site despite SYMCA funding.
- Strata are a South Yorkshire-based family-owned business that subcontract work to many local firms.
- Routes to deliver affordable housing are challenging as smaller contractors and developers who work with residential providers are finding the current market conditions difficult.
- Strata have traditionally delivered housing for private sale. However, they now plan to explore partnering with residential providers to deliver housing. A bad experience with Blue Man's Way poses a risk to them pursuing this stream of work in the future in South Yorkshire.
- Great Places prides itself on being a partnership organisation rather than pushing the contract. Entering a legal challenge whilst also expecting the continued delivery of affordable homes at high quality which is not beneficial to the market.
- Principal contractor administrations are higher than ever due to challenging operating conditions. As a client, Great Places have a responsibility and duty of care to ensure the support buoyancy and the ability of Strata and the wider supply chain to deliver affordable homes.
- Great Places are a trusted delivery partner in Rotherham that aim to deliver truly affordable homes to residents of the local authorities they work in.
- Great places are aware that South Yorkshire is not achieving its housing delivery targets including for affordable housing.
- Great Places believe public sector needs to be encouraging contractors to share concerns and seek support to ensure that projects which support development in their region are being delivered.

Overall, the points above outline a combination of project-specific and broad strategic, financial and economic factors to present a robust rationale for MCA funding. The core rationale for public sector interventions is:

- To plug a viability gap resulting from significant abnormal cost increases associated with macro-economic factors;
- To support the construction industry during a time of significant instability
- To facilitate the delivery of affordable housing through Strata, a South Yorkshire-based housing developer in partnership with residential providers, enabling them to test and revise this delivery method for affordable housing.

3. STRATEGIC CASE

Options assessment

The applicant has presented 3 options: a Do Minimum, Viable Alternative and Preferred Option. The Do Minimum option outlines the reference case scenario (no BHF) for the project, whereby the current contract is terminated with the enabling works complete but zero homes delivered. The Viable Alternative option presented would deliver 19 homes using a larger

| | | |
|---|---|--------------|
| | <p>SYMCA grant fund intervention of £1.9m (+Homes England grant reduces). However, the lower number of completions on the site would reduce the viability of the site further increasing the viability gap.</p> <p>The preferred option will see £1.3m of BHF awarded to enable the delivery of the preferred scheme, 76 affordable units by the end of 2023. The business case states that the preferred option was taken forward because of its potential to deliver a greater economic and social impact than the alternative options and achieve the SMART objectives for the project. The rationale for selecting this as the preferred option appears reasonable, given it also has planning permission and is on site.</p> | |
| <i>Statutory requirements and adverse consequences</i> | <p>The project has been granted planning permission, which provides assurance that no statutory requirements or wider impacts need to be captured or mitigated through contract conditions.</p> <p>The planning application involved undertaking Phase 1 and 2 Environmental Assessment and Ecological Appraisal reports. A TRO will restrict the speed limit on the site to 20mph upon completion of the development.</p> <p>The business case states that no negative economic, social or environmental dis-benefits have been identified during the planning process.</p> <p>By securing planning permission assurance has been provided that the wider implications of the project have been robustly assessed and that there are no unresolved adverse consequences.</p> | |
| <i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i> | <p>The business case outlines how the project contributes to the MCA's Core Strategic Outcomes. The project's greatest contribution is associated with the Fairer outcome, supporting improved economic activity, qualification and skills and personal well-being.</p> | |
| 4. VALUE FOR MONEY | | |
| Monetised Benefits: | | |
| VFM Indicator | Value | R/A/G |
| <i>Net Present Social Value (£)</i> | 4.5 | G |
| <i>Benefit Cost Ratio / GVA per £1 of SYMCA Investment</i> | 1.25 | G |
| Value for Money Statement | | |
| <p>A summary of the revised economic case BCR position for the Blue Man's Way project is presented below:</p> | | |

| Based on SYMCA Funding Only | | Preferred Option | |
|-----------------------------|--|------------------|------------------|
| A | Present value benefits | £ | 3,017,788 |
| B | Present value costs | £ | 1,394,203 |
| C | Present value other quantified impacts | £ | 3,249,766 |
| D | Net present public value [A-B+C] | £ | 4,873,351 |
| E | Initial Benefit:Cost Ratio [A/B] | | 2.16 |
| F | Adjusted Benefit:Cost Ratio [(A+C)/B] | | 4.50 |
| H | Value for money category | | Very High |

Based on the applicant's assessment of economic benefits, in terms of SYMCA investment, the level of estimated benefits represents good value for money.

| Based on Total Public Sector Funding | | Preferred Option | |
|--------------------------------------|--|------------------|-------------|
| A | Present value benefits | £ | 3,017,788 |
| B | Present value costs | £ | 5,006,261 |
| C | Present value other quantified impacts | £ | 3,249,766 |
| D | Net present public value [A-B+C] | £ | 1,261,293 |
| E | Initial Benefit:Cost Ratio [A/B] | | 0.60 |
| F | Adjusted Benefit:Cost Ratio [(A+C)/B] | | 1.25 |
| H | Value for money category | | Low |

Based on the applicant's assessment of economic benefits, relative to total public sector investment, the level of estimated benefits represents low but acceptable value for money. The adjusted BCR remains above 1.

With the strategic objectives well reflected by the economic outcomes, the applicant's assessment of the economic benefits of the project shows potential to deliver good value to money to SYMCA and acceptable value for money for the public sector as a whole.

However, due to some assumptions in the economic case (particularly in terms of additionality) there is a level of uncertainty. To mitigate this risk, the additionality assumptions could be reviewed to increase confidence.

5. RISK

The business case identifies the following top 5 delivery risks and their mitigations:

| Risk | Likelihood (High, Med, Low) | Impact (High, Med, Low) | Mitigation | Owner |
|--|-----------------------------|-------------------------|---|-------------------------|
| Financial viability of the scheme | High | High | SYMCA funding support will allow timely completion of the project | Great Places |
| Delivery in line with contract programme due to ongoing viability issues | Medium | High | Strata continuing work on-site at risk to allow timely completion subject to funding intervention | Great Places and Strata |
| Delays due to subcontract or supply chain issues | Low | Medium | Due diligence of main contractor and sub-contractors prior to procurement. Well-established working relationships with sub-contractors. | Great Places and Strata |
| Loss of Homes England funding support due to compliance or delivery issues | Low | High | Strata continuing work on-site at risk to comply with the agreed programme. Quarterly progress check and monitoring strategy in place. | Great Places |
| Construction quality and building regulation compliance | Low | High | Due diligence of main contractor and sub-contractors prior to procurement. | Great Places |

The risks outlined in the business case are key risks and appropriate mitigations have been developed. However, there are other key risks identified in Appendix A.3 SYMCA should be aware of, these are:

| Risk | Likelihood (High, Med, Low) | Impact (High, Med, Low) | Mitigation | Owner |
|---|-----------------------------|-------------------------|---|--------|
| Statutory service delays | Medium | High | Site surveys | Strata |
| Statutory service delays – legal arrangements | Medium | Medium | Early engagement with statutory providers | Strata |

These are the highest-rated risks after mitigations not presented in the business case. Both have appropriate mitigations. Overall, the assessment of risk in Appendix A.3 and the business case demonstrates a clear understanding of the key project risks.

A risk that has not been identified and appropriately mitigated is further cost increases. It is advised that SYMCA seek evidence of Great Places' finance / funding security.

SYMCA should consider applying contract conditions with the following project risks:

| Risk | Condition recommendation |
|--|---|
| Financial viability of the scheme | Should further cost increases make the project unviable, the development will proceed as per the conditions of the JCT Design and Build contract, with cost increases financed by Great Places or Strata. |
| Loss of Homes England funding support due to compliance or delivery issues | Should Homes England funding support be withdrawn, SYMCA should have the choice to withdraw and / or claw back their funding should other funding not be secured to deliver the project. |

The business case states that Great Places have secured Homes England grant funding for the delivery of the scheme through their Strategic Partnership 2.0 programme and this equates to £3,368,000. Whilst this funding appears to be secured, SYMCA should receive formal confirmation of this prior to a funding agreement.

The business case states that the remaining amount (£8.33m) will be self-funded by Great Places through borrowing against existing assets. The status of this funding is unclear. As a result, SYMCA may wish to see evidence of finance / a robust plan to secure finance, should they wish to enter a funding agreement. Alternatively, the grant funding could be subject to Great Places securing finance.

The business case states that all subcontractors are procured using a competitive framework and in compliance with procurement procedures. Whilst it appears as though the majority of required procurement is complete, the business case has not stated and/ or outlined the procurement still required and risks associated.

Whilst it doesn't appear as though there are any significant risks associated with procurement due to the stage at which the project is, formal confirmation and risk mitigation will provide added reassurance. Should SYMCA decide to fund the project, any remaining sub-contractors must be procured ahead of contract execution.

6. DELIVERY

The timetable for the delivery of the housing units relies on the average completion of 19 dwellings in each quarter of 2023. Greater evidence could have been provided to demonstrate the ability of Strata to meet these timescales, however, these timescales appear reasonable.

The business case outlines that the developer (Strata) is already contracted through a JCT (fixed price) Design and Build contract. The main contractor is therefore already procured.

The business case outlines the following subcontractors to Strata:

- Shawfords (Rotherham) – interior / dry-lining / plasterers
- Jarvis & Womack (Rotherham) - Roofing
- Houseley Construction Cleaning (Doncaster) - Cleaning
- Bell Electrical (Doncaster) - Electrics
- Symphony Kitchens (Barnsley) - Kitchens

- Floortex (Doncaster) - Tiling
- RM Poole (Doncaster) – Decorating
- CLS New Homes (Doncaster) - Brickwork
- Northern Groundcare (Rotherham) - Landscaping
- Rotherham Metropolitan Borough Council (Street Lighting & Name Plates)

The business case estimates that the cost estimates are of a 95% certainty which is reasonable given the contractor is on-site and the fixed price nature of the JCT Design and Build 2016. However, the business case states that the new total cost of the scheme (£13.00m) uses up the previously allotted contingency budget of £0.27m. The business case indicates Great Places will replace this contingency budget, but this is not entirely clear. Given the rationale for public sector investment is focussed on abnormal materials and labour cost increases, it is advised that SYMCA seek assurance Great Places will appropriately ‘top-up’ the contingency allowance for the project.

The business case states that Strata will be liable for any cost overruns and that Great Places are the project sponsors responsible for the delivery of the scheme. A key element of the options analysis focussed on not exploring being stricter with the contractual terms of the fixed-price JCT contract with Strata to deliver the project. Should SYMCA decide to fund the project, a clawback agreement associated with Strata fulfilling the terms of the JCT contract could be considered.

The business case presents a clear governance structure outlining the roles of key organisation members and all contractors; and identifies the SRO for both Great Places (Helen Spence, Executive Director of Growth) and Strata (Gemma Smith, Managing Director and Ian Jones, Construction Director). Helen Spencer, Executive Director of Growth at Great Places and Julie Lynch, Director of Finance have both signed off on the business case.

As a part of the planning process, Great Places undertook stakeholder consultation with the Local Planning Authority, local residents and other key stakeholders. The website was promoted via a letter drop to 598 residents and businesses received 263 visits. 25 comments were received. These comments were responded to and covered traffic impacts, the effect on existing greenspace and flood risk and drainage. The business case states that the consultation process was reviewed in detail by the planning and design teams and relevant changes were made.

The business case states that the project will be monitored and evaluated based on housing completions, green space delivered and local labour line (90%). Great Places state that these outputs will be monitored until the close of the contract with Strata.

The business case also states that an evaluation report will be commissioned (and funded) one-year post completion by Great Places. The MCA will be consulted as a part of the process and provided with a copy of the evaluation report. SYMCA should ensure the objectives that can only be evaluated after the completion of the scheme are appropriately assessed. This includes the following objectives:

| Objective | Measure |
|---|---|
| Increase the supply of affordable housing in an area of high demand | Full lease and sale of the dwellings at affordable prices |
| Delivery of 76 homes to EPC ‘B’ Standard in 2023 | EPC certificates |
| Establish a partnership approach to accelerate delivery of affordable housing | Qualitative assessment of whether the project has contributed to facilitating the delivery of |

| | |
|--|--|
| across SYMCA through joint working between house builders and Registered Providers | housing via a house builder and Registered Provider partnership. |
|--|--|

7. LEGAL

Subsidy control advice has been provided in the form of a letter from Knights PLC to SYMCA. The letter concludes:

1. There is a risk that the funds could involve subsidy in the hands of the contractor appointed to undertake the works involved in developing the housing, and in the hands of the consultants providing associated services.
2. Providing all spend with the contractor/consultants is procured through a properly managed tender process which is competitive, transparent, non-discriminatory and unconditional, this should avoid the risk of the contractor / a consultant receiving a subsidy.

This provides some assurance that the project can be Subsidy Control compliant, however, the subsidy control position should be reviewed with the SYMCA legal team for the avoidance of doubt, before making any funding decision.

8. RECOMMENDATION AND CONDITIONS

| | |
|-----------------------|----------------------------------|
| Recommendation | Full award subject to conditions |
|-----------------------|----------------------------------|

| | |
|----------------------|---------------------|
| Payment Basis | Payment on defrayal |
|----------------------|---------------------|

Conditions of Award (including clawback clauses)

The following conditions must be satisfied before the contract can be released.

1. Appendix A.2 to be fully populated

The following conditions must be satisfied before contract execution.

2. 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.
3. Confirmation/evidence that all other funding is secured and in place
4. Confirmation of ground investigations complete
5. Confirmation of procurement and evidence of cost certainty
6. Submission of a detailed project plan and risk register including sufficient contingency provision for all activities and related mitigation costs

The conditions above should be fully satisfied by 28th April 2023. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

7. All required statutory consents including all planning conditions must be satisfied.
8. Submission of evidence of SCC's Board approval for the scheme.

The following conditions must be included in the contract

9. Clawback on outputs and outcomes at SYMCA discretion
10. Should further cost increases make the project unviable, the development will proceed as per the conditions of the JCT Design and Build contract, with cost increases financed by Great Places or Strata.
11. Should Homes England funding support be withdrawn, SYMCA should have the choice to withdraw and / or claw back their funding should other funding not be secured to deliver the project.
12. The objectives highlighted in Section 6 of this summary to be included in the project evaluation report on completion of the project.

Assurance Summary

VERSION 1 24.11.2021



1 – SCHEME DETAILS

| | | | |
|------------------------------|------------------------------------|----------------------------------|--------|
| Project Name | Sky-House - Devonshire Quarter | Type of funding | Grant |
| Grant Recipient | Sky-House Co. (White Rose) Limited | Total Scheme Cost | £8.87m |
| MCA Executive Board | Housing and Infrastructure | MCA Funding | £0.75m |
| Programme name | Brownfield Housing Fund | % MCA Allocation | 8.4% |
| Current Gateway Stage | BJC | MCA Development costs | n/a |
| | | % of total MCA allocation | n/a |

2 – PROJECT DESCRIPTION

Sky House Company Limited (Sky House) is seeking £0.75m (8.4% of total project cost) of SYMCA BHF funding towards an overall investment of £8.87m, to deliver a residential-led mixed-use development on a 0.23ha brownfield site located in the Devonshire Quarter of Sheffield City Centre. The existing building on the site is a post-war period, built of concrete and cladding. The proposed project received planning consent on 20th December 2022. A summary of the proposed development is outlined below:

| Consented Development Proposal | |
|--------------------------------|----------------|
| Proposed Use | No units |
| Two-bedroom maisonettes | 28 |
| One-bedroom apartments | 32 |
| Commercial units | 4 |
| Car parking spaces | 8 (2 disabled) |
| Cycle spaces for residents | 62 |
| Public green space | 0.009ha |

The business case states that the proposed scheme does not include affordable homes as this was deemed unviable. Sheffield City Council (SCC) have evidence of this via a viability assessment completed by BNP Paribas. The dwellings appear to be for sale to the open market; however, this could have been outlined more clearly.

The freehold for the site is owned by SCC. Sky House has agreed on a sale price of £100,000 and contractual agreements for the sale are currently in production. These will be made available to SYMCA once complete.

BHF is required to bridge a financial viability gap of £0.75m. Multiple factors that have impacted on the viability of the site, primarily associated with abnormal increases in construction prices, abnormal site remediation costs (asbestos) and design revisions during the planning application (submitted September 2021).

The specific cost items that will be funded by this application are outlined below:

| Cost Item | Cost |
|--|-----------------|
| Acoustic wall | £150,000 |
| Demolition & Asbestos removal | £350,000 |
| Culvert diversion | £30,000 |
| Enhanced foundations (fully reinforced due to ground conditions) | £40,000 |
| External works contribution (fountain, courtyard landscaping and upgraded cycle storage with green roof) | £180,000 |
| Total | £750,000 |

The works to address acoustic issues has reduced the developable area of the site, shrinking the development value potential of the site. The direct impact on the number of units that can be delivered on the site and therefore the potential scheme value, appear reasonable but could have been better demonstrated by providing before and after designs.

The development value has also been affected by the need to change the siting of the residential units of the site and need to accommodate a large proportion of family units within the housing schedule. Again, the impact on development values appear reasonable, however, greater narrative and evidence could have been provided to evidence how the sales values achievable for the family units are lower than other 'comparable' units in the area.

The rationale for MCA funding appear reasonable, however, this could have been better demonstrated by comparing the preferred option with the original preferred option to evidence the changes to the development that have resulted in cost increases and value decreases.

Overall, BHF is requested to make the proposed project financially viable for the developer. Various constraints associated with the nature, location and planning permissions increase the cost of developing the site and reduce the potential value of the site, creating a viability gap of £750,000. The principles of this justification for public sector support appear reasonable.

Key to note is also the level of developer profit included in the preferred option, 15.38%, £1.48m.

3. STRATEGIC CASE

Options assessment

The business case presents 3 options, a 'do minimum', 'viable alternative' and the 'preferred option'. The 'do minimum' option presented outlines a scenario in which BHF is not secured and therefore no works would commence on the site. The viable option presented removes 2 commercial units in the central courtyard space. This option was not selected as the preferred option as it would deliver less commercial space than the planning consent which considers SCC's wider objectives for the area.

In summary, the rationale for selecting the shortlist options appears reasonable and is proportional to the BJC stage. The rationale for selecting the preferred option is associated with already having secured planning and its ability to meet the SMART objectives. The rationale for selecting the preferred option, therefore, appears reasonable.

FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).

The business case outlines the project's contribution to the delivery of all 3 of the MCA's Core Strategic Outcomes across 8 indicators. This is summarised below:

| Theme | Indicator | Outcome | Contribution |
|----------|---------------------------------------|---|--|
| Stronger | Productivity per hour | Higher productivity workforce | Create construction, maintenance and management jobs. Increased spend in the local area as a result of increased local population. |
| | High growth business | Larger proportion of high-growth businesses | Four commercial units delivered that aim to attract SMEs. Project will contribute to the vision for business growth in the Devonshire Quarter |
| | Business density | More business in the area, relative to population | The inclusion of commercial space will support improved business density in the area |
| Greener | Flooding | Protect over 17,000 homes and businesses | Site located in low-risk flood area. |
| | Carbon emissions | Reduced carbon emissions | SAP A rating and zero carbon off-setting during construction |
| | Carbon intensity of transport network | Improved carbon intensity | Development well served by public transport and cycle facilities. Development proposed to be car free. |
| Fairer | Economic inactivity & unemployment | Fewer people are economically inactive and unemployed | Support residents access employment in the city centre and wider area, due to transport connectivity available |
| | Wage levels | A lower proportion of employees on low earnings | Investment into capital works contracts, open to local contractors & creating |

| | | | |
|---|-------------------------|--|---|
| | | | additional employment and training opportunities. |
| | Qualifications & skills | A higher proportion of the working-age population possess higher qualifications, indicating progression in education and employment. | Construction phase will provide apprenticeships and opportunities for training and development. Opportunities to create links with local universities focused on project and teaching delivery. |
| | Personal Wellbeing | Improved personal wellbeing | High-quality design, access to green space and sustainability measures (that reduce running costs) will support a higher quality of living. |
| The business case demonstrates good alignment with the MCA's Core Strategic Outcomes. | | | |

4. VALUE FOR MONEY

Monetised Benefits:

| <i>VFM Indicator</i> | <i>Value</i> | <i>R/A/G</i> |
|--|--------------|--------------|
| <i>Net Present Social Value (£)</i> | £1.3m | G |
| <i>Benefit Cost Ratio / GVA per £1 of SYMCA Investment</i> | 3.93 | G |

Non-Monetised Benefits:

| | |
|--------------------------------|--|
| <i>Non-Quantified Benefits</i> | <p>The development will utilise:</p> <ul style="list-style-type: none"> ▪ Air source heat pumps; ▪ Photo-voltaic solar panels; ▪ Heat recovery technologies; ▪ Energy efficient appliances; ▪ Sustainable Urban Drainage Systems SUDS; ▪ Stud façade system steel frame for air tightness; and ▪ Application controlled hot water systems. <ul style="list-style-type: none"> • Proposed development is car-free, enabled by access to key transport hubs in the city centre |
|--------------------------------|--|

Value for Money Statement

The BHF and total public sector BCRs are the same as BHF funding is the only public sector contribution to the project. The BCR for both is presented below:

| Based on SYMCA and Total Public Sector Funding Only | | Preferred Option | |
|---|--|------------------|-------------|
| A | Present value benefits | £ | 1,309,953 |
| B | Present value costs | £ | 683,113 |
| C | Present value other quantified impacts | £ | 1,371,453 |
| D | Net present public value [A-B+C] | £ | 1,998,294 |
| E | Initial Benefit:Cost Ratio [A/B] | | 1.92 |
| F | Adjusted Benefit:Cost Ratio [(A+C)/B] | | 3.93 |
| H | Value for money category | | High |

The methodology used to calculate the gross economic benefits, on the whole, is sound, however:

1. The application of multiplier effects for public realm benefits and placemaking benefits risk these benefits have been overestimated.
2. The application of displacement and leakage to the LVU and placemaking benefits do not appear appropriate.
3. The full costs of the project have not been utilised in the construction job years calculation.

Whilst there is a degree of uncertainty to the economic benefits estimated by the applicant, it is unlikely that this will result in the initial BCR dropping below 1 and likely that the adjusted BCR will demonstrate better value for money.

In summary, relative to SYMCA BHF and total public sector investment, the level of estimated benefits represents good value for money to SYMCA and the public sector as a whole.

5. RISK

The business case identifies the following top 5 risks:

| 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 | 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%. | Med | Med | 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. | 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 |

All risks appear to be reasonable and have appropriate mitigation measures in place.

Contract conditions should be considered to ensure cost increases are funded by the developer profit if the contingency allowance is exhausted.

Additionally, given that funding is required to bring the project to a position of acceptable profit for the developer, consideration should be given to clawback if the developer profit exceeds the expected levels.

6. DELIVERY

The timetable for the preferred option appears reasonable and is set out below:

| Key Milestone | Dependencies | Date |
|--------------------------------------|---|---------------|
| All funding secured | | Feb 2023 |
| Cabinet / Board / External Approvals | | March 2023 |
| Statutory Process Complete | Full planning granted in Dec 2022, currently in process of discharging conditions | Feb/ March 23 |
| Procurement complete | | March 2023 |
| Land Acquisition Competition | Completion of freehold conveyance subject to HOT | April 2023 |
| Demolition and site prep | | April 2023 |
| Foundations commence | 8 weeks after demolition | May 2023 |
| Above ground build period start | | June 2023 |

| | | |
|-------------------------------------|--------------------------|-------------------------|
| Evaluation Report – Mid-Term Review | Middle of build contract | April 2024 |
| Housing completion | | June / July 2024 |
| Apartments completion | | Feb / March 2025 |
| Works complete | | March / April 2025 |
| Final Evaluation Report | | Final Evaluation Report |

The business case outlines that funding was scheduled to be secured in February 2023. It is now March. It should also be noted that it is not clear within the business case, whether development finance from St Brides (South Yorkshire Pension Fund) has been secured at this point. As a result, there is a risk the site works; start date could slip and as a result be completed after March 2025. This does not appear to pose a significant risk to BHF spend before March 2025 as the majority of spend is scheduled for 2023/24 (£0.66m)

In summary, the timetable for the site works appears reasonable and within the BHF (completion March / April 2025). Whilst the business case does not outline any dependencies between securing funding and starting works on site, a key risk is that if funding is not secured close to the estimated milestone (February 2023), project completion may slip beyond March 2025. As the majority of BHF spend is scheduled for 2023/24, this does not appear to pose a significant risk of BHF defrayment slipping beyond the March 2025 deadline at this time.

The business case states that Sky House are the developer and general contractor and therefore responsible for delivering the scheme through planning to completion. They will be responsible for managing the subcontractor work packages which will be tendered competitively. The business case outlines that procurement will be completed by March 2020. The business case goes on to state that the preferred construction contractor at this moment in time is Esh Construction Ltd.

Cost certainty is currently stated as 75%. Costs will not be firm until sub-contractor tenders and orders for materials are placed. This process will start when funding is confirmed. The business case states that the contingency fund (£0.25m (5%)) and developers' profit, c.£1.5m will fund cost increases.

The business case identifies the SRO for the project as David Cross CEO of Sky House. He will be supported by key staff within the company: Ryan Ratcliffe (Managing Director), Rebecca Prince (Brand Manager) and Richard Ratcliffe (Commercial Manager (costings)). Appendix 4 outlines the Sky House governance structure and organisational chart for the company. The business case states that the staff identified will provide support with quantity surveying, site & project management, estate management, sales and accounts.

The business case outlines a clear monitoring and evaluation plan for the project. Sky House will provide a short interim evaluation (April 2024) and a final evaluation report in May 2025. The evaluation report will be completed by Sky House and report on spend, outputs and outcomes and the project objectives.

In summary the business case describes a robust monitoring and evaluation plan for the project that should ensure all costs, outputs, outcomes and objectives are reported on.

7. LEGAL

Sky House are in the process of instructing DWF law to carry out due diligence on the project and the company, to include confirmation of Subsidy Control compliance. The outcome of this assessment is still to be determined however the applicant does not anticipate any issues.

8. 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 that all other funding is secured, including St Brides finance
3. Confirmation of acquisition of the freehold and leasehold titles for the site
4. Evidence of cost certainty e.g. return of subcontractor tenders and confirmation of material costs

The conditions above should be fully satisfied by 28.04.2023. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

5. All required statutory consents including all planning conditions must be satisfied.
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. Formal confirmation of commitment to return SYMCA funds in excess of expected developer profits (i.e. 15.38%, £1.48m)
9. Submission of a detailed project plan and risk register including sufficient contingency provision for all activities and related mitigation costs.
10. Submission of acceptable Subsidy Control opinion

The following conditions must be included in the contract

11. Clawback on outputs and outcomes at SYMCA discretion