APPENDIX A7 **Assurance Summary (SBC)**

VERSION 1 24.11.2021

SOUTH YORKSHIRE SYMCA MAYORAL COMBINED AUTHORITY

1 – SCHEME DETAILS			
Project Name	Cannon Brewery	**Type of funding**	Grant
Grant Recipient	Capital & Centric (505) Limited	**Total Scheme Cost**	Phase 1: £84.6m Phase 2: £58.5m
MCA Executive Board	Housing and Infrastructure	**MCA Funding**	Phase 1: £6.7m Phase 2: £5m
Programme name	Brownfield Housing Fund	**% MCA Allocation**	Phase 1: 8% Phase 2: 8.5%
Current Gateway Stage	SBC	**MCA Development costs**	n/a
		% of total MCA allocation	n/a

2 – PROJECT DESCRIPTION

The business case outlines that Capital&Centric (505) Limited is seeking a total of £11.67m of SYMCA BHF funding towards an overall investment of £143.02m to deliver between 530-550 new homes on the Cannon Brewery site located in Neepsend, a former industrial area which stands c.1-mile north-west of Sheffield city centre. The business case states that the 4.2-acre Cannon Brewery site is a large privately owned site in the heart of one of Sheffield's key strategic regeneration areas that has remained largely vacant for a quarter of a century.

The business case indicates that Capital & Centric have ambitions to repurpose as much of the original brewery site as possible; however, the majority of the site will still be demolished. The site, which the application states is not publically accessible and in a poor state of repair, is divided into two parcels by Boyland Street. As a result, Capital & Centric Ltd are looking to bring each parcel as a separate phase.

Phase 1: *Construction Period: February 2024 – February 2026*

The application outlines that the Phase 1 site is primarily brick-built industrial spaces that together comprised the original brewery operations.

The proposal for Phase 1 is to deliver c. 300 homes, built around a new park in the centre of the site which will provide outdoor space for social events and recreation to new and existing communities in the area.

The proposal for Phase 1 includes repurposing the existing brewery building on the corner of Boyland Street and Bradwell Road to create 8,000 ft2 of new co-working facilities for businesses. The business case states this will act as an incubator scheme for entrepreneurs, through the provision of quality housing, modern workspace and amenity for its residents.

The business case states that there will be a further 25,000 ft2 of commercial and amenity space on the ground floor to create a social destination in the area.

Phase 2: *Construction Period: December 2024 – November 2026*

The Phase 2 site is predominantly made up of large metal industrial sheds that would most likely have been used as storage.

The proposal for Phase 2 is to deliver 230-250 new homes. The ambition is for this phase to focus on amenity for residents by delivering 'more contemplative outdoor spaces'. Alongside this, a further 7,000 ft2 of commercial space will be delivered around the arrival square located on Boyland Street.

A housing schedule was provided for the proposed 530-550 units:

Unit Type	SQM	SQ.FT.	Units
1 bed	47	505.908	239 / 248
2 bed	68	731.952	239 / 248
3 bed	83	893.412	53 / 55

The business case states that the current unit mix may be subject to change with design development and therefore the number, type and tenure of units are yet to be finalised.

The business case states that MCA Funding will be used for:

- Careful demolition of existing structures not to be retained.
- All site-wide remediation for the safe delivery of new homes.
- Works associated with flood mitigation.
- Acquisition costs.
- Surveys and reports to support the application or construction process.
- Provision of c.1,600m2 public realm.
- Professional services / fees.

- Any specialist construction works required to ensure the safe retention of any existing structures.
- General construction costs.

Appendix A.2 outlines the MCA's contribution towards the following cost items for each phase:

Cost Item	MCA contribution
Phase 1	
Preparatory Costs	£327,872
Professional Fees	£1,371,462
Acquisition of Land / Buildings	£4,996,697
Total	**£6,696,031**
Phase 2	
Preparatory Costs	£334,652
Professional Fees	£1,518,111
Delivery Costs	£3,125,208
Total	**£4,643,319**
Grand Total	**£11,674,002**

The business case outlines that MCA funding is required to plug a viability gap for each phase. The viability gap for each Phase equals the total contribution of MCA BHF (i.e. Phase 1 £7.0m, Phase 2 £4.6m). A development appraisal has been prepared Capital&Centric to evidence the viability gap.

The business case outlines that the Gross Development Value has been calculated by applying a 4.5% yield to the estimated annual net income per ft of the residential element of the scheme. The methodology used and evidence to support key assumptions (Supply & Demand Report) such as the monthly rental income appears sufficiently robust. However, further evidence / narrative could have been included to support the 4.5% yield assumption.

The developer profit on costs in the development appraisal is 8.03% (£11.08m). Based on the Assessor's experience of similar schemes the % profit on cost appears to be within an acceptable range. Overall, the development appraisal provides robust evidence of the need for MCA BHF funding at the SBC stage. However, as outlined earlier, Capital & Centric are looking to secure public sector funding from SCC to fund the site acquisition. Should this funding be secured, the need for the full £11.67m MCA BHF funding as part of the viability gap will be made up by alternative funding.

The development appraisal prepared by Capital&Centric submitted shows a viability gap that corresponds with the BHF ask. Whilst key assumptions appear reasonable, further evidence could have been provided to support the yield and cost assumptions. For the SBC stage, the level of detail and evidence provided is of sufficient detail. **Key to note is that the costs, revenues and public sector funding secured appear to be subject to change as designs progress meaning the size of the viability gap is likely to change**.

3. STRATEGIC CASE	
Project rationale	The business case describes multiple strategic challenges and opportunities the project aims to address or capitalise on, these are presented below: 1. Sheffield City Council is falling short on the number of homes being built within the city to meet its strategic objectives. 2. Bringing a 4-acre brownfield site which has remained vacant for at least 5 years back into economic use. 3. Utilising a brownfield site for housing to support the protection of greenbelt land. 4. To catalyse the wider regeneration of the wider Kelham Island area by developing an aspirational scheme on a site at the heart of the area. 5. To provide ‘much-needed’ workspace and prime retail / F&B provision. 6. To repurpose local heritage assets. 7. To deliver public space in the Neepsend area. The challenges and opportunities described in the business case present a clear rationale for the project, in particular, bringing a brownfield site back into economic use, supporting the protection of greenbelt land, repurposing local heritage assets and to deliver public space in the Neepsend area. Further explanation of and evidence to support certain challenges identified (e.g. SCC falling short on the number of homes and providing ‘much-needed’ workspace and prime retail and F&B provision) would help to provide a more nuanced understanding of the reasoning for delivering the type and tenure of housing proposed and the commercial floorspace. The justification for public sector intervention presented in the business case is based on construction price inflation making the delivery of the proposed scheme unviable. Clarification responses also point out that BHF funding would enable a high-quality development in line with SCC’s ambitions for the area and that the development would help reduce anti-social behaviour in the area. Taken together these factors provide an acceptable justification for public support at the SBC stage. To strengthen the case for public sector intervention, site / scheme-specific market failures could be identified, e.g. public goods (public realm / infrastructure), and positive externalities (restoration of heritage buildings / removal of eyesores).
Strategic fit	**Stronger:** The project’s contribution to the Stronger Strategic Outcome appears to be relatively strong based on the inclusion of co-working, retail leisure and F&B space within the housing-led Cannon Brewery project, having the capacity for c.90 jobs and the potential to generate an estimated c.£4.1m GVA per annum. The project’s contribution could be further strengthened by providing further detail on specific support and resources available to businesses within commercial space that would support business growth.

	Fairer: The business case states that several apprenticeships and supported degrees will be supported through the main contractors appointed. The business case also outlines Capital&Centric's intentions to link their charity Regeneration Brainery into the scheme as a means to provide property and regeneration networking and employment opportunities for young adults from diverse and disadvantaged backgrounds. This appears to include being able to link students with partners who can provide a number of subsidised higher education opportunities supporting SYMCA's ambitions for its residents to possess higher-level qualifications. The business case also describes how the scheme will deliver amenities and facilities such as high-quality outdoor space, gyms, lifestyle events and classes that work towards supporting a healthy and active lifestyle. **Greener:** The business case describes the commitment of the project promoter to ensuring the project contributes to the flood risk and net zero indicators, committing to raising the level of the site to ensure the lowest units are outside the flood zone (flood zone 3 area) and including PV and Air Source Heat Pumps at Cannon Brewery. Overall, the project appears well aligned with the Greener Strategic Objective, however, this won't be fully understood until project designs are finalised.

4. VALUE FOR MONEY

A summary of the economic case BCR position for the Cannon Brewery project is presented below:

Based on SYMCA and Total Public Sector Funding Only		Preferred Option
A	Present value benefits	£ 14,714,880
B	Present value costs	£ 12,795,098
C	Present value other quantified impacts	£ 4,445,246
D	Net present public value [A-B+C]	£ 6,365,028
E	Initial Benefit:Cost Ratio [A/B]	1.15
F	**Adjusted Benefit:Cost Ratio [(A+C)/B]]**	**1.50**
H	**Value for money category**	**High**

The benefits presented in the revised economic case model are presented below:

Benefit Categories		Preferred Option
	Land Value Uplift	£ 11,792,554

Initial Benefits	Public Realm Amenity Benefits	£	2,922,326
	Total Initial Benefits	£	*14,714,880*
	Placemaking Benefits	£	428,000
	Labour Supply Benefits – new commercial	£	2,132,595
	Residents into employment - construction	£	7,526,042
	Combined GHG Savings	-£	5,882,445
	Productivity – wage premium – new commercial	£	241,054
	Total Adjusted Benefits	£	4,445,246

The amount of public realm included within the economic model is 1ha. This does not align with the project description in the business case (0.6ha / 1.5 acre). As a result, there is a risk the public realm amenity benefits have been overestimated.

Whilst the approach to estimating the gross and net benefits for the retail and leisure jobs is broadly acceptable, the approach to persistence taken for the retail and office jobs is inconsistent, with retail applying a 10-year persistence to 46 of the jobs (30%), whereas the 62 office jobs and 100 of the retail jobs (70%) have only been captured for a year. For employment benefits relating to new commercial space, it is generally accepted that a 10-year persistence can be applied. Therefore, the GVA benefits associated with the jobs delivered by the commercial floorspace are likely to be underestimated.

The majority of the methodology used to calculate the gross economic benefits is sound but there are two benefit streams which appear to have been calculated incorrectly or inconsistently. Whilst there is a risk that the public realm amenity benefits have been significantly overestimated, the labour market re-entrant benefits associated with the jobs created by the retail and office space have also been underestimated to a greater extent.

As a result, there is a risk the initial (1.15) could fall below 1, however, the adjusted BCR (1.50) is likely to be higher than stated.

5. RISK

The business case identifies the top 5 delivery risks and mitigations for the Cannon Brewery Project:

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

Grant Funding not awarded	2	5	Engagement with SYMCA throughout application process.
Unknown Services On Site	2	3	Site investigations pre-construction - Robust contract post-construction. Any additional costs will be covered through Value Engineering or Contingency.
Ground conditions worse than anticipated	2	3	Site investigation completed ASAP. Will require an early demolition package to access site for investigation.
Easements and Wayleaves	3	2	Early review of local stats and engagement with Stats providers. GPR Surveys of entire site.
Construction Cost Inflation above that anticipated	3	2	Value Engineering to the development or reduction of contingency. Given the overall costs, this is a small increase to cover through VE.

Through the business case and Appendix A.2, Capital&Centric identify a total of 11 delivery risks covering a broad range of financial, policy and programme risks. The risks identified and their relative likelihood and impact generally stand up well to scrutiny, but in some cases could be considered optimistic given the scale of the development and the stage to which designs and surveys appear to be progressed (i.e. Planning, Easements and Wayleaves, conditions of retained building and asbestos). The mitigation plans provided are acceptable for the SBC stage but should be progressed further at the next stage of business case development.

6. DELIVERY

The business case outlines the following key milestones for Phase 1 and 2:

Milestone	Phase 1	Phase 2
Complete Outline Design	Feb 2023	
Outline Case to MCA	March 2023	
Complete Full Design	Jan 2024	Nov 2024
Satisfy all statutory requirements	Jan 2024	Nov 2024
Procurement	Jan 2024	Nov 2024
Issue Full Business Case to MCA	Jan 2024	Nov 2024
Works commence	Feb 2024	Dec 2024
Works complete	Feb 2026	Nov 2026

The key milestones outlined in the business case appear reasonable. The business case outlines that Full Design will be completed via a Pre-construction Service Agreement (PCSA), enabling Capital&Centric to employ contractors before the main contract for the construction works has been awarded.

For Phase 1, construction works commence in February 2024, a year before the March 2025 BHF spend deadline. This should be sufficient time for Capital&Centric to spend their BHF allocation for Phase 1.

For Phase 2, construction works commence in December 2024, only 4 months before the March 2025 BHF spend deadline. As a result, there appears to be a significant risk regarding Capital&Centric's ability to defray the full BHF funding allocation for Phase 2, before the March 2025 deadline.

8. RECOMMENDATION AND CONDITIONS

Recommendation	Proceed to OBC
Payment Basis	
Conditions of Award (including clawback clauses)	