

1 – SCHEME DETAILS

Project Name	Cannon Brewery	Type of funding	Grant
Grant Recipient	Capital&Centric (505) Limited	Total Scheme Cost	£143,024,181
MCA Executive Board	Housing and Infrastructure	MCA Funding	£11,674,002
Programme name	Brownfield Housing Fund	% MCA Allocation	8.2%
Current Gateway Stage	OBC	MCA Development costs	n/a
		% of total MCA allocation	n/a

2 – PROJECT DESCRIPTION

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 for private rent 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 but has had limited economic use since the brewery's closure in 1999, having been used to store plant and machinery.

The site, which the application states is not publicly 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 separate phases.



Phase 1: Construction Period: February 2024 – February 2026

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. This

will act as an incubator scheme for entrepreneurs, through the provision of quality housing, modern workspace and amenity for its residents. 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 application outlines that 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.

MCA Funding

The business case describes costs for three of the delivery stages seeking SYMCA funding which can be categorised as: Acquisition, Pre-construction works and Construction. This is summarised below:

Stage 1 Acquisition

Stage 2 Pre-Construction Package

- *Set 1 (Demolition + remediation, site investigation, survey works and EIA)*
- *Set 2 (Initial design, engineering and planning)*
- *Set 3 (Fee Balances)*

Stage 3 Construction

For the acquisition and pre-construction activities (stages 1 & 2), a breakdown of cost estimates has been provided. The business case states these costs are subject to change as activities are tendered. For the construction activities (stage 3), at this point a breakdown individual cost items is not yet available.

The proposed structure means that the majority of MCA funding requested (£9.23m) will be used to prepare the site and advance the project through the reserved matters planning, de-risking the proposed scheme for Capital & Centric.

The risk to the SYMCA will be mitigated through the follow proposed measures;

1. Staging the gateways for approvals and payments to ensure project is developing in-line with expected targets and milestones.

2. If after Stage 2 the site cannot be brought forward by C&C SYMCA/SCC would pursue the return of the land – clear terms will be agreed and applied to the contract.
3. If the site is returned, SCC would then assist with security, management of any necessary ongoing works and marketing the site for sale.
4. On point 3, any costs incurred by SCC for the above works would be deducted and paid to SCC from any land value achieved on sale.
5. C&C will provide a side company guarantee for the equivalent of 20% of the grant value up to the end of Stage 2 - financial DD is pending on this and the completion of this DD will be a condition of funding for Stage 2 release.
6. Overage terms - profit share terms
7. Clawback will be based on non-deliver of outputs and will be specific to the Stage (from 2.4 in OBC)
8. Performance terms will be applied to the Stage 1+2 with targets and milestones to ensure progress is appropriate/ timely for the programme.
9. The full criteria for the performance terms are to be mutually agreed but will include:
 - C&C achieving a Design and Build Fixed Price Contract in a timely manner and in-line with agreed profit levels.
 - Securing development funding and consents in a timely manner.
 - Further conditions to be agreed in conjunction with SCC
10. All survey and report information from Stage 1+2 will be provided to SCC or SYMCA as it's completed.
11. Warranties from Stage 1+2 will be sort on all appropriate works and will be provided to SCC or SYMCA as it's completed.

The proposed timeline for the release of payments has logic, with the business case stating the purchase agreement expires in December 2023 and the amount of funding to spend before the March 2025 BHF spend deadline. The costs and values are subject to change as the project progresses through further phases of design and planning and recent cost price inflation, there remains a risk the proposed scheme becomes unviable for Capital & Centric as SYMCA BHF funding prepares the site and advances project designs.

This is acknowledged by Capital & Centric and SYMCA and the proposed terms about aim to mitigate against the scheme not going ahead after SYMCA has paid to de-risk the site for development.

The terms have been reviewed by SYMCA legal team and have been outlined to Sheffield City Council and work will continue as stay joined up in approach.

Justification for MCA Funding

The business case outlines that MCA funding is required to plug a viability gap for the proposal, stating existing values and that the extensive demolition and remediation of the site (with the addition of recent construction price inflation) have left the project with a financial viability gap of £11.67m.

The applicant identifies positive externalities associated with the social benefits of bringing the site back into economic use and public goods (pedestrian routes and public space) associated with the project. There are also market failures associated with the historic nature of some of the buildings and the overall justification for public support is clear.

Evidence of need for MCA funding

The business case and Appendix I (Financial Appraisals prepared by Capital & Centric showing with and without grant funding) show that there is an overall viability gap on the scheme of £11.67m. The OBC sets out the reasons for the viability gap relating to the existing values in that area and the extensive demolition and remediation required.

Project costs are based on Capital & Centric's experience delivering similar schemes with contingencies and appear comparative with the £/sqft cost of other schemes. At this moment in time, it appears as though both the costs and revenue estimates are subject to change as designs are progressed meaning the scale of the viability gap and the amount of BHF funding required to bring forward the scheme may change.

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.

3. STRATEGIC CASE

Options assessment

The business case and clarification responses presented the following 4 options:

Do Minimum - 'no BHF scenario'

Viable Alternative Option 1 - total BHF ask of between c.£14.27m and £20.29m), C&C would deliver Phase 1 (c.300 homes) and Phase 2 (250 homes) with 10% affordable housing (80% of market value). C&C have indicated they would be willing to proceed with this option as well as the preferred option.

Viable Alternative Option 2 - total BHF ask of c.£12.02m (0.35m higher than the preferred option), C&C would deliver Phase 1 (300 homes) only.

	<p>Preferred Option - as per the project description: £11.67m BHF funding to enable the development of Phase 1 (300 homes) and Phase 2 (250 homes) all market rent.</p> <p>The primary justification for taking forward the 'preferred option' is its ability to meet all the SMART objectives, in particular against the 'Do Minimum' option and 'Viable Alternative 2'. The assessment of these options against the SMART objectives is accurate and provides a robust justification for selecting the preferred option. The justification is further strengthened in the case of 'Viable Alternative 2' which would require a higher £ of public sector investment per unit than the 'preferred option'.</p> <p>The case for selecting the 'preferred option' over 'Viable Alternative 1', which also delivers on all SMART objectives, is based on the assumption SYMCA does not have £2.6-£8.62m BHF funding required available to deliver a 10% affordable scheme.</p> <p>The rationale for selecting the preferred option is sound. However, should SYMCA consider the delivery of affordable housing a strategic priority and have the funding capacity to enable the delivery of 10% affordable units (c.55 units) as a part of the proposed scheme, they may wish to consider taking this option forward.</p>
<p><i>Statutory requirements and adverse consequences</i></p>	<p>The business case outlines the following milestones for planning approval:</p> <ul style="list-style-type: none"> • Outline Planning Submission: Complete • Outline Consent: October 2023 • Reserved Matters Application: October 2023 • Reserved Matters Consent: April 2024 <p>The business case states that the Outline Planning Application submitted is a hybrid application requesting Full approval for demolition works.</p> <p>As shown by the milestones the project is yet to receive approval via the hybrid Outline Planning Application. With Outline approval due in October and Reserved Matters to be achieved after that (est April 2024), there is a risk the project does not receive planning approval / planning approval is delayed which could make the project undeliverable.</p>

	<p>The business case states that a transport assessment found no adverse impacts on the existing transport network and that they do not believe there are any adverse economic and social consequences / dis-benefits.</p> <p>The business case outlines that neither an Environmental Impact Assessment nor Environmental Scoping Study was requested for the Outline Planning Application and reiterates their commitment to a biodiversity net gain.</p>
<p><i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i></p>	<p>The project's alignment 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.</p> <p>The business case describes the commitment of the project promoter to ensuring the project contributes to the flood risk and carbon emissions indicators, evidencing the proposed flood mitigations and committing to including PV and Air Source Heat Pumps at Cannon Brewery.</p> <p>The project makes a reasonable contribution to Fairer Strategic Outcome, with the project's main contribution focussed on education through apprenticeships and supported degrees delivered through main contractors and the networking and employment opportunities delivered by Capital & Centric's charity Regeneration Brainery.</p> <p>In summary, the project is well aligned with all 3 of SEP's Policy Outcomes.</p>

4. VALUE FOR MONEY

Monetised Benefits:

VFM Indicator	Value	R/A/G
<i>Net Present Social Value (£)</i>	£7,022,058	G
<i>Benefit Cost Ratio / GVA per £1 of SYMCA Investment</i>	1.55	G

Value for Money Statement

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	£ 5,102,277
D	Net present public value [A-B+C]	£ 7,022,058
E	Initial Benefit:Cost Ratio [A/B]	1.15
F	Adjusted Benefit:Cost Ratio [(A+C)/B]	1.55
H	Value for money category	Medium

As shown above, the project achieves a Net Present Value of £7m and BCR of 1.55, demonstrating Medium Value for Money.

The majority of the methodology used to calculate the gross economic benefits is sound. The labour market re-entrant benefits associated with the jobs created by the retail and office space appear to have been underestimated to a greater extent, by applying only a 3-year instead of 10-year persistence factor. Therefore, the adjusted BCR (1.55) is likely to be higher than estimated.

5. RISK

The business case identifies the top six project risks:

No.	Risk	Likelihood (High, Med, Low)	Impact (High, Med, Low)	Mitigation
1	Grant funding not awarded	2	5	Engagement with SYMCA throughout the application.
2	Construction Cost Inflation	3	2	Early engagement with contractors - C&C have strong relationships with contractors to achieve best price.
3	Easements and Wayleaves	3	2	Early review of local stats and engagement with Stats providers. GPR Surveys of the entire site.

4	Ground conditions worse than anticipated	2	3	Site investigation completed ASAP. Will require early demolition package to access site for investigation so depends on planning consent.
5	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.
6	Site not acquired before planning permission is granted – Option agreement falls away.	3	5	Progressing funding with SYMCA.

The business case demonstrates that the applicant has a good understanding of the immediate key risks associated with delivering the project having appropriately scored the likelihood and impact of the key risks identified. In general, the mitigations proposed are appropriate but in some cases are only able to reduce the impact of the risk through contingency or reduce the likelihood it will happen.

Appendix A.3 also identifies other key delivery risks such as planning, contractor availability, heritage risks and asbestos demonstrating a good understanding of wider delivery risks. The only key risk not identified is securing finance from an institutional funder.

Further work will be required following the OBC approval to develop the design, obtain planning permission, tender the works, conclude a build contract and secure development funding and (as described above) there are risks associated with Capital & Centric being unable to deliver the project they have outlined.

Recognising this SYMCA officers and Capital & Centric have proposed ‘staged’ contract conditions and terms designed to release funding at milestones through the project. In Stage 2 these milestones relate to the statutory and regulatory points in the ‘pre-construction’ phase, namely Outline Planning, Reserved Matters Planning.

At Stage 3, C&C will enter into a build contract and the site will be officially ‘unlocked’.

The proposed terms and conditions for the approval of funding are summarised below:

Stage	Due Date	Payable on	Terms
Stage 1: Acquisition:	December 2023	<ul style="list-style-type: none"> Outline Planning approval (due October 2023) before expiry in December 2023 	<ul style="list-style-type: none"> SYMCA first charge over the land. Clawback: on outputs in section 2.4 of OBC with conditions on which land/ grant would be

		<ul style="list-style-type: none"> • Receipt of valuation • Receipt of land agreement 	<ul style="list-style-type: none"> • returned. • Overage agreement: Profit share over 12.5% split 50/50 with SYMCA.
Stage 2 (Set 1): Pre-construction works	TBC Jan – April 2024 following completion of Stage 1	<ul style="list-style-type: none"> • Receipt of tendered costs for packages 	As above plus all survey, reports and warranties are supplied as they are done to both SYMCA and SCC.
Stage 2 (Set 2a): Design work		<ul style="list-style-type: none"> • Outline Planning approval • Receipt of tendered cost packages 	
Stage 2 (Set 2b) Design Work		<ul style="list-style-type: none"> • Reserved Matters planning approval (due March 2024) 	
Stage 2 (Set 3) Fee Balances		<ul style="list-style-type: none"> • Stage 3 FBC Application 	
Stage 3: Construction	April 2024	<ul style="list-style-type: none"> • Receipt of final development cost • Procurement of contractor (due April 2024) 	<ul style="list-style-type: none"> • Clawback: on outputs in section 2.4 of OBC with conditions on which land/ grant would be returned. • Overage agreement: Profit share with SYMCA.

Overall, the proposed follow on FBC ‘Stages’ are logical and provide incremental evidenced cost certainty with appropriate terms to mitigate risk but carry a high level of overall risk for SYMCA in terms of the project not being deliverable within BHF timeframes and after investing significantly in the development of the project.

The majority of BHF funding requested will fund acquisition and preconstruction activities that will develop the project so there must be an acknowledgement that SYMCA would be taking on the majority of the initial financial risk for the project. Capital & Centric will be investing c.£2m in the project within the same time period.

This is reflected in the proposed terms and risk mitigation already described for Stages 1 and 2 (including C&C 20% side company guarantee, SYMCA being given the first charge over the land and a share of profit). It will also be noted and form part of the overall terms that Capital & Centric are willing to proceed with the project for an agreed profit figure which will be cited in the contract.

In the event that C&C fail to bring forward a development at Stage 3, SYMCA will seek the return of the land in a timely manner to allow SCC to prepare and market the site.

Subsidy Control compliance will be required.

The business case outlines that the main construction will be funded by an institutional funder in place at the point of signing the building contract: Q2 2024. Given uncertainty across costs, values, general market conditions and scale of investment needed, there remains a high level of risk around the possibility of Capital & Centric being able to secure investment from an institution funder.

6. DELIVERY

The delivery timetable as set out in Section 6.1 is outlined below:

Key Milestone	Date
SYMCA – OBC / Stage 1 FBC Approval	September 2023
Outline Planning Secured	October 2023
Land Acquisition Complete	December 2023
Pre-Construction Package / PCSA – (Stage 1 Tender) Complete	January 2024
SYMCA Stage 2 FBC Approval	Jan - April 2024
Reserved Matters Planning Secured	March 2024
Pre-Construction Package – Start on Site	April 2024
Construction Package – Stage 2 Tender Complete	April 2024
SYMCA Stage 3 FBC Approval	April 2024
Construction Package – Stage 2 Tender Complete	April 2024
Construction Phase Main Build – Start on Site	Phase 1: April 2024 Phase 2: January 2025
Evaluation Report – Mid-Term Review	October 2025
Works Complete	Phase 1: April 2026 Phase 2: January 2027

The proposed timescales for Outline Planning and Land Acquisition all appear achievable, however, there remains a risk the planning application decision is delayed or rejected. The timeline for the procurement of a pre-construction works contractor and securing Reserved Matters approval appears tight but achievable, but both are also dependent on the approval of the Outline Planning Application. Approval for SYMCA FBC - Stage 2 and 3 FBC (Jan- April 2024) appear reasonable but tight.

The construction works are estimated to take two years for each site, with Phase 1 running from April 2024 to April 2026; and Phase 2

running from January 2025 to January 2027. Whilst this appears reasonable, the project is not yet at a stage where it is possible to assess the delivery profile of the scheme. This will need greater consideration as the project moves into its next stage of development.

The business case identifies the key members of the design team taking the project forward, each member's role and experience working together on Capital & Centric projects. The key design team members and their roles are outlined below:

Member	Role
Shed KM	Architect
Curtins	C&S Engineer
WECE	M&E Engineer
Urbana	Planning Consultant
Axis	Highways
Chroma	Project Manager

The business case also outlines the proposed procurement process for the main contractor works, which is likely to be done under two packages:

1: Enabling Works Package: To be competitively tendered in January 2024 with a contractor due to start on site in April 2024.

2: Construction Contract: two-stage process:

1. RIBA Stage 3: Competitively tendered on RIBA Stage 3 designs with contractors to prepare a fixed price sum JCT Design and Build target cost.
2. RIBA Stage 4: Price negotiated under a PCSA as the RIBA Stage 4 designs are completed with input for the contractor.

The business case clearly presents the Design Team members progressing RIBA Stage 3 designs. The business case also clearly outlines the proposed process and approach to procuring a pre-construction works contractor and a construction works contractor.

The applicant's estimate of cost certainty for Stage 1: Acquisition Costs is 100%, Stage 2: Pre-Construction Works is 75% and Stage 3: Construction is 60%. Whilst it is possible to ascribe a degree of cost certainty to the estimates based on the detail provided around Stage 1 and Stage 2 and the applicant's c.10 years' experience, however, with a number of activities still yet to be completed before the finalisation of costs there remains a strong possibility that costs could increase.

In the business case Capital & Centric state that sufficient contingencies have been allowed to cover cost increases. In the scenario contingency is exhausted, Capital & Centric commit to using the profit to cover cost overruns.

The business case identifies Adam Higgins as the person responsible for the application and identifies Richard Spackman as the key contact between Capital & Centric and MCA. The business case identifies the key project team as:

- Tim Heatley – Co-owner
- Adam Higgins – Co-owner
- Tom Wilmott – Managing Director
- Richard Spackman – Development Director

The position in the organisation indicates the decision-making hierarchy for the project, however further narrative to describe the role and responsibilities of each team member would have provided a greater understanding of the project-specific governance and project management structure / framework. Appendix M evidences a wider team available to support the delivery of the project providing some assurance Capital & Centric have the resource to deliver the project.

The business case outlines that pre-application consultation was undertaken in May 2023 which sought to detail the proposed development in an open and accessible manner, proactively seeking the views of those living and working nearest the site. The business case outlines the issues raised during the consultation and states that these factors guided the development of the preferred scheme.

The business case also outlines positive engagement with Sheffield City Council's Planning and Urban Design officers and feedback on the scheme from a variety of highways and environmental organisations which has supported the Outline Planning application.

Capital & Centric commit to actively participating and adequately resourcing SYMCA and DLHUC quarterly progress updates and monitoring reports as well as project evaluations. They also commit to adhering to the change control processes as and when required should the project change.

7. LEGAL

The business case states that Subsidy Control advice will be provided when received from lawyers. The Subsidy Control advice will be referred to the SYMCA internal legal team for consideration before FBC.

8. RECOMMENDATION AND CONDITIONS

Recommendation	Progress to staged FBCs
Payment Basis	
Conditions of Award (including clawback clauses)	
Recommendations for development of the FBC:	
<p>Based on this assessment of the business case there are 7 key issues with the project that should be considered/updated as part of the staged FBC's:</p> <ol style="list-style-type: none"> 1. Funding assurance: finance for the project is yet to be secured for the project 2. Viability: Due to the stage at which the project is designed to, and the need to undertake further site surveys to the cost and value estimates are likely to change. Whilst the development appraisals provide a high-level estimate of the viability gap demonstrating the need for public support, the scale of the gap is yet to be fully determined. 3. Planning: An Outline Planning application has been submitted and a decision is due in October 2023. The outcome of this decision will be a key milestone in terms of evidencing potential deliverability. 4. Value for Money: The adjusted BCR is currently 1.55, which provides Medium Value for Money. However, it is susceptible to any significant changes in design, specifically the number of units and amount of public realm delivered. As such the economic model should be updated for the FBC application when designs are closer to being finalised. 5. Procurement of contractors: Both the preconstruction works and construction works contracts are yet to be procured. 6. Demand for the proposed commercial space: Limited evidence has been provided to demonstrate the rationale and demand for the commercial space proposed. 7. Subsidy Control compliance: awaiting Subsidy Control legal advice. <p>SYMCA to finalise conditions to be included at FBC. Please see outline of proposed conditions below:</p> <p>Stage 1 - <u>Site Acquisition – to be completed by December 2023</u></p> <p>Contract Conditions</p> <ol style="list-style-type: none"> 1. SYMCA first charge over land (including covenant to prevent any other use of land) 2. Clawback – Based on non-delivery of following outputs <ol style="list-style-type: none"> a. <i>Acquisition of the land</i> b. <i>Completion and submission by April 2024 of Stage 2 FBC information (including tendered costs of all works and all reports/surveys and warranties)</i> 	

3. Overage terms – profit share

Dependencies/Conditions of funding release

4. Receipt of valuation and supporting information
5. Receipt of land agreement.
6. Subsidy control compliance

Stage 2 - Pre-Construction Works – to be completed by April 2024

Contract Conditions

7. SYMCA first charge over land (including covenant to prevent any other use of land)
8. C&C side company guarantee of 20% of the grant value from Stage 1 and 2 – subject to financial DD
9. Clawback – Based on non-delivery of following outputs
 - a. *Completion and submission of Stage 2 FBC information (including tendered costs of all works and all reports/ surveys and warranties)*
 - b. *Completion and submission by April 2024 of Stage 3 FBC including tendered costs of all works – must adhere to terms;*
 - i. *C&C achieving a Design and Build Fixed Price Contract in a timely manner and in-line with agreed profit levels.*
 - ii. *Securing development funding in a timely manner.*
 - iii. *Further conditions to be agreed in conjunction with SYMCA (AP) & SCC*
10. Overage terms - profit share

Dependencies/Conditions of funding release

11. Receipt of tendered costs for packages
12. Payments made on receipt of outline consent, on reserved matters consents.

Stage 3 - Construction Works – started by April 2024

Contract Conditions

1. Clawback – Based on non-delivery of following outputs

- a. 4.2 acres of land remediated.
 - b. 'Unlocking' the development of 530 to 550 housing units
2. Overage terms - profit share

Dependencies/Conditions of funding release

1. Receipt of full tendered costs and confirmation of all outputs
2. Development finance in place
3. Payment on defrayal
4. Submission of programme and risk register