Assurance Summary

VERSION 1 24.11.2021

SOUTH YORKSHIRE SYMCA MAYORAL COMBINED AUTHORITY

1 – SCHEME DETAILS			
Project Name	The Castle Project	**Type of funding**	Grant
Grant Recipient	Sheffield City Council	**Total Scheme Cost**	£20,860,000
MCA Executive Board	Housing and Infrastructure	**MCA Funding**	£5,000,000
Programme name	Gainshare	**% MCA Allocation**	23.96%
Current Gateway Stage	OBC	**MCA Development costs**	n/a
		% of total MCA allocation	n/a

2 – PROJECT DESCRIPTION

Sheffield City Council is seeking £5m SYMCA Gainshare funding towards a total investment of £20.86m to deliver The Castle Project. The project has previously secured £15.76m of Levelling Up Funding in 2021 as part of the ‘Gateway to Sheffield’ programme. The project is located at the confluence of the River Sheaf and the River Don, on the site of the Sheffield Castle demolished in 1648.

The site has remained derelict since the demolition of the Castle Markets in 2015, suffering from long term decline and underinvestment. The project seeks to bring about the regeneration of the area, through the remediation of 14,700m^2 of brownfield to deliver a high-profile park and greenspace through delivery of the following key interventions:

- **De-culverting and re-naturalisation of the River Sheaf:**
  - Reducing flood risk and avoiding potential collapse
  - Daylighting and naturalisation of the river, encouraging improved biodiversity
- **Displaying key areas of the Castles ruins**
  - Revealing the Gatehouse
  - Improving the building enclosing the Castle Courtyard
  - Original moat replicated as wetland
- **Events space**

    - Providing a home for Castlegate Festival
    - Music events held by Exchange St Collective
    - Pollen market and events to be held by Friends of Sheffield Castle and Sheaf & Porter River Trust
- **High quality hard and soft landscaping, sustainable drainage, accessible routes and public art**
- **6 development-ready land plots**
    - Preferred uses: office space residential and/or hotel
    - Interest from Sheffield College to develop new Sixth form and Adult Education Centre
- **Refurbishment of the existing Mudford's building**
    - As either an arts/cultural venue or small offices

The Castle Site project was originally costed back in 2021 at £15.76m at the time of the application of LUF. The business case states this was based on several critical assumptions that had to be made to meet the LUF deadline. Information required to submit the planning application was not ready until Jan 2023. Costs have increased 30% to £20.86m, leaving a funding gap of £5m (plus £100k of funding sought from the Environmental Agency). This is due mainly to inflation, the specialist nature of archaeological works which are significantly higher than originally envisaged and additional works identified.

Regeneration of this long-term derelict site for the intended uses, with a strong placemaking focus, provides clear rationale for change and for the investment of public funds in the project. In terms of market failures, the project will address negative externalities and provide public goods. As stated in the business case, key aspirations of the project would remain undelivered if left to the private sector alone e.g. heritage, public realm infrastructure, placemaking, culture, archaeology, climate and investment. Therefore, at the Strategic level, the project presents a clear welfare benefit to the public.

The business case sets out that SYMCA funding is required to contribute to the following items:

£2.6m of project costs:

a) archaeology and Deposit Model works, archaeology watching brief throughout the full construction period, specialist surveys
b) higher contractor fees due to inflation

£2.4m of project costs:

a) to extend the current 2/3 de-culverting to full de-culverting of the Sheaf
b) to include a number of 'deferred works' (detailed in section 6 of the cost plan) to deliver the full facilities and quality
c) to include additional contingency and fees to account for the additional works a & b above
d) to include in the scope of the Market Tavern site/ Mudfords Building the demolition of a redundant substation at the back of the former Market Tavern as part of the plot as well as enhance the quality of the works to this area for a successful integration with the open space and the rest of the development plots

3. STRATEGIC CASE	
Options assessment	The business case considers 4 options for the project: **Do Minimum** – without SYMCA funding, the project would proceed using LUF and Environmental Agency funding, but would have to be value engineered, resulting in a reduced quality of park and de-culverting only 2/3rds of the River Sheaf, impacting on the viability and attractiveness of the development plots. No funding available either for the refurbishment of the Mudford's building or re-use of the Market Tavern site. **Viable Alternative 1 (lower cost)** – requiring £3.5m of SYMCA funding, this option would deliver the preferred scheme, but with only a basic refurbishment of the Mudfords Building and basic public realm around the former Market Tavern site. This option would not deliver the required LUF outputs due to the exclusion of the deferred works (BCR = 1.2 / Low VFM). **Preferred Option** – as per the project description (BCR = 2.1 / High VFM). **Viable Alternative 2 (higher cost)** – requiring £6.2m of SYMCA funding, this option would deliver the preferred scheme, with the addition of a perimeter wall separating plots 1 & 2 that is expected to lead to an accelerated development of the sites (BCR = 1.7/ Med VFM). The choice of the preferred option is clear and well evidenced. It represents the best value for money option that is most likely to deliver the project's SMART objectives, with planning approval in place and has been well consulted on with stakeholder groups.
Statutory requirements and adverse consequences	Public consultation has been undertaken, including Castlegate Partnership Workshops (June 2022) and a comprehensive Public Engagement Programme (Nov 2022) that were used to inform and refine detailed design, submitted for planning in Feb 2023. An application for Planning Consent for the preferred option was submitted in Feb 2023 and approved May 2023. The business case states the Castle Site project is deemed not to pose a significant environmental risk and does not require Environmental Impact Assessment, in accordance with Town and Country Planning 2017. A full Equality Impact Assessment has been undertaken and provided in the supporting documentation. This concluded that the project has no adverse impacts. The project is instead expected to deliver a number of wider benefits which will positively impact on equality, which are identified in the EIA as follows: • Creating a stronger sense of place and community. • Increasing wider investment opportunities.

	• Improving the specific areas which will hopefully result in greater job, retail, and wider commercial opportunities to meet diverse community needs. • Ensure the land and property future use and potential accessibility for the benefit of the local area and visitors. • Provide positive benefits to a range of protected characteristics and identified equalities characteristics. • Encourage the increased participation of customers across the city and wider region who may be currently under-represented, ensuring access to and pride in community. • Reduce inequalities by improving Castlegate as a place to live, work and visit. • Increase quality of life, health, wellbeing, and happiness for local communities.

4. VALUE FOR MONEY

Monetised Benefits:

VFM Indicator	*Value*	*R/A/G*
Net Present Social Value (£)	£7.518m	G
Benefit Cost Ratio / GVA per £1 of SYMCA Investment	2.1	G

Value for Money Statement

A summary of the economic case Benefit Cost Ratio position for the project is presented below:

Based on Total Public Sector Funding	**Preferred Option**
Marginal Benefits, £m	
Total Initial Benefits	6.135
Total Adjusted Benefits	8.508
Total Benefits	**14.643**
Costs, £m	
SYMCA financial cost	5.000
Net marginal public sector cost	**7.124**
VFM	
Initial BCR	0.86
Adjusted BCR	2.1
VfM Category (based on total benefits)	**High**

Based on the applicant's assessment of economic benefits, relative to total SYMCA and public sector investment, the project has an adjusted BCR of 2.1 and a marginal Net Present Value of £7.124m, which represents High Value for Money. As the Initial BCR is less than 1, it is clear that the project relies on significant wider benefits (i.e. the adjusted BCR) to achieve VFM, which appears reasonable in the context of the project.

The value for money calculation takes account of a wide variety of benefits. As stated by the applicant, the framework for assessing the economic benefits of the Castle Project has been developed having regard to HM Treasury Green Book, guidance published by DLUHC and other government bodies. The approach was accepted by DLUHC in their approval of the Castlegate Levelling Up Fund bid.

The table below lists all the benefits included in the value for money calculation, their marginal benefit versus the Do Minimum option and what percentage they make up of the total project benefits. This clearly shows that most of the projects economic benefits are derived from Wider Land Value Uplift, Wellbeing from participating in art and cultural events and social value of heritage.

BCR Category	Benefit Type	Marginal Benefits (£m)	% of Total Benefits
Initial	Land Value Uplift	0.559	3.82%
	Wider Land Value Uplift	3.228	22.04%
	Crime cost savings	0.489	3.34%
	Active travel benefits	1.416	9.67%
	Amenity benefits	0.287	1.96%
	Labour supply benefits	0.156	1.07%
	TOTAL	**6.135**	**41.9%**
Adjusted	Wellbeing benefits from outdoor recreation	0.871	5.95%
	Wellbeing from employment	0.348	2.38%
	Wellbeing from participating in art and cultural events	4.573	31.23%
	Social value of heritage	2.716	18.55%
	TOTAL	**8.508**	**58.01%**
NPV		**14.643**	**100%**

The assumptions underpinning the calculation of benefits, as set out in the Technical Note, appear reasonable to have been calculated in line with government guidance and methodologies. It is noted that indirect employment benefits that are likely to be generated by the 6 plots once developed are not included in the assessment of benefits, as these are considered by the applicant to be outside the scope of the project. Therefore, the economic benefits of the project are likely to be higher once the site is fully developed.

5. RISK

The business case identifies the top 5 project risks as below:

No.	Risk	Likelihood (High, Med, Low)	Impact (High, Med, Low)	Mitigation	Owner
1	Archaeology – as ground works commence there is a risk that unknown significant areas of archaeology are found that delay delivery, increase costs and lead to re-design of that area of the scheme.	Med	High	Early engagement with archaeologists. Archaeological investigation undertaken during feasibility.	Lead Designer
2	Market conditions – shortage of materials / long lead times delay delivery and increase costs.	Med	Med	Early engagement with contractor through 2 stage design and build contract. Contractor to input into material selection during design phase. Contractor to advise on lead times.	Lead Designer
3	Market conditions – cost estimates fail to align to current market conditions.	Low	High	Completion of thorough cost planning exercise alongside design work. Early soft market testing to be undertaken.	Cost Manager
4	Market conditions – abnormal inflation levels impact on scheme costs.	Med	High	Close monitoring of market conditions, inflation factored into cost planning in line with predicted future rates.	Cost Manager
5	Construction – issues and or delays with utilities companies diversion and installations.	Med	Med	Early engagement with utilities companies to request quotes and plan in the works.	Project Manager

Given that the project is located on a brownfield site of archaeological importance, it is unavoidable that it will carry significant risk to costs and delivery. This is rightly identified in the risk assessment and is highlighted as having ‘medium’ likelihood and ‘high’ impact, though arguably, likelihood is also ‘high’. While the mitigation measure presented above appears appropriate, the current contingency budget available only covers for 4.6% (£957,938) of the total project cost.   This appears low for a project of this nature, and it is therefore recommended that as a condition of award, the applicant confirm they will cover all cost increases without compromising the project outputs.

The risks identified demonstrate good understanding of the key project delivery risks, their likelihood, potential impact, as well as owner. The mitigation measures proposed also appear reasonable and appropriate. However, it is noted that overall, the risks identified carry a medium/high weighting of likelihood and impact. As mentioned previously, the SYMCA should seek to prevent further requests for funding, through conditions of award.

The response to 5.8 presents a range of strategies to deal with cost overruns but does not explicitly state SCC will cover cost overruns over and above what is already included for in the existing contingency budgets. This should be confirmed at FBC but will ultimately form a condition of award if the application for SYMCA funding is successful.

Mitigations include:

- £647,030 design risk contingency and £957,938 of unallocated client contingency.
- Project fully designed and an agreed contract price with the contractor before each phase of the works commence.
- Project manager, cost manager and contractor to work together for early identification of cost risks and options to minimise these.

There appears to be no significant risks to the full funding of the project, subject to the approval of SYMCA Gainshare funds. £15.76m of Levelling Up Funding, representing 76% of the overall project costs, is already secured and fully approved by DHLUC. There is a small percentage of the outstanding funding (£100k / 0.05%), from the Environment Agency Local Levy that will not be confirmed until early 2024; but is not considered to present a significant risk.

Risks in relation to the procurement strategy appear largely mitigated. Contractors will be appointed on an NEC Option A contract, typically recommended for public sector organisations procuring construction works, and under which, the risk of carrying out the works is largely borne by the contractor. Tenders have been put to market on the basis of a fixed price but are subject to additional costs if the event of any changes in scope. The contractor will also be paid monthly on completion of the activities agreed.

6. DELIVERY

Key milestones as presented in the delivery timetable appear reasonable and achievable. The land is in existing SCC ownership and both public consultation and statutory processes complete. 76% of the project funding is already secured and therefore works have been able to commence on site at risk, with project completion estimated for early 2026. Subject to approval of this OBC, the applicant is looking to submit the FBC to the MCA by May 2024, with confirmation of all funding by June 2024. At FBC, the date for completion of Procurement should be updated, as this is still ongoing; however, the date (Nov 23) has now passed.

The procurement strategy is clear and is in part already complete. Following SCC's standard two-stage competitive tender process through the YorCivils framework, contractors Keltbray are now appointed for Phase 1 (Enabling Works) and have commenced works on site. Keltbray are also identified as the preferred bidder for Phase 2 (all remaining works), with a quotation expected imminently. It is expected the costed options for works to the former Market Tavern / Mudfords buildings will also be finalised in early 2024.

Cost certainty is stated as 75% and appears reasonable at this stage of the projects development. The contractor for Phase 1 is procured and costs fixed on the basis of the initial scope of the project. Phase 2 costs have been estimated by the team's cost manager and should be confirmed on receipt of a works quotation from the preferred contractor, which is expected imminently.

The OBC demonstrates clear project Governance with key roles and groups identified. The project and business case will be delivered via SCC's Gateway Process, ensuring key programme groups have oversight of the project development, including the SCC Capital Programme Group, City Futures Programme Group, Levelling Up Steering Group and Castlegate Area Board. The project manager will be required to undertake monthly reporting that will allow monitoring of the project's development and finances. These are then complied into programme reports, which the

Programmes Manager reports to the relevant programme groups on, identifying key risks, issues and decisions to be taken. The project manager is also required to provide monthly financial forecasts, allowing scrutiny of the project expenditure and profiling by the capital finance team.

External to SCC, the governance structure also includes the Castlegate Area Board, to provide oversight of the project development and regeneration of the wider Castlegate area, as well as to provide direction to the project team. This includes stakeholders from the Castle Partnership, which includes 60 organisations and interested parties.

The SRO is identified in the business case as Sean McClean, Director of Regeneration and Development, who has also signed off the business case.

The applicant has undertaken extensive public engagement and the project has been developed with significant input from key stakeholders, namely the Castlegate Partnership, as well as other subgroups (e.g. archaeology, heritage, public art, events groups). The project is also being delivered with the oversight of the Castlegate Area Board, which includes representatives of the Castlegate Partnership. Since securing Levelling Up funding in 2021, stakeholder engagement has taken place in the form of the Castlegate Partnership Workshops and a Public Engagement Programme, both which took place in 2022, and used to refine detailed design of the project prior to submission of planning approval. The business case states that the Public Engagement Programme included workshops, presentations, drop-in sessions, leafletting, newsletters and focus groups. In response, over 2000 comments from the public were received, with 788 people visiting a project exhibition in the Moor Market. This resulted in 87% of the respondents stating they either ‘strongly agreed’ or ‘agreed’ with the project vision. It is evident from the information provided in the business case that comprehensive stakeholder engagement has taken place and the project clearly has public support.

Monitoring and evaluation procedures appear to be in place and will be delivered by SCC’s Regeneration Team. The applicant has existing Monitoring and Evaluation obligations as part of their LUF agreement, which also provides the funds with which to undertake this activity.

The table below extracted from the business case provides the measures to be included in the project’s monitoring and evaluation. The measures included appear reasonable and largely aligned with the project’s SMART objectives and outputs. For all measures the frequency of data collection is stated as ‘at completion’. While this is appropriate for evaluating the project outputs (e.g. Gross External Area), it is recommended that this is amended for the project outcomes (e.g. number of visitors, events) to a more regular frequency after completion to allow the site and events/activities to be held there to become more established.

Measure	**Data To be used**	**Baseline data source**	**Data collection methods**	**Frequency of data collection**	**Benefit owner (if Applicable)**
	Outputs				
A destination allowing re-engagement with built and natural heritage through: - Deculverted, re-naturalised River Sheaf - Revealed and interpreted castle ruins	Measurements of outdoor public realm provided, GEA, footfall	Baseline 0 footfall as site is not publicly accessible currently	Footfall surveys	At completion	At completion

8,120 sqm of new public realm	Measurements of outdoor public realm provided, GEA	Baseline 0sqm provision of public realm on site currently	Future surveyor report	At completion	Residents and visitors; SCC
Local engaged in Sheffield's heritage	Number of people engaged	Stakeholder and public engagement figures	Records of project engagement	At completion	Residents
Six development-ready plots for private, educational, community and meanwhile uses	Measurements of GEA provided; short-term leases	Baseline provision of useable space currently	Future surveyor report	At completion	Residents and visitors; SCC; private investors
More job opportunities	Number of people directly employed in relation to site	Baseline employment data from sources such as ONS Annual Survey of Hours and Earnings	Socioeconomic metrics from sources such as ONS Annual Survey of Hours and Earnings ; ONS Sub-regional Productivity	At completion	Residents

7. LEGAL

The applicant has not provided a legal opinion confirming Subsidy Control compliance. A rationale has been set out for why the applicant believes the funding would not be considered subsidy. SYMCA’s legal team should review and confirm they are in agreement.

8. RECOMMENDATION AND CONDITIONS

Recommendation	In Principle approval, proceed to FBC
Payment Basis	N/A

Conditions of Award (including clawback clauses)

Recommendation at FBC: As part of the project’s monitoring and evaluation, the frequency data collection in relation to outcomes (e.g. number of visitors, events) should be amended to a more regular frequency after project completion to allow the site and events/activities to be held there to become more established.