Appendix A Assurance Summary

VERSION 1 24.11.2021

SOUTH YORKSHIRE SYMCA MAYORAL COMBINED AUTHORITY

1 – SCHEME DETAILS			
Project Name	Attercliffe Waterside	**Type of funding**	Grant
Grant Recipient	Attercliffe Waterside Ltd	**Total Scheme Cost**	£87,833,736
MCA Executive Board	MCA	**MCA Funding**	£4.4m - In additional to £4.08m BHF already awarded to Sheffield City Council in relation to acquisition, abnormals and refurbishment for same outputs & outcomes. Total = £8.48m
Programme name	Brownfield Housing Fund	**% MCA Allocation**	5% (9.7% including previous funding)
Current Gateway Stage	OBC	**MCA Development costs**	n/a
		% of total MCA allocation	n/a

2 – PROJECT DESCRIPTION

The applicant, Attercliffe Waterside Ltd (a subsidiary of CITU Group Ltd), outlines that they are seeking a total of £4.4m of SYMCA BHF funding towards an overall project cost of £87.83m to deliver the 362-unit newbuild housing element (or Phase 1) of a multi-phase (mixed-use) redevelopment scheme. The applicant states Phase 1 also includes a small element of refurbishment works to deliver an additional 8 residential units and commercial floorspace but those outputs and costs sit outside of this funding application.

This grant request is in addition to the £4,080,000 of BHF grant funding already awarded to Sheffield City Council in relation to the initial acquisition, abnormals and existing buildings refurbishment. This application was also for the delivery of the same 362-units delivered under Phase 1, plus the 8 additional units created by the refurbishment of the existing buildings (370 units in total). £1.71m of the original £4.08m will be made available to CITU (the applicant for this funding application) to meet SCC's obligations under that initial funding agreement. The original SCC application and SBC for this application were for 433 units to be delivered; however, these have subsequently been reduced to achieve planning permission. For clarity, the Value for Money benefits presented below relate to the full £8.48m (£4.08m + £4.4m) of SYMCA funding, covering both applications, for the delivery of 362-units under Phase 1 for open market sale.

The business case states that this additional £4.4m SYMCA BHF funding is to be used to bridge the viability gap on Phase 1 caused by the significant abnormal costs to clear and remediate the site for development and provide infrastructure (including a new footbridge over the canal) and podium construction.

The business case states that the wider Attercliffe development site is wholly owned by Sheffield City Council (SCC), but will be transferred to the applicant, as part of a development agreement, for a land value of £0.67m for the Phase 1 site (plus associated acquisition costs) on commencement of the project.

Attercliffe Waterside is a long standing, ambitious canal side regeneration project that was first identified as a potential housing site in the New Attercliffe Planning Brief in 1994; and was allocated in various development plans and identified as a major development project in the Darnall Attercliffe and Tinsley Neighbourhood Development Framework in 2007. However, this site has remained stalled due to a combination of complex land ownership, commercial viability, the proximity and current existence on site of industrial uses, the high cost of abnormals and site remediation and issues of decline and poor image.

With the land assembly and acquisition now complete and a development agreement signed between SCC and the applicant, CITU is now ready to proceed; subject to approval of this additional BHF grant request and the granting of outline planning approval (the application is scheduled to go before the relevant planning committee on 25th June).

The business case argues that the need to address significant abnormal costs to clear and remediate the site for development, a requirement to provide new active travel infrastructure and the higher costs associated with a podium build design, coupled with the relatively low housing values in Attercliffe, have opened up a significant viability gap relating to the planned development. They make the case that without this additional BHF funding, delivery of the planned scheme will remain stalled; and with it the subsequent development phases contingent upon the realisation of Phase 1.

To evidence this, CITU have prepared a development appraisal which forecasts a viability gap of £8.545m. The applicant has indicated its willingness to take a reduction of £4.145m in developer profit to help to bridge the funding gap, but this would be at the limit of what is considered acceptable to the developer. The remaining funding gap is £4.4m (the subject of this application), which would return a developer profit of 12.78% of Gross Development Value (GDV). Based on the Assessor's experience of similar schemes, the level of profit sits within an acceptable range

3. STRATEGIC CASE	
Options assessment	**Preferred Option -** As per the project description: the provision of an additional £4.4m BHF funding to enable the development of the housing element of Phase 1 (delivery of 362 newbuild homes for open market sale). **Do More Option 1 –** As per the Preferred Option, but part of the development would now come forward as a joint venture converting 114 units from open market sale to shared ownership affordable homes. Although the inclusion of social housing element on site does have attendant benefits in terms of widening accessibility to quality housing, this will have a further negative impact on the overall viability of the scheme. This option will therefore necessitate an increase in the amount of funding sought via the BHF. **Do More Option 2 –** As per Do More Option 1, but only half the number of units (57) would now be converted to shared ownership. A reduction in the number of social housing units compared to Do More Option 1 would mean a reduction in the BHF funding ask compared to Do More Option 1, but it would still require a greater amount that is being requested in the Preferred Option.

	Do More Option 3 – As Preferred Option, but with additional renewable provisions that will enable an operational zero carbon development. To achieve this level of operational performance a higher specification construction design and additional renewable provisions will be needed requiring an increased level of BHF grant funding in order to address the viability gap. The implicit justification for taking forward the Preferred Option is that it is the option which succeeds in meeting all the key objectives on the part of both applicant and local authority whilst limiting the BHF funding request to the minimum amount required to close the viability gap to a point where profit margins are deemed suitable to progress. Given that all three of the alternative options would require increased BHF funding to support changes to the planned tenure mix or design specification which, although providing some additionality value, lack adequate justification in terms of delivery against the key objectives, the case for selecting the Preferred Option can therefore be deemed to be valid and reasonable. However, this argument could have been further strengthened by presenting a 'do less' option considering changes such as to the material quality of the design and/or a reduction in low carbon technology features.
Statutory requirements and adverse consequences	The business case states that the Attercliffe Waterside scheme has been designed to be fully compliant with the Sheffield City Council's statutory planning policies and its housing delivery and economic growth strategies. It is stated that a full planning application for Phase 1 had been submitted for consideration in June 2023. However, as a result of feedback from the planning process, the scale and massing of certain areas in the scheme were challenged and, therefore, revaluated. A revised set of proposals, which include changes to the layout, massing and unit numbers, has now gone before Planning Committee and received consent. The OBC states that a full transport assessment was undertaken as part of the original planning application process for Phase 1. This report concluded that public transport access around the site is good with regular services on both the Supertram and the Bus Rapid Transport route to and from Rotherham and Sheffield City Centre. It also stated that the ratio of car parking proposed is appropriate and that there is unlikely to be an impact from cars associated with the development parking on surrounding streets. At the request of SCC, the same transport consultants were asked to develop a cumulative impact assessment on the surrounding transport network relating to all three phases of the wider regeneration scheme. It was judged that the increased level of traffic as a result of the project was unlikely to present a significant impact on the operation or safety of the surrounding highway network. In terms of the potential environmental impact of the development, a full ecology assessment was also commissioned to support the initial planning application. Whilst these documents conceded that the proposed development had the potential to impact on some wildlife habitats (e.g. bats, water voles and otters), the overall assessment of threat level was considered to be minimal.
4. VALUE FOR MONEY	
Monetised Benefits:	

VFM Indicator	*Value*	*R/A/G*
Net Present Social Value (£)	£3.3m	A
Benefit Cost Ratio / GVA per £1 of SYMCA Investment	1.37	A

Value for Money Statement

A summary of the economic case BCR position for the Attercliffe Waterside project is presented below:

Based on Total Public Sector Funding		**Preferred Option**
A	Present value benefits	£ 6,832,617
B	Present value costs	£ 9,041,346
C	Present value other quantified impacts	£ 5,525,440
D	Net present public value [A-B+C]	£ 3,316,711
E	Initial Benefit:Cost Ratio [A/B]	0.76
F	**Adjusted Benefit:Cost Ratio [(A+C)/B]]**	**1.37**
H	**Value for money category**	**Low**

Based on the applicant's assessment of economic benefits, relative to total SYMCA and public sector investment, the level of estimated benefits represents Low value for money, with an Initial BCR of 0.76 and Adjusted BCR of 1.37.

Although the applicant's assessment of the economic benefits of the project shows potential to deliver Low value for money to SYMCA and the public sector as a whole, the BCR still exceeds the minimum programme BCR threshold of 1. The project can therefore still be considered as acceptable, although it is at the lower end of the proportionality spectrum.

The majority of the methodology used to calculate the gross economic benefits is sound. However, the decision to include the benefits arising from the future delivery of the commercial space necessitates some more explicit explanation, given the commercial space to be created is stated as outside the scope of the application. In addition to this, greater evidence of demand for the proposed floorspace would provide greater assurance these benefits would be delivered.

Although the ready reckoner applied appears appropriate, some of the construction spend does not appear to have been captured in the calculation presented in the economic model for Residents into Employment (Construction) which would slightly improve the BCR.

5. RISK

The business case identifies the top five project risks:

No.	Risk	Likelihood (Low = 1 / High = 5)	Impact (Low = 1 / High = 5)	Mitigation	Owner
1	MCA Funding not approved.	2	5	Gateway application to SCR approved. Scheme designed so BCRs are >=1. Excellent strategic alignment to SCR strategies. Relatively small MCA/BHF investment to secure the delivery of 362 housing units and unlock a further 571 in later phases.	CITU
2	Sale values of properties are lower than anticipated, i.e. desirability effects do not materialise.	2	4	Evidence from previous similar development at Kelham suggests that this is relatively low risk and the sale value will increase as the site is developed out and as its sense of place develops.	CITU
3	Abnormal costs more expensive than anticipated.	2	3	Initial Site Investigations are complete and the state of the ground and remediation work required are well known. The costs of bridge installation are estimated on the basis of previous similar developments elsewhere.	CITU
4	Planning Permission not approved as presented	1	5	Ongoing discussions have been positive with a pre-app confirming the scheme meets the requirements.	SCC
5	Issues with the transfer of existing commercial site users impact delivery of later phases.	2	2	Existing site users are limited in number and small scale. The largest existing building is still occupied and a lease extended into 2025. The Council will provide assistance alongside CITU to obtain VP in 2025.	SCC/CITU

Appendix A.3 also identifies other key delivery risks such as the inability to secure private sector funding, changes to key project personnel, shifting regulatory requirements (e.g. environmental) as well as a lack of market demand for commercial premises (to be delivered at a later phase) and its impact on the revenue assumptions. These examples demonstrate a good understanding of wider delivery risks.

Overall, the risks identified demonstrate a clear understanding of the key project delivery risks, their likelihood, potential impact and owner. The mitigations identified are appropriate and should therefore help to reduce either / both the likelihood and impact of the key risks.

The business case indicates that the main construction element of the project will be funded by an institutional funder secured by a HoTS agreement which is to be in place ahead of the draw down of any BHF grant funding (to be completed by the end of Q2 2024). Despite a reasonably strong level of assurance expressed on the part of the applicant, there remains a continued degree of uncertainty relating to the timely granting of planning permission and the completion of site investigations, both having the potential to significantly impact costs and thus further widen an already stretched viability gap. It is felt prudent, at this stage, to categorise the level of risk on securing the required investment funding on this project as ‘Medium’.

The extract below from Appendix A.3 – Risk Log identifies the key procurement risks. These are identified as abnormal costs, the failure to secure public funding and build cost inflation. All are identified as having a ‘High’ impact rating, with abnormals and inflation identified as having ‘Medium’ likeliness. The items identified demonstrate good understanding of the key procurement risks, with reasonable mitigations in place; however, these remain significant risks until such time as the enabling and site remediation works are complete and contracts are procured for the piling and construction works elements of the project.

Risk Description	Likeliness (Low = 1 / High = 5)	Impact (Low = 1 / High = 5)	Mitigation

Abnormal costs are more expensive than anticipated.	3	5	CITU state that initial site investigations have been completed and the state of the ground and remediation work required are well known. The costs of bridge installation are estimated based on previous similar developments elsewhere.
Lack of public funding would render the scheme unviable.	2	5	SCR have already approved the Gateway application. The scheme has been designed to exceed minimum BCR threshold. It has very strong alignment against SCR strategies. The sum requested is relatively modest in order to release 933 housing units (across all three phases).
Build Cost Inflation	3	5	Citu has its own MMC product so costs can be accurately estimated. Infrastructure costs have been estimated by Citu based on experiences in CID and Kelham Central. Build costs have been externally reviewed by a third party (Build and prelims) at this early stage. A QS has already been engaged for each project and PMs should ensure that cost assessments are undertaken regularly as the design process progresses.

6. DELIVERY

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

Key Milestones	Any Dependencies	Date
All Funding Secured	Completion of design and costing of infrastructure works and grant of planning permission	June 2024
Cabinet/ Board / External Approvals	Approval of OBC by MCA and funding agreement terms	June 2024
Procurement Complete	Acquisition of phase 1 land by Council and completion of development agreement with CITU	March/ April 2023 (Done)
Statutory Processes Complete	Completion of design and planning application	June 2024
Land Acquisition Complete	Approval of Council funding	February 2023 (Done)
Works commence	Completion of design and grant of planning permission	Summer 2024
Works complete/Project opening	Infrastructure and ground works and commencement of first phase. (Whole project will take 10-12 years to complete)	Q3 2024
Podium		Q1 2025
Podium Completion		Q4 2025
Start of first superstructure build		Q2/3 2025

Completion of 362 units in Phase 1		2030

The proposed timescales for the SYMCA OBC approval, grant of planning permission and the design and costing of infrastructure works all appear achievable. Due to the likelihood that the granting of planning permission would be a conditionality requirement of any institutional funder, any slippage at this point in the timeline could negatively impact the deliverability against the remainder of the proposed timeline.

Completion of the Phase 1 element of the project is estimated to take approximately 5-6 years, running from Q3 2024 until 2030, with the remaining two phases taking a further 5-6 years to deliver. Whilst this appears reasonable, it does not appear as though the project is at a stage where it has been possible to provide a detailed delivery programme. This will need greater consideration as the project moves into its next stage of development.

The business case states that delivery of the scheme will be via construction works contracts covering three packages of work: site preparation, infrastructure and home-related elements. All contracts will be subject to a competitive tendering process and will be managed in accordance with CITU's own internal procurement approach. The procurement process for the enabling works and site preparation works package has already been completed with the Sirius Group having been identified as the preferred bidder and both parties have now entered into a JCT design and build contract for this element of the project. For the provision of a new footbridge on site, a competitive procurement process is now underway to select a preferred manufacturer and supplier. Procurement for a piling contractor is expected to take place in September 2024 (with a planned start on site in Q1 2025). Again, after a competitive piling contractor will enter a JCT design and build contract. The podium construction will follow a similar competitive procurement process with a start on site February 2025. As for the actual construction of the housing units it is stated that a competitive procurement process for a single main contractor is scheduled to commence in Q2 2025.

Cost certainty is identified as 75%. The applicant states that the costs in the accompanying viability appraisal have been informed by a combination of Sirius Group (land remediation services) and by an internal CITU QS with a suitable degree of experience of the Sheffield context and of the type of project proposed at Attercliffe Waterside. They further go on to state that these costs have been subject to an independent review by cost consultant EDGE.

Whilst these costs have been informed by experienced industry professionals, these costs are not yet fixed as a final tender cost. CITU concede that infrastructure costs still need to be assessed once site investigation works are fully quantified and tendered and bridge design completed. However, they make the case that their corporate experience working on multiple brownfield sites to date allow them to ascribe a reasonably strong level of assurance (they give the figure of 95%) on projected costs, especially against ground risk elements.

CITU has indicated that further clarity around project costs will be available once the applicant is in a position to tender for the piling and construction works elements, the detail of which is to be provided once the project moves to the FBC stage.

From a funding perspective, the applicant has advised that Heads of Terms (HoTS) to secure necessary financial support for the full completion of their elements of the infrastructure costs are to be secured ahead of the draw down of any BHF monies. CITU confirm that they have well-established relationships with several institutional funders to provide development finance for the construction works. It is anticipated that suitable HoTS will be agreed by the end of Q2 2024.

CITU has outlined that within the cost plan they have included a 5% contractor contingency allowance which, at this stage of development, is considered to provide a sufficient degree of headroom to absorb possible cost overruns. In the scenario that this contingency is exhausted, the applicant has made it clear that it will take full responsibility for the management of cost over-runs. More detail as to exactly what steps the applicant is likely to take to mitigate/recoup any overruns (e.g. value engineering or re-profiling delivery) would serve to improve the robustness of this argument.

The OBC states that responsibility for the operational delivery of the development is to be delegated to the SCC's Head of Property and Regeneration who will report to the Housing Delivery Group. Appointed to act as SRO for the Attercliffe Waterside development is Alan Seasman, a Service Manager for City Regeneration and Major Projects sitting within the wider Property and Regeneration Directorate. In accordance with the development agreement, CITU will act as Project Lead and appoint a lead project manager who will be responsible for project managing the development and will report monthly on progress to the Council-appointed SRO. This role will be shared between Dave Berry (Head of Delivery) and John Clephan (Senior Development Manager).

Also included in the business case is an organogram which outlines the organisational and reporting structure within SCC and between SCC and CITU. However, the provision of some detail on the CITU project team, beyond that of the lead project manager, as well as a description of the roles and responsibilities assigned to each member would provide greater understanding of the project-specific governance and project management structure / framework.

The business case has yet to be signed off by the either the project SRO or another appropriate officer.

The business case outlines that pre-application consultation was undertaken in the nine months leading up to the submission of a planning application in June 2024. This process 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 indicates these factors guided the development of the preferred scheme. CITU states that they presented and discussed the scheme on two occasions at the Attercliffe Forum – a group of local and city stakeholders - on the future prospects for the Attercliffe neighbourhood. The business case also details the applicant's constructive engagement with SCC's Planning and Urban Design officers and sets out the changes made to the application in response to their feedback and advice. The business case could be strengthened by outlining some more general examples of the feedback received during the stakeholder engagement exercise in order to demonstrate public support for the project.

The business case details that the project will be evaluated internally by SCC with reporting to the Housing Delivery Group and to the Council's Cabinet at key stages throughout the development. SYMCA will be consulted and will be provided with copies of the mid-stage and end of project evaluation reports. Costs of monitoring and evaluation activity will be met by SCC. The proposed approach to monitoring and evaluating the delivery of the project and its outputs and outcomes would appear clear and focused on assessing the success of the project against its purpose and ambition. This should ensure framework / processes are in place to fulfil SYMCA's reporting requirements.

7. LEGAL

The OBC includes confirmation that Subsidy Control advice for the project has been provided by SCC's own legal team. Set out within the business case is a summary of the legal team's assessment of the project's compliance with the Subsidy Control regulations. This should be reviewed with the SYMCA legal team for the avoidance of doubt.

8. RECOMMENDATION AND CONDITIONS

Recommendation	In principle approval, Proceed to FBC (see recommendations)
Payment Basis	N/A

Conditions of Award (including clawback clauses)
Recommendations for FBC: 1. The majority of the methodology used to calculate the gross economic benefits is sound. However, although outside the scope of the application, the decision to include the benefits arising from the future delivery of the commercial space necessitates some more explicit explanation on the dependency of this element on the successful delivery of the Phase 1 element. In addition to this, greater evidence of demand for the proposed floorspace would provide greater assurance these benefits would be delivered. This should be considered at the next business case stage. 2. In the economic model, some of the construction spend does not appear to have been captured in the calculation for Residents into Employment (Construction). This would result in a slight improvement to the BCR. 3. It is noted that £760k of the £1.71m transferred from SCC to CITU is for the refurbishment of existing buildings, however, the units delivered as a result are stated as outside the scope of this application. This should be clarified. 4. Please provide detail as to what steps would be taken to mitigate/recoup any overruns (e.g. value engineering or re-profiling delivery). 5. Please provide evidence of demand for the type of housing units proposed: Limited evidence has been provided to demonstrate the rationale and demand for the type and tenure of the housing units proposed.