

1 – SCHEME DETAILS

Project Name	Harmony Works	Type of funding	Grant
Grant Recipient	Harmony Works Trust (a Charitable Incorporated Organisation) Charity Registration Number: 1204512	Total Scheme Cost	£15,779,970
MCA Executive Board	MCA	MCA Funding	£2,000,000
Programme name	Gainshare	% MCA Allocation	13%
Current Gateway Stage	OBC	MCA Development costs	£9,946.67
		% of total MCA allocation	0.5%

2 – PROJECT DESCRIPTION

Harmony Works (HW) will transform the Grade II* listed Canada House (CH) in Castlegate in the heart of Sheffield into a home for inspirational music education and opportunity for young people across South Yorkshire. It will provide a much-needed, inclusive and accessible hub for music education that celebrates excellence and invites all young people to explore their musical potential.

HW is founded on a collaboration between Sheffield Music Academy (SMA) and Sheffield Music Hub (SMH), leading music education organisations, and now includes many additional partners including two National Portfolio Organisations, Brass Bands England and Music in the Round, and the University of Sheffield and The Sheffield College.

Is it clear what the MCA is being asked to fund?

Yes, it is clear what the MCA is being asked to fund which is a contribution towards the following:

- Fees for Initial Works to ground floor - Design Fees, (architect, engineer, fire consultant)

- Construction costs for Initial Works to ground floor
- Insurance and Statutory Fees
- Surveys (e.g. party wall, heating assessment, Asbestos R+D)
- RIBA 4 Design Fees (Architect, Structural, Fire, Access and M+E Engineer, Project Manager, Quantity Surveyor)
- Project Team (Director, Fundraising, Finance Manager, Project officer)
- Capital Works
- Contingency

The full cost of the scheme extends to 2028/29 but MCA's contribution is scheduled to be spent by 25/26.

3. STRATEGIC CASE

Options assessment

The OBC includes a number of Objectives for the project. However, as they are currently set out, whilst they do within them include the key measures of success for the project, they are difficult to understand and are not captured in a SMART basis. More succinct Objectives with clear measures of improvement against baseline performance and appropriate timescales will need to be included at FBC so that they can be monitored effectively through the project delivery.

Is there a clear rationale for the selection of short-listed options and the choice of the Preferred Way Forward?

Yes, there is a clear rationale for the selection of the preferred option. An initial sifting exercise has been carried out and evidenced to consider several alternative locations for the combined services, with Canada House being the clear favourite. The viable options considered in the OBC being the extent of works to the building with the Preferred Option including an extension to the building to allow it to become more of an educational hub. The alternative option has been analytically explored against the Preferred Option.

Statutory requirements and adverse consequences

Does the scheme have any Statutory Requirements?

The works to Canada House have already achieved Planning and listed buildings consent. As part of this a Heritage Statement has been produced to considering the impacts of converting the G2* listed building.

The project has had a comprehensive economic impacts review carried out.

HW is being delivered via blended funding. For the full refurbishment and redevelopment to be complete, all remaining funds need to be secured. The MCA Gainshare funding is a critical pathway to securing the balance of partnership funding. Without this investment in full, the currently allocated funds of c£4.5m through NLHF will not be realised as NLHF require that partnership funding is secured before releasing their funds to the project.

	<p>The project is dependent on the purchase of Canada House. Contracts have been exchanged and the date of completion is 31/3/24. In order to unlock the delivery of the projects the purchase (funded from LUF grant) will have to happen at risk ahead of all of the full funding package being committed.</p> <p><i>Are there any adverse consequences that are unresolved by the scheme promoter?</i></p> <p>There are no unresolved wider implications of the project at this stage.</p>
<i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i>	The OBC demonstrates a really clear alignment of the impacts/benefits that the project will deliver and how it will contribute across all of the SEP areas.

4. VALUE FOR MONEY

Monetised Benefits:

<i>VFM Indicator</i>	<i>Value</i>	<i>R/A/G</i>
<i>Net Present Social Value (£)</i>	£19,389,000	
<i>Benefit Cost Ratio / GVA per £1 of SYMCA Investment</i>	2.73	
<i>Cost per Job</i>		

Non-Monetised Benefits:

<i>Non-Quantified Benefits</i>	<p>Social Value Impact Significant construction expenditure will be undertaken, creating opportunities for work placements, training and apprenticeships.</p> <p>Sustainable Development The location of Canada House and new facilities and future commercial and educational developments in the Castlegate area, adjacent to the bus station, tram network and rail interchange, will help promote and encourage public transport use. The refurbishment of Canada House will also ensure improved energy efficiency.</p> <p>Levelling up access to arts and music across the city The Harmony Works project will provide increased opportunities for participation in music education and performance by young people and communities at a highly accessible and dedicated city centre location.</p> <p>Creating a strong sense of place and community</p>
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The Harmony Works project and the implementation of an education hub in the heart of the city, will encourage an accessible and lively atmosphere, with a distinctive culture and a healthy living environment directly linked to Canada House’s heritage.

Supporting early years development through increased musical activities
Harmony Works will encourage collaboration and increased engagement in music for children of all ages, including the early years.

Catalytic impact
The Harmony Works project will act as a catalyst for further investment and regeneration in Sheffield city centre, by establishing a cultural anchor of national significance in the city, and making the Castlegate area a more attractive location for investment,

Value for Money Statement

Taking consideration of the monetised and non-monetised benefits and costs, and the uncertainties, does the scheme represent value for money?

Based on the monetised benefits, the core benefits produced a negative BCR. However, the purpose of this project is not based around the traditional commercial regeneration metrics it is much more about well-being and education attainment and so when these wider benefits are considered the Adjusted BCR is 2.74 which represents good VfM.
Further qualitative impacts have been set out supporting the benefits for the project and the selection of the Preferred Option.

The economic analysis has also been subject to comprehensive sensitivity testing and value switching demonstrating that significant changes to either the benefits or the costs must occur for either intervention option to no longer represent value for money.

5. RISK

What are the most significant risks and is there evidence that these risks are being mitigated?

The most significant risks in the table below are extracted from a more detailed risk register submitted. Whilst these do appear to be the most appropriate risks in relation to the construction programme, they don’t include the risk with regard to securing full funding which is on the risk register but has a lower ranking than the ones below.

No.	Risk	Likelihood (High, Med, Low)	Impact (High, Med, Low)	Mitigation	Owner
1	General unknowns arising during the construction phase of the project where parts of the existing building are uncovered revealing unknown aspects of it,	High	Medium	Robust project management processes that are implemented by the project manager and used by the whole project team. This would primarily revolve around a strong change control process that will identify, manage and control change. It will also be mitigated by an	Project Manager

	that couldn't form part of any early survey/investigation work			experienced contract administrator/employer's agent who will manage the building contract on behalf of HWT. The appointment of a contractor with suitable experience will also help to mitigate the impact of uncovering additional work requirements	
2	Capital costs exceed budget leading to reduced contingency/ project overspend.	Medium	High	Clearly communicate project budget On-going validation of budget Integrate cost and design disciplines - active cost management Support Client on identifying potential funding sources and secure funding sources. Run robust change control procedure Active risk management Savings could be obtained through value engineering exercises	Client
3	The project is not attractive to contractors based on the proposed procurement route leading to difficulties in selection of a contractor with appropriate experience.	Medium	High	Work with Client to develop a robust procurement strategy that reflects attitude to risk, the attractiveness of the project to potential bidders and compliance with funding requirements.	Project Manager
4	Inflation exceeds industry forecasts - costs exceed project budget	Medium	Medium	Seek to fix prices as soon as possible, to achieve cost certainty. Provide regular market updates and inflation reviews	Cost Manager
5	Inadequate contingency allowance in cost plan	Low	Medium	On-going engagement with Quantity Surveyor and in-depth review of risk. Confirm and identify high risk areas and specialist works in cost plan, as early as possible, and implement plans to confirm allowances	Cost Manager

Do the significant risks require any contract conditions? (e.g. clawback on outcomes)

Clawback on achievement of outputs.

Are there any significant risks associated with securing the full funding for the scheme?

Yes, this is one of the key risks to the project as whilst in principal funding sources have been identified for the full scheme costs, a significant proportion of the funding is yet to be secured. The affirmation of MCA funding will unlock some of those funding applications as will the acquisition of Canada House funded by LUF grant. The applicant has a funding strategy that assumes that all funding is secured by end of 2024 but there is a risk that having acquired the site the project cannot proceed to plan due to incomplete funding.

Are there any key risks that need to be highlighted in relation to the procurement strategy?

There are no key risks with the procurement Strategy. As the specific form of contract is yet to be determined then the detailed risk ownership between the parties has not been established. However, whether JCT or NEC these are standard for the type of project and so should not be an issue. The fact that CH is a listed building will always add to the potential construction risk of a project.

6. DELIVERY

Is the timetable for delivery reasonable?

The timetable for delivery is generally reasonable. However, based on the current timeline in the OBC, there is a relatively short period between OBC and FBC submission and the only likely activity advanced will be the completion of purchase of CH. Uncertainties regarding funding and procurement outcome will still exist at that point.

Is the procurement strategy clear with defined milestones?

Yes, the procurement strategy is clear with defined milestones, and this aligns with the high-level project plan provided. The main works procurement will be dependent on the successful completion of the minor works on the ground floor.

The procurement process will need to be aligned to the funding strategy so that commitment is only made when all necessary funding is secured.

What is the level of cost certainty and is this sufficient at this stage of the assurance process? Has the promotor confirmed they will cover any cost overruns?

The cost certainty is 75% which is the minimum requirement at this stage. The construction cost is based on sound QS estimates but final costs will be subject to the tender exercise which will not commence for some time.

The cashflow and funding profile has construction expenditure starting in 24/25 and MCA's funding being expended by 25/26 but the procurement of the main contractor is not scheduled until Sep '25. It is assumed that MCA funding will be used for the early stage fees and minor works ahead of the full construction.

The promoter has confirmed they will be responsible for and cover overruns.

Additionally, an Operational Business Plan has been produced in support of the business case which is very comprehensive and sets out the assumptions of operational costs and income which appear prudent and illustrate that the facility should operate at surplus.

Has the promoter demonstrated clear project governance and identified the SRO? Has the SRO or other appropriate Officer signed of this business case?

Yes, the promoter has set out clear governance for the project including organograms showing how the governance will evolve from the current pre-acquisition phase through to the operational phase.

The SRO has been identified and they have signed the OBC.

Has public consultation taken place and if so, is there public support for the scheme?

The OBC is supported by a Consultation and Engagement Summary which details a long-term engagement process with a range of stakeholder groups. The document doesn't capture the key feedback themes from those interactions in the way that a formal consultation would, but some evidence of support is provided in the feedback comments included. As the works to CH have been through a successful Planning application then public consultation will have been part of that process.

Are monitoring and evaluation procedures in place?

A very comprehensive Evaluation Strategy and Plan has been produced which sets out the approach to evaluation which gives confidence that the MCA's and other funders obligations can be monitored effectively.

7. LEGAL

Has the scheme considered Subsidy Control compliance or does the promotor still need to seek legal advice?

A Subsidy Control opinion has been sought, and it is considered compliant. The applicant has provided additional information on the breakdown of projected operating costs and Commercial revenue will be less than half of the projected operating costs and a breakdown of the projected rental income from tenants. The applicant will also be providing a breakdown of how the education provision will be funded, including income from grants and payments from students.

8. RECOMMENDATION AND CONDITIONS

Recommendation	Approve OBC and Progress to FBC
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Payment Basis	Defrayal
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Conditions of Award (including clawback clauses)

Issues To Be Addressed for FBC

- Objectives to be set out more succinctly on a SMART basis with clear baseline data and consistent and realistic timescale for achievement. These to form part of the monitoring and evaluation of the project.
- Clarity around procurement framework used and appropriate form of contract.
- Further clarity on process for securing funding and how this is aligned to the procurement process to mitigate risks of project stalling/failing once the asset has been acquired.
- Further clarity is required as to what activities the MCA funding will be drawn down against.
- FBC to be submitted when procurement is advanced and full funding secured.