

Public Document Pack



Thursday, 13 January 2022

To: Members of the MCA - Housing and Infrastructure Board and Appropriate Officers

You are hereby invited to a meeting of the South Yorkshire Mayoral Combined Authority to be held at **Virtual Meeting**, on: **Tuesday, 18 January 2022 at 1.00 pm** for the purpose of transacting the business set out in the agenda.

A handwritten signature in black ink, appearing to read "D. Smith".

Dr Dave Smith
Chief Executive



You can view the agenda and papers
at www.sheffieldcityregion.org.uk
or use a smart phone camera
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Member Distribution

Councillor Terry Fox (Co-Chair)
Gemma Smith (Co-Chair)
Damian Allen
Councillor Amy Brookes
Councillor Tim Cheetham
Michael Faulks
Councillor Glyn Jones
Councillor Paul Wood

Sheffield City Council
Private Sector LEP Board Member
Doncaster MBC
Rotherham MBC
Barnsley MBC
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Doncaster MBC
Sheffield CC

MCA - Housing and Infrastructure Board

Tuesday, 18 January 2022 at 1.00 pm

Venue: Virtual Meeting



Agenda

Agenda Ref No	Subject	Lead	Page
7.	Programme Approvals - Appendix D - Sheffield Fargate -	Sue Sykes	5 - 10
Date of next meeting: Tuesday, 1 March 2022 at 1.00 pm At: Virtual Meeting			

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Item 7, Appendix D

MCA HOUSING AND INFRASTRUCTURE BOARD

18th January 2022

Notification of Fargate Scheme being considered for approval by the MCA on the 24th January

Covering Extract from MCA Report - Progression of schemes to full approval and award of funding

Fargate Measures

This project seeks £6m of capital funding as part of a cohesive approach to Sheffield City centre, addressing Fargate alongside the Heart of the City 2 project in order that these are mutually supportive and in effect form interconnected elements if a single programme. Whilst initiatives such as Heart of the City 2 and the Future High Streets Fund have been in development since well before the start of the Covid pandemic, the impact of the past 18 months has brought these issues into sharper focus, requiring even more flexibility in what projects need to be delivered, how these are funded and what additional activity is required to cement the planned investment

The MCA is being asked to fund four interventions:

- The acquisition of additional property on Fargate/High Street to support the objectives of committed Future High Streets Funding investment,
- Address the immediate issues resulting from the closure of John Lewis Partnership (JLP)
- Cambridge Street Collective/Leah's Yard Showcase will provide temporary space in 15 units/structures housed under the JLP canopy opposite Leah's Yard on Cambridge Street.
- Heart of the City shopfronts and white walling of units

The Benefits and Outcomes

The project will deliver –

- 377 jobs

The assurance summary [below] notes some conditions of approval, including the concerns regarding cost per job, that will need to be resolved before a contract award can be made.

1 – SCHEME DETAILS			
Project Name	Sheffield - Supporting City Centre Investment (SCC Fargate Measures)	Type of funding	Grant
Grant Recipient	Sheffield City Council	Total Scheme Cost	£6m
MCA Executive Board	Housing and Infrastructure	MCA Funding	£6m
Programme name	Getting Building Fund	% MCA Allocation	100%
Current Gateway Stage	FBC	MCA Development costs	n/a
		% of total MCA allocation	n/a

2 – PROJECT DESCRIPTION	
<p>The applicant is seeking £6m GBF funding to support 3 areas of activity:</p> <ol style="list-style-type: none"> 1. £2,410,740 for the acquisition, strip out and white-boxing of 2 commercial property units –42-46 Fargate (Former New Look) and 26-28 High Street. The funding will also cover preliminary survey work to inform any offer/deal and all legal and planning fees associated with the acquisitions. 2. £1,041,400 for a range of interventions to address the immediate issues resulting from the closure of JLP including: an options appraisal for the reuse or redevelopment of the former JLP building; a contribution to ongoing survey work in relation to the JLP building; the acquisition and fit-out costs of 15 containers/units to support the CSC/Leah's Yard Showcase on Cambridge Street (until HoC2 works complete in Q4 2024); and the acquisition and fit-out of 6 containers/units to “animate” the Barker's Pool/Town Hall Square area 3. £2,547,860 for shop front works and white boxing of 51,534ft² of retail, food & drink and leisure units on the ground floors of completed development blocks/phases in Heart of the City 2. 	

3. STRATEGIC CASE	
<i>Options assessment</i>	The applicant sets out a range of potential options, including a Do Minimum, two Viable Alternatives and the Preferred Option. The rationale supporting the choice of the preferred option is that a full suite of interventions is required to address the challenges facing this part of the City Centre as a result of Covid-19, the disruption caused by HOC2/FHSF

	schemes and JLP closure. This will support the city centre by creating jobs and supporting footfall, in turn reducing the potential for further vacancy and a loss of confidence in this part of the city centre.	
Statutory requirements and adverse consequences	The applicant notes that early discussions with the relevant planning and highways have taken place to determine if consents/licences are required. The risk register notes that an early meeting is to be held with Development Management and Highways to resolve and agree timescales for determination. The applicant has since clarified that none of the proposed interventions impact existing transport infrastructure and early meetings with planning have identified that the uses are acceptable in principle, with planning applications for temporary structures to be submitted in Q3 2021/22.	
FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).	<p>The project demonstrates a clear alignment with the “Stronger” strategic outcome, through its ability to contribute to increased productivity by presenting a more attractive offer to potential occupants of the HoC2 and FHSF floorspace, which are focused on the information and communication, and professional, scientific and technical activities. The provision of new floorspace and contribution to higher quality refurbished floorspace will support enterprise and employment.</p> <p>The project will also contribute to the “Fairer” strategic outcome through the requirement for contractors to provide Employment & Skills Plans as part of their method statements. This will result in contractual requirements for contractors to engage with local schools / colleges /universities to provide career talks, CV building, mock interviews, site visits and work experience/internship opportunities. Through a combination of the interventions the applicant will seek to secure 2 FTE apprenticeships and a number of work experience/site visits. Greater clarity should be provided in relation to these activities and outcomes once procurement has been undertaken, with</p>	
4. VALUE FOR MONEY		
Monetised Benefits:		
VFM Indicator	Value	R/A/G
Net Present Social Value (£)	1,799,545	G
Benefit Cost Ratio	1.83	G
Value for Money Statement		
<p>The BCR (which includes welfare effects) for the preferred option is 1.83, which represents good value for money. This is based on £4.0m net economic benefits and £2.2m costs in the preferred option, providing a Net Present Value (NPV) of £1.8m.</p> <p>The core BCR is approximately 1.59 without the welfare effect considered, based on £3.5m net economic benefits. This represents acceptable value for money.</p>		

5. RISK

The applicant has presented the five main risks within the FBC, with 20 risks identified in the Risk Log (Appendix MC9) which details the risk, impact, mitigation and likelihood.

The key risk relates to the challenging programme and the risk that works cannot be delivered in funders timescales (March 2022), with the mitigation that the applicant undertakes preparatory work at risk ahead of MCA FBC approval. The applicant notes that no further opportunities for acceleration were identified within the programme. Other key risks include increased costs (building acquisitions, utilities and general prices). While the applicant has noted that it will cover cost overruns, mitigation includes value engineering, which would also present a risk to the project programme. Other risks include programme delays associated with the purchase of buildings and planning approval. Further clarifications have highlighted that early meetings with Planning team indicate that the uses proposed are acceptable in principle, with applications for temporary structures to be submitted in Q3 2021/22.

The ambitious programme of activity, with the applicant required to commit £6m GBF before the 31/03/2022 deadline, represents a significant risk.

The applicant has focused its procurement strategy on established processes/frameworks as the most expedient route to delivering the project in line with the constrained timescales. Some aspects of procurement provide more certainty, with a contractor/operator selected for the Barkers Pool and Town Hall Square animation and the white boxing of units to be procured through contract variations to existing frameworks with Galliford Try and Geo Houlton & Sons (slated for Jan 22 for HOC2 units and fit-out works will be commence in 20/21 on the High Street/Fargate units). However, with procurement still to be undertaken this does represent a risk to delivery in line with the stated timescales. In particular, the procurement for the CSC/Leah's Yard Showcase on Cambridge Street is uncertain, with the position having been altered between receipt of the initial FBC and Response to Clarifications.

6. DELIVERY

The delivery timetable represents an ambitious programme of activity within the GBF funding timescales. While the applicant has undertaken preparatory work at risk, there are elements of the project which have high levels of uncertainty. For instance, in relation to the CSC/Leah's Yard Showcase on Cambridge Street, the delivery, design and programme discussions are underway however the applicant acknowledges the tight timescales and "intended negotiations with contractors will focus on achieving as much as possible before the end of March '22." Furthermore, the Fargate/High Street property milestone for acquisition is stated as 31/03/21 within the project programme (Appendix MC10). Subsequent clarifications highlight that fit-out is expected to commence in Q4 2021/22 but limited certainty regarding how achievable this is in light of the acquisition deadline.

Procurement is required across the elements of the application. The procurement strategy focuses on established processes/frameworks to select contractors to undertake the works:

- **HOC2 White boxing** – Delivered using the appointed contractors for the development blocks through a variation to the contract (negotiations underway with contractors, with variation to be agreed by 25/01/22 in line with project programme).
- **Barkers Pool and Town Hall Square Animation** – A contractor/operator has been selected for the Barkers Pool and Town Hall Square animation, which will require a 'services and works concession contract'.
- **CSC/Leah's Yard Showcase on Cambridge Street** – Queensberry as the Council's development manager on HoC2 will lead on the procurement, design and delivery of the temporary structures on Cambridge Street.

- **Fargate/High Street White Boxing** – SCC will use its established procurement processes/frameworks to select contractors to undertake the white-boxing works to property acquisitions on Fargate and High Street, with fit-out works will be commence following acquisition of property.

The applicant states that these are the most expedient procurement routes owing to the constrained timescales.

The level of cost certainty is stated as 30% within the FBC. This is significantly lower than would be expected at FBC stage. This does constitute a risk, though the applicant has stated that it will cover all cost overruns.

A clear governance structure has been provided. The project sponsors report to the City Centre Development Project Board / HOCII. Further context on the individual roles and responsibilities is provided in Appendix MC8 which highlights that the Project Sponsor is ultimately accountable for the success of the programme /project.

The applicant notes that both HoC2 and the Future High Streets Fund proposals have been the subject of considerable public consultation and stakeholder engagement, which is ongoing to inform scope and delivery.

Once in contract, progress will be monitored against the agreed delivery programme through regular meetings and update reports from the contractor in conjunction with the standard contract administration process and documentation.

7. LEGAL

The applicant notes that subsidy control is not applicable to this project.

Justification is provided on the basis of a market failure and that the Council's investment is to provide a public service, with SCC not deemed to be an enterprise as they are not acting as a commercial developer would. Profit is not assumed and would be reinvested to offset losses or into wider regeneration programmes/public services.

8. RECOMMENDATION AND CONDITIONS

Recommendation	Approve subject to conditions
Payment Basis	Payment on Defrayal
Conditions of Award (including clawback clauses)	
<p><i>The following conditions to be included in the contract.</i></p> <ol style="list-style-type: none"> 1. Any allocated funding drawn down and not committed by the deadline is returned through the inclusion of funding clawback mechanism as part of the grant agreement. 2. Applicant will cover any cost overruns 	

The following conditions must be satisfied before contract execution.

3. Evidence of internal Board approval to proceed.
4. Solicitor's opinion to confirm Subsidy Control position
5. Confirmation of the definitive set of outputs and outcomes which the MCA will contract against and monitor
6. Agree detailed schedule of inclusive growth indicators and targets (e.g. % of [previously unemployed] locals offered permanent contracts and apprenticeships, mentoring and school engagement and engagement with the local supply chain) to ensure the project delivers wider socio-economic benefits and that these can be captured, monitored and reported.

The conditions above should be fully satisfied by 28/02/2022. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

7. All required statutory consents including planning enquiries must be satisfied.
8. A complete risk log which includes cost estimates if risks materialise, should be provided for each project.