

# Appendix B1 - Assurance Summary

VERSION 1 24.11.2021



## 1 – SCHEME DETAILS

<b>Project Name</b>	Sheffield Future High Streets Fund (Front Door Scheme)	<b>Type of funding</b>	Grant
<b>Grant Recipient</b>	Sheffield City Council	<b>Total Scheme Cost</b>	£31.1m
<b>MCA Executive Board</b>	Housing and Infrastructure	<b>MCA Funding</b>	£3m
<b>Programme name</b>	Gainshare	<b>% MCA Allocation</b>	9.42%
<b>Current Gateway Stage</b>	OBC	<b>MCA Development costs</b>	n/a
		<b>% of total MCA allocation</b>	n/a

## 2 – PROJECT DESCRIPTION

### The Programme:

The Sheffield Future High Streets Fund programme of interventions on Fargate and High Street intends to act as a catalyst for sustained investment, repurposing key streets to serve a growing population, showcasing events and culture and creating adaptable, climate-resilient public space. Focusing on the historic shopping streets of Fargate and High Street, it reconnects the city centre, reversing a trajectory of decline.

The applicant proposes three key interventions to future-proof the city centre and create an experience-centred environment to attract visitors and increase dwell time:

1. Repurpose Fargate as an events and cultural setting. Create a cultural hub, Events Central, at 20-26 Fargate. Alongside this hub, the applicant will reconfigure the top of Fargate to provide outdoor space for major international events, supported by modernised power and utility infrastructure.
2. Public realm works in High Street and its historic side streets will deter crime and create sociable spaces.
3. **A programme of works to open up front door access to upper floors of retail premises for conversion to residential or live/work accommodation. This element is the subject of this business case and funding request to MCA.**

**The Project:**

The FHSF bid to the then Ministry of Homes, Communities and Local Government detailed specific building interventions, which had been identified by landlords as having upper floors that could be opened up to provide additional accommodation with support from the scheme. These were ranked in line with their readiness to proceed and the viability appraisals were used to establish the gap in funding.

The private sector contribution that will be invested in the project represents the amount the respective schemes intend to spend on their buildings upon receipt of the funds to fill the viability gap. This is not committed and secure at this stage as each building is being reviewed by the applicant to establish if there are any changes in costs/assumptions/design that should be assessed to see if the outcomes reflect what was stated at the bid stage and if this is still agreeable.

The Front Door Scheme will operate by allocation of capital grants to landlords. The prioritised list is being reviewed to see if the outcomes are still achievable and if there is any change in the viability gap. Building owners are being engaged with to establish the status of their proposition and understanding of the anticipated timescales.

MCA funds will be used for access and refurbishment works to buildings on Fargate and High Street. This will be done through capital grants to the private to sector to address the financial viability of schemes, it is anticipated that this will be utilised for construction and fit out of the newly accessible spaces.

SCC has not yet confirmed the full list of interventions to be delivered through the combined programme of DLUHG, SCC, MCA and private sector funds. A provisional list of properties has been identified for funding and included in the business case. These are:

- Fargate Evolve residential development
- Orchard Square residential development
- 33-35 Fargate Co-working development
- Central Buildings Office development
- Orchard House Office development
- 26-28 High Street – Hotel

The initial priority scoring spreadsheet has been included with the business case to demonstrate the progress which is being made. The priorities will continue to be reviewed to secure the best options for public sector investment within the FHSF programme up to 31st March 2024.

As the programme of investment is not yet fixed, the MCA will need to be convinced that SCC has the appropriate controls and mechanisms in place to realise the proposed benefits and private sector investment.

3. STRATEGIC CASE	
<i>Options assessment</i>	<p>The business case identifies three options. The do-minimum assumes that the funding secured through DLUHC will still be invested in the city centre, alongside investment from SCC. The viable alternative proposes less than half of the MCA is invested in the scheme.</p> <p>The business case indicates that the reduced investment will result in proportionately lower levels of private sector investment on the high street and consequently low economic outputs. The business case also highlights a loss of a catalyst effect of great investment across the area from the preferred scheme. This statement of longer-term transformation is plausible, however it is not substantiated with specific evidence of the scale of likelihood.</p>
<i>Statutory requirements and adverse consequences</i>	<p>The scheme promoter has provided positive evidence of the scheme falling within planned development and therefore is not expected to face a planning barrier. This evidence is important to ensure the scheme is deliverable. As the promoter has yet to fully define all of the schemes to be delivered through the Front Door programme, the advice of the planning officers may need to be sought again as new proposals come forward.</p> <p>It is noted within the primary risks that the delivery programme may be impacted by other city centre projects and overlapping construction works. Any works will need to be agreed and timetabled through the Works register to ensure traffic management, utilities works or temporary traffic orders are suitably addressed.</p> <p>The FBC will need to provide an updated position on the Statutory Requirements of any new interventions. This updated position will need to demonstrate that the requirements are not a barrier to delivery and that all the required approvals are in place.</p> <p>SCC has undertaken an open call to landowners through both direct approach and open events (2019 and 2020) inviting proposals ahead of the 5c business case submission to DLUHC. Given the impact of Covid19 and changes in ownership and management SCC are to undertake review of the property list and make a further call through an event with owners to identify any new opportunities to meet the outputs and outcomes agreed with DLUHC.</p>
<i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i>	<p>Under the “Stronger” Strategic Outcomes of the SEP, the Front Door Scheme will deliver against “Enterprise” and “Employment”, by bringing back into use 7,893m<sup>2</sup> of vacant/underused commercial floorspace and 227 gross jobs. There is a qualitative contribution to the productivity outcome as the units are suggested to service sectors which are high value and more resilient to Covid impacts.</p> <p>Under “Fairer”, construction tenderers will be required to submit Employment &amp; Skills Plans. However. More detail is needed on what social outcomes this commits the contractor to.</p> <p>Contribution to ‘Greener’ objectives of the SEP claimed in the business case makes a commitment to secure at least a 10% reduction in each buildings carbon footprint through the statutory planning process.</p>

4. VALUE FOR MONEY		
<b>Monetised Benefits:</b>		
<i>VFM Indicator</i>	<i>Value</i>	<i>R/A/G</i>
<i>Net Present Social Value (£)</i>	£10.7m	G
<i>Benefit Cost Ratio / GVA per £1 of SYMCA Investment</i>	3.2	G
<b>Non-Monetised Benefits:</b>		
<i>Non-Quantified Benefits</i>		
Value for Money Statement		
<p>The economic appraisal for the preferred option (Option 2) has generated a BCR of 3.2,. This BCR is derived mainly through the monetisation of social benefits (PVB - £15.5m) versus costs at £4.8m (PVC), generating a resulting Net Present Value of £10.7m</p> <p>The BCR calculation includes:</p> <ul style="list-style-type: none"> <li>• Land Value Uplift (LVU) calculated in accordance with MHCLG guidance.</li> <li>• Wider LVU which consider a proportion of the programme level uplift at 12.5%, reflecting the fact that other element will have a greater visible effect on the surrounding area.</li> <li>• Labour supply benefits through the creation of new jobs through the diversification and use of upper floors.</li> <li>• Active travel benefits arising from new jobs and associated walking/cycling activity, measured through the use of the Active Mode Appraisal Toolkit (AMAT).</li> <li>• Crime cost savings have been estimated at 7% at programme level, with 10% of these saving attributable to the Front Door project, mainly arising through more activity in the area.</li> <li>• Wellbeing benefits linked to the crime reduction benefits, with residents experiencing a reduction in fear.</li> <li>• Distributions impacts have been calculated in accordance with the HM Treasury Green Book, based on equivalised disposable household income and welfare weights.</li> </ul>		
5. RISK		
<p>The highest risk identified in the business case is the potential for cost changes. This reflects that the full programme of interventions is yet to be established. This risk is key for the MCA to understand and see evidence of sufficient control by SCC.</p> <p>The works associated with the Front Door scheme will take the form of Grant which will be managed through the application of the Grant Agreement, with defined milestone for payment etc. Landlords will be required to provide proof of costs and works, prior to Grant payments.</p>		

The use of the Grant Agreement provides a degree of risk management with regards financial exposure however the emphasis is on the landlords to progress works to realise the full benefits of the project and ultimately the programme in due course. This can only be managed through ongoing engagement and collaboration between landlords and the wider programme team to ensure the realisation of the cumulative benefits as reported within the OBC. The FBC will need to provide an updated position on the process of securing Grant Agreements with end users to confirm the risks have been mitigated.

Overall, the business case is in a strong position as funding from DLUHC has already been secured and the internal funding from SCC has been evidenced with the appendices. The MCA investment is therefore topping up commitments already made and supported by others.

The level of private sector investment included in the business case does not appear to be substantiated with firm evidence to ensure this level of private sector commitment will be achieved. The investment from the private sector will be confirmed and evidenced through the proposed funding agreement. It is therefore important that the MCA notes that the final level of private sector investment will remain uncertain until each Agreement is reached with landlords and investors.

A key risk in the procurement strategy is the end user Agreement between SCC and the Landlord. The Agreement is the mechanism by which SCC can influence and control the procurement approach of the recipients. The Agreement has been tested with one recipient and successfully executed. SCC also retain the ability to make reasonable amendments to each agreement.

## 6. DELIVERY

A detailed programme level timetable has been set out within the OBC, noting the commencement of the first project on the 18 November 2021. Overall, the timetable is considered reasonable, with forecast completion and final evaluation reporting in early 2027.

There remains the need for further clarity on the timetable for individual projects within the programme, and how any interim works feed into the planned evaluation and monitoring stages. The challenge to the overall timetable in the context of the Front Door Scheme project, is managing timetables for each landlord progressing works for individual units – the expectation can be set out within the agreement, but enforcement of the timetable may be more challenging.

The business case sets out the main options for procurement which cover the range of potential delivery options available to the promotor. There are three main routes which are identified covering the items to be procured. 1) Civil works, 2) Building works 3) Grant funded works.

As the business case sets out, the Front Door scheme will be delivered by the Grant funded works. This will be controlled through SCC's proposed Grant arrangement with each recipient.

Cost certainty is identified in the business case as 60%. This level of cost certainty is lower than is expected at the OBC stage. The value reflects that the full programme of work has yet to be identified and agreed with the landlords who will benefit from the investment.

SCC has undertaken viability assessment to estimate the budget for the works and develop the business case. This early work informed the business case submission to DLUHC in 2020.

The final costs remain subject to change and will be determined as and when viability appraisals submitted for evaluation by landowners. SCC are currently awaiting viability appraisals which will provide a case for revised scheme with updated costs informing SCC evaluation to determine eligibility and the level of gap funding required.

A review of the 'Front Door Scheme' is planned for early 2022 and SCC will seek to agree a final list of projects to achieve outputs/outcomes agreed with DLUHC. SCC anticipate greater cost certainty in Q1 22/23. This updated cost will need to be provided for the Full Business Case and any implications on the outputs, outcomes or value for money statement updated. If the cost certainty has not been sufficiently improved, then the MCA should consider the inclusion of a Clawback condition on the outcomes proposed in the business case. SCC does provide evidence of internal financial and risk controls for each Grant Agreement which will help to manage the cost uncertainty.

The SRO has been clearly defined, alongside a supporting project team. The scheme is part of the wider programme of investment to support the recovery of the city centre

The scheme promotor has provided full details of a stakeholder engagement event ran by the University of Sheffield.

The University of Sheffield's Partnerships and Regional Engagement team worked with Sheffield City Council Between September and November 2019. The report is appended to the business case as Appendix C. The report is wide ranging and does not solely focus on the Front Door Scheme, which helps to demonstrate that a range of solutions have been considered.

The report prepared for SCC identifies a wider range of solutions to improve the Fargate and High Street area, including the types that are included in the Front Door Scheme.

The business case appendix also highlights previous consultation which has helped shape the business case and demonstrate stakeholder support. This includes data from main two sources:

- Paper surveys completed by attendees at the following consultation events:
  - Millennium Gallery, 19 November 2019 (56 responses)
  - Moor Market, 25 November 2019 (15 responses)
- Online survey administered by Sheffield City Council (open between 19 November and 8 December 2019), (148 responses). The survey was promoted in press releases, radio and Twitter.

The business case identified that DLUHC require 6 monthly monitoring and evaluation reports. These include the monitoring of the outputs and outcomes identified at 2.4 and 2.5 of the business case. SCC have identified revenue funding to resource this work. In additional, the landowners are required under the terms of the grant funding agreement to provide relevant information on request of the City Council.

The monitoring and reporting requirements are sufficient to meet the MCA's requirements and early engagement with the MCA contracting team will help to ensure the data reported to DLUHC can also fulfil the requirement of MCA monitoring and evaluation.

## 7. LEGAL

SCC has provided a Subsidy Control opinion for one element of the Front Door Scheme which covers the proposed grant funding to 33-35 Fargate (Appendix E). The opinion describes in proportionate detail the assessment of the proposed Grant of £900,000. The opinion confirms that the proposed grant complies with Subsidy Control requirements.

However, the business case covers a programme of interventions which have yet to be fully defined. Therefore, the opinion provided is not yet sufficient for the overall programme of work which will come forward over the coming months.

It is recommended that the following options are considered:

1. The scheme promotor must provide evidence of further Subsidy Control for each intervention prior to contract award from the MCA.
2. The scheme promotor must provide evidence of how each grant it seeks to award will be assessed for Subsidy Control
3. The scheme promotor must provide an overarching statement of Subsidy Control for the overall business case at FBC.

## 8. RECOMMENDATION AND CONDITIONS

<b>Recommendation</b>	Proceed to FBC, subject to recommendations
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<b>Payment Basis</b>	
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### Conditions of Award (including clawback clauses)

#### Summary and recommendations:

Overall, there is a clear and strong strategic rationale for the investment which is being sought. The contribution from the MCA will be used to complete the match-funding for the scheme as part of the wider programme of investment. All other funding to deliver the programme has been secured, including from DLUHC.

The economic appraisal for the preferred option (Option 2) has generated a BCR of 3.2, which represents a 'High' value for money category in terms of HM Treasury Green Book criteria.

The business case has an important risk which needs to be considered by the MCA. At this stage of the scheme development there remains uncertainty on the costs, due to the final prioritised list of interventions needing to be complete. The implication of this risk is that costs could increase and benefits which are claimed in this business case may not be realised. SCC has put in place a programme of activity to update the Front Door scheme interventions and to control the uncertainty.

Due to the risk associated of SCC confirming all of the interventions to be included in the Front Door scheme, it is recommended that the MCA include conditions to manage the risk. SCC will have the opportunity to reduce the risk and uncertainty through the submission of the Full Business Case in due course. If the uncertainty remains, then the MCA should consider including a Clawback Condition on the proposed outcomes.

It is recommended that the scheme can progress to FBC. Prior to approval of the FBC, SCC should:

- Provide a comprehensive update of the cost estimates and viability assessments
- Update the Value for Money assessment
- Provide an updated Subsidy Control statement, which covers the full Front Door scheme