

Assurance Panel Summary

Scheme Details

Project Name	Porter Brook		
Grant Recipient	Sheffield City Council		
MCA Executive Board	Housing & Infrastructure	MCA Funding	£350,000
% MCA Allocation	100%	Total Scheme Cost	£350,000

Appraisal Summary

Project Description
<p>Sheffield City Council are seeking £350,000 from MCA funds for site clearance of the Porter Brook site within the Cultural Industries Quarter of the Sheffield City Centre. This application focuses on the demolition of a two-storey building on the Porter Brook site, which is currently used for car parking, to provide a cleared site that is ready for development. The applicant owns the freehold to the site and has secured vacant possession of the former Escape Rooms premises.</p> <p>Once the site is cleared, Sheffield City Council will seek developer interest for housing targeted at young professional workers, potentially via a build-to-rent development. The site is estimated to have the potential to accommodate up to 200 one- and two-bedroom apartments.</p>
Strategic Case
<p>The application has clear rationale by addressing a viability gap on a key site within the Cultural Industries Quarter that will unlock the site for housing where previous attempts to attract a developer have been unsuccessful. The Scheme provides a strong fit with the SEP's objectives by facilitating vibrant and resilient places; attracting a skilled and qualified workforce; increasing housing stock and providing energy efficient homes within the city centre.</p> <p>The strategic case states that not securing MCA funding would mean that the scheme would be delayed by an estimated 24 months until Sheffield City Council funding became available. A delay to securing the funds required to demolish the existing building would inevitably delay the scheme as previous attempts to redevelop the site have not been successful due to viability issues meaning the site is likely to remain undeveloped without public sector intervention.</p>
Value for Money
<p>The indirect outcomes of the scheme, based on the delivery of 200 units, are estimated to generate a Net Present Value of £157,161 and BCR of 1.4.</p> <p>The future land uses could result in the site increasing in value to £693,531, a LVU of approximately £338,691.</p> <p>Based on Communities and Local Government (CLG) guidance 'Valuing the benefits of regeneration', further benefits of the indirect outcomes of the scheme could include:</p> <ul style="list-style-type: none"> Consumption benefits (to account for 'private betterment minus dis-amenity') of up to £2,962,656 per annum. Production benefits (to account for employment enabled by the new housing, due to new residents coming to the area, increasing the local labour pool) of up to £3,556,000 per annum. Visual benefits (from the external benefits arising from enhanced visual amenity), of up to a one-off benefit of £3,271,520.
Risk
<p>The business case highlights three main risks:</p> <ol style="list-style-type: none"> No Market Interest. (Low probability. High impact.) Planning permission not obtained. (Low probability. Medium impact.) Ground conditions increase costs. (Medium probability. Medium impact.)

It should be noted that the risks outlined above relate to the delivery of housing units on the site rather than site clearance and demolition which are seeking MCA funding. The business case would benefit from identifying risks associated with the MCA funding.

The degree of cost certainly is rated at 30% as the scheme is at pre-tender stage. The level of contingency involved has been informed by the initial findings of the asbestos report and bat survey which both indicate a low risk of any associated costs being involved in the scheme. It should be noted that a detailed breakdown of the assumptions underpinning the scheme costs has not been provided. It should be noted that Sheffield City Council have committed to account for any cost overruns in the scheme so there is limited financial risk associated with the scheme for the MCA.

The risk owner is not identified as a key member of the project team and this needs to be clarified. Appendix 3 (Risk Log) of the business case template is currently blank. The risk log should be populated for completeness.

Delivery

The scheme will be managed internally at Sheffield City Council by the Capital Delivery Service (CDS). The business case provides the names of key scheme contacts including the project sponsor, project manager and lead client. The scheme will be guided by a monthly project highlight report, contract valuation report and cost report will be produced and issued to the client. The project team will establish a series of progress meetings and regular site inspections.

Specific reporting mechanisms for this scheme should be included in the business case to reflect its short delivery period. The business case would benefit from providing scheme specific detail regarding payments to the contractor. It currently states that 'Interim payments will be made on a monthly basis and will be based on valuations made by CDS in accordance with the contract and progress on site'.

The business case gives a delivery plan with the following key milestones:

- Demolition dependant on securing MCA funding by 31/03/2021
- Market Site depending on demolition by April 2021
- Select developer dependant on marketing by July 2021
- Submit Planning Application dependant on selecting a developer and exchanging contracts by Sept 2021
- Obtain Planning Approval dependant on submitting planning application by Dec 2021
- Start on Site dependant on obtaining planning permission by 01/03/2022
- Project Completion dependant on constructing scheme by April 2023

The milestones from July 2021 onwards are dependent on developer interest being secured for the delivery of housing units on the Porter Brook sites and so cannot be guaranteed even if MCA funds are awarded. There is however strong evidence of demand for such sites as outlined in the commercial case.

Legal

Subsidy Control is not applicable to the scheme. The applicant owns the Porter Brook site and so is able to carry out the required demolition works without contravening Subsidy Control rules in preparation for the open market disposal of the site.

Recommendation and Conditions

Recommendation	Full grant award subject to conditions
Payment Basis	Payment on defrayal
Conditions of Award (including clawback clauses)	
<i>The following conditions must be satisfied before contract execution.</i>	
1. 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.	
2. Submission of a Risk Register appropriate to the project outputs (i.e. demolition/site clearance)	

3. Submission of acceptable Subsidy Control opinion

The conditions above should be fully satisfied by 6th April 2021. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

4. All required statutory consents including all planning conditions must be satisfied.
5. Submission of evidence of SCC's Board approval for the scheme.
6. Formal confirmation of all other funding approvals required to deliver the project.
7. Submission of a detailed project plan and risk register including sufficient contingency provision for all activities and related mitigation costs.
8. Confirmation of procurement and evidence of cost certainty

The following conditions must be included in the contract

9. Clawback will be applied on outputs at MCA discretion

Record of Recommendation, Endorsement and Approval					
Porter Brook					
Assurance Panel Recommendation		Board Endorsement		MCA Approval	
Date of Meeting		Date of Meeting		Date of Meeting	
Head of Paid Service or Delegate	Ruth Adams Deputy CEX	Endorsing Officer (Board Chair)		Approving Officer (Chair)	
Signature		Signature		Signature	
Date		Date		Date	
S73 Officer or Delegate	Gareth Sutton Group Finance Director	Statutory Finance Officer Approval Name: Signature: Date:			
Signature					
Date					
Monitoring Officer or Delegate	Steve Davenport SCR MCA Solicitor				
Signature					
Date					