

Appraisal Summary

Scheme Details

Project Name	Allen Street		
Grant Recipient	Sheffield City Council		
MCA Executive Board	Housing & Infrastructure	MCA Funding	£546,250
% MCA Allocation	50%	Total Scheme Cost	£1,092,500

Project Description

SCC hold the freehold on a derelict, redundant site in the St Vincent's area of Sheffield. The long leasehold is held by developers who have gone into receivership and SCC are using the opportunity to promote the site for residential development by bringing the freehold and long leasehold interests together. SCC are therefore seeking £546,250 of MCA BHF investment, with a further £546,250 of match funding from the Council to acquire the leasehold interest and to fund site preparatory works including demolition and fencing works. The FBC describes development potential for an 8-storey residential block of 120 apartment units and that SCC will select a developer through the subsequent marketing of the site.

Strategic Case

The strategic rationale for the scheme and ask for MCA funding is clear; acquisition of the leasehold and land preparation work will facilitate marketing of the site to attract a developer. Without this intervention, SCC are of the opinion that the site will remain unattractive to private developers and the land will not be developed.

The site at Allen Street has been identified as a strategic location for development. The areas of Kelham, Neepsend, and St Vincent in the City are in the Strategic Housing Zone. The Allen Street site is located within St Vincent's.

The scheme aligns reasonably well with several local and regional policies, namely the housing targets for Sheffield and the wider Sheffield City Region area. The strategic case for the proposed development in general is clear in its rationale and is consistent with the BHF fund's objectives.

Value for Money

The Net Present Benefits of the project have been estimated at £575,191 compared to Net Present Costs of £546,250. Therefore, the project has a Net Present Value of £28,941 and BCR of 1.1, and thus meets the approval criteria for this programme.

Risk

The applicant covers a number of key risks and their mitigation in the FBC:

- No market interest when the Council comes to dispose of the cleared site. SCC offers as mitigation that it will develop the scheme itself, find another partner, or wait for the market to improve. The Assessor's view is that the latter option, wait for the market to improve would be the most likely outcome, which would mean that delivery of housing outputs within the timescale set by Government from the delivery of BHF outputs (2025) is likely to be at considerable risk for the MCA in administration of the Fund.
- Planning permission not obtained – SCC offer as mitigation that it could revert to the existing scheme permission. However, this will deliver less than 50% of the housing units (54 units) offered within the business case.
- Ground conditions increase cost – SCC offer as mitigation that site investigations will need to be undertaken. SCC highlight that this risk will sit within the chosen developer. However, it would affect the financial viability of the site, and therefore put at risk whether further public sector support will be needed in order to get the project underway.

The risk section is silent on the issue of end scheme values and how likely it will be to secure a developer by simply merging the freehold and long leasehold interests, and demolishing the existing derelict building on site, then putting the site back to the market. The Colliers report provided by SCC indicates that developers are finding it very difficult to demonstrate viability on city centre development schemes in Sheffield. If this risk materialises it could have a significant impact on whether further public sector investment will be needed in order to get the site away.

Delivery

The FBC states that works will be carried out by experienced contractors and the marketing of the site will follow a usual procedure used by the Council. Key milestones have been somewhat loosely reported in the FBC. For example, it states that the site at Allen Street is to be acquired by the 11th of March 2021, this now needs amending.

There is no presentation of the key stages or steps for re-marketing the site to select a preferred developer, or what the likely timescales for delivery on the 120 housing units will be.

The update to the FBC includes an update to the Appendices which show the 120 units being delivered in 2023/24 (i.e. from March 2023). Given the timeframe for the BHF fund (2025), if SCC are able to provide better evidence that the market will respond positively to the Allen Street opportunity once SCC puts the cleared site back to the market, then this could potentially be possible.

Legal

SCC have confirmed that this investment does not constitute State aid as the site is being acquired at market price.

A risk remains around the purchase price to be paid for the long leasehold given there is no supporting valuation, although it is clear from SCC's responses that SCC believe the price to be paid is market value.

Recommendation and Conditions

Recommendation	Full grant award subject to conditions
Payment Basis	Payment on defrayal
Conditions of Award (including clawback clauses)	

The following conditions must be satisfied before contract execution.

1. Confirmation that the profiled 2021/22 spend of MCA funds can be defrayed in year, as the MCA is unable to guarantee that this will be reprofiled beyond year end, and/or that SCC will cover any additional works from alternate sources.
2. 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.
3. Confirmation of ground investigations completed
4. Confirmation of procurement and evidence of cost certainty
5. Submission of a detailed project plan and risk register including sufficient contingency provision for all activities and related mitigation costs.
6. Confirmation of key milestones

The conditions above should be fully satisfied by 27th July 2021. 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 all planning conditions must be satisfied.
8. Submission of evidence of SCC's Board approval for the scheme.
9. Formal confirmation of all other funding approvals required to deliver the project.
10. Formal confirmation of commitment to address any cost overruns without unduly compromising project outputs and outcomes.
11. Submission of acceptable Subsidy Control opinion

The following conditions must be included in the contract

12. Clawback will be applied on outputs at MCA discretion

