



## Assurance Panel Summary

### Scheme Details

<b>Project Name</b>	Sheffield Heart of the City 2 – Block A (Radisson Hotel and former Gaumont Building)	<b>Type of funding</b>	Capital Grant
<b>Grant Recipient</b>	Sheffield City Council	<b>Total Scheme Cost</b>	£51.8m
<b>MCA Executive Board</b>	Housing and Infrastructure	<b>MCA Funding</b>	£3m
<b>Programme name</b>	Gainshare	<b>% MCA Allocation</b>	5.8%

### Part A - Appraisal Summary

Strategic Case			
<i>Project rationale</i>	<p>Yes. MCA funds will contribute towards the construction of Block A including: demolition, façade retention and strengthening, construction of hotel and ground floor retail units, strip out and refurbishment of Gaumont building.</p> <p>No evidence of need or market demand for the project in terms of business or customer demand for hotel space has been provided, and there is already a large hotel operator (Mercure) located on the Peace Gardens. Evidence of demand in the business case is purely based on tenders received by hotel operators. In addition, no evidence is provided in terms of demand for the flexible commercial/leisure space or the retail units.</p> <p>Evidence of need for MCA funding is unclear. The business case explains why there is a funding gap, but not why it the MCA is the best/only funding option, or why the gap cannot be met by SCC, the private sector or other partners.</p>		
<i>Strategic fit</i>	See Annex 1 below		
<i>Proposed outcomes</i>	By regenerating Block A and delivering a high quality hotel in this prominent area, the project aims to attract new business to the city. It will also deliver commercial floorspace and bring back into use current vacant units. The project therefore aligns with the economic strategic objectives of the SEP (Enterprise & Employment) although the contribution is indirect and the project only acts as the catalyst to achieving these objectives. The project also includes initiatives that contribute to both social and environmental objectives of the SEP.		
Value for Money			
<i>Core monetised Benefits</i>	The full job creation potential of the project is not yet fully understood. however, based on the information provided in Appendix A, the project is estimated to create 227 net additional jobs (excluding construction jobs) at a cost to the MCA of £13,233 per net job created. Based on total public sector funding, cost per job is £227,291.	<i>Non-monetised and wider economic benefits</i>	<ul style="list-style-type: none"> <li>• Photovoltaic array at rooftop</li> <li>• Hotel connected to Sheffield’s Energy from Waste district heating network</li> <li>• BREEAM target rating of Excellent</li> <li>• Tenderers to submit Employment &amp; Skills Plans</li> </ul>

	The project is also estimated to generate £44.7m of GVA over 10 years. This equates to a return of £17.71 per £1 of MCA invest, or £1.03 per £1 of total public sector investment.		<ul style="list-style-type: none"> <li>• Liaison with local schools / colleges /universities – work experience / internship opportunities</li> <li>• Obligation for hotel to implement Real Living Wage</li> <li>• The procurement will comply with SCC's Ethical Procurement Policy</li> </ul>
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### **Value for Money Statement**

Given the initial estimates provided, cost per job based on MCA investment alone provides acceptable value for money, but this is poor based on total public funding. More work is needed at OBC stage to develop more reliable and comprehensive value for money estimates.

### **Risk**

*Top 5 risks as identified in the SBC are:*

1. Asbestos bitumen discovery to existing floor slab
2. Public Realm/Highways works
3. Construction Condition of existing buildings; over and above provisional sums incorporated within tender sums
4. Party Wall agreements & any associated works beyond provisional sums and areas allowed for
5. Ground conditions; over and above £60k provisional sums incorporated within tender sums

*Risks 1 & 2 are presented as having High likelihood and Medium impact; however, both appear to have already happened and are therefore now issues, not risks. Risks 3 to 5 all have Medium likelihood and High impact and relate to project costs. Provisional sums for these items have been incorporated in the tender sum as mitigation.*

### **Delivery**

*Project appears to be very advanced with start on site proposed for July 2021. If the viability of the project is based on MCA funds, which only account for 6% of the project costs, then this would seem unrealistic, given the project is currently at SBC stage.*

### **Legal**

*The SBC states the proposed funding is not deemed to be unlawful subsidy control by the Council. No official legal opinion provided.*

## Annex 1 – Strategic Policy Fit

### To what extent does the project meet the MCA’s strategic objectives as set out in the of the MCA Corporate Plan 2021-22?

Outcome	Strategic Objective	R/A/G Rating	Comments
<b>Stronger</b> Achieve sustained good growth, underpinned by productivity gains that exceed the UK average	<b>Leading an economic transformation by:</b> 1. creating not just a bigger economy but a better one: higher-tech, higher skill, and higher-value - backing wealth and job creators	R	
	2. enabling businesses to survive, adapt and thrive and be more innovative and resilient as we come out of the pandemic and resulting economic downturn	A	<ul style="list-style-type: none"> <li>To create 51,000 sqft of modern/flexible commercial space for Retail and/or Leisure uses.</li> </ul>
	3. stimulating local economies by investing in the infrastructure, transport and digital capabilities to create jobs and transform places	G	<ul style="list-style-type: none"> <li>To improve the appearance of the building and façades to better sit within the prominent position in the Heart of the City</li> <li>To create a 154 room upper class Hotel</li> <li>To create 51,000 sqft of modern/flexible commercial space for Retail and/or Leisure uses.</li> <li>To bring back into use current vacant units</li> <li>To contribute to the city centre retail, hotel and entertainment offer</li> </ul>
<b>Greener</b> Drive forward environmental sustainability to achieve our net-zero carbon target by 2040	<b>Leading a green transformation by:</b> 4. decarbonising our economy, regenerating the natural environment and accelerating Net Zero Carbon transition	A	<ul style="list-style-type: none"> <li>Photovoltaic array at rooftop</li> <li>Hotel connected to Sheffield’s Energy from Waste district heating network</li> <li>BREEAM target rating of Excellent</li> </ul>
	5. capitalising on technological and scientific capabilities to improve the resilience and quantum of clean energy supply, storage, distribution and usage	R	
	6. revolutionising transport, getting South Yorkshire moving by foot, bike, bus, tram and train	R	
<b>Fairer</b> Unlock prosperity by eliminating the wage gap and health	<b>Leading a wellbeing and inclusion transformation by:</b> 7. raising quality of life, reducing inequality, and widening opportunity for South Yorkshire people	A	<ul style="list-style-type: none"> <li>Obligation for hotel to implement Real Living Wage</li> <li>The procurement will comply with SCC’s Ethical Procurement Policy</li> </ul>
	8. equipping people to contribute to and benefit from economic prosperity	A	<ul style="list-style-type: none"> <li>Creation of jobs: Estimated 567 FTE’s</li> </ul>

inequalities between South Yorkshire and the national average	9. supporting people to improve their skills, get back to work, remain in or progress in work, or set up in business and thereby accelerate social mobility	<b>A</b>	<ul style="list-style-type: none"> <li>• The requirement for construction tenderers to submit Employment &amp; Skills Plans (needs to be understood what Social outcomes this commits the contractor to).</li> <li>• Liaison with local schools / colleges /universities (career talks, CV building, mock interviews, site visits and work experience/internship opportunities)</li> </ul>
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**Part B - Recommendation and Conditions**

<b>Recommendation</b>	Procced to OBC
<b>Payment Basis</b>	
<b>Conditions of Award (including clawback clauses)</b>	
<p><i>The following conditions must be satisfied before contract execution.</i></p> <p><i>The following conditions must be satisfied before drawdown of funding.</i></p> <p><b>The following conditions must be included in the contract</b></p>	

**Part C - Approvals**

<b>Record of Recommendation, Endorsement and Approval</b>					
<b>Project Name</b>					
<b>Appraisal Panel Recommendation</b>		<b>Board Endorsement</b>		<b>MCA Approval</b>	
<b>Date of Meeting</b>		<b>Date of Meeting</b>		<b>Date of Meeting</b>	
<b>Head of Paid Service or Delegate</b>	Ruth Adams Deputy CEX	<b>Endorsing Officer (Board Chair)</b>		<b>Approving Officer (Chair)</b>	
<b>Signature</b>		<b>Signature</b>		<b>Signature</b>	
<b>Date</b>		<b>Date</b>		<b>Date</b>	
<b>S73 Officer or Delegate</b>	Gareth Sutton Finance Manager	<b>Statutory Finance Officer Approval</b>			
<b>Signature</b>					
<b>Date</b>					
<b>Monitoring Officer or Delegate</b>	Steve Davenport SCR CA Solicitor				
<b>Signature</b>					
<b>Date</b>					