Appendix B

Assurance Panel Summary

Scheme Details

Project Name	Attercliffe Waterside	**Type of funding**	Grant
Grant Recipient	Sheffield City Council	**Total Scheme Cost**	£137.7m
MCA Executive Board	Housing & Infrastructure	**MCA Funding**	£1.87m
Programme name	Brownfield Housing Fund	**% MCA Allocation**	1.4%

Appraisal Summary

Project Description

Attercliffe Waterside lies within the Advanced Manufacturing Innovation District between Sheffield City Centre and the M1 motorway. The vision for the site is to create a new neighbourhood of low-carbon homes aimed at skilled young workers and their families. This development builds on the success and momentum of the Sheffield Olympic Legacy Park, AMID and growth of investment and employment in the wider Lower Don Valley and should help change perceptions and drive the regeneration of Attercliffe and surrounding communities. Development of this large site will:

- Connect disparate land ownerships to bring forward a site of sufficient scale to drive regeneration and to create a ‘neighbourhood’ identity and sense of place.
- Deliver 750 innovative, high quality, ultra-low carbon and energy efficient ‘eco homes’ within a high quality environment with landscaped and communal areas using Modern Methods of Construction (MMC) with homes constructed off site.
- Refurbish character buildings on the canalside.
- 40,000sq ft of employment floorspace.
- 26,200sq m of new and improved public realm/open space together with 14,750sq m of amenity space in the retention of existing wooded areas.
- Improve pedestrian connectivity and permeability through what is currently a largely vacant site to and from Attercliffe high street and Supertram and the Darnall neighbourhood.

MCA funding will be used to acquire the land required for Phase 1 of the proposed development scheme to unlock a wider scheme which will deliver the full range of benefits set out in the OBC.

The land is to be acquired at its existing use value, which is evidenced by an independent valuation report prepared by SMC (which the assessors have not seen). This phase comprises a group of existing industrial buildings of ‘considerable character’ which are to be refurbished, but which have a value greater than the development value of the site. This viability challenge has led to delays with the development scheme not coming forward due to market failure. The application argues that MCA funding is required to allow Sheffield City Council to intervene and acquire the land with onward disposal to the Council’s development partner, Citu, at a commercially viable price. This will allow the private sector to acquire the site on commercially acceptable terms and develop out the site, contributing to place making and raising residential values in a challenging location for residential viability and make the remaining phases commercially viable for the private sector to deliver.

Strategic Case	
Options assessment	Overall, the rationale for the selection of short-listed options is inadequate as the only realistic viable options for intervention considered are the preferred option and the ‘do nothing/do minimum option’. The options assessment will require further consideration to make the case for intervention more robust. It is recommended that the applicant considers a long list of potential interventions and from these considers two alternative options for intervention at the site that are viable and have a realistic alternative set of outcomes that can be

	modelled. Potential shortlisted and longlisted options could include: delivery arrangements such as SCC acquisition of all land for all phases; larger public sector contribution to site remediation, infrastructure and de-risking; public sector contribution to bring forward reduced high-quality housing on part of the site or alternative development use mixes could be reasonable alternative options. A revised OBC which sets these out clearly will be required
Statutory requirements and adverse consequences	The site is the subject of an Informal Planning Advisory Notice prepared by the LPA in 2019 which accepts potential uses as residential, shops, small-scale offices, R&D, Light industrial, residential institutions and hotels. The IPAN highlights the need for a bat survey, further archaeological survey work, a heritage statement addressing the listed structures on the site, a land contamination study, noise survey, further consultation with the Canal and River Trust with regard to mitigation to the canal infrastructure, along with a number of other requirements. It is assumed that these have been progressed. Following responses to clarification questions put by the assessors to the applicant, it is understood that there have been three positive pre-application meetings between the appointed development partner and the LPA and that a planning application will be submitted once the development agreement between SCC and the development partner is exchanged. The OBC states that there are likely to be no adverse economic or social disbenefits in delivering the project but that there is potentially an issue with disruption to the existing businesses that occupy a small part of the site, affecting not more than 20 jobs at businesses in Phase 1 and a further 10 jobs on Phase 2. The applicant has said this adverse consequence will be mitigated through seeking to relocate the existing businesses to minimise disruption though it is recognised this cannot be fully guaranteed.
FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).	The project aligns well with the objectives and desired outcomes of the SEP and REP and contributes across all three Strategic Outcomes: Stronger, Greener, Fairer.

Value for Money

The economic dimension includes a series of monetised benefits to determine BCRs alongside non-monetised outcomes. For the preferred option the following have been considered:

1. An initial BCR – including direct Land Value Uplift (LVU), indirect spillover LVU, and carbon savings. This BCR has been calculated against the MCA BHF funding only, not all public funds.
2. An adjusted BCR – in addition to the initial BCR health benefits and societal fuel benefits have been added. Again this BCR has been calculated against the MCA BHF funding only, not all public funds.
3. An adjusted BCR – the same benefits have been included as number 2 above but this BCR has been calculated against all public sector funds.

The results of the BCR calculations for the preferred option is as follows:

1. Initial BCR: 4.36
2. Adjusted BCR: 7.93
3. An adjusted BCR (against all public sector funding): 3.8

All BCR figures calculated and reported in the BCR are over 1 and therefore represent good value for money.

Risk

There are a series of risks identified in the OBC in section 6.6 with a full matrix included as part of A.3. The major risks identified include MCA funding not being approved, achieved sales values being lower in phases 2 and 3 than being anticipated therefore challenging commercial viability, Covid 19 impacts, higher than expected abnormal costs, landowners not agreeing to sell the land, relocation of existing businesses leading to delays in start on site, supply chain difficulties resulting from Brexit, cost overruns, planning and governance delays. All risks have been scored identifying the highest risk in terms of likelihood and impact, risk owner and proposed mitigation. The short list and full matrix of identified risks appear are reasonable. All scoring appears to be reasonable and it is felt the quantitative conclusions represent the risks effectively.

The delivery of the scheme by the private sector is dependent on the continued commercial viability of the proposed scheme. All development funding beyond the initial MCA grant to unlock the land and the sum to be recycled by the Council back into the project from the revenues gained through disposing of the acquired land to the selected developer, is to be provided by the developer on a commercial basis with no further public sector funding anticipated. The MCA will need to be satisfied that sufficient allowance for all commercial risks has been made in the developer's appraisals and that risk is minimised as far as reasonably possible

There is some risk surrounding the current absence of a finalised development agreement which it is understood will be completed simultaneously with all parties once the FBC has been approved. It is understood that this risk is being mitigated through continuous communication between the parties and agreement in principle has been achieved. There is also a risk to delivery arising out of the proposed intervention, which is its dependence on improved sales values and real costs matching cost assumptions in the existing appraisals to ensure the viability of the scheme. These appraisals have not been finalised, so it is currently unclear what contingencies have been allowed for i.e. cost fluctuations, unforeseen remediation works or market volitivity. The assessors accept that the applicant is aware of these risks and working to mitigate them. It is acknowledged that detailed and robust appraisal of the scheme is currently being undertaken and financial appraisals will be made available to the MCA at FBC stage.

Delivery

Overall, the timetable for delivery is reasonable, but note that the land is to be acquired by the Council in December 2021, prior to final approval by the MCA of the FBC.

A developer, Citu, has been appointed following a marketing campaign and two-stage bidding process carried out by CBRE in 2019. The developer has agreed in principle to a draft development agreement and a tripartite agreement between existing landowners that covers how they will deal with the selected developer and distribute the proceeds from the phased land sale. Detailed comments on the development agreement from Citu are still outstanding, however. The assessors have no concerns surrounding the procurement strategy, though it should be noted that there is some risk around the current absence of full acceptance by the preferred bidder of a finalised development agreement. It is understood that the development agreement will be completed simultaneously with the development agreement being entered into with Citu, but that this will be in advance of final sign off and contracting with the MCA for the funding agreement.

The OBC states a level of certainty of 75% which is the minimum required at this stage. Financial appraisals have been prepared by the selected developer and are being analysed and these will provide greater financial certainty at FBC stage. The applicant states that there is no expectation that MCA will be responsible for cost overruns.

The OBC states that strategic and political responsibility for the development and delivery rests with Sheffield City Council's Interim Executive Director of Place who will be required to approve acceptance of the MCA funding, the purchase and subsequent sale of the site, the development agreement and the use of capital receipt of sale for infrastructure works. Operational delivery of the development is to be delegated to Sheffield's Head of Property and Regeneration, reporting to SCC's Housing Delivery Group. The Senior Responsible Officer for the project has been named but he has not been signed the submission.

The OBC states that public consultation will take place as part of the planning application process which will be in April 2022, but that the scheme is consistent with local planning policies which have been subject to public consultation.

Monitoring and evaluation is to be led by the SRO who will report to SCC's Housing Delivery Group and Capital Delivery Group and meet monthly with the private sector developer's Project Manager to monitor progress of the development, review and update the risk register and take necessary coercive actions to ensure the scheme will be

delivered on time, on budget and to the required quality standards. The OBC states that Citu will be responsible for reporting social value results with social value outcomes monitored through the Council's Social Value Portal. The costs of M&E are to be met by Sheffield City Council.
Legal
The applicant intends to take legal advice in relation to subsidy control at FBC stage and do not believe subsidy control rules to apply to this development and the MCA grant. However, the proposal in the preferred option of disposing of land acquired at market value from the private sector to a private sector developer at below market value needs to be considered by the applicant's legal advisors. Considering the acquisition is to take place before the MCA has approved the FBC, the applicant should provide further evidence of the advice they have received in relation to the legal position before FBC stage is this represents a significant delivery risk.

Recommendation and Conditions

Recommendation	Proceed to FBC, with conditions
Payment Basis	
Conditions of Award (including clawback clauses)	
Submission deadline for the FBC of the 29th of November 2021. A more complete options assessment should be submitted and agreed by SYMCA prior to developing the FBC. The template provided for an OBC document can be used to complete the options assessment.	

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<tr><td colspan="6">Record of Recommendation, Endorsement and Approval</td></tr>
<tr><td colspan="6">Project Name</td></tr>
<tr><td colspan="2">Appraisal Panel Recommendation</td><td colspan="2">Board Endorsement</td><td colspan="2">MCA Approval</td></tr>
<tr><td>Date of Meeting</td><td></td><td>Date of Meeting</td><td></td><td>Date of Meeting</td><td></td></tr>
<tr><td>Head of Paid Service or Delegate</td><td>Ruth Adams

Deputy CEX</td><td>Endorsing Officer (Board Chair)</td><td></td><td>Approving Officer (Chair)</td><td></td></tr>
<tr><td>Signature</td><td></td><td>Signature</td><td></td><td>Signature</td><td></td></tr>
<tr><td>Date</td><td></td><td>Date</td><td></td><td>Date</td><td></td></tr>
<tr><td>S73 Officer or Delegate</td><td>Gareth Sutton

Finance Manager</td><td colspan="4" rowspan="6">Statutory Finance Officer Approval

Name:

Signature:

Date:</td></tr>
<tr><td>Signature</td><td></td></tr>
<tr><td>Date</td><td></td></tr>
<tr><td>Monitoring Officer or Delegate</td><td>Steve Davenport

SCR CA Solicitor</td></tr>
<tr><td>Signature</td><td></td></tr>
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