Appendix B4

Assurance Summary

Scheme Details

Project Name	Phase 4 Park Hill, Sheffield	**Type of funding**	Grant
Grant Recipient	Urban Splash (Park Hill) Limited	**Total Scheme Cost**	£26m
MCA Executive Board	Housing and Infrastructure	**MCA Funding**	£5.6m
Programme name	Brownfield Housing Fund	**% MCA Allocation**	21.6%

Appraisal Summary

Project Description

Phase 4 Park Hill is a residential led mixed-use re-development of a Grade II* listed structure. Phase 4 is part of a wider long-term regeneration of the Park Hill flats estate transforming 5 iconic brutalist buildings that have suffered decay and dereliction into high quality and sustainable homes and vibrant workspaces for people to live, work and play. By the end of 2021 phases 1 to 3 will complete including 455 mixed tenure homes (including 93 social rent, 114 open market rent and 248 open market sales), circa 55,000 sq ft of active commercial workspace and 356 student bedrooms. Phases 1 to 3 will attract an active community of 1,500 people living and working within Park Hill. Phase 4 brings forward a further 95 new homes and shell space for a new cultural hub for S1 Artspace.

The OBC is clear in setting out that the total funding required from the MCA is £5,610,344 to fund a scheme to refurbish an existing Grade II* listed structure. The project will deliver 95 homes including 19 affordable, a further eleven shell units to be fitted out as live/work units, and c29,000 sq ft of shell space to fit out as artists' studios, workspace and community / learning space, 80 car parking spaces and external landscaping. The funding from the MCA is to unlock the proposed scheme by addressing a funding gap created by the high costs of renovating a Grade II* listed building and make the proposed scheme financially viable. Section 2.3 outlines the specific cost items the MCA grant would support. The assessors have found that the OBC is clear in setting out what the funding should be used for.

Strategic Case

Options assessment	The OBC sets out four main options: Do minimum, viable alternative options 1 and 2, and the Preferred option. It is considered that the preferred option is the best fit with the applicant's strategic objectives and the other options have been discounted for legitimate reasons.
Statutory requirements and adverse consequences	The OBC states that a reserved matters planning application has been submitted with approval granted in August 2019 for Phase 4. This application includes the refurbishment of the building to provide 95 residential units, education space, artists' studios, flexible workspaces, live/work and heritage flats and an extension to form a new art gallery with ancillary facilities. The planning approval is subject to a set out outline and reserve matters planning conditions which will be discharged. The applicant has submitted a design and access statement along with other documents required for the statutory consultation process, including a transport statement The assessors note that the planning application is being progressed but that there is some risk in the absence of approval of reserved matters, though outline planning consent has been approved.

	The applicant has considered adverse consequences through a 'sustainability agenda' submitted as part of the outline planning consent and an ecology report submitted for the reserved matters planning application which both considered potential adverse consequences arising out of the proposed development scheme and found there to be none.

Value for Money

The economic dimension includes a series of monetised benefits to determine BCRs alongside nonmonetised outcomes. For the preferred option an initial BCR has been considered, including Land Value Uplift (LVU), wider Land Value Uplift, health benefits of affordable housing, crime cost savings, amenity benefits and distributional benefits.

Also an adjusted BCR has been calculated to take into account active mode transport benefits, labour supply benefits, productivity benefits, wellbeing from attending arts and cultural events and volunteering benefits, heritage benefits. However, the applicant considers the adjusted BCR likely to be an overestimate as the fit-out, staffing and other costs of the S1 Artspace are not factored in and are to be funded separately. The applicant therefore suggests that it is the initial BCR that is the most appropriate to consider when assessing the project's value for money.

Based on the more conservative initial BCR calculation, the project results in a BCR of 2 and therefore represents acceptable value for money.

Risk

The OBC identifies a series of risks in section 6.6 and details the approach to mitigation of these risks. Risks identified include risk of cost increases, risk of not securing debt funding, not agreeing legals with the S1 Artspace operator, commercial risk of slow sales and declining values, and risk of delays to the construction programme. All risks are owned by the developer and the assessors are satisfied that appropriate and proportionate mitigation measures are in place and that risks are being managed. All scoring appears to be reasonable and it is felt the quantitative conclusions represent the risks effectively.

A major delivery risk is the current absence of secured debt funding which the developer will require to deliver the scheme. It is recognised, however, that private sector lenders are unlikely to agree to an unviable scheme and that therefore the award of the requested grant from the MCA is crucial to rendering the scheme viable and able to attract debt funding. It is also noted that the applicant has an existing relationship with a potential funder which is currently providing a loan for Phase 2 of the same project and that the applicant is confident finance can be agreed on similar terms once the viability of the scheme can be demonstrated. The MCA may consider it appropriate to make the grant conditional on an 'agreement in principle' or an indication from potential private sector lenders of their willingness to provide the required finance if the grant is approved.

The OBC identifies that there is a risk with the use of a design & build contract that the client may have to pay more if the contractor takes on an unreasonably high level of risk due to a lack of design clarity, that the contractor may exploit specification that is open to interpretation to choose the cheapest route leading to quality being compromised, but indicates that these risks are to be mitigated. The assessors are satisfied that the developer and professional team are experienced in their approach to procurement, having successfully delivered phases 1-3.

Delivery
The applicant, Urban Splash is the developer of the scheme and will procure subcontractors through a 2 stage design & build contract. The main contractor is to be evaluated during Pre-Contract Service Agreement (PCSA) stage. The assessors are satisfied that the procurement strategy is clear and milestones are defined and reasonable The OBC states a level of certainty of 75% which is the minimum level of certainty in relation to costs that is required at this stage. The applicant states there is no expectation the MCA will be liable for cost overruns which will be owned by the developer. The OBC sets out clear project governance, outlining the governance structure for the project, stating that the developer is Urban Splash (Park Hill) Ltd which is a 50/50 joint venture partnership between Urban Splash and Places for People. The Development Manager is Urban Splash Developments. The Senior Responsible Owner and key contact for the contract with the MCA is named for Urban Splash Developments. The OBC sets out the applicant's approach to monitoring and evaluation, stating that a key set of principles for the professional team to adhere to in ensuring the scheme captures the benefits, outcomes and outputs of the projects will be set out, and that these principles will be set out within the Employers Requirements for the construction contract. All benefits, outcomes and outputs will be set out in a tracker which will be used to monitor progress through the delivery of the scheme and this will be reviewed and updated with project meetings.
Legal
The applicant has received advice from lawyers DWF on subsidy control with their advice letter appended to the OBC. This advice indicates that the requested grant is likely to be compliant with emerging Subsidy Control regulations.

Recommendation and Conditions

Recommendation	Proceed to FBC
Payment Basis	
Conditions of Award (including clawback clauses)	
Submission deadline for the FBC of the 29th of November 2021.	