



Report to Policy Committee

Author/Lead Officer of Report: Ben Brailsford,
Theme Lead - Development, Climate and Economy

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Report of: *Ajman Ali, Executive Director – Operational Services*
Report to: *Strategy and Resources Committee*
Date of Decision: *24 January 2023*
Subject: *Fargate Containers – options appraisal for use*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				

Purpose of Report:

To provide options for decision on the future use of the Fargate Container Park once it has been relocated from its temporary location, in line with the decision made at Strategy and Resources Committee on 12 December 2022, detailed in section 1.15 of that report.

Recommendations:**That the Strategy and Resources Committee approve:**

- 1) That the Executive Director for Operational Services be authorised to implement removal of the containers (option 1) from Fargate to a storage location, and utilise the containers for a different purpose, such as, but not limited to, usage by community groups, or to improve facilities in Sheffield's parks or other outdoor activity centres, following the consideration of community submissions and having assessed opportunities for outdoor facility improvements.
- 2) That the large screen is retained for future use by the Council
- 3) That the Director of Legal Services in consultation with the Executive Director for Operational Services be authorised if necessary, to negotiate and agree all legal documentation to implement recommendation 1 and 2

Background Papers:*none*

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Holly Nicholl/Alex Hill
		Legal: Rahana Khalid/David Sellars
		Equalities & Consultation: Ed Sexton
		Climate: Jessica Rick
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	SLB member who approved submission:	Ajman Ali
3	Committee Chair consulted:	Councillor Terry Fox
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Ben Brailsford	Job Title: Theme Lead - Development, Climate and Economy
	Date: 17 January 2023	

1. PROPOSAL

- 1.1 This report presents options to Strategy and Resources committee to enable a decision to be made about the future use of the Shipping Container Development currently located at the top of Fargate, by Town Hall Square.

Background

- 1.2 In 2021, to support economic recovery post pandemic, a proposal for a meanwhile use container park concept was developed to help new and pop-up businesses to grow and incubate in the city, as well as support encouraging the return of footfall to the city centre. The contract to develop the container park followed a period of market testing in September 2021 researching existing container park developments in England. The specification was for a company to design, build and operate a container park on Fargate for a temporary period, until the future high street fund development began. The only response to the market testing came from a company known as Steelyard. Approval of the procurement strategy followed in October 2021. A proposal was received from Steelyard in November. A direct award was approved in December 2021 as the value was below the threshold of £5,336,937 for Concession Contract Regulations 2016 and in line with Council Standing Orders.
- 1.3 The development of a planning application began in November 2021, with planning permission being granted in March 2022.
- 1.4 The funding to build the container park was approved in a Leaders report on 22 February 2022, with funding of £300,000. This was part of £6million allocated to the city centre from the Get Building Fund grant from central government. The Get Building Fund grant had been provided in 2020 for shovel ready infrastructure projects to stimulate jobs and support economic recovery. Initially allocated to alternative projects, difficulties in bringing them forward led to consultation with South Yorkshire Mayoral Combined Authority and the Department for Levelling Up, Housing and Communities (DLUHC). £6m was identified to be redirected to support city centre projects. Overall, this funding was to support interventions to procure property on Fargate / High Street, improve animation in the city centre, support Heart of the City shop fronts and the development of pounds park. The conditions of its use meant that the grant can only be used on city centre infrastructure projects, not to support ongoing revenue activity.
- 1.5 A contract discussion to deliver the container park took place in March 2022 with Steelyard, with an agreed contract commencement date of 31 March 2022. The contract awarded the design and build of the container development, as well as its operation once built. The revenue costs of operation were to be met by Steelyard, with a profit share arrangement in place with the council.

- 1.6 In May 2022 costs were revised due to material price increases since the initial quote was provided. A decision to increase the budget to £446,000 was taken at finance sub- committee 7 June 2022, with all funding coming from the Get Building Fund.
- 1.7 The original installation date of 6 May 2022 had to be revised to accommodate a repositioning of the planned location, to ensure access was maintained to Yorkshire Water sewage chambers. The installation took place on 5 August 2022.
- 1.8 The opening of the ground floor was delayed from 17 October 2022 in order for essential safety information to be provided by the operator to the council's Building Control service. The opening took place on 22 October 2022.

Current Position

- 1.9 On 12 December 2022 Strategy and Resources Committee approved
- To pause further work to complete the first-floor bar, balcony and lift access until an options appraisal can be developed setting out the choices for the future of the container development
 - To fund, from revenue, the operational costs required to continue operating the retail, food, screen and temporary bar on the ground floor until at least 1 January 2023.
 - To support the current tenants with advice and guidance to continue trading in January or find alternate retail units in the city centre if desired

The tenants expressed a preference to continue trading after the 1 January 2023 until the development is closed for dismantling and relocation. They have also expressed a desire to be involved in the container park in a future location, should the option chosen provide that opportunity.

- 1.10 In total there are 8 containers utilised to construct the container park. The ground floor of the containers, comprising of three food outlets, three retail units, two offices, a temporary bar, toilets and big screen are still operating. However, in line with the decision on 12 December 2022 the covered bar with seating on the first floor and the terracing with lift access will not be completed before the structure is dismantled.
- 1.11 A dismantle schedule has been developed that indicates the containers will need to close for trading on 29 January 2023 and be removed from site before the end of February 2023. Works for the future high street fund are due to begin early March 2023

- 1.12 Current capital spend from the Get Building Fund (as of 10 January 2023) stands at £443,646, which includes some unplanned costs due to the requirement to relocate the container footprint for sewer access. Revenue spend currently stands at £41,615.

Proposal / Options

- 1.13 The container project was commissioned to support the footfall in the city centre after the global pandemic. Although it has successfully supported 6 vibrant independent Sheffield businesses in the city centre, the desired outcome to drive increased footfall hasn't been achieved.

Due to the short period of time available from the 12 December 2022 decision to the production of this report, this is a high level options appraisal and has used some cost assumptions. The final proposal made will require further detailed work to confirm costs. The options that have been investigated following the decision on 12 December 2022 are:

1. Store the containers while alternative use is explored further. Alternative uses could include working with community groups and improving catering and toilet facilities in parks
2. Locate the container park on a vacant plot of land on Sheaf Street by Sheffield railway station
3. Explore with a third party the potential to locate the container park on a second vacant plot of development land near to Sheffield Station
4. Explore the potential to sell the containers to a third party.

Recommendation

- 1.14 **Option 1** - The recommended proposal is to remove the containers from Fargate to a storage location and develop plans to utilise the containers for a different purpose either with community groups, or to improve facilities in Sheffield's parks, or other outdoor activity locations. Storage will be on a secure Sheffield City Council site to minimise any additional costs. The options appraisal work has estimated cost to dismantle and move to storage as approximately £55,993.

- 1.15 The design and construction of the containers is incomplete, and they do not meet building regulations approval to be used as a two-tier structure. To meet the regulations, further work would be required which could be in excess of £180,000. A more cost-effective option would be to utilise the containers in a single story, which mitigates some of the additional costs. Being utilised as a single story also allows the construction to be separated and utilised as individual units across a number of sites.

- 1.16 Using the containers in individual units leads to a number of opportunities to support community organisations that have expressed an interest in reusing the containers, or by improving facilities in some of the council's outdoor services, such as in our parks.
- 1.17 By utilising the containers in this way, it helps provide community assets with a longer life span than if the container park were to be relocated in the city centre.
- 1.18 Further work will be undertaken to develop a submissions process for community groups to express their interest in utilising the containers. When complete the process will be publicised widely through council media channels and services. A call for expressions of interest will take place early February 2023, with a deadline of 6 weeks to reply. Assessment of the responses and feasibility will take place following that with an expectation of a proposal of the options to take forward being complete by mid April 2023
- 1.19 Concurrently, opportunities to improve outdoor catering and toilet facilities, such as through the Better Parks programme, will also be investigated. An assessment of where the large screen can be utilised will also be undertaken.
- 1.20 A final decision as to the recommended re-use, having considered community submissions and assessed opportunities for outdoor facility improvements, will be made by the Executive Director of Operational Services and will include finalised costs proposals.
- 1.21 A review of the container park on Fargate project is to be carried out by Internal Audit. The review is planned to be completed within the first quarter for the 2023/24 financial year. The exact terms of reference are still being developed but it will involve the auditing of the end to end process from decision through to delivery and highlight lessons for future learning. Any recommendations arising from the review will be reported in line with existing policy.

2. HOW DOES THIS DECISION CONTRIBUTE ?

- 2.1 The Our Sheffield 22/23 delivery plan sets out ambitions for fair, inclusive and empowered communities, as well as strong and connected neighbourhoods which people are happy to call home.
- 2.2 Working with community organisations to provide facilities which support them to provide improved services is in line with the Council's ambitions for community empowerment.
- 2.3

Improving outdoor provisions in community settings such as parks can help create more opportunities for service improvement as well as support businesses who wish to trade in our parks.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The council is not required to consult on this decision; however, discussions have taken place with the current tenants.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

- 4.1.1 Equality impact assessment for the development took place within the remit of the Heart of the City and Future High Streets projects. The equality implications for the proposal now under consideration have been considered alongside the Council's duties as a public authority and its policy commitments.

- 4.1.2 The recommended proposal to enable future use as an asset within communities and/or parks and spaces is consistent with the Council's obligations to address inequality.

- 4.1.3 The overall assessment therefore is that, in equality terms, impacts would be limited.

4.2 Financial and Commercial Implications

- 4.2.1 The capital cost of the container development has been funded from the Get Building Fund Grant. The estimated costs to dismantle and store the containers securely are approximately £55,993. Adding this sum to the £443,646 already expended would result in a total capital cost of £499,639 for the container project. There are no material impacts arising from this recommendation in relation to the Grant. Revenue expenditure totals £41,615. Future revenue costs associated with Option 1 would need to be funded from existing service budgets.

- 4.2.2 Funding to support the reuse of the big screen or any of the options for community or Parks use would need to be identified from existing service budgets or alternative funding pots.

4.3 Legal Implications

- 4.3.1 The proposal/option 1 recommended for approval under this report includes removal of the containers from Fargate to a storage location. This is consistent with the parties' intentions and timeline to decommission the site under the Concession Agreement.

- 4.3.2 The site is occupied under a licence agreement that is personal to the provider and terminates at the same time as the Concession Agreement. The Licence creates no property interests for the provider or for the individual traders.
- 4.3.3 This project is funded through Get Building Fund grant from SYMCA, which includes a 100% claw back provision. However, for the reasons set out in 4.3.4 below and as the overall Project Outputs, Project Outcomes, Key Milestones or Delivery Milestones are not specific/exclusive to this Concession Agreement the risk of the clawback provisions applying is likely to be low.
- 4.3.4 The decommissioning of the containers is taking place as expected within this Concession Agreement and the proposal to place the Containers in storage (with the intention so use them following an exercise on the most feasible option) does not appear to materially impact on the overall Project Outputs, Project Outcomes, Key Milestones or Delivery Milestones (none of which appear to be specific to these containers being moved from the temporary site). If following the completion of the re-use options report, the Council decides not to proceed with moving the containers to the alternate site, as may have been anticipated from the outset of the Get Building Grant fund, greater consideration will be required to assess the impact of this on the outputs and deliverables and whether a project change needs to be reported to SYMCA and their approval sought.
- 4.3.5 The revenue operational costs referred to in para 1.12 of this report could constitute financial assistance to the Provider and/or individual traders under the Subsidy Control Act 2022. The probability of this financial assistance constituting a subsidy is likely to be low. In the event this financial assistance is deemed a subsidy, it would be below the transparency threshold of £100,000.
- 4.3.6 Further legal consideration will be required when the final report on re-use options is presented.

4.4 Climate Implications

- 4.4.1 An initial Climate Impact Assessment (CIA) has been completed and is attached at Appendix 1. The Climate impact of removal and storage in different locations in accordance with the recommended option is a minor impact. A full impact assessment will be required once the re-purposing of the containers has been agreed.

4.4 Other Implications

- 4.4.1 None

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 **Option 2:** Move to Homes England development site on Sheaf Street next to Sheffield Station but configure as a single storey building.

5.1.1 In order to mitigate some of the outstanding building costs to complete access to the first floor, namely the fire engineering works and access to the first floor for people who would need to use a lift, the land at the station would allow for a single ground floor design.

5.1.2 Discussions have taken place with Homes England who have indicated they would consider leasing the land to the council for a period of approximately 24 months. Any final commitments have been paused until the outcome of this decision report.

5.1.3 An indicative timeline to ensure adequate feasibility work is completed on the site, prior to any build commencing, and the relevant approvals process that would be required, means that it could be May 2024 before the site was fully operational, impacting on the commercial trading period available. Although this option has been in discussion for several months it has not yet been possible to complete the terms of agreement that would enable the relevant approvals to have taken place to give a longer period of trading.

5.1.4 Although significant costs can be mitigated by providing a single storey building, costs to dismount and reinstall, plus resolve other outstanding remedial issues from the current build, put indicative costs in the region of £315-£375,000. These costs don't include any operating costs for utilities, waste, security etc.

5.1.5 As the indicative timeline is 12 months to develop the new site and with a maximum of 24 months being available, the short period of confirmed operating time would make it highly unlikely that these additional costs could be recouped from a commercial model in the remaining 12 month period following the build.

5.1.6 As any shortfall from the financial model would need to be underwritten by the council, this carries the most significant cost and risk of the options investigated and therefore isn't recommended.

5.2 **Option 3:** Move to a second development site owned by a third party near Sheffield Station.

5.2.1 In early discussions with the third party, they have expressed an interest in developing a container park on a development site.

- 5.2.2 The site is currently being utilised as storage depot for building works. The site is unavailable while this work is taking place and isn't envisaged to be available until autumn 2023. This means there would be a need to store the containers until the site was available. The site would provide a longer term location of 5 years or more to develop and operate the container park.
- 5.2.3 However, the containers would need to be stacked in a two story configuration, as they currently are on Fargate. This increases costs to complete outstanding works that haven't been resolved in terms of fire engineering reports, and access to the first floor for customers who need to use a lift.
- 5.2.4 A commercial arrangement between the Council and the third party would need to be agreed to understand the true cost and benefit to the council of progressing this site, but initial assumptions indicate that the cost to the council would be less than operating the Homes England site. The expectation is there would be at least £180,000 of new costs to the council. The longer usage period of 5 years or more would improve the opportunities to recover some or all of that cost.
- 5.2.5 This option provides an opportunity to increase vibrancy, as well as provide a facility to be used by visitors and residents in a high profile and high footfall area of the city, increasing the chances of success. However, the discussions are still at an early stage, and the true cost and benefits can't be known at this point. For that reason this isn't the recommended option.
- 5.3 **Option 4: Sell the assets.**
- 5.3.1 The option to sell the containers would be subject to agreement with the South Yorkshire Mayoral Combined Authority and if this was to be considered further, consultation would take place with SYMCA and relevant approvals sought.
- 5.3.2 The resale market for the containers is unknown, and highly unlikely to recoup the costs of developing the whole project, particularly as the project hasn't reached completion on the first floor.
- 5.3.3 Indicative costs to store the containers while negotiations for sale take place are in the region of £55,993. The income for sale is unknown and it is difficult to compare this in the current market as incomplete/single units.
- 5.3.4 Public grants have been utilised to purchase the containers and utilising the assets for the good of Sheffield's community is a more appropriate way of re-use, rather than sale. For that reason, this option isn't recommended.

6. REASONS FOR RECOMMENDATIONS

- 6.1 Storing the containers for a short period while a process is finalised to offer to a community group, or improve outdoor facilities, ensures we can remove the containers in line with the required Future High Street Fund redevelopment timeline.
- 6.2 Interest from several community groups has been indicated. Interest from several council services to reutilise the containers in a different way has also been received. By moving the containers into storage while these expressions of interest are firmed up, it ensures the assets have a long-term use that is beneficial to Sheffield's communities.
- 6.3 Option one is the least costly of the four options, yet still provides opportunities for improved community facilities from reutilising the containers, rather than the loss of assets through re-sale.
- 6.4 The decision on 12 December 2022 committed to learning from the project to ensure improved delivery in the future. The proposal sets out an option that is appropriate in terms of openness and governance arrangements, while ensuring the containers can be an asset to Sheffield and its residents.

Appendix 1 – Climate Impact Assessment

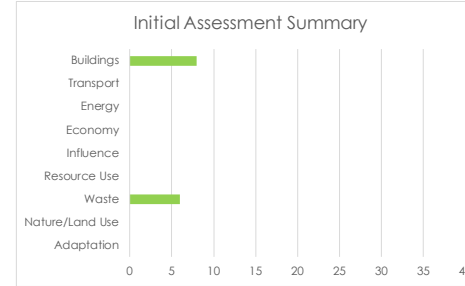
Climate Change Impact Assessment Summary

Project/Proposal Name	Fargate Containers – options appraisal	Portfolio	Operational Services
Committee	Strategy and Resources	Lead Member	Terry Fox
Strategic Priority	Fair, Inclusive and Empowered Communities	Lead Officer	Ajman Ali
Date CIA Completed	11/01/2023	CIA Author	Ben Brailsford
		Sign Off/Date	Jessica Rick 13/01/23

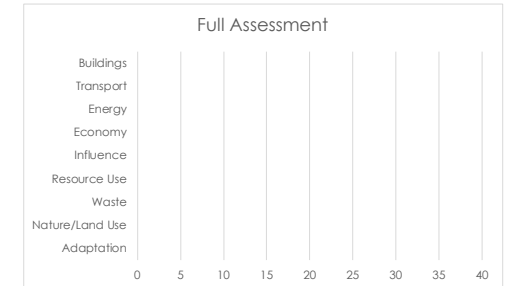
Project Description and CIA Assessment Summary	Removal of freight containers from Fargate, and storage at an SCC site until proposal agreed for re-use. A further update to the CIA will be needed once the re-purposed use is agreed.
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Rapid Assessment	Does the project or proposal have an impact in the following areas? Select all those that apply. Only complete the sections you have selected here in the assessment.		
Buildings and Infrastructure	Yes	Influence	No
Transport	No	Resource Use	No
Energy	No	Waste	Yes
Economy	No	Nature/Land Use	No
		Adaptation	No

Initial Assessment Summary



Full Assessment Summary



>=27	The project will increase the amount of CO2e released compared to before.
21-26	The project will maintain similar levels of CO2e emissions compared to before.
12-20	The project will achieve a moderate decrease in CO2e emissions compared to before.
3-11	The project will achieve a significant decrease in CO2e emissions compared to before.
0-2	The project can be considered to achieve net zero CO2e emissions.