

## Mayoral Combined Authority Board

24 January 2022

### Programme Approvals

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<b>Is the paper exempt from the press and public?</b>	No
<b><i>Reason why exempt:</i></b>	Not applicable
<b>Purpose of this report:</b>	Funding Decision
<b>Is this a Key Decision?</b>	Yes
<b>Has it been included on the Forward Plan?</b>	Yes

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**Director Approving Submission of the Report:**

Gareth Sutton, Chief Finance Officer/s73 Officer

**Report Author(s):**

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#### **Executive Summary**

This paper requests: progression of seven schemes, early release of development cost funding and approval of 1 project change request subject to conditions to be set out in the Assurance Summaries.

#### **What does this mean for businesses, people and places in South Yorkshire?**

This report is seeking approval to progress business cases and enter into contract for a number of investment proposals which will support the MCA's aspirations

#### **Recommendations**

The Board consider and approve –

1. Progression of “South Yorkshire Rail Station Improvements” project to full approval and award of £3.45m grant to South Yorkshire Passenger Transport Executive (SYPTTE) subject to the conditions set out in the Assurance Summary attached at Appendix A1
2. Progression of “D0012 – “UK Operations Growth Plan” to full approval and award of £1.75m to a Barnsley based company subject to funding being available and conditions set out in the Assurance Summary attached at Appendix A2

3. Progression of “Century BIC II” project to full approval and award of £2.6m grant to Rotherham Metropolitan Borough Council (RMBC) subject to the conditions set out in the Assurance Summary attached at Appendix A3
4. Progression of “Fargate Measures” project to full approval and award of £6m grant to Sheffield City Council (SCC) subject to the conditions set out in the Assurance Summary attached at Appendix A4
5. Progression of “A631 Rotherham to Maltby Bus Corridor” Outline Business Case (OBC) to proceed to Full Business Case (FBC) and the release of development cost funding of up to £0.25m to RMBC subject to the conditions set out in the Assurance Summary attached at Appendix B1
6. Progression of “Barnsley – Doncaster Quality Bus Corridor (BRT)” OBC to proceed to FBC and the release of development cost funding of up to £0.95m to Barnsley Metropolitan Borough Council (BMBC) subject to the conditions set out in the Assurance Summary attached at B2
7. Progression of “Sheffield Heart of the City 2 – Block A” OBC to proceed to FBC to SCC subject to the conditions set out in the Assurance Summary attached at B3
8. Approval of project change requests as detailed in Appendix C
9. Recommendation that officers should seek as strong a deal as possible with regards to loan and overage.
10. Delegated authority be given to the Head of Paid Service in consultation with the Section 73 and Monitoring Officer to enter into legal agreements for the schemes covered at 1-6 above subject to funding being available.

#### **Consideration by any other Board, Committee, Assurance or Advisory Panel**

Assurance Panel	08 November 2021
Assurance Panel	22 November 2021
Assurance Panel	06 December 2021
Assurance Panel	20 December 2021
Assurance Panel	07 January 2022
Housing and Infrastructure Board	07 December 2021
Transport and the Environment Board	16 December 2021
Business Recovery and Growth Board	16 December 2021

## **1. Background**

- 1.1 This report seeks approval for the progression of three fully funded infrastructure and transport capital schemes. The total value of these schemes comes to £12.05m and will be resourced from previously committed grant funding.

This report further details the results of the assurance processes undertaken on one currently unfunded proposed business capital investment; totalling c. £1.75m. The report recognises that the proposal meets the threshold for investment – subject to a number of conditions – and in line with previous decisions recommends that the Board consider resourcing the project from future year gainshare allocations.

Finally, the report seeks progression for a number of other fully funded schemes to progress to the next stage of the assurance cycle.

## 1.2 Progression of schemes to full approval and award of funding

The report is seeking progression to full approval, contract, and award of funding for four schemes. The total amount of funding requested is £13.8m grant for schemes located in Barnsley, Rotherham, Sheffield and one South Yorkshire wide scheme.

The MCA has entered into a non-disclosure agreement with the Barnsley business applicant for funds, therefore appendix A3 with the details of the scheme and risks and conditions of funding are included within private papers.

The assurance summaries include conditions of funding which must be met before contract execution. Further details of the schemes and risks are included in Appendix A.

## 1.3 Funding Position for Business Schemes

At its last meeting on the 15<sup>th</sup> November the Board received a programme update noting the progression of a strong pipeline of business investment propositions. These propositions had arisen from the engagement undertaken by the LEP/MCA and the region's business sector.

The report to the Board noted that whilst the pipeline offered the opportunity for targeted investment in support of the region's aspirations - supporting the sustainable creation of good, well-paid jobs - there was insufficient permissive grant funding available to support the proposals in full.

This lack of resource reflected the paucity of business investment resource within the wider funding environment and the deployment to other opportunities earlier in the year of the limited amount of recycled Local Growth Fund resource available to the MCA.

The report recommended that the MCA consider the deployment of future-year gainshare resource totalling £7.60m to support a number of propositions presented to the Board, and the forthcoming pipeline of schemes.

Board accepted this recommendation, and the recommendation that the MCA structure its investments to share in the value created wherever possible. This decision supported investments being made into businesses in Rotherham and Sheffield, following earlier investment into business in Doncaster.

This report builds upon those recommendations. The report recognises the completion of assurance processes on a Barnsley based proposition that seeks £1.75m of financial support from the MCA to enable the delivery of a substantial investment project (£23.82m). This proposal has previously been endorsed by the Business Growth and Recovery Board.

This proposition would leverage in substantial private investment at an intervention rate of c. 7% generating a net 87 new jobs for the region.

The proposition meets the threshold for investment, subject to a number of conditions being met. These conditions are detailed in the assurance summary.

This report recommends that in line with the decisions taken in November, the MCA release £1.75m from its 2022/23 gainshare capital allocation in support of the proposal. This report further recommends that in line with principles the Board have previously adopted around gainshare, that the investment be structured to enable a return to be generated to the MCA where possible.

#### 1.6 Progression of schemes from OBC to FBC

The report is seeking progression from OBC to FBC for three projects with the release of development costs of £1.2m for two of the projects.

The projects are located in Barnsley, Rotherham and Sheffield.

The assurance summaries include conditions which must be met as part of FBC submission. Full details of the schemes and risks are included in Appendix B

#### 1.7 Project Change Requests

In recognition of unforeseen circumstances that can arise during the project delivery phase, the approved Assurance Framework establishes a formal process for the acceptance of change requests. These change requests could be financial, requiring reprofiling of funds, or could be to amend deliverables or timescales. Details of the Change requests can be found in Appendix C.

### 3. **Options Considered and Recommended Proposal**

#### 3.1 **Option 1**

Approve all recommendations.

#### 3.4 **Option 1 Risks and Mitigations**

Approval of the unfunded business investment proposition would require a commitment being made against the MCA's 2022/23 gainshare allocation.

#### 3.5 **Option 2**

Reject some, or all, of the recommendations.

#### 3.8 **Option 2 Risks and Mitigations**

Rejection of some, or all, of the recommendations in this report would mean the region foregoing the forecast benefits arising from the investment and potentially also mean that the funding would be returned to government.

#### 3.13 **Recommended Option**

Option 1

### 4. **Consultation on Proposal**

4.1 Discussions for these projects has continued with thematic boards during project development.

## **5. Timetable and Accountability for Implementing this Decision**

- 5.1 Subject to the approval of the recommendations and approval by the MCA, the Head of Paid Service in consultation with the Section 73 Officer and Monitoring Officer will progress to enter into a legal agreement with the promoter.
- 5.2 The promoter is responsible for the further development of projects that have gateway approval to the next stage of the MCA Assurance process

## **6. Financial and Procurement Implications and Advice**

- 6.1 The projects presented for approval today are profiled to draw down up to £4.65m from the TCF2 allocation of £166.3m, £7.6m from GBF and up to £2.75m from Gainshare.
- 6.2 This report proposes that the Board request that the MCA consider the deployment of gainshare funding totalling £1.75m in support of a business investment.

The report notes that gainshare principles support negotiation of the best possible deal for the taxpayer, seeking a return on the MCA's investment wherever possible. This report recommends that the MCA seek to enter into an arrangement that would see the MCA share in the forecast value its investment generates.

Such an arrangement would support the recycling of funding, enabling more investment into the future.

## **7. Legal Implications and Advice**

- 7.1 The legal implications of the projects have been fully considered by a representative of the Monitoring Officer and included in the recommendations agreed within the Assurance Summaries as presented in the Appendices. Projects have taken full legal advice regarding subsidy control with legal letters supporting applications included
- 7.2 Prior to awarding the grants, the MCA shall ensure contracts are put in place to ensure the recipients comply with the grant conditions

## **8. Human Resources Implications and Advice**

- 8.1 Not Applicable

## **9. Equality and Diversity Implications and Advice**

- 9.1 Appropriate equality and diversity considerations are taken into account as part of the assurance of the project business cases

## **10. Climate Change Implications and Advice**

- 10.1 A number of the schemes include new and/or enhanced active travel initiatives and improvements to public and community transport infrastructure thereby shifting private vehicle use to more sustainable modes of transport. This aims to deliver

huge benefits for health and the prosperity of cities, positively contributing to the SYMCA's climate change aspirations

## **11. Information and Communication Technology Implications and Advice**

11.1 Not Applicable

## **12. Communications and Marketing Implications and Advice**

12.1 The approvals provide positive opportunities to highlight the difference the MCA's investments will make to people and passengers, businesses and places across South Yorkshire and how Members are taking action to support the region's recovery from COVID

### **List of Appendices Included**

- A Progression of schemes to full approval and award of funding
- A1 Assurance Summary – South Yorkshire Rail Improvements
- A2 Assurance Summary – D0012 - EXEMPT
- A3 Assurance Summary – Century BIC II
- A4 Assurance Summary – Fargate Measures
- B Progression of Schemes from OBC to FBC
- B1 Assurance Summary – A631 Rotherham to Maltby Bus Corridor
- B2 Assurance Summary - Barnsley – Doncaster Quality Bus Corridor (BRT)
- B3 Assurance Summary – Heart of the City 2
- C Change Requests

### **Background Papers**

None