

INFRASTRUCTURE EXECUTIVE BOARD

Date: Friday 15 January 2016

Venue: Amp Technology Centre, Brunel Way, Rotherham

Time: 10.00 am

AGENDA

Item	Subject	Method	Lead	Page
	<u>Introduction</u>			
1	Welcome and Apologies	Verbal	Chair	
2	Declarations of Interest	Verbal	All	
3	Urgent Items/Announcements	Verbal	All	
	<u>Business Items</u>			
4	Gainshare - £30m x 30: Priority Setting	Presentation	N Byers, A Harhoff	
5	SCR IIP - Key Messages	Paper/ Presentation	A Harhoff	To Follow
6	Infrastructure Business Plan - Updated Draft	Paper	A Harhoff	1 - 18
	CIAT Recommendations			
	8a) Doncaster			
	<ul style="list-style-type: none"> • Cultural and Civic Quarter • Colonnades • Waterfront East 			
7	8b) Sheffield			
	<ul style="list-style-type: none"> • Claywheels Lane 			
	8c) Bassetlaw (with Nottingham County Council)			
	<ul style="list-style-type: none"> • Worksop 			
8	Programme Management Update	Verbal	A Harhoff, M D Rossi	
9	Property Fund Investment Paper	Paper	B Morley	25 - 36

Item	Subject	Method	Lead	Page
10	Social Inclusion Key Messages Infrastructure	Paper	E Dearle	37 - 40
	<u>Updates</u>			
11	Infrastructure Executive Board Minutes	Paper	C Tyler	41 - 46
	<u>Actions & Forward Planning</u>			
12	Agree Actions	Verbal	Chair	
	Agree Items for			
13	<ul style="list-style-type: none"> Combined Authority Meeting 1st February 2016 	Verbal	Chair	
14	AOB	Verbal	All	

Sheffield City Region Infrastructure Executive Board Business Plan: 2016/17

Contents

1. Key investments in 2016/17
2. What are the key milestones in 2016/17
3. What outputs and outcomes will be delivered in 2016/17?
4. What are the risks and how will we mitigate them?
5. What are the resource requirements?

1. What are our key investments in 2016/17?

This section outlines key investments in 2016/17.

The Infrastructure Executive Board is strategically focused to a strong integrated plan and the delivery of an effective integrated programme.

Therefore, it has two key functions, firstly the forward plan of the integrated pipeline of new strategic investments covering the spectrum from Transport to property investments. Secondly the effective decision making on the programme of infrastructure (currently C£600m/£215m LGF). To support this endeavour at the headline level on 2016/17

- The SCR will invest at least £10m in to the SCR JESSICA, a revolving property fund
- The SCR will establish a £5m Fund to stimulate development in the Enterprise Zones.
- The SCR will develop the next programme of infrastructure investments through the IIP and by autumn 2016 will have newly prioritised investments, current benchmarking assesses a potential value of £1.5bn.
- The SCR will develop new supplementary strategies for Flood and Energy

The Infrastructure Executive Board will ensure that links to the policy and investment aspirations within the Housing and Transport Executive Boards as well as ownership of key works related to wider spatial planning and devolution are delivered cohesively.

Key investments over the next year will be:

Sheffield City Region Investment Fund

- Ensure a profiled spend of £53.5m by 2016
- To enter into funding agreements for **twenty infrastructure projects** by April 2017,
- To complete 5 projects (30%) by April 2017

Sheffield City Region Integrated Infrastructure Plan Delivery

- Endorsement of and delivery of major promotional activity around The SCR IIP from January 2016
- Commence commissioning to define infrastructure schemes by February - April 2016 date
- Appraise and Prioritise Investment Schemes April-June 2016
- Agree new programme June – September 2016
- Agree new finance package and commission programme end 2016

SCR Property Fund

- Develop a £5m EZ fund to stimulate development within the Enterprise Zone as outlined within the SCR Devolution Deal. The EZ Fund will sit alongside the existing SCR JESSICA/GPF which itself will benefit from an additional £10m generated through SCRIF. The combined SCR JESSICA/GPF and EZ fund will have a total capital value of circa £45m
- The SCRIF will make a £10m loan to the SCR JESSICA to be invested over 3-year period prior to being repaid with interest. The SCRIF funding will then be used to support the existing SCRIF Programme.
- Deliver the SCR JESSICA Investment Strategy for agreement with the IEB Jan 2015
- Continuation of JESSICA and EZ funds to support commercial development

Cross Cutting

- The Infrastructure theme is part of three inextricably linked boards which are; Infrastructure, Housing and Transport.
- The plans and investments through the IIP and SCRIF are often related to the delivery of objectives for the transport network as well as significant numbers of houses. For example, the current SCRIF programme underpins the delivery of 13,000 homes and the SCR IIP will seek to achieve even more.
- More broadly proposals for the housing investment funds and single pot need to be considered alongside the infrastructure investment programmes.

1.1 Supporting strategic objectives

Infrastructure is one of the most cross cutting and also enabling themes of both the SEP and Devolution Deal.

Infrastructure is one of three key pillars within the SEP, and as such covers a number of thematic areas including, housing, transport and enterprise zones as well as broader commitment to key plans such as the IIP.

Infrastructure has necessitated a significant proportion of the current £300m Growth Deal investment with over £230m allocated to the range of projects covered within this theme.

Infrastructure is a key part as part of a broader economic eco system to deliver 70-100,000 new homes, £3.1bn GVA and 70,000 jobs, without strong infrastructure supporting viability and better connectivity our plans will not be realised.

As well as strategic infrastructure the SCR will continue to support commercial development where this contributes to the economy development of the City Region. This entails:

- Continued support of the SCR JESSICA - supporting the SEP and IIP (draft) through the provision of finance to commercial developments across the SCR.
- The development of a £5m EZ fund supports paras 47 and 48 ¹of the devolution deal that acknowledges the role of the EZs to the SCR economy.

Over the period 2016/2017 our key activity and investments to manage both our challenges and opportunities for infrastructure supporting operational objectives will be as follows:

The SCR Revolving Property (JESSICA/GPF/EZ Development Funds)

- The additional funding to SCR JESSICA and the EZ Fund address the need to ensure a continuation of funds to support commercial development whilst initial investments are completed and repay their finance in the order of £30m. When combined a property fund of circa £45m has been established.

Sheffield City Region Investment Fund Delivery (SCRIF)

- SCRIF to enter into funding agreements for twenty infrastructure projects by April 2017, with five projects complete.
- To manage the programme and ensure the profiled spend of £53.5m by 2016
- Continued management to ensure delivery beyond 2016/17

The Sheffield City Region IIP

- To be the first area outside London to host an integrated investment plan and commissioning framework valued up to £1.5bn
- Develop the next generation of schemes under the IIP framework
- Launch the IIP at high calibre high profiled events
- To deliver the 2050 Energy Strategy

2. What are our key milestones in 2016/17?



Theme	Project /scheme	Milestones 2016/17											
		Apr 16	May 16	June 16	July 16	Aug 16	Sep t 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	March 17
SCRIF	M1 Junction 36 - Hoyland Phase 1	In construction											
	Superfast South Yorkshire Broadband	In construction											
	Sheffield City Centre												
	Central Business District/Moor/NRQ	Award											
	Sheaf Business District/SHU Knowledge Gateway		Award			Construction commence							
	Uni of Sheffield Campus/Inner Ring Road - Phase 1					Construction complete							
	UoS Campus/Inner Ring Road - Phase 2 (Brook Hill)		FBC								Award		
	Riverside Business District - Grey to Green Phase 1	Evaluation planning											
	Upper Don Valley												
Parkwood Springs													
Claywheels Lane	Award					Construction commence							
Upper Don Valley Flood Elevation							FBC					Award	

Theme	Project /scheme	Milestones 2016/17											
		Apr 16	May 16	June 16	July 16	Aug 16	Sept 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	March 17
JESSICA	£5m EZ Fund	Launch of EZ Fund					Funding Proposal submitted to IEB		First Investment				
	SCR JESSICA	SCRIF Loan payment to SCR JESSICA					Funding proposal submitted to JESSICA Investment Board		First SCRIF Loan Investment		Funding Proposal submitted to JESSICA Investment Board		Second SCRIF Loan Investment

NOTE Milestones include bringing forward scheme mandates, OBC, FBC, contract, procurement, go live etc. These need to be well defined and planned as these will form the basis of the programme management reporting and if incorrectly assessed could lead to change control reports / performance issues raised. Please speak to Mel for further info on milestones which require recording.

3. What outcomes and outputs will be generated by the end of 2016/17?

The table below outlines the proposed outputs and outcomes to be achieved within each operational project within 2015/16.

		Q1 Apr-Jun 2016	Q2 Jul-Sept 2016	Q3 Oct-Dec 2016	Q4 Jan-Mar 2017
SCR Property Investment Funds	Joint EZ and JESSICA Fund (i.e. the Property investment)	Establish Fund as part of a holistic property fund, jointly drawing in Jessica and GPF- Underpinned by the investment strategy	Investment programme underway, metrics to be determined through new programme	1 EZ investment made ² 1 SCR JESSICA investment made	EZ Fund defrayal £1m SCR JESSICA defrayal £1.5m
	Existing SCR JESSICA	9,295 sqm employment floorspace completed. 925 jobs accommodated		1 investment made 13,875 sqm employment floorspace completed. 475 jobs accommodated.	1 investment made
SCRIF	Gross FTE construction jobs years	34.25 direct jobs	34.25 direct jobs	34.25 direct jobs	34.25 direct jobs
		348.00 indirect jobs	348.00 indirect jobs	348.00 indirect jobs	348.00 indirect jobs

² The fund does not operate with specific projects in mind, it will need to promote the fact that it has resources available and work with developers to find viable investment opportunities

	Commercial floorspace	2,598.75 direct commercial floorspace 6,201.25 indirect commercial floorspace	2,598.75 direct commercial floorspace 6,201.25 indirect commercial floorspace	2,598.75 direct commercial floorspace 6,201.25 indirect commercial floorspace	2,598.75 direct commercial floorspace 6,201.25 indirect commercial floorspace
	Potential commercial floorspace unlocked (sqm)	3,570.00 indirect floorspace	3,570.00 indirect floorspace	3,570.00 indirect floorspace	3,570.00 indirect floorspace
	Housing Units	8.75 indirect housing units	8.75 indirect housing units	8.75 indirect housing units	8.75 indirect housing units
	FTE jobs	10.50 direct jobs 346.00 indirect jobs	10.50 direct jobs 346.00 indirect jobs	10.50 direct jobs 346.00 indirect jobs	10.50 direct jobs 346.00 indirect jobs
	GVA (£m)	£0.44m direct £12.16m indirect	£0.44m direct £12.16m indirect	£0.44m direct £12.16m indirect	£0.44m direct £12.16m indirect
	Private sector investment leveraged (£m)	£22.10m indirect	£22.10m indirect	£22.10m indirect	£22.10m indirect
The SCR IIP and Commission of	Design Commission for Schemes and Launch	Call completing end April with submissions from Partners and Promoters			

Appraise and derive prioritised list		Undertake scheme appraisal and prioritisation		
Agree Prioritised List and future capital programme			Prioritised schemes	Capital Programme

the colour coding –is to illustrate that different business plans may cover a breadth of areas e.g. a theme may be Access to Finance and the schemes may be BIF, RGF, new investment fund or Skills theme – may include Skills Bank and also Skills Made Easy as two schemes, SCRIF as a theme will have numerous schemes etc.

4. What are the risks and how will we mitigate them?

This section outlines the key risks in relation to strategic and operational programmes. This is not at the level of individual schemes, but is at a broader programme level.

A full programme level risk register, identifies risks against the categories of:

- Policy
- Operational
- Financial
- Reputational, and
- Delivery

The SCR is currently developing a comprehensive risk register for the TEB. This will be presented at the January TEB for discussion and will form the basis of this section of the plan. Indicative risks are as follows:

The impact, likelihood and severity of risks have then been scored using the following indicators:

Impact

1. Very Low/Insignificant
2. Low
3. Medium
4. High
5. Very High/Catastrophic

Likelihood

1. Rare Remote
2. Unlikely
3. Possible
4. Likely
5. Almost Certain

Severity Score

Very High	20-25	Unacceptable level of risk -requires corrective action & constant monitoring
High	12-16	A high level - requires corrective action and active monitoring
Medium	5-10	Acceptable level - requires active monitoring
Low	1-4	Acceptable level - requires passive monitoring

Category	Risk	Impact	Likelihood	Severity	Total Impact	Mitigating Action	By When
	SCRIF						
Policy	Vacancy Programme and BC policy and forward plan management	2	4	12	18	See Resource Plan	Jun-16
Operational	Vacancy of Head of Appraisal not filled	4	5	16	25	Consultancy support to manage business case process	Apr -16
Financial	Forecast allocations change	2	4	10	16	Proactive engagement with scheme promoters	Jul -17
Reputational	Underspend and under delivery	4	4	10	18	Development of pipelines and over-programming	Sept -16
Delivery	Non-realisation of outcomes and benefits	3	3	10	16	Review of appraisal approach to ensure rigor	Mar -17
	SCR Property Investment Fund						By when to be done
Policy	Agreement of the proposed Investment Strategy	4	1	4	9	A strong coherent plan linked to the IIP and SEP, partner engagement on development	
Operational	Sufficient resource to manage the Fund	3	2	6	11	The Fund is self-sustaining with the use of interest and investment returns to finance the Fund Manager and Accountable Body costs	
Financial	Investments fail to realise returns	3	3	15	21	Due diligence and charges over assets where appropriate	

Reputational	Investment in inappropriate activity	4	2	12	18	Investment strategy clearly sets out the sectors that are suitable for support	
Delivery	Funds are not invested. Property market deterioration makes investments non-viable	2	3	15	20	Fund Manager appointed to seek investment opportunities. Consideration of Gainshare funding as grant to sit alongside JESSICA loan investments.	
	SCR IIP						
Operational	Vacancy of Head of Appraisal not filled	To be done				Consultancy support to manage business case process	
Financial	Forecast allocations change					Proactive engagement with scheme promoters	
Reputational	Underspend and under delivery					Development of pipelines and over-programming	
Delivery	Non-realisation of outcomes and benefits					Review of appraisal approach to ensure rigor	

5. What are the resource requirements?

- Budget for schemes which are live and subject to forward funding commitments
- Budget to deliver the identified scheme pipeline
- Budget requests to develop new activity, subject to approval of the scheme at OBC and FBC.

Revenue Consultancy

- SCR IIP Pipeline Schemes
- SCR IIP Business Case Development
- SCR 2050 Energy Strategy
- SCR Flood Review
- SCR IIP Summit

Revenue Team

3 x FTE

Capital

SCRIF

The resource requirements to manage SCRIF are captured within the wider corporate business plan as part of the Performance component of the SCR business plan. They are not duplicated here to avoid double counting.

The 16/17 SCRIF programme is forecast to require £53.5m. This figure is subject to review and will be updated as part of the programme management process.

Property Funds

The Fund Manager for the SCR JESSICA is funded through investment arrangement fees and returns from Investments. The SCR costs are supported through existing revenue budgets associated the funding and returns made from investments.

Infrastructure Executive Board Budget Proposal

Programme	Project / Scheme	Funding Source	Status	Funding Type	16/17	17/18	18/19
SCRIF	Overall Programme	LGF	Live	Capital	£53,552	£37,005	£24,872
SCR IIP and New Pipeline	1 X FTE to Manage new pipeline of investments, support business case development and policy recommendations relating to the broader programme	Devolution Revenue (capitalised if delivered in programme)	In principle approval	Revenue	£50,000	£50,000	£50,000
SCR IIP and New Pipeline	Programme Prioritisation Consultancy Budget	Devolution	In principle approval	Revenue	£75,000		
Client Role and Support	1 X FTE This is the supporting policy interface between CIAT, the promoters and the board as well as wider support to policy.	Devolution	In principle approval	Revenue	£50,000	£50,000	£50,000
IIP Scheme Development	The IIP will set out the priorities for investment and will require further funds to develop a programme of scheme specific interventions which define the next programme of investments for 2016. This fund is to support scheme development with promoters.	Devolution Revenue (capitalised if delivered in programme)	In principle approval	Revenue	£250,000	£250,000	£250,000
Marketing IIP (Summit)	This will cover a high profile major event, with 2 paralleled sessions, in the Sheffield City Region and London. Subsequent events will publish schemes and include supplier events.	Devolution Revenue (capitalised if delivered in programme)	In principle approval	Revenue	£40,000	£15,000	£15,000

Flood Resilience Study	A high level analysis to summarise recent flooding events and identify the SCR's current position on flood – this is a consultancy contract, taking a quick synthesis of current plans in the context of recent events.	Devolution Revenue	In principle approval	Revenue	£25,000		
SCR 2050 Energy Strategy	A key recommendation of the IIP to develop a long term sustainable energy strategy and pipeline of potential schemes.	Devolution Revenue	In principle approval	Revenue	£100,000		
	SCR JESSICA	SCRIF (LGF)	In principle approval	SCRIF – Loan (capital)	£10m (if not 15/16)		
	EZ Fund	Growth Deal 2 (LGF)	In principle approval	Grant / Loan (capital)	£2.5m	£2.5m	
	SCR Fund Development continued work on existing SCRIF	TBC	TBC	Single Pot (revenue)	£0.05m		
	SCRIF Capital programme				TBC	TBC	TBC

Budget Request

£13,643,552

£2,902,005

£389,872

Total Revenue

£1,090,000

£365,000

£365,000

Total Capital

£12,553,552

£2,537,005

£24,872

Funding source is LGF, City Deal, GPF other BIS, Youth Contract etc.

Status is scheme live – pipeline or does it have other arrangements e.g. many skills SCC or CA claim funding from BIS

Info is crucial for 16/17 but useful to show if schemes have multiyear funding requirements

This table should highlight any activity that is a priority and for which there is no current identified funding source

- The additional resource request is for JESSICA based on the Mini-Commission submission where funding in the programme to grant (or other forms of public intervention) projects that also benefit from a JESSICA loan will stimulate development.

Infrastructure Executive Board additional resource request							
Programme	Project	Funding Source	Status	Funding Type	15/16	16/17	17/18
JESSICA	Grant fund for property development	30x30	Unresourced SEP priority	Grant		£5m	£5m
			Unresourced SEP priority				

The above table details proposals for programmes the Executive Board would seek funding for, subject to compliance with the SCR Assurance and Accountability Framework should SCR receive £30m additional funding per annum.

ANNEX

SCRIF OUTPUTS AND OUTCOMES

Timing of gross outputs and outcomes			
		2015/16	2016/17
Gross FTE construction jobs years	Output	206 - direct	137
	Outcome	514 - indirect	1,392
Commercial floorspace	Output	-	10,395
	Outcome	23,503	24,805
Potential commercial floorspace unlocked (sqm)	Output	-	-
	Outcome	-	14,280
Housing Units	Output	-	-
	Outcome	-	35
FTE jobs	Output	17	42
	Outcome	414	1,384
GVA (£m)	Output	9.94	1.75
	Outcome	0.34	48.61
Private sector investment leveraged (£m)	Input	9.85	8.41
	Outcome	43.60	88.40
Other public sector investment leveraged (£m)	Input	7.52	5.56
	Outcome	-	-
Other (£m)	Input	6.57	2.88
	Outcome	-	-

SHEFFIELD CITY REGION INFRASTRUCTURE EXECUTIVE BOARD

15 JANUARY 2016

CIAT Business Case Recommendations

Summary

This paper presents the recommendations of the Central Independent Appraisal Team for the following business cases:

Doncaster Urban Centre:

- Cultural and Civic Quarter
- Colonnades
- Waterfront East

Upper Don Valley

- Claywheels Lane

Worksop Site Delivery and Vesuvius – PHASE 1

Each recommendation relates to a Stage 1B full business case. The reports sets out each recommendation and any conditions associated to it.

1. Issue

1.1. This paper presents the recommendations of the Central Independent Appraisal Team for five business cases.

2. Recommendations

Infrastructure Executive Board members are asked to:

- 2.1. Agree the recommendation for Doncaster Urban Centre – Cultural and Civic Quarter to progress to Stage 2, noting the conditions.
- 2.2. Agree the recommendation for Doncaster Urban Centre – Colonnades to progress to Stage 2, noting the conditions.
- 2.3. Agree the recommendation for Doncaster Urban Centre – Waterfront East to progress to Stage 2, noting the conditions.
- 2.4. Agree the recommendation for Upper Don Valley – Claywheels Lane to progress to Stage 2, noting the conditions.
- 2.5. Agree the recommendation for Worksop Site Delivery and Vesuvius – PHASE 1 to progress to Stage 2, noting the conditions.

3. Background Information

Doncaster Urban Centre – Cultural and Civic Quarter

- 3.1. Doncaster Metropolitan Borough Council (DMBC) is applying for £635,000 of SCRIF investment to part fund public realm works associated with the development of a new cinema (6 screens) and terrace of family restaurants (4 units) on a plot adjacent to the Cast Theatre (completed in 2013) in the Civic and Cultural Quarter of Doncaster town centre. This £7.3m scheme (excluding SCRIF) is being brought forward by Muse Developments.
- 3.2. The SCRIF investment part of a wider programme of capital investment in the Civic and Creative Quarter that has been led by DMBC and Muse Developments, the first phase of which has included the Cast Theatre, the Sir Nigel Gresley civic square and the new council offices (construction started 2010, completed 2013). This cinema and restaurant project now offers the opportunity to continue the momentum that has been built up to support regeneration and economic growth in Doncaster town centre.
- 3.3. Muse are at a fairly advanced stage of the pre-development process and in terms of the restaurant operators, Muse are understood to be at an advanced stage of negotiations with one national chain and in discussions with four or five others. Muse are aiming for exchange of contracts with at least two operators by May 2016.
- 3.4. Based on evidence that the investment delivers between 95 and 103 net additional jobs in the new cinema and restaurant units, the value for money of the SCRIF investment of £635,000 will vary between £6,154 and £6,689 per net additional job. The investment in cost per jobs terms therefore has the potential to deliver very good value for money.
- 3.5. Muse have indicated that they intend to commence the tender process for a main contractor on 22 January 2016 concluding in April 2016, with a target start on site of Q3 2016 and practical completion and opening during Q1 2017.
- 3.6. The recommendation is for the £635,000 investment to proceed to Stage 2, on the basis of the following conditions to of the SCRIF funding agreement between SCR and DMBC:
 1. Inclusion of details of value of the incentives for the cinema and restaurants; update reports will need to be provided on the actual sums expended.
 2. If any of the incentive costs come in less than the sums allowed then a clawback clause is included that would refund to SCR any saving made against the cinema and restaurant incentives sums included in Muse's financial appraisal.
 3. Completion of a full risk register.

Doncaster Urban Centre – Colonnades

- 3.7. Doncaster Metropolitan Borough Council (DMBC) is applying for £2.28m of SCRIF investment to part fund the refurbishment of the Colonnades building which consists of a total of 15 retail units stretched across the ground floor and some first floor (2,081m²) and five floors of offices (3,065m²). The total project cost is estimated at £3.3m with DMBC to provide £1.05m in match funding to cover items which would be considered as essential maintenance.
- 3.8. The building is located in Doncaster town centre, with the ground floor covered retail area forming a pedestrian route between the civic and cultural quarter to the south-east and the main retail area and railway station to the north and west.
- 3.9. The project has the potential to achieve good value for money based on the proposed safeguarded retail employment outputs. However, it must be acknowledged that the

commercial case, is not strong, and therefore there will remain a significant residual risk that if occupiers are not secured then the economic outputs will not be achieved and the building is then unlikely to be financially sustainable in the long term.

- 3.10. Given the lack of strong evidence of demand for office space in the wider market, the commercial viability of the office refurbishment – and the gross job numbers are particularly reliant upon a proposal to relocate and consolidate various functions into a public sector administrative hub. This proposal is at an early stage of development and remains a risk. Although this hub proposal would underpin the financial sustainability of the Colonnades building into the long term, it may do little in net additional economic outputs terms, although will consolidate office jobs into Doncaster town centre, which may assist in providing confidence for future schemes.
- 3.11. However, any potential investment decision by the SCR must be made with on the basis of a reasonable risk that at least some of both the gross and net additional job outputs may not be achieved. Further consideration will be given to the benefits of clawback to mitigate risk.
- 3.12. If the risks outlined above are deemed acceptable, it is recommended that the proposed SCRIF investment of £2.28m could proceed to Stage 2 on the basis that the applicant will satisfactorily meet the following requirements as part of funding agreement and prior to any draw-down of SCRIF funding:
 1. Provide a detailed itemised schedule of the proposed refurbishment / modernisation works, and how the £1.05m of proposed maintenance works to be funded by DMBC will dovetail with these;
 2. Provide further information on the proposed process for securing the public sector tenancy, and/or the ongoing strategy for securing other occupiers for the office space;
 3. Provide confirmation of DMBC's matched investment, and / or information on the approval process and how the £1.05m has been budgeted within DMBC;
 4. Provide clarification that DMBC will be committed to funding a package of incentives necessary to secure the renewal of the two anchor tenant leases in 2018 as recommended by Bilfinger GVA; and
 5. Clarification that the two retail anchor tenants have been consulted over the modernisation proposals for the retail area, and that confirmation has been gained from them that there is a positive expectation that they will renew their leases in 2018 if the refurbishment works proceed.

Doncaster Urban Centre – Waterfront East

- 3.13. Doncaster MBC is seeking £750,000 of SCRIF investment in a project to improve Friar's Gate Bridge on the north-western edge of Doncaster. The road bridge over the River Don provides access to Network Rail's Marshgate depot, as well as a privately-owned car park, industrial units and an electricity sub-station. Each lane of the bridge is constructed as a single box-bridge span. The structure is owned by Network Rail and it is proposed that they will make a matched £750,000 investment in the works; with an estimated total cost of £1.5m.
- 3.14. This is a relatively modest SCRIF investment, with a clear rationale to improve access capacity for an important employment site which has the potential to strengthen Doncaster's strategic economic position as a hub of the rail industry.
- 3.15. The SCRIF investment would support a potential £8.3m investment by Network Rail in new accommodation and depot facilities, which could ultimately accommodate several hundred employees. Whilst the value of the economic additionality of the overall project remains uncertain, it seems reasonable to assume that it will support at least some

safeguarded and/or additional economic outputs for the City Region, not least through construction-related activity, estimated to be worth over £8m in GVA alone.

- 3.16. Given the relatively small investment, the SCR may decide that the risk of not achieving the proposed scale economic outputs can be balanced proportionately against the financial risk to the SCRIF fund.
- 3.17. The recommendation is for the £750,000 investment to proceed to Stage 2, on the basis that the applicant will satisfactorily meet the following requirements prior to grant agreement or drawdown:
 1. Agreement of a fuller set of project objectives between SCR and DMBC
 2. Provision of a letter of support from Network Rail detailing their proposed investment in both the bridge strengthening and the proposal for the development of the new Marshgate super-depot facilities;
 3. Further clarification of the contractual basis by which SCRIF funds will be transferred to Network Rail; and
 4. Provision of a risk register which quantifies and assesses the risks to project delivery.

Upper Don Valley – Claywheels Lane

- 3.18. Sheffield City Council is applying for £4.6m of SCRIF investment to directly lever private sector investment and unlock an allocated 37 acre employment site in the Upper Don Valley. The proposals are for the promotion of a Sustainable Industries Park, focused on the heavier end of recycling and waste from energy, together with major users of energy such as steel manufacturing. Advanced manufacturing and low carbon are both key sectors for the SCR LEP and the site has the potential to generate significant additional new employment and GVA outputs to support LEP/Combined Authority objectives as per its Growth Deal.
- 3.19. The site has largely lain vacant for 25 years and given the scale of the required infrastructure investment (c.£7.8m) to unlock the site, it is suggested that without SCRIF funding, the full potential of the site will fail to be realised, certainly within the short-medium term and probably beyond this. Given the scale of the abnormal infrastructure costs and reported market values, this is considered to be a valid argument.
- 3.20. There is considered to be a good case for SCRIF investment in this project on the basis that a £4.6m SCRIF award could unlock the redevelopment of a 37 acre brownfield employment site in the Upper Don Valley, focused on SCR priority growth sectors. The strategic case for investment is strong and given the reported occupier demand for parts of the site and the fact the promoter has a willing landowner/developer alongside it, there is a reasonable prospect that the delivery of the proposed infrastructure will unlock this site's potential.
- 3.21. The promoter has identified a SCRIF cost per job of £8,398 based on £4.63m of SCRIF and 551 net additional jobs and references a BCR of 31:1. There is some reworking of assumptions required, however even if the overall level of direct and indirect net additional employment outputs combined reduces to c.500 following a review of the reference case and other assumptions, based on a £4.63m SCRIF ask, this will still result in a SCRIF cost per net additional job of less than £10,000 which would represent very good value for money
- 3.22. There remain significant uncertainties around the source and timing of occupier demand across a large part of the site and the proposed direct outputs relating to safeguarding existing 'low value' activity and unlocking the phase 1 scheme are not sufficient to support a £4.6m SCRIF award from a public sector investment value for money perspective. The commercial case weakens and the impact this has on the scheme's

economic case means that as currently structured, there is risk to value for money and reputation for the SCR as a public funder of the scheme. There is a risk that SCRIF funds the infrastructure works and that limited occupier demand comes forward, hindering output delivery and SCRIF value for money.

- 3.23. It is recommended that this scheme can progress to Stage 2 and that an appropriate claw-back mechanism is included within the funding agreement to mitigate the risk to the SCR of the non-delivery of commercial floorspace following upfront public sector investment in infrastructure.
- 3.24. Claw-back timescales to be discussed and agreed but a 3-4 year timeframe from the completion of the infrastructure works would not appear unreasonable (and potentially in accordance with Growth Deal timings), with proportionate claw-back of SCRIF monies against non-delivery of floorspace within these timeframes. The clawback mechanism should be applied to 100% of the proposed developable area of the site and not just to the floorspace relating to the proposed direct outputs/identified occupiers given that this is all required to provide a value for money outcome to the SCR.

Worksop Site Delivery and Vesuvius – PHASE 1

- 3.25. Bassetlaw District Council is seeking £500k as part of a wider package of improvement to the highway network surrounding Worksop town centre. This is the first phase of a two phased project. Phase one includes delivering one of the six road improvements (which make up the total project). The road improvement being delivered is A60/A57/B6024 St Anne's Drive Roundabout.
- 3.26. This first road improvement has secured other public funding from the D2N2 LEP and there are capital monies that have been allocated from Nottinghamshire County Council. Drawdown of these funds is reliant upon work commencing on site by the end of the 2015/16 financial year. This scheme has been split into two phases to support the early works part funded by D2N2 that SCR has also identified as a priority. Therefore, this investment of £0.5m will unlock the other public investment secured in this time sensitive situation.
- 3.27. This first phase of development will assist in two ways: to secure current day investment opportunities by improving the desirability of investing in Worksop (by removing the current pinch point on the A57 Worksop bypass) and will also assist with the delivery of the employment and housing growth planned for Worksop in the future (in the next year onwards). The intention is to improve the flow of traffic by localised carriageway widening and the introduction of traffic signal control and other pedestrian and cycle improvements to facilitate the safer operation of the junction.
- 3.28. The Phase 1 scheme is a good fit with the wider Sheffield City region objectives and could deliver employment and GVA outcomes. Phase 1 (and Phase 2) of the scheme's economic outputs are based on facilitating the development of existing businesses (Phase 1) and future development of commercial and residential property (Phase 2). As such both phases are relying on external parties to deliver indirect outputs. In the case of Phase 1 the evidence of possible impacts is reasonable although should be adjusted for optimism bias, the level of risk in achieving economic outcomes is also more limited in this instance. As such the phase 1 scheme represents a reasonable prospect of economic return for SCR for the requested funding.
- 3.29. The value for money to be achieved by the scheme is high based on the transport economic appraisal which returns a good cost to benefit ratio and Net present value. Similarly the presentation of unit costs as a means of representing value for money of the preferred option returns a positive if not optimistic result.
- 3.30. The transport economic appraisal is presented through a series of technical documents produced by WYG Group. On the whole, the modelling approach and methodology used

is sound and outputs sensible for a scheme of this nature. There is some argument as to whether a shorter appraisal period could have been used to reflect the scheme's realistic design life. However this approach has been taken, and overall follows the guidelines correctly to produce sensible outputs and a BCR of 10.6. While potentially slightly over-exaggerated, it is still within reasonable bounds to represent a high value-for-money scheme.

- 3.31. The costs for utilities infrastructure are not yet identified which could represent a significant risk for the project. These should be identified and agreed with providers to ascertain the impact on project finances and the appropriate mitigation to deal with any adverse consequences identified.
- 3.32. In a similar vein Phase 1 is identified as the first part of the wider scheme which will open up future development land on which many of the phase 2 job and GVA related outputs will be reliant. The phase 2 business case will need to have further evidence presented of the likely take up and demand for housing and commercial land to make a case for a larger ask of SCRIF funding.
- 3.33. The Phase 1 scheme has been successful in achieving match funding from D2N2 for a much larger share of the overall cost. In a similar context the project applicant, Nottinghamshire County Council have agreed within the business case to underwrite any project overruns and take on long term management of the assets created. This provides both additional assurance for the scheme and reduces the risk to SCRIF funding. This provides further support to the recommendation to fund the phase 1 works as requested assuming that the other conditions identified above are met.
- 3.34. Given the stage of development of this project it is expect that the board will be in a position to consider entering into a funding agreement for this first phase at the next meeting.

4. Implications

Financial

- 4.1. The SCR Finance Manager has programmed these schemes within the SCR capital programme and funding is available if the scheme is given approval. This approval will be subject to a separate approval once the conditions are resolved.

Legal

- 4.2. None as a result of this report, however work will commence on drafting the funding agreements. The funding agreement will be prepared by SCR CA lawyers.

Diversity

- 4.3. There are no diversity implications arising from this report.

REPORT AUTHOR: Neal Byers

POST: Strategy and Policy Manager

Officer responsible: Ben Still

Tel: 0114 254 1335

Email: ben.still@sheffieldcityregion.org.uk

Other sources and references:

None

ANNEX / APPENDIX:

None

INFRASTRUCTURE EXECUTIVE BOARD

15th JANUARY 2016

PROPERTY FUND INVESTMENT

Summary

This paper provides further details in respect of the proposed £10m loan from SCRIF to the SCR JESSICA and an update with regard to the development of a £5m EZ property fund.

1. Issue

The SCRIEB, at its last meeting, considered two proposals for the development of property investment funds across the SCR with a £10m loan from SCRIF 'slippage' being made available to the JESSICA and a further £5m LGF to support development in the Enterprise Zone. Further discussion has taken place with the SCR Executive Team to development the SCRIF proposal to the point where the Investment Strategy and terms of the loan can be agreed by the IEB.

2. Recommendations

It is recommended that the Infrastructure Executive Board:

- 2.1 Approves the Investment Strategy subject to any material amendments suggested by the JESSICA Investment Board (JIB) and the JESSICA Limited Partner (SCC) and agrees the Heads of Terms for the £10m SCRIF loan.
- 2.2 Endorses the proposed amendment to the membership structure of the JESSICA Investment Board.
- 2.3 Notes the resourcing implications for the management and delivery of the Property Investment Funds.
- 2.4 Notes progress in respect of the Enterprise Zone Fund.

3. Background information

- 3.1 At its meeting of 20th November 2015 the SCRIEB approved the form of the Investment Strategy for the £10m loan from SCRIF to the JESSICA Fund (Appendix 1). It also requested options to be considered in respect of representation on the JIB to ensure full coverage of the SCR in light of concerns of a Board of 18 being too difficult to manage and maintain its current flexibility. It was further agreed that the 'Heads of Terms' of the loan be discussed with the SCR Executive Team and presented to the SCRIEB.

3.2 In respect to the membership of the JIB it is proposed to request Neil Taylor, Chief Executive of Bassetlaw District Council becomes a member of the JIB and to represent the 5 'District' Authorities. In addition a further private sector nomination from the LEP will be sought to maintain the balance of public and private sector.

3.3 The proposed Heads of Terms for the £10m SCRIF loan are provided at Appendix 2. Key points to note that address concerns previously raised are:

- 'Idle Funds' will be invested in a manner to be approved by the CA.
- A nominal interest rate will be paid on the loan to cover the CA's opportunity cost of not retaining the funding and generating interest for itself. However any returns made over and above this interest will be retained by the Fund to support additional projects.
- Should existing SCRIF projects unexpectedly require funding earlier than forecast the CA has, with appropriate notice, the ability to call on other available funds held by the JESSICA to enable the SCRIF projects to proceed.
- The SCRIF Loan can only be used to implement the Investment Strategy and associated costs/fees.

4. Investment Fund Resourcing

The SCR JESSICA is managed by a Fund Manager, CBRE, who were appointed following an OJEU procurement process. CBRE are paid a fixed annual fee from the Fund and have the ability to secure a 2% transaction fee from borrowers. In addition CBRE secure a 1% bonus fee for each investment that repays its principle loan plus interest and a further 1% fee to the delivery of specific outputs associated with the ERDF investment in the Fund.

In respect of the £10m SCRIF Loan CBRE will only seek to secure the 2% transaction fee from the borrower and retain a 1% performance bonus in relation to repaid loans.

The cost of the Fund Manager fees are therefore expected to be covered either by the borrower or through interest earned from investments and/or Idle funds. Only as a last resort would contractual fees be paid from the capital investment.

As Accountable Body for the Growing Places Fund as well as General and Limited Partner of the SCR JESSICA, SCC has incurred significant costs in managing the Funds, with only part reimbursed by a small ERDF revenue grant. In light of these ongoing costs it is proposed that the JESSICA Fund contributes £20k pa to the costs of the operation of the Fund by the General and Limited Partner and utilises the previously approved £10k pa allowance from the existing GPF revenue fund. As with the CBRE fees, such costs should be covered through interest from Idle funds, project returns and fees so as not to diminish the investable capital.

The £5m SCR EZ Funds will be retained by the Combined Authority. The investment process will require resourcing to be financed from a number of sources – including charging a fee to beneficiaries, Idle Funds interest and investment returns (when not used as a grant). The existing SCR Executive Revenue budget is not expected to be effected by the proposal. As a last resort the £5m capital could be utilised to cover some directly related revenue costs. It is anticipated that the

cost of implementing the fund will be circa £100,000 (2%) per annum however given the limited capital available it may well be that the full £5m is invested in 12 to 18 months.

5. SCR EZ Fund

Since the previous meeting of the SCRIB it has not been possible to arrange a meeting of the SCR EZ Board to discuss the proposed EZ Investment Strategy in detail. A date will be arranged early in the New Year to enable the EZ Board to provide input into the development of the £5m EZ fund. A further update will be provided to the SCRIB as appropriate.

5. Implications

Financial

5.1 This proposal seeks approval for the Combined Authority to enter into a £10m loan with the SCR JESSICA. The resourcing implications for the management of the £10m are not expected to result in a requirement of any further funding from the CA.

Legal

5.2 In order to make £10m SCRIF funding to the JESSICA a Loan Agreement between the Combined Authority and the SCR JESSICA will be required.

Diversity

5.3 There are no direct diversity implications raised through this paper.

Author: Ben Morley, on behalf of Sheffield City Region Executive.

Officer responsible: Ben Morley, on behalf of Sheffield City Region Executive

Tel: 0114 2232389

Email: ben.morley@sheffield.gov.uk

Sheffield City Region Urban Development Fund (SCRUDF)

General Principles of the SCR JESSICA Investment Strategy

1. The Investment Strategy will be set by Sheffield City Council (acting through its Limited Partner) in consultation with the JESSICA Investment Board (JIB) and Sheffield City Region Infrastructure Executive Board (SCRIEB) and will be subject to a minimum annual review. This review is intended to maintain the Investment Strategy's compliance with changing policy and market conditions in the region.
2. SCRUDF investments must comply with the terms and conditions attached to any funding invested in SCRUDF.
3. Using the expertise within the Investment Board, the SCRUDF Fund Manager (FM) will be asked to make recommendations for the Investment Strategy and will be consulted during the annual review process. Outside these processes, the FM is expected to seek out and deliver investments into projects that are compliant with the Investment Strategy.
4. The Investment Strategy will evolve to reflect the lifecycle of the SCRUDF and the investment finance available to the SCRUDF at differing point in that lifecycle.
5. The JIB and SCC via the Limited Partnership will have the ability to provide comment on the FM's proposed investments highlighting strategic and policy issues such as the priority of projects and their contribution to the objectives of the SCRUDF.
6. Investments may be made by way of loan, equity (loan stock investments) or rental guarantees at the recommendation of the FM and all investments must be subject to state aid compliance.
7. Output and other targets will be included in the Investment Strategy to reflect conditions made by the Partners as funds become available.
8. The Partners expect SCRUDF will remain focused on financing physical urban economic development projects. It is expected that investments will:
 - a) Be primarily focused on the following key clusters and significant growth sectors and look to create new jobs to the Sheffield City Region (SCR) region as set out in paragraph 9 below:
 - Advanced manufacturing activities such as research and development, product design, bespoke manufacturing, and the provision of related services;
 - Low carbon industries (particularly the opportunities for our manufacturing sector);
 - Creative and Digital; and
 - Healthcare (including medical technologies).

- Aviation
- Tourism
- Retail
- Construction
- Culture, leisure and sport
- Professional, financial and business services
- Food and Drink,
- Chemicals
- Logistics and Distribution
- Retail

b) Consist of the following uses:

- Commercial Office Buildings (both for SMEs and single occupier premises)
- Industrial (B1 and B2)
- Site infrastructure (such as access roads, site preparation and services provision) and infrastructure with an economic benefit to the SCR (including major tourism projects).
- Distribution (B8)
- Leisure (such as hotels)
- Mixed Use Schemes
- Refurbishment of older industrial and historic buildings for the use of the target sectors outlined in a) above.
- R&D Facilities
- Innovation Centres and Business Incubators
- Promotion of the Fund and key projects.
- The provision of new, or improved, infrastructure with the ability to deliver broadband access.
- Environmental and Energy schemes with an economic benefit including:
 - Addressing the economic risks of environmental degradation and climate change that will impact on employment sites and business areas.
 - Activities that provide integrated energy, water and waste systems, services and facilities as part of physical sustainable regeneration activity.

In addition to the above investment in wholly residential will be considered acceptable where wider economic benefits can be demonstrated to the JIB.

9. The specific geography of the SCR and the SCRUDF is defined by the boundaries of the following Local Authorities and reference to Partners within this strategy is a reference to these Local Authorities:

- Sheffield City Council
- Rotherham Borough Council
- Doncaster Borough Council
- Barnsley Metropolitan Borough Council
- Chesterfield Borough Council
- Bolsover District Council

- Bassetlaw District Council
 - North East Derbyshire District Council
 - Derbyshire Dales District Council
9. Subject to agreement with SCC (acting as Limited Partner) in consultation with the Investment Board recycled funds will be used to support additional urban projects with economic and regeneration benefits in line with the Investment Strategy.
 10. The Investment Strategy is expected to be initiated in a form that also supports existing Local Authority and Sheffield City Region spatial strategies and priorities.
 11. It is expected that SCRUDF will initially be restricted to investing a maximum of 25% of the value of the fund in any one project. This will be determined at the time when Partners make funds available to the SCRUDF and made be varied in exceptional circumstances with the agreement of the Limited Partner.
 12. Investment will only be made in to projects in a manner that is compliant with the prevailing FSA and State-aid conditions.
 13. It is required that the SCRUDF is a sustainable, long term fund for the region and therefore the Investment Strategy will require investment activity that aims to recycle investment resources and make several rounds of project investment.
 14. The Investment Board aspire for the fund to increase the amount of investment resource available to SCRUDF and the Investment Strategy will aim to encourage private and institutional investment into the SCRUDF.
 15. The targeted deployment of funds into projects will be determined as funds are made available to the SCRUDF by the Partners together with their specific investment criteria.
 16. 'Sub-funds of the SCRUDF will have their Investment Criteria provided as a series of Appendices to the SCRUDF Investment Strategy.
 17. All Local Authorities falling within the geography of the Fund will be given the opportunity to have representation on the JIB. The JIB will also seek an equal number of representatives nominated by the SCR LEP. The maximum number of JIB members will be 18.

Appendices: Sub Fund Investment Criteria

Appendix 1: South Yorkshire Development Fund (SYDF) – JESSICA (not included)

Appendix 2: SCRIF Funds

APPENDIX 2: SHEFFIELD CITY REGION JESSICA (SCRIF) FUND (SCRIF) –

Principles of the SCR JESSICA Investment Criteria (SCRIF FUNDS ONLY)

1. The SCRIF represents a sub-fund Sheffield City Region Urban Development Fund (SCRUDF) limited partnership (number LP15239). The principles of the SCRUDF Investment Strategy will remain in their entirety except in respect of the following:
2. The SCRUDF will invest SCRIF Funds (as defined in the xxxxxx Agreement between the SCRUDF and CBRE Ltd and CBREISL dated xxxxxx in accordance with the agreement between the SCR Combined Authority and SCRUDF and the (acting through its general partner) (the "SCRIF Funding Agreement").
2. The targeted deployment of SCRIF into projects, is as follows:
 - £3 million by 31/03/2016
 - £7 million by 31/03/2017
 - £10 million by 31/03/2018
3. Output and other targets may be required to be achieved to reflect conditions made by the SCR CA in allocating SCRIF.
4. The Partners expect SCRIF will remain focused on financing physical urban economic development projects. Investments will:
 - a) Be primarily focused on the following key clusters and significant growth sectors:
 - Advanced manufacturing activities such as research and development, product design, bespoke manufacturing, and the provision of related services;
 - Low carbon industries (particularly the opportunities for our manufacturing sector);
 - Creative and Digital; and
 - Healthcare (including medical technologies).
 - Aviation
 - Tourism
 - Retail
 - Construction
 - Culture, leisure and sport
 - Professional, financial and business services
 - Food and Drink,
 - Chemicals
 - Logistics and Distribution
 - Retail
 - b) Consist of the following uses:
 - Commercial Office Buildings (both for SMEs and single occupier premises)

- Industrial (B1 and B2)
- Site infrastructure (such as access roads, site preparation and services provision) and infrastructure with an economic benefit to the SCR (including major tourism projects).
- Distribution (B8)
- Leisure (such as hotels)
- Mixed Use Schemes
- Refurbishment of older industrial and historic buildings for the use of the target sectors outlined in a) above.
- R&D Facilities
- Innovation Centres and Business Incubators
- Promotion of the Fund and key projects.
- The provision of new, or improved, infrastructure with the ability to deliver broadband access.
- Environmental and Energy schemes with an economic benefit including:
 - Addressing the economic risks of environmental degradation and climate change that will impact on employment sites and business areas.
 - Activities that provide integrated energy, water and waste systems, services and facilities as part of physical sustainable regeneration activity.
 - Energy efficiency improvements and renewable energy in existing housing

In addition to the above investment in wholly residential will be considered acceptable where wider economic benefits can be demonstrated to the JESSICA Investment Board.

5. The specific geography of the SCRIF will be the whole of the SCR.
6. Subject to agreement with SCC (acting as Limited Partner) in consultation with the Investment Board recycled SCRIF funds will be used to support additional urban projects with economic and regeneration benefits.

SCRIF to JESSICA LOAN

Heads of Terms

Loan Agreement with Combined Authority between SCR Combined Authority and SCRUDF Limited Partnership (acting through General Partner (GP) – South Yorkshire Property Investment Company) to be known as the SCR JESSICA.

1. The Business Case

In appraising the Project and determining the merits of providing the SCRIF Loan the Combined Authority has relied upon the information provided by the SCR JESSICA acting in good faith.

SCRIF Loan means an amount up to £10,000,000 of SCRIF being made available to the SCR JESSICA in accordance with Funding Conditions attached to the Loan Agreement.

2. Payment of SCRIF to SCR JESSICA

No payment of the Loan will be made to the SCR JESSICA until such time as:

- Any pre-conditions of the Loan Agreement have been satisfied.
- The SCR CA is satisfied that a bank account(s) have been established (with Charge in favour of the SCR CA if necessary).
- A claim for the loan payment is not submitted by the longstop date (tba).

3. Obligations on the SCR JESSICA

The SCR JESSICA shall only use the SCRIF loan for the purposes set out in the Loan Agreement

4. SCRIF Bank Account(s)

The SCR JESSICA shall keep any SCRIF loan paid to it deposited in a SCRIF Bank Account.

The following conditions shall apply to the holding an operation of the SCRIF Bank Account:

- No funds other than the SCRIF loan may be deposited in the SCRIF Bank Account apart from payments of interest due to be credited to the account and funds available on the realisation, disposal or maturity of deposits to investments made in pursuance of the Idle Funds strategy.
- No funds, unless otherwise agreed in writing with the SCR CA, may be withdrawn from the SCRIF Bank Account except for the following purposes:
 - Investments made in accordance with the SCRIF Loan Investment Strategy.
 - Paying Fund Manager Fees

- Paying Fund Costs including those incurred by the Limited Partner
 - Implementing the Idle Funds Strategy
 - Meeting requirements to repay the SCRIF Loan in accordance with the Loan Agreement
- *All payments shall be for capital expenditure only as defined by Section 16 of the 2003 Local Government Act (tbc)*

5. Idle Funds Strategy

The SCR JESSICA shall be required to submit for written approval an Idle Funds Strategy. Upon payment of the SCRIF Loan the SCR JESSICA shall only invest Idle Funds in accordance with the Idle Funds Strategy.

All Idle Funds received shall be added to the capital base of the Fund and shall be used for investments in accordance with the activity outlined in 4.

6. Investment Period

The SCRIF Loan will be available to invest in Projects from a period of 3 years after the date of the SCRIF Loan Agreement.

8. Repayment of SCRIF Loan

At the end of the Investment Period, or at any point prior, the SCR JESSICA must repay the SCRIF Loan to the SCR CA in full together with an interest payment of up to Bank of England Base Rate plus 0.1% per annum (£180,000) (tba) should such funds exist in the SCRIF Bank Accounts.

Where a balance of funds remains in the SCRIF Bank accounts following repayment of the SCRIF Loan and interest such funds shall be retained by the SCR JESSICA and used for the activities outlined in 4.

9. State Aid

All investments must be made in a State Aid compliant manner.

10. GPF Legacy Funds and SCC GPF Returns

The SCR JESSICA and Sheffield City Council shall not make any investments from the GPF Legacy Fund or SCC GPF Returns without prior written consent of the SCR CA Chief Finance Officer up until the Repayment of the SCRIF Loan in accordance with 8.

The SCR CA Chief Finance may request early repayment of all/part of the SCRIF Loan from the GPF Legacy Fund and SCC GPF Returns should such funds be available. Such requests to be made with 6 months notice and not to be unreasonably rejected.

11. SCR JESSICA Fund Manager and Compliance Manual

The SCR JESSICA shall procure that the SCRIF Loan is invested in accordance with the SCR JESSICA Compliance Manual by the SCR JESSICA Fund Manager in accordance with the Fund Manager Operator Agreement (20/12/12).

Pre Conditions

Pre-conditions to the SCRIF Loan shall include:

- Confirmation that SCC will either be party to this agreement or provide written confirmation of their compliance with 10.
- Submission and approval of the Compliance Manual.

Draft

This page is intentionally left blank

SCR COMBINED AUTHORITY INFRASTRUCTURE EXECUTIVE BOARD

15.01.2016

SOCIAL INCLUSION FRAMEWORK

Summary

- **The Social Inclusion Framework – a framework for measuring the impact of social inclusion in communities across SCR – aims to consider strategies and techniques to promote social impact to accompany the growth delivered through city region investments.**
- **The SCR Social Inclusion Framework is seeking to create a small number of high level objectives and measures for each of the SEP policy areas and areas of investment**
- **The paper appraises the Executive Board on the progress of this work and requests input in the next phase of its development.**

1. **Issue** – Topic & Timescale

1.1. SCR CA and LEP is seeking to endorse a detailed social inclusion framework, as an integral companion to its Strategic Economic Plan (SEP), by the end of March 2016. The aim being to work towards a more inclusive economy and stronger local growth.

1.2. The Social Inclusion Advisory Board have recommended three key objectives underpin the SCR Framework. These three objectives will be the focus of measurement, to assess the impact that the investments made in SCR are having on households and communities.

- More people in employment and paid a living wage,
- More people in work taking up training opportunities and progressing in work, and
- More people living in affordable and decent quality homes

- 1.3. Lower paid workers and young people are more likely to be reliant on public transport; therefore good relational locations of affordable housing, employment opportunities with reliable public transport are essential to supporting access to employment. EZ and other new employment area need to be well connected to local populations and have good access to public transport.
 - 1.4. The quality of the infrastructure also is also important to promote health and wellbeing; poor health being a major or problem for the city region, in particular poor mental health. As the workforce continues to age, city region infrastructure needs to be developed with the needs of an older less physically mobile workforce in mind.
2. **Recommendations – clear & definitive include all actions and decisions**
 - 2.1. The Infrastructure Executive Board approve the suggested objectives recommended as the focus for the Social Inclusion Framework, and
 - 2.2. The Infrastructure Executive Board support the work to develop the Social Inclusion Framework where objectives relate to the policy and commissioning led by the Board, to ensure the development of the framework has a ‘fit’ with transport measures and targets.
3. **Background Information**
 - 3.1. The SCR SEP details an aspiration to achieve accelerated levels of growth and an ambition to secure local ownership of policy and operational programmes. With this ambition and aspiration comes opportunities and challenges. For example the desire to increase GVA as a primary indicator of economic success can mask unintended consequences of higher than average unemployment, inactivity, disparities between communities and areas within the SCR and multiple social problems creating pressures on wider public services.
 - 3.2. As SCR seeks to refresh its SEP and operationalise its growth and devolution deals there is a desire from the CA and LEP to ensure that the SCR programme is cognoscente of both economic and social inclusion considerations through development and implementation of a SCR Social Inclusion Framework.
 - 3.3. A working group, of the Social Inclusion Advisory Board, is developing the framework for measuring and understanding the impact of social inclusion with the aim of completing the social inclusion framework for presentation to the SCR CA and LEP Boards in March 2016.
 - 3.4. The developing framework recommends that the changes will be assessed through incorporating social inclusion framework considerations within the remit/ terms of reference of the five Executive Boards, specifically to address:
 - Governance structures – do the Exec Boards have relevant expertise in this area or does membership require strengthening, what is the interface between the Social Inclusion Advisory Board?

- Programme Management process review – how does the programme management process of the SCR (outline and full business case processes) capture social inclusion considerations?
 - Indicators the SCR should consider – What is the appropriate measurement and reporting format, what are the externalities to consider?
 - Wider policy considerations including integration of the public equalities duty etc.
- 3.5. The framework will test and apply a model that has fit' with other sets of measures and targets, executive leads within the City Region and integration with the public equalities duties. It will take account of and include practice that is effective and well recognised on a national basis. As part of the further development and commissioning of the SCR evaluation strategy measurement of progress against indicators will be integrated. To understand the economic impact where there are barriers to economic and social inclusion.

4. Implications

i. Financial

Currently the financial commitment is some independent support to assist in the development of the framework and the continuation of costs for the seconded Social Inclusion Officer. Future financial commitments will be included in the budget for the development of the SCR evaluation strategy and commissioning of the programme of evaluation.

ii. Legal

There are no legal requirements mandating the Combined Authority to maintain a Social Inclusion Framework. However, adopting a Framework is a commendable move and would be considered good practice in discharging the SEP objectives

iii. Diversity

Many of these households will be from a number of ethnic communities, those who have traditionally been under represented in the labour market or operating in the lower paid jobs. Evaluation and monitoring will also cover those groups who are most at risk of experience of disadvantage in the labour market, people with disabilities, through race, age, sex and pregnancy or maternity, marriage or civil partnership, sexual orientation, religious beliefs.

iv. Equality

Through the development, endorsement and implementation of the Social inclusion Framework SCR is actively promoting an approach to increase access to economic opportunity for households who are the either not working or in work and below the poverty line.

**REPORT AUTHOR
POST**

**Eleanor Dearle
Social Inclusion Project Officer**

**Officer responsible: Ruth Adams, Director Skills and Performance
SCR Executive Team
0114 254 1285
Ruth.adams@sheffieldcityregion.org.uk**

Background papers used in the preparation of this report are available for inspection at:

- Sheffield City Region Executive Team, Advanced Manufacturing Park, Brunel Way, Rotherham, S60 5WG

Other sources and references:

- SCR proposal on devolution to government.
- Social Inclusion Strategy Green Paper
- JRF reports on city growth and addressing poverty – More jobs Better Jobs
- Stronger Growth, better outcomes , sustainable services SCR report
- How can local skills JRF and Skills Policy SCR
- Monitoring poverty & social exclusion 2015 - JRF

SCR INFRASTRUCTURE EXECUTIVE BOARD

20 NOVEMBER 2015

AMP, WAVERLEY, ROTHERHAM

No.	Item	Action
1	<p><u>Welcome and Apologies</u></p> <p>Present:</p> <p><u>Board Members</u> Mayor Ros Jones - Doncaster MBC, Chair Cllr John Burrows - Chesterfield BC (for Cllr Baxter) Martin McKervey - Nabarro (LEP) Chris Scholey – Doncaster Bassetlaw NHS Foundation Trust</p> <p>Apologies were received from Board Members John Mothersole (SCC) and Neil Taylor (BaDC)</p> <p><u>In Attendance</u> Amy Harhoff - SCR Executive Team Neal Byers - SCR Executive Team Melanie Dei Rossi – SCR Executive Team Dave Armiger – BaDC Alison Westray-Chapman - NEDDC Jane Hunt - HCA Ben Morley - SCC Tom Finnegan-Smith - RMBC Peter Dale – DMBC Michael Rich – CBC Ed Highfield – SCC Matt Gladstone - BMBC Craig Tyler - Joint Authorities Governance Unit</p>	
2	<p><u>Minutes of the Previous Meeting</u></p> <p>The minutes of the previous meeting held on 9th October were agreed to be an accurate record.</p> <p>All actions were noted as complete.</p>	
3	<p><u>Declarations of Interest</u></p> <p>No declarations of interest relating to the business to be transacted on today's agenda were noted.</p>	

<p>4</p>	<p><u>Urgent Items / Announcements</u></p> <p>1. <u>SCR Executive Team Changes</u> It was noted this would be Neal's last meeting. The Board thanked Neil for all his work and support.</p> <p>It was also noted that Ben Still would be leaving to take up a similar Executive Director role in West Yorkshire. The Board wished Ben all the best for the future.</p> <p>The Board was advised of structural changes within the SCR Executive Team which will align the infrastructure, housing and transport themes into a single business area.</p>	
<p>5</p>	<p><u>SCR Mini-Commission – Results and Recommendations</u></p> <p>A report was tabled to present the outcome of the Mini Commission tests and to request agreement of the recommendation to include additional schemes into the programme.</p> <p>Members were reminded that at the October meeting, the Board agreed to consider options for adding additional schemes to the SCRIF programme through the Mini Commission process. This opportunity was identified as a result of headroom in the programme c£11m.</p> <p>The paper presented therefore provided a proposal to include the following additional schemes in the SCRIF programme, subject to the presentation and endorsement of a full Business Case:</p> <ul style="list-style-type: none"> • Peak Resorts • Olympic Legacy Park • Bus Rapid Transit (North) <p>Consideration was given to whether the Board endorses a decision to permit these schemes to develop business cases. In considering this request some additional concerns were noted.</p> <p>Regarding the required assurances that these schemes can be delivered on time and to budget it was noted these have been provisionally provided by developers and that any potential issues will become evident through the business cases. However, the suggestion that increased costs would have to be borne by the sponsoring authority was challenged, suggesting this may not be what was agreed / inferred by the CA and that such a process may predicate against smaller authorities entering into accepting 'min-Commission grant conditions'.</p> <p>It was agreed that this matter should be investigated and the agreed process should be reaffirmed.</p> <p>Action: Ben / Craig to address this matter and quantify what process has been adopted by the CA</p>	

	<p>Members noted some concerns that these schemes have been prioritised at the expense of other schemes due to inherent issues with the FLUTE model which has returned potentially erroneous GVA uplift scores and predicated against certain types of scheme including housing and town centre regeneration schemes for which FLUTE has returned zero GVA uplift scores and potentially failed to recognise the benefit of additional outputs.</p> <p>Members also commented on the strange situation that a GVA score can be improved by factoring in unknown / less assured and therefore riskier developments that may be unlocked by primary development.</p> <p>It was agreed that a formal review of FLUTE is required to quantify or challenge the insertion that the model is flawed.</p> <p>Action: Amy to present a review timescale to the next IEB meeting</p> <p>RESOLVED, that the Board:</p> <ul style="list-style-type: none"> • Approves the proposal to include the 3 additional schemes in the SCRIF programme and permits the scheme promoters to commence work on business cases. • Requests that the mini-Commission funding condition process be reviewed and reaffirmed • Will be presented with a timescale for the review of the FLUTE model at the next meeting 	<p>BM /CT</p> <p>AH</p>
<p>6.1</p>	<p><u>SCRIF Loan to SCR JESSICA</u></p> <p>A paper was presented to propose a revised Investment Strategy for the SCR JESSICA in respect of the use of the £10m loan from SCRIF should it be forthcoming and to seek endorsement for the submission of a detailed proposal for funding.</p> <p>RESOLVED, that the Board</p> <ul style="list-style-type: none"> • Agrees the revised Investment Strategy to be submitted to the Investment Board, SCC and DCLG for agreement. • Supports the submission of a detailed proposal for a SCRIF loan to the SCR JESSICA. 	
<p>6.2</p>	<p><u>SCR Property Fund</u></p> <p>The Board was presented with a paper outlining proposals for the investment of £5m Local Growth Funding 2 within the SCR Enterprise Zone to stimulate property development.</p> <p>The paper considered the options for the use of the funding in terms of the form of investment and an associated governance regime.</p>	

Members were advised that given the relationship to other funding available to support property development this paper should be considered alongside the SCRIF Loan to SCR JESSICA paper (tabled at item 6.1).

The Board questioned why the 2 funds (property fund (see 6.2) and SCRIF loan) need to be separated out? It was noted that whilst these will both be 'managed' by an expanded JESSICA (SCR-wide) Board and will be jointly promoted, the 2 funds have different eligibility criteria and will need to be accounted for separately.

As recommended by the SCR Directors of Finance, Members agreed that the option tabled as 'option 3' was considered the preferred option and is most cost effective for the SCR. It was noted that in order to progress this option through to delivery, the following elements / actions will need to be developed:

- Internal SCR approval secured to access the LGF2 funding.
- Liaise with the EZ Board, the JIB and SCR JESSICA Fund Manager to clarify appropriate forms of intervention.
- Development of a 'Principles of Investment' (a form of Investment Strategy) which will outline the basis for investment decisions by the JIB.
- Formalise governance arrangements.
- Determine the route for proposals to the JIB – through open calls, proposals via Local Authorities or via the SCR JESSICA Fund Manager.
- Consider resourcing costs including the cost of due diligence and entering into legal agreements.
- Determine whether the Combined Authority will be the contracting party for the funding to developers.

It was questioned why the JESSICA Board isn't directly aligned to the IEB. It was noted that this would present logistical reporting challenges if matters need to be presented for endorsement but the IEB will receive regular programme updates.

The Board was provided with further information regarding how it is perceived the various funds are starting to 'fit together' and how any benefits realised will be re-investable into the programmes.

Under financial implications, the Board questioned 'Consideration will need to be given to the associated revenue costs for the delivery of the capital investments'. It was suggested that this is in relation to the likely legal fees that will be incurred in respect of each scheme. These are not expected to be significant.

Action: Ben to provide further clarity in relation to this point and further explain the intended workings of the JESSICA Investment Board (JIB)

	<p>RESOLVED, that the Board</p> <ul style="list-style-type: none"> • Notes progress made to-date • Endorses ‘option 3’ as the preferred means progressing matters which will now be discussed with the JESSICA Investment Board, the JESSICA Fund Manager and the EZ Board. 	<p>BM</p>
<p>7</p>	<p><u>SCRIF Programme Management Recommendations</u></p> <p>A report was received to update partners on the SCRIF programme and implication of decisions to manage headroom and slippage.</p> <p>It was noted that the paper draws together the implications of separate proposals to deal with headroom through the Mini Commission process and slippage through the proposed loan to the Urban Development Fund.</p> <p>It was noted that baseline spend for Infrastructure in 2015/16 is £30.5m, this equates to 69% of 15/16 total spend across all of the SEP themes. Without intervention the likely outturn spends is £11.9m or 39% of the baseline SCRIF Spend and 27% of 15/16 total Local Growth Fund spend. The planned mitigation through the Mini Commission could achieve circa 53% of the baseline SCRIF spend in 2015/16 increasing the percentage of total Local Growth Fund 2015/16 spend to 36%.</p> <p>It was noted that the remaining funding allocated to SCRIF projects could therefore be available for use by the Urban Development Fund on a loan basis. At the proposed level of £10m this would achieve 92% of the SCRIF baseline in 2015/16.</p> <p>It was noted that the outcome of the proposed mitigations in 2015/16 provides strong evidence of how SCR are using the Section 31 funding flexibility to manage the programme. In addition the proposals will result in some over programming in 2016/17 (c£6m) this should place the Board in a stronger position for the next financial year to achieve the forecast outturn.</p> <p>The Board noted concerns that the improved, more efficient decision making processes are not realising quicker financial and legal actions and aren’t facilitating the speedier signing of contracts. It was noted that efforts are underway to address this situation and consider how current transactional processes might be made more efficient. The Board noted as expectation that this matter be addressed as quickly as possible.</p> <p>RESOLVED, that the Board</p> <ul style="list-style-type: none"> • Note the contents of the report 	
<p>8</p>	<p><u>CIAT Recommendations for Sheffield University</u></p> <p>A paper was presented to note a recommendation to enter into a funding agreement with Sheffield City Council for the Sheffield City</p>	

	<p>Centre University of Sheffield Campus phase 1 scheme for £2.981m.</p> <p>It was noted that approval was sought outside of the meeting cycle to remove any delay. This recommendation was provided by the Executive members and presented to the Chair of the Combined Authority for approval.</p> <p>RESOLVED, that the Board</p> <ul style="list-style-type: none"> • Ratify the recommendation on the Sheffield City Centre University of Sheffield Campus phase 1 to enter into a funding agreement for £2.981m. • Note that the recommendation will also be provided to the Combined Authority. 	
9	<p><u>SCRIIP</u></p> <p>The Board was provided with the latest SCRIP draft. It was confirmed that the final draft will be presented to the next meeting for sign off.</p> <p>Members suggested the latest draft is 'shaping up well'</p> <p>RESOLVED, that the Board</p> <ul style="list-style-type: none"> • Agrees the timescales and governance set out in section 3 of the report • Agrees to commit the appropriate Partner resources and leadership required to achieve the timescales. 	
10	<p><u>SCR Infrastructure Business Plan</u></p> <p>Members were advised that the revised Business Plan will be presented to the next IEB meeting.</p>	
12	<p><u>Actions and resolutions</u></p> <p>Actions and resolutions were agreed</p>	
13	<p><u>Date of Next Meeting</u></p> <p>15th January, 10.00am - AMP, Waverley, Rotherham</p>	