Sheffield City Region COMBINED AUTHORITY

INFRASTRUCTURE EXECUTIVE BOARD

Date: Friday 7 October 2016
Venue: 11 Broad Street West, Sheffield
Time: 10.00 am

AGENDA

Item	Subject	Method	Lead	Page
	Introduction			
1	Welcome and Apologies	Verbal	Chair	
2	Minutes & Actions of the Previous Meeting & Matters Arising	Verbal	Chair	1 - 8
3	Declarations of Interest	Verbal	All	
4	Urgent Items/Announcements	Verbal	All	
	Business Items			
	Business Case Endorsement			
5	SCR IF - Chesterfield Northern Gateway	Paper	J Hurley	9 - 32
6	Strategic Tools	Paper	J Hurley	33 - 42
7	EZ Development Fund	Paper	J Hurley	43 - 56
	Discussion Items			
8	SCR IIP Proposed Commissioning Approach	Paper	J Hurley	57 - 62
9	SCR IIP Local and National Launch	Paper	A Gates	63 - 68
	Actions & Forward Planning			
10	Agree Actions & Summary for Resolution Log	Verbal	Chair	
11	Any Other Business	Verbal	All	

DATE OF NEXT MEETING - 18 November 2016

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SCR INFRASTRUCTURE EXECUTIVE BOARD

26th AUGUST 2016

BROAD STREET WEST, SHEFFIELD

No.	Item	Action
1	**Welcome and Apologies** Present: Board Members Cllr John Burrows, Chesterfield BC - CHAIR John Mothersole, Sheffield CC Apologies were received from Board Members Mayor Ros Jones, Doncaster MBC, Neil Taylor, Bassetlaw DC, Martin McKervey - Nabarro / LEP and Chris Scholey, Doncaster Bassetlaw NHS Foundation Trust / LEP Also in Attendance Matthew Southgate, CBC Ed Highfield, SCC Mark Lynam, BMBC Julian Cosgrove, NEDDC Julie Hurley, SCR Executive Team Dave Allatt, SCR Executive Team Veena Prajapati, SCR Executive Team Mel Dei Rossi, SCR Executive Team Neil Firth, DMBC Paul Wilson, DDDC Tim O'Connell, RMBC Ben Morley, SCC Tony Corby, SCR Executive Team Craig Tyler, Joint Authorities Governance Unit	
2	**Declarations of Interest** As Leader of the sponsoring Authority, Cllr Burrows declared in interest in the SCRIF scheme to be considered at item 4 (Chesterfield Waterside) and took no part in the ensuing discussion. John Mothersole took the Chair for this item.	
3	**Urgent Items / Announcements** None received	

4	**SCRIF Business Cases – Chesterfield Waterside** A report was received asking the Board to consider the recommendations to progress the Chesterfield Waterside scheme business cases to Full Approval and endorse the entering into funding agreements at a cost of £2.7m. It was noted that in line with the Sheffield City Region Single Assurance Framework this project has been through a process of technical Appraisal, utilising where necessary external support, and consideration by a Panel of Offers representing the SCR Statutory Officers culminating in the recommendations presented for endorsement of the Executive board prior to seeking approval from the CA. It was reported that the various legal and financial related issues raised by members at previous IEB meetings have all been satisfactorily addressed and officers have recommended entering into the funding agreement. **RESOLVED, that the Board:** **1. Endorse progression of Chesterfield Waterside to Full Approval and Award of Contract at a cost £2.7m to SCR CA subject to the conditions set out in the Project Approval Summary Table (attached at Appendix 1 to the report), noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.**	
5	**Q1 Performance Update** The Board was presented with the Q1 Performance dashboard for SCRIF programme performance. It was noted that 6 changes have been reported this cycle, 2 of which (from one project) require endorsement from the IEB and approval at the CA. It was noted that a number of changes to the SCR spend profile have been made since the budget was agreed in March 2016 and it is proposed to accept these changes as the new baseline to monitor changes against. It was noted that at Q1 the expected spend profile is indicating a considerable shortfall of spend at year end (across all Policy areas) and to mitigate this the CA have approved an early commissioning call (see item 7). It was noted that to improve the progression of projects already in the	

	programme the CA have approved a package of measures including the introduction of early access to development funds. Members welcomed the information presented and recognised the importance of accurate monitoring, noting this is predicated on all scheme promoters providing the information asked of them. Consideration was given to whether additional resources might be needed to help progress schemes 'stuck' at outline business case stage. It was noted there are a variety of reasons why schemes don't progress against profile. Members were advised of a spend profile change request for the M1 J36 scheme. This was agreed. As a basis for recording and reporting all future spending profile changes, it was agreed that the current spend prolife (as at the end of Q1) should be used as the baseline for future change requests. Members discussed the competing ways that scheme scan come to the fore, either through SCRIF, mini-Commission, early commissions etc. and suggested the goal needs to be a long list of pipeline projects all ready to make use of funding when it becomes available. **RESOLVED, that the Board:** **1. Note the position of the SCRIF Programme at the end of Q1.** **2. Note the commentary relating to the red flags presented in respect of various schemes.** **3. Endorses the change request to the spend profile and completion date for M1 J36** **4. Endorse the programme changes presented at Appendix 5 to the report and endorse the position presented in the SCR funding profile at Appendix 7 as the new baseline.** **5. Note the opportunities presented for the early commissioning of schemes in 2016/17.** **6. Note the introduction of a package of measures including the introduction of early access to development funds.**	
6	**Local Growth Fund 2015/16 Lessons Learnt** A report was presented to provide members with details of the lessons learnt exercise undertaken in respect of the 2015/16 Local Growth Fund (LGF) programme. It was noted this exercise identified a number of issues that require addressing during the ongoing delivery of the programme and a series of recommendations have been proposed to address these	

	issues including the appointment of a senior project officer in the Exec Team to assist promoters of infrastructure schemes. **RESOLVED, that the Board:** **1. Note the headline issues highlighted by the lessons learnt exercise.** **2. Note and endorse the recommended actions proposed to address these issues.**	
7	**<u>Infrastructure Pipeline Prioritisation Update</u>** A paper was presented to inform the Board of the CA's decisions to sign off the Integrated Infrastructure Plan (SCRIIP) and introduce a process to invite early commissioning calls with a focus on SCR's strategic priority areas and a separate call for schemes to accelerating housing. Members were also provided with the timeline for progressing the early commission. It was noted this will be agreed at the next CEX meeting. It was noted an Expression of Interest form is in production and will be used to capture information in respect of potential schemes. Scheme promoters will be asked to provide Mel with an early indication of submission intentions to ensure CIAT is appropriately geared up to undertake the assessment process. Members again questioned the issue of schemes having various routes to endorsement and suggested the prioritisation of schemes that can 'deliver quickly' shouldn't become the norm. It was reiterated that early commission schemes must spend in 2016/17. **RESOLVED, that the Board:** **1. Notes that the SCR Integrated Infrastructure Plan (IIP) has been signed off and will now be formatted for publication.** **2. Notes that SCR will bring forward an early commissioning call for schemes that are part of the SCR Local Enterprise Partnership strategic prioritised schemes.**	
8	**<u>Strategic Tools for Prioritisation and Appraisal</u>** A paper was received seeking the Board's endorsement for SCR to develop a Business Case to update its strategic modelling tools for prioritisation and appraisal. It was noted a need has been identified across multiple themes and	

the work is key to progressing schemes through the SCR Assurance Framework. This is an essential part of the process required to test the Value for Money of schemes at the development stage.

It was noted that following agreement to this approach by the SCR Combined Authority, the Business Case will be subject to SCR prioritisation in line with the SCR Single Assurance Framework.

It was noted the relevant SCR Executive Boards (Transport, Infrastructure & Housing) are asked to endorse the development of a Business Case for an update to their strategic testing tools and associated datasets. The strategic testing tools are required across multiple themes in order to ensure the effective prioritisation and appraisal of schemes which are funded via the SCR single pot. It is proposed that this work will be delivered in phases, with clear opportunities to use common tools and datasets across the three areas of activity:

- Transport: There is a pressing need to upgrade the transport component to harness the potential of the SCR Large Local Majors bid. A compliant model is required to allow progression of major transport schemes through the SCR Assurance Framework as well as the Department for Transport's Large Majors Competition.
- Infrastructure: More sophisticated testing tools are required to develop the next SCR infrastructure pipeline, informed by the SCR Integrated Infrastructure Plan.
- Housing: The development of the next SCR infrastructure pipeline needs to ensure that at a SCR-level we have effective tools in place to prioritise and appraise a range of housing projects/ interventions. Ahead of this, early work needs to be undertaken to support the SCR 'early commission for housing growth'. The Executive Boards are asked to endorse the development of a Business Case following the SCR Single Assurance Framework procedures, for an updated suite of testing tools/ associated data. The Business Case to be submitted will set out the need to bring this work forward in phases, as opportunities arise and in line with changes to national guidance/ best practice.

Members recognised the perpetual issue of modelling data costs and requested digital approaches to data refresh be explored to keep costs manageable.

RESOLVED, that the Board:

1. **Note the importance of developing robust tools/ datasets to prioritise and appraise a range of housing investments and interventions.**

2. **Endorse the development of a Business Case for the**

	development of strategic testing tools in support of the Sheffield City Region's housing ambitions.	
9	**<u>Enterprise Zone Development Fund</u>** A paper was presented seeking approval for an amendment to be made to the original scope of the Enterprise Zone Development Fund to ensure that delays in confirming formal designation of 60 ha of SCR Enterprise Zone do not holdback commercial development and applications for the EZ Development Fund. It was noted work will be undertaken to refresh the EZDF Business Case ahead of its progression through the assurance and appraisal processes. There is also an intention to convene a meeting of the EZ Board. **RESOLVED, that the Board:** **1. Endorses the proposal that the EZ Development Fund be available to the existing EZ and associated sites, namely the 8 sites granted temporary EZ status currently subject to formal approval of the business case by all local partners and successful progression of the scheme through the approved SCR SAF.**	
10	**<u>Infrastructure Executive Board Minutes</u>** **RESOLVED, that the minutes of the IEB meeting held on 15th July are agreed to be an accurate record.**	
11	**<u>Items for Combined Authority – 12th September</u>** It was noted a paper recommending the Business Case for Chesterfield Waterside will be presented to the CA for resolution.	
12	**<u>Any Other Business</u>** 1. <u>Northern Powerhouse Investment Pitchbook Refresh</u> The Board was informed that the Department for International trade (formerly UKTI) have launched an initiative to refresh the above document. Timetables are short and each NPH City Region will be asked to submit 4 schemes for inclusion. The intended launch is mid-November and the target audience will be Chinese investors. The make the process less onerous, the Board recommended the advancement of schemes already assigned sub-regional importance (RHADS, AMID, HS2 connectivity etc.) rather than asking all LAs to submit ideas. It was suggested this approach helps demonstrate the joined-up cohesive nature of SCR partnership working.	

	Action: Tony to ensure Nigel Knowles and Steve Houghton are supportive of this approach 2. <u>Dave Allatt</u> The Board was informed this would be Dave's last meeting ahead of him taking up the new post of Transport manager in Cambridge. Everyone wished Dave well for the future and thanked him for his efforts and support for the Board.	**TC**
13	**<u>Date of the Next Meeting</u>** 7^{th} October – Broad Street West, Sheffield, 10.00am	

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SCR COMBINED AUTHORITY INFRASTRUCTURE EXECUTIVE BOARD

7th October 2016

APPRAISAL PANEL BUSINESS CASE RECOMMENDATION

Purpose of Report

In line with the Sheffield City Region Single Assurance Framework, projects seeking CA funding have been considered and recommended for Executive Board endorsement, prior to presentation to the CA.

This cycle the Full Business Case (FBC) for four project seeking Full Approval and Award of Contract has been reviewed by the SCR Appraisal Panel and the technical recommendations are now presented for consideration.

Thematic Priority

The Business case for the Chesterfield Northern Gateway primarily focussed on achieving priority:

6. Secure investment in infrastructure where it will do most to support growth

Freedom of Information

This paper is not exempt under the Freedom of Information act 2000

Part II of the Freedom of Information Act 2000

Recommendations

Consider and endorse progression of chesterfield Northern Gateway project to Full Approval and Award of Contract at a cost of up to £5.83m, subject to the conditions set out in the Project Approval Summary Table attached at Appendix 1. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1. Introduction

1.1 Assurance Framework

The SCR Assurance Framework requires that all schemes seeking investment undergo a thorough and proportionate scheme appraisal following the Treasury Green Book approach.

1.2 Before papers are submitted to Executive Boards an independent technical appraisal has been undertaken and reviewed by a panel of Officers representing the Statutory Officers of the SCR Executive. Where appropriate, due to the scale / risk and complexity of the project, this is supplemented by external appraisal from a panel of Consultants referred to as Central Independent Appraisal Team (CIAT).

1.3 The technical appraisal will scrutinise the business case documents submitted by scheme promoters to ensure completeness and test the responses to each of the 5 cases (Strategic, Economic, Financial, Management and Commercial) and will present their findings for each case and the project overall.

1.4 These findings will inform the s151 Officers view regarding the Value for money Statement and the Monitoring Officers view regarding the relative risks of the scheme presented.

1.5 This cycle the Full Business Case (FBC) for five projects seeking Full Approval and Award of Contract has been reviewed by the SCR Appraisal Panel;

- SCR Growth Hub (BGEB)
- SCR Strategic Testing Tools (HEB / TEB / IEB)
- Enterprise Zone (EZ) Accelerator Fund (IEB)
- SCRIF – Chesterfield Northern Gateway (IEB)
- Sustainable Transport Exemplar Programme (STEP) (TEB)

1.6 The technical recommendation for the Chesterfield Northern Gateway project is now presented for consideration at cost of £5.83m to the SCRCA

2. Proposal and justification

2.1 The Infrastructure Executive Board (IEB) are asked to consider the recommendation to progress the scheme business cases to Full Approval and endorse the entering into Funding Agreement at a cost of £5,830,000.

2.2 IEB have previously approved the Outline Business Case (OBC) for this project and more recently approved a scheme refinement which reduced the SCR funding ask from £9m to £5.83m.

2.4 SCRIF investment is sought to help deliver; 2,600m^2 new office space, 4,475m^2 refurbished public realm, 6,500m^2 refurbished MSCP and £5.57m match funding which will achieve 151 net jobs and £36m GVA

2.5 The Elder Way Redevelopment which is not seeking SCRIF funding will increase the net jobs to 341 and the GVA to £68.96m with additional private sector leverage of £12.5m

2.6 The SCRIF cost per **net additional job** as presented in the core business case (excluding Elder Way) is **£38,609** (£5.83m total SCRIF investment / 151 net additional jobs). The net cumulative GVA (adjusted) per £1 of SCRIF **(BCR)** is **£6.17.** these figures improve to £17,097 and £11.83 if the full potential of the investment and third party leverage is secured. Both calculations exclude the Construction Job FTE's which further improve the proposition.

3. Consideration of alternative approaches

3.1 Alternative approaches including do nothing and do less were considered as part of the options appraisal in the Economic Case of the FBC, all of which were not viable alternatives or would significantly impact the value for money of the project.

3.2 The preferred scheme now presented was refined from the previous scheme submitted at Outline Business Case stage.

4. Implications

Financial

4.1 Financial implications have been fully considered by a representative of the S151 officer and included in the recommendations agreed by the Appraisal Panel as presented in this report.

Endorsement is sought to progress the scheme business cases to Full Approval and endorse the entering into Contracts for Chesterfield Northern Gateway at a cost of £5,830,000.

4.2 Legal

Legal implications have been fully considered by a representative of the Monitoring officer and included in the recommendations agreed by the Appraisal Panel as presented in this report.

4.3 Risk Management

The business case sets out a good understanding of the project risks however an updated risk register and programme have been requested to include an outline of the management and mitigation measures for the sequential phasing of all works; with particular focus on the interface between public realm works and the Elder Way Redevelopment.

4.4 Equality, Diversity and Social Inclusion

None as a result of this paper

5. Communications

5.1 If endorsed this paper will be presented for funding approval at the CA meeting on the 24th October and a press statement may be required.

6. Appendices/Annexes

6.1 Appraisal Panel Comments / Record of Approval – Appendix 1

Assessment Summary – Appendix 2

REPORT AUTHOR	**Melanie Dei Rossi**
POST	**Head of Performance**
Officer responsible	**Ruth Adams, Interim Deputy Executive / Director of Skills & Performance**
Organisation	**Sheffield City Region Combined Authority**
Email	**Ruth.adams@sheffieldcityregion.org.uk**
Telephone	**0114 2203441**

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

Other sources and references:

*Thematic Priorities

1. Ensure new businesses receive the support they need to flourish.
2. Facilitate and proactively support growth amongst existing firms.
3. Attract investment from other parts of the UK and overseas, and improve our brand.
4. Increase sales of SCR's goods and services to other parts of the UK and abroad.
5. Develop the SCR skills base, labour mobility and education performance.
6. Secure investment in infrastructure where it will do most to support growth.

Scheme Details		Appraisal Panel Comments		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	The project has a clear strategic economic rationale – in line with City Region's economic ambitions – to: • increase private sector investment confidence in the northern part of the town centre – through increased footfall and enhanced urban environment; • directly support private sector investment in the Elder Way project; and • increase the scale and diversity of private sector employment in the town centre in professional services, IT, leisure and retail.	**Funding**	LGF
Project Name	Northern Gateway	**Value for Money**	The SCRIF cost per **net additional job** as presented in the core business case is **£38,609** (£5.83m total SCRIF investment / 151 net additional jobs). The net cumulative GVA (adjusted) per £1 of SCRIF **(BCR)** is **£6.17.** these figures improve to £17,097 and £11.83 if the full potential of the investment and third party leverage is secured. Analysis indicates that the investment has **reasonable potential to achieve average value for money in cost per job terms** based on the core scenario which improves to good if the full Elder way project is achieved. Both would increase further if construction jobs were included. As the core scenario offers an acceptable value for money ration clawback is not therefore recommended.	**Approval Requested**	Full approval and award of funding.
Scheme Promoter	Chesterfield Borough Council	**Risk**	A proportion of the project outcomes are dependent upon the Elder Way scheme, there is therefore a medium risk to the projects ability to achieve the full benefit potential which needs to be closely monitored as the project progresses. The overall risk is considered to be medium to low.	**Grant Award**	£5.83m Capital LGF
SCR Funding	£5.83m			**Grant Recipient**	Chesterfield Borough Council
Total Scheme Cost	£9.4m	**State Aid**	The project is considered to be State Aid Neutral from and SCR perspective.	**Payment Basis**	Defray in arrears
% SCR allocation	62%	**Delivery**	The business case and appended documents outline a clear and robust approach to project governance / Management however risk registers should be reviewed and updated as the project develops.	**Claw Back Clauses**	Not recommended

Description	Conditions of Award
1. **A new business centre** – A 2,600m^2 office building, located at Holywell Cross, to provide town centre accommodation for start-up and SME businesses – with a focus on IT and professional services. The centre will offer a mix of office sizes and types as well as rent-a-desk and virtual desk services with additional facilities such as meeting rooms, conference facilities and administrative support services. The business centre will be constructed, owned and managed by Chesterfield Borough Council. *Estimated cost: £4.597m.* **2. Public realm –** 4,475m^2 of refurbished and reconfigured public realm on Saltergate, Elder Way and Knifesmithgate to include: a raised table junction at Elder Way / Saltergate; narrowing of the one-way carriageway on Elder Way; shared surface and paving in granite; a new terraced area to the frontage of the Elder Way restaurant units; and new planting and street furniture. The works are intended to enhance the quality and legibility of the key pedestrian route between the town's retail core to the south, and the northern fringe of the town centre which includes significant car parking provision and the Elder Way Redevelopment site (see below). *Estimated cost: £1.2m.* 3. **Car park refurbishment –** Essential structural repairs and subsequent refurbishment to the Saltergate multi-storey car park to include: reinforcement and repair of concrete decks and structure; lighting; lift refurbishment; CCTV; external cladding; and new operational equipment. The refurbished car park will provide some dedicated secure parking spaces for the Elder Way hotel and gym. *Estimated cost: £3.583m.*	1. Provision of further evidence on the commercial viability of the Elder Way Redevelopment, to detail the number and/or value of remaining pre-lets which would trigger commencement of development; 2. Confirmed details of the proposed procurement for works to the Saltergate Multi Storey Car Park; 3. Provision of an updated risk register and programme to include an outline of the management and mitigation measures for the sequential phasing of all works; with particular focus on the interface between public realm works and the Elder Way Redevelopment.

	Expected Benefits	Core Project	Including Elder way	By
Outputs	New Office Space	2,600m2	2,600m2	2019/20
	Refurbished public realm	4,475m2	4,475m2	2019/20
	Refurbishment (and structural repair) multi story car park	6,500m2	6,500m2	2019/20
	Match Funding	£3.57m	£3.57m	2019/20
Outcomes	Jobs (Gross)	173	510	2021/22
	Jobs (Nett)	151	341	2021/22
	Gross Value Added (*updated to reflect corrections to discount rate)	£36m	£68.9mm	2030/31
	Private sector leverage	0	£12.5m	2019/20
	Redeveloped / refurbished floor space		7,100m2	2018/19

Sheffield City Region

Project Dashboard (Infra)

SCR Office Use Only - Perfomance Team Assessment	Amber

Project Details	Name	Number	Promoter	Sponsor	Manager
	Northern Gateway	0	Chesterfield Borough Council	Chesterfield Borough Council	Emily Williams

Reporting Period	Q1 Apr 16 - Jun 16
% Complete	37%

Objectives			
Current	Amber	Trend	↓
Last	Green		

Overall Project Status			
Current	Amber	Trend	↔
Last	Amber		

Time — Red

Amber	Amber	↔
LAST	CURRENT	Trend

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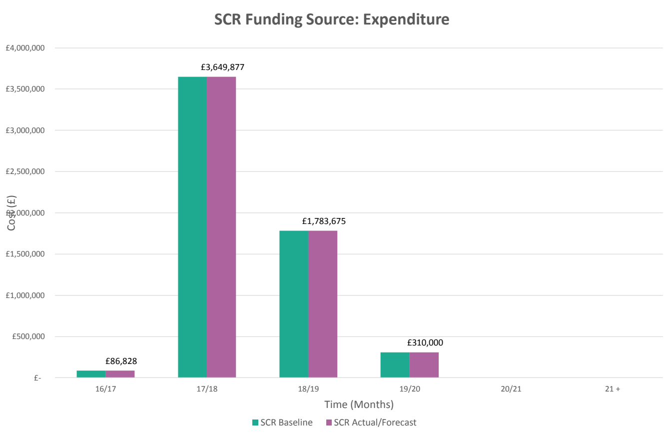
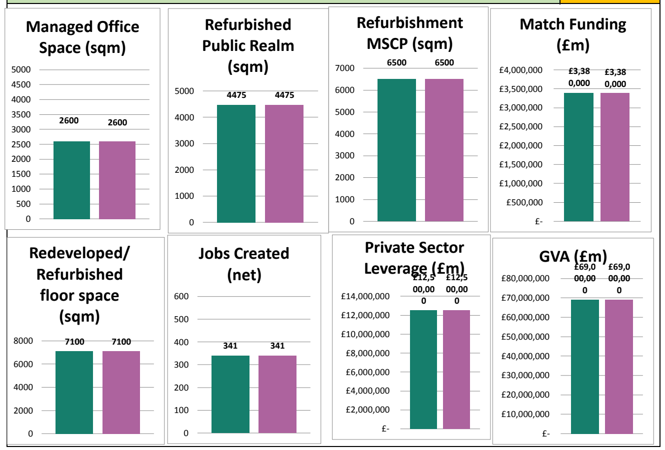
SCR Contract Complete variation (days)	0

Cost — Amber



Quality — Amber



Change Requests

Combined Impact (£)	£0
% against total funding	0%

Issues — Red

1	2	1

Escalate?

Risks — Amber

4

Escalate?

Appendix 1

Record of Approvals					
Northern Gateway					
Appraisal Panel		Executive Board		CA	
Date of Meeting	20-09-2016	Date of Meeting		Date of Meeting	
SCR Officer Presenting Paper	Melanie Dei Rossi	SCR Officer Presenting Paper		SCR Officer Presenting Paper	
Signature	M. Dei Rossi	Signature		Signature	
Approving Officer	Gareth Sutton	Approving Officer		Approving Officer	
Signature	G Sutton	Signature		Signature	
Date	20/09/16	Date		Date	

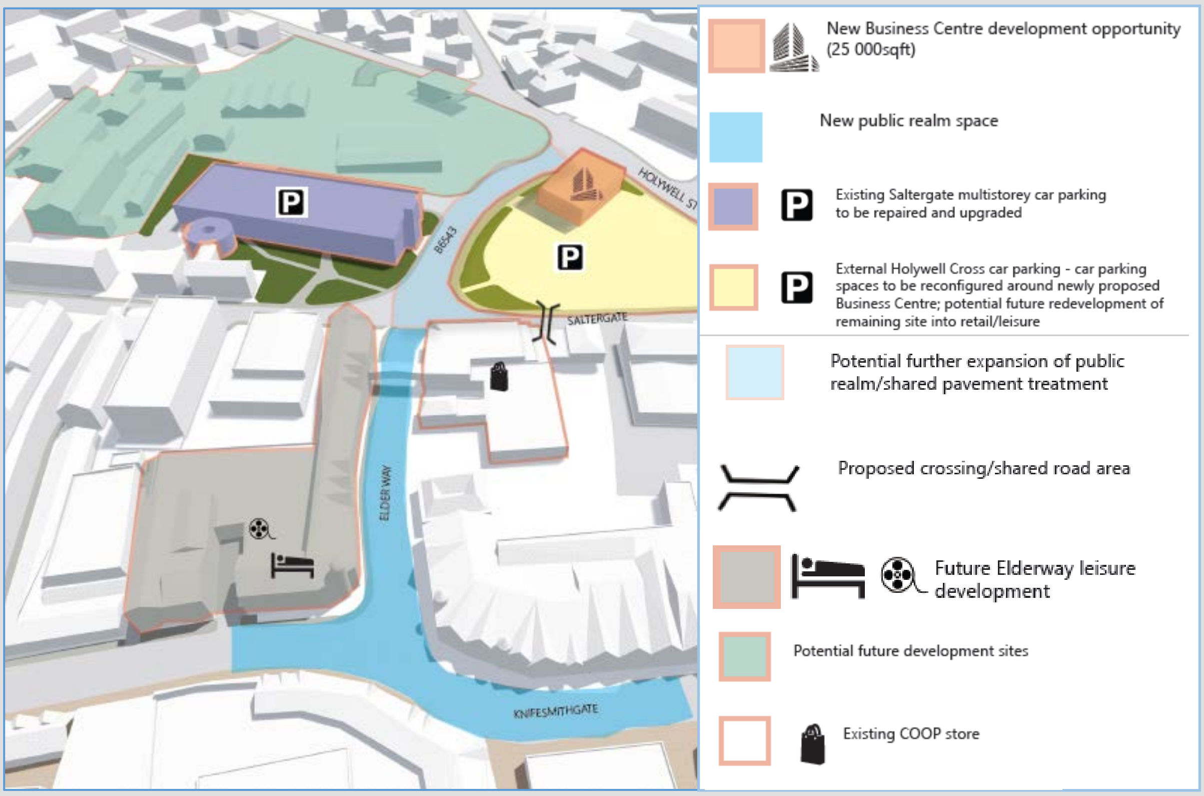
Strategic Case Assessment (to be completed by the assessor)

Project description

Chesterfield Borough Council is applying for £5.83m SCRIF – reduced from the £9m in the Stage 1A application – to support the Northern Gateway development project.

The January 2015 Stage 1A application was for £9m SCRIF to part-fund enabling infrastructure for the Northern Gateway. Proposals at the time were for a leisure-led mixed-use development led by Muse Developments on the site of the Holywell Cross gyratory which would incorporate: a new cinema, restaurants and a hotel (c. 11,000 m^2 of leisure development); new office space (7,500m^2) including an innovation centre; 140 housing units; and ancillary retail units (880m^2).

Subsequently, Muse Developments have withdrawn from the project; and the focus of new leisure development in the Northern Gateway has shifted to the adjacent 89 room hotel and restaurant redevelopment of the former Co-op Department Store on the adjacent Elder Way site (Jomast Developments).



As such, the Council is developing a new project to retain some elements of the earlier proposal, whilst also developing the physical environment to support the investment at Elder Way (Co-Op). Specifically, SCRIF is required to part-fund:

1. **A new business centre** – A 2,600m^2 office building, located at Holywell Cross, to provide town centre accommodation for start-up and SME businesses – with a focus on IT and professional services. The centre will offer a mix of office sizes and types as well as rent-a-desk and virtual desk services with additional facilities such as meeting rooms, conference facilities and administrative support services. The business centre will be constructed, owned and managed by Chesterfield Borough Council. *Estimated cost: £4.597m.*
2. **Public realm –** 4,475m^2 of refurbished and reconfigured public realm on Saltergate, Elder Way and Knifesmithgate to include: a raised table junction at Elder Way / Saltergate; narrowing of the one-way carriageway on Elder Way; shared surface and paving in granite; a new terraced area to the frontage of the Elder Way restaurant units; and new planting and street furniture. The works are intended to

enhance the quality and legibility of the key pedestrian route between the town's retail core to the south, and the northern fringe of the town centre which includes significant car parking provision and the Elder Way Redevelopment site (see below). *Estimated cost: £1.2m.*

3. **Car park refurbishment –** Essential structural repairs and subsequent refurbishment to the Saltergate multi-storey car park to include: reinforcement and repair of concrete decks and structure; lighting; lift refurbishment; CCTV; external cladding; and new operational equipment. The refurbished car park will provide some dedicated secure parking spaces for the Elder Way hotel and gym. *Estimated cost: £3.583m.*

The SCRIF-funded development is closely linked to the **Elder Way Redevelopment**, a £12.5m project to convert Chesterfield's former Co-Op Department Store in to an 89 room hotel, gym and six restaurant units. The project is being developed by Jomast Developments, with full planning consent and change of use consented in December 2015 subject to conditions. The public realm works will immediately adjoin the building, whilst the car park and business centre are in close proximity as illustrated in the graphic above.

Does the scheme have a clear strategic rationale and align to SCR Growth Plan objectives*?*

The project has a clear strategic economic rationale – in line with City Region's economic ambitions – to:

- increase private sector investment confidence in the northern part of the town centre – through increased footfall and enhanced urban environment;
- directly support private sector investment in the Elder Way project; and
- increase the scale and diversity of private sector employment in the town centre in professional services, IT, leisure and retail.

Northern Gateway is a key strategic development site, located to the north of Chesterfield town centre, within short walking distance of both the main retail area and the railway station – and is identified as a main economic regeneration priority in the Council's Local Plan (2013) and the Town Centre Masterplan (2015). The Masterplan identifies the site as a key opportunity to 'round off' the town centre core and enhance the surrounding areas – whilst it also highlights the importance of pedestrian connectivity to enable linked trips and extend dwell times in the town centre.

The project is located in the A61 corridor – one of the seven spatial priority areas in the SCR *Strategic Economic Plan* (SEP) (2014). The business case highlights that, as one of the original 15 SCRIF projects, Chesterfield Northern Gateway is one of the 'transformational City Region Schemes' promoted by the SEP.

The project aims to increase economic and commercial activity in the north of the Town Centre which has been badly affected by the closure of the Co-Op; and encourage the diversification of the town centre offer away from a strictly retail-led strategy in response to the changing nature of that sector.

The business case identifies a number of relevant challenges to economic growth which may be addressed through the proposed SCRIF investment, which support the rationale for diversification of uses, including:

- growth in online retailing;
- changing property strategies amongst retailers;
- changes in consumer behaviour; and
- increased competition within Chesterfield's retail catchment.

The strategic rationale for the business centre is based upon the aim to attract retain and promote the growth of businesses in professional services – thereby promoting the SCR ambition for private sector employment growth and rebalancing away from public sector reliant economies. The business case indicates that the town centre small-scale office offer is currently dominated by secondary floor space above retail units.

Are SMART objectives clear and consistent with the nature of the scheme?

The overall strategic objectives of the Northern Gateway project are clearly articulated in the business case and discussed above.

A series of project objectives are also provided in the business case as follows:

1. To deliver a mixed use development comprising a new business centre (2,600 sqm), refurbished MSCP (6,500 sqm) and enhanced public realm (4,475 sqm) by May 2019.
2. To directly secure the creation of 173 jobs by January 2021.
3. To facilitate the redevelopment of the former Co-op building providing 7,100 sqm of refurbished floorspace by July 2018.
4. To indirectly secure the creation of 337 jobs at the Elder Way Development and across the wider town centre by July 2020.

These objectives broadly meet SMART criteria, although it is recommended that the objectives are reviewed and revised on the basis of the comments below:

- Objective 2: This relates to the 173 gross jobs expected to be accommodated in the new business centre and therefore these outputs will not be 'created' as such.
- Objective 4: Again this refers to the 337 gross jobs expected to be supported by the development and not 'created'. It is not clear how this objective would be measured.
- It may be appropriate to include objectives which relate to the expected increase in activity and are more readily measurable, for example footfall counts on Elder Way; re-occupation of vacant units; and /or increase in turnover of town centre businesses.

Are there any adverse consequences if the scheme goes ahead / does not go ahead?

The business case identifies three potential disbenefits of the scheme and actions taken to mitigate and manage the potential impact:

1. *Environmental effect of encouraging private car use through the maintenance of the multi-storey car park*:

   The business case argues that although the car park will maintain private travel use, the promotion of a town centre site also enables other more environmental friendly transport options including walking, cycling, bus and train travel. In addition, the applicant has indicated (appraisal discussion) that the site of the business centre will result in a loss of 70 car parking spaces on the Holywell Cross site, and therefore the net effect on the total number of spaces of reopening the upper two decks of the Saltergate car park is likely to be marginal.

2. *Transport and accessibility effect of narrowing Elder Way*.

   Elder Way is currently a restricted access one way street used for bus stops, taxi ranks and vehicle access for people with disabilities. The current designs show that the bus stops and taxi access will be retained. The business case indicates that transport operators, taxi companies and the Council's Disabled Access Group will all be consulted and represented in the Design and Consultation Group. The applicant has indicated (appraisal discussion and additional information provided) that works are not expected to cause any adverse effect on the highway network and that the Highways Authority (DCC) has been engaged throughout the development process.

3. *Potential adverse effect of displacement of office-based activity from other premises*

   The business case indicates that the business centre is expected to provide a niche offer for the Chesterfield town centre property market and therefore the Council expect displacement to be minimal.

Has a robust assessment of the alternative options been considered?

The business case presents three options which have been considered in the development of the project:

- ***No SCRIF –*** Investment would be limited to Council's expenditure of essential maintenance of the Saltergate multi-storey car park, with no public realm investment and no business centre. The business case suggests that the car park would be closed on safety grounds in the very near future; with an extended period of closure whilst the Council disposes of assets to generate capital receipts to pay for the work. In addition, under this scenario it is suggested that the Elder Way Redevelopment project would be at risk in the short-to-medium term through a failure to secure operator per-lets.

- ***Reduced SCRIF* –** Investment would take place in the full car park and public realm works but the business centre would not be developed. This would help to secure the £12.5m private sector investment in the Elder Way Redevelopment, and the associated economic outputs. However, it would not support the accommodation of new private sector jobs in IT and professional business services; on the basis that there is little investor-developer interest in delivering speculative small-scale office units in Chesterfield Town Centre.
- ***Full SCRIF investment*** – the preferred option. The applicant has reiterated the strategic benefits of the project as presented throughout the business case, including the opportunity to deliver a comprehensive economic regeneration project for the northern fringe of Chesterfield Town Centre.

The logic behind these scenario assumptions all appear reasonable and is used to demonstrate the principles of the economic additionality of the proposed investment. However, the economic additionality relies on the assumption that the Council's investment in public realm works will be a sufficient attractor and incentive for restaurant operators to sign pre-lets with Jomast and therefore make the Elder Way Redevelopment commercially viable (see *Commercial Case* analysis).

The rationale for the SCRIF investment in the preferred option would also be strengthened by demonstrating what (if any) alternative sources of funding have been pursued or dismissed in order to finance the proposed works. For example, it is unclear at this stage how the split between Council and SCRIF investment has been determined, why the Council is unable/unwilling to borrow more, and therefore why the £5.83m SCRIF investment is the minimum required to secure the delivery of the project.

COMMERCIAL CASE ASSESSMENT (TO BE COMPLETED BY THE ASSESSOR)

Is the scheme feasible and has market potential / demand been adequately assessed / evidenced?

Overall, reasonable market evidence has been provided to support the commercial viability of the projects – particularly on the demand for office space. However, more evidence on the commercial deliverability of the Elder Way Redevelopment would provide greater assurance on the commercial risk to the overall project and outputs.

The overall commercial case for the investment is based on three key areas:

- Commercial case for new small-scale office accommodation in Chesterfield Town Centre;
- Commercial case for public realm and car parking investment to incentivise the Elder Way Redevelopment; and
- Commercial case for increased footfall, demand and expenditure in Chesterfield Town Centre.

1. Commercial case for new small-scale office accommodation in Chesterfield Town Centre

The new business centre is intended to 'promote the growth of new businesses in ICT and the professional services sectors, and support the expansion of office based employment in the town centre'.

- **Lack of appropriate supply**

The business case outlines the Council's understanding of a lack of supply of modern small-scale office units in Chesterfield town centre. Supply which has been identified is secondary office space, usually located over retail premises, or larger floorspace offices (150m^2 to 750m^2) which are not deemed suitable for start-up and small companies.

- **Evidence of demand**

The two main sources of evidence of demand for small, flexible office units are: (a) the Council's Land and Property Information Service (LPIS); and (b) the activity of the Council's existing Dunston and Tapton Park Innovation Centres. On request, CBC have provided extended detail of evidence of demand from both.

According to LPIS, CBC received 621 enquiries for B1a office space in the three years between 2013 and 2015. Of these the majority, 59% (365), were for the very smallest category of unit – up to 500sqft (46m^2). 92% (569) were for small units of under 2,000sqft (186m^2).

Commercial activity at the Council's two existing business centres also provides a reasonable indicator of general demand for small offices – with the new business centre intending to address a specific gap in supply of the very smallest units. Approximately 75% of all enquiries to the existing centres are for premises of under 500 sqft. Both existing centres are reported to be operating at between 80% and 85% occupancy.

The business case further indicates that the Council's role as one of the major commercial property owners in the town allows a wider understanding of the property market and assurance of sufficient levels of demand to occupy the new business centre.

- **Transferable successful business model**

The Council's operation of the Dunston and Tapton Park Innovation Centres appears to provide evidence of a successful transferable business model for the new business centre. Additional appraisal material provided by CBC outlines the model, including easy-in-out terms, affordable rents, shared services and facilities, flexible accommodation and access to free business support. The Council's Economic Development team actively works to ensure grow on and re-accommodation requirements can be met within the Borough.

The rents of the new business centre will be established to ensure the future financial sustainability of the operation. Information from the Council indicates that in 2015/16, Tapton generated an operating surplus of £72,000, based on expenditure of £252,000 and income of £324,000, whilst Dunston achieved a surplus of £61,000 based on expenditure of £315,000 and total income of £376,000.

2. Commercial case for public realm and car parking investment to incentivise the Elder Way Redevelopment

Jomast Developments appear to be committed to the delivery of the Elder Way (Co-Op) redevelopment to accommodate a new hotel, six restaurant units and a fitness centre. The developer has funded investigations, design and a full planning application which received conditional consent in December 2015. A letter of support from the Development Director of Jomast Developments Ltd has been appended to the SCRIF Business Case. This states that:

> *"We have been working on this exciting project for approximately 18 months having first identified the redundant former Co-Op department store as suitable for redevelopment, in a strong town centre location. The dearth of any integrated leisure scheme in Chesterfield was crucial in shaping the proposed uses and layout.*
>
> *We have now secured full planning approval for the requisite conversion works and change of use and are currently advancing discussions with end users. The key anchor pre-lets have already been secured in Premier Inn and Beefeater and a further letting to Prezzo will exchange imminently.*
>
> *The proposed lettings, ongoing marketing campaign and general success of the development are heavily reliant on the SCRIF–funded activity in terms of significant enhancements to the wider public realm works [sic] adjoining the subject buildings. These will provide key benefits such as creating a high quality setting for the development, prioritising and encouraging pedestrian movement through shared surfaces and forming wider footpaths for an al fresco style of drinking and eating. Furthermore, it will allow the much needed refurbishment of the MSCP which will provide secure 24 hour car parking which will be required by the proposed hotel and gym in particular."*

The business case argues that the SCRIF / CBC investment in the improving the wider environment will enable the developer to secure the remaining pre-lets required to make the development commercially viable. This is supported by Jomast's assessment in the letter of support. The link between high-quality public realm and investment has been drawn in a wide range of studies, and indeed in other SCRIF project business cases, although this business case would have been strengthened by drawing on this evidence. The business case has not been supported by development appraisals or a financial plan for the Jomast Redevelopment and therefore it is not possible to verify what level of further pre-let commitment is required to guarantee the development.

3. Commercial case for increased footfall, demand and expenditure in Chesterfield Town Centre

The third strand of the commercial case for the Northern Gateway is the potential for the investment to stimulate new commercial and economic activity in the immediate vicinity and the wider town centre. This is reported to have been in decline in the Northern Gateway area since the closure of the Co-Op Department

Store (Elder Way) in 2013 and the associated decline in footfall – the Council has provided a schedule of vacant commercial properties in the immediate vicinity (Knifesmithgate and Elder Way) which have been vacated in recent years.

The business case outlines evidence from the *Great British High Street* report and CACI research which points to leisure activity as a driver of town centre footfall, and the link between leisure activity, dwell time and retail expenditure. Similarly, evidence is cited from the Deloitte / Visit Britain (2013) economic study which demonstrates and quantifies the link between visitor expenditure and employment in the wider retail, leisure and services sectors (£54,000 expenditure to create one job).

On the basis of this evidence, the economic case relies in part on the assumption that the investment (including Elder Way hotel and restaurants) can support a 3% increase in comparison retail expenditure in Chesterfield Town Centre from a baseline established by CACI in 2015. Although vacancies have increased in the Northern Gateway area, the Council's evidence demonstrates that the retail core is performing well with a 7.90% vacancy rate compared to the 12.4% national average (based on Local Data Company analysis 2016) – indicating potential for growth back into the Northern fringe. On this basis the 3% uplift does not seem an unreasonable assumption, but further evidence and analysis of retail and leisure expenditure trends in the town might been provided in the Commercial Case to support the case.

Is the procurement strategy clear with defined milestones?

A reasonably clear procurement strategy has been identified. The Council intends to directly procure and manage all contractors for the design and construction works required for each of the three SCRIF-funded elements. The Council proposes to use its existing procurement processes, overseen by the Project Manager, and operated by the Council's Procurement Unit to ensure compliance with SCRIF requirements and European laws.

The Council also intends to include a requirement for prospective contractors to demonstrate how they will make best use of local labour and supply chains.

The design of the public realm and business centre will be procured up to RIBA Stage 3 through a competitive process. The Council indicates it is exploring options for the procurement of works on the multi-storey car park through existing pre-tendered frameworks, given the short timescale imposed by the ongoing safety concerns. It is recommended that the CIAT and / or Investment Board seek further details (when available) of the proposed process prior to draw down of any grant funding.

ECONOMIC CASE ASSESSMENT (TO BE COMPLETED BY THE ASSESSOR)

Economic additionality of SCRIF-funded infrastructure

The applicant's analysis indicates that the investment could support a total of 341 net additional jobs by 2021, generating around £75m in cumulative GVA by 2030. The additionality is based on the assumptions developed in the options analysis, that the Elder Way Co-Op Redevelopment does not come forward without the public realm and car park investment; and that the business centre will not be constructed.

Have gross and net economic impacts been assessed appropriately?

As presented in the business case, the economic impacts of the SCRIF investment in Chesterfield Northern Gateway come from six different benefit streams associated with the proposed infrastructure and developments:

1. Employment directly accommodated in the new business centre;
2. Developer and occupier investment in the Elder Way hotel and leisure redevelopment including indirect employment incentivised by the public sector commitment to deliver high-quality public realm and the upgrade of the car park;

3. Investment in the re-occupation of ten vacant commercial properties totalling c. 2,100m^2 in the immediate vicinity stimulated by increased footfall generated by the public realm, car parking facilities and the Elder Way Redevelopment;
4. Increased visitor expenditure in the town from residents of the new hotel in the Elder Way Redevelopment;
5. Increased expenditure in the town centre from increased dwell time of shoppers as a result of the enhanced retail-leisure offer; and
6. Increased share of retail expenditure from the wider catchment as a result of the enhanced retail-leisure offer of Chesterfield town centre.

The estimated gross employment outputs of each of the benefit streams associated with the SCRIF investment are outlined in the table below:

Site / benefit stream	Use	Jobs		SCRIF additionality assumptions	Calculation assumptions, metrics and source
		With SCRIF	No SCRIF		
New business centre	B1a Office (Professional Services and ICT)	173	0	The new business centre will not be developed without SCRIF funding	2,600m^2 gross floorspace: 80% net conversion 2,080m^2 173 workers at 12m^2 per worker (HCA employment density metric for professional services, 2015)
Elder Way hotel and leisure redevelopment	C1 Hotel A3 Restaurants	152	19	Public realm and car park investment secures the delivery of the redevelopment by July 2018 Without SCRIF, a limited part of the ground floor of the building is developed for low-value retail use	60 FTE jobs in the hotel according to the developer and tenant, equivalent to c.1.5 workers per room 92 workers accommodated in 2,582m^2 (GIA) A1 retail and A3 restaurant floorspace and 1,494m^2 (GIA) D2 Fitness Centre at c. 44m^2 per worker on average
Vacant commercial properties on Elder Way	A1 Retail B1a Office	55	0	Public realm and car park investment, alongside private sector investment in Elder Way redevelopment increases footfall and demand such that 10 vacant properties in the immediate vicinity are re-occupied by 2019	Approx. 2,100m^2 A1 retail space, A3 Leisure and B1a office space is reoccupied providing accommodation for 110 workers at an average of c.19m^2 per worker (in line with HCA employment density metrics 2015) 50% of gross jobs are assumed to be attributable to the SCRIF/CBC investment
Visitor expenditure from Elder Way Hotel residents	N/A	27	0	Public realm and car park investment secures the delivery of the redevelopment by July 2018. Hotel supports 42,578 bed nights per annum at 80% occupancy, and £1.45m in visitor expenditure	Weekend occupancy 2 people per room Weekday occupancy 1.5 people per room 80% annual occupancy Visitor day spend at £34 (Visit Britain, 2014) £54,000 spend per job in tourism and leisure (Deloitte/Visit Britain, 2013)

Increased dwell time and spend by existing shoppers Increased share of retail expenditure from wider catchment	N/A	103	0	Public realm and car park investment, alongside private sector investment in the town's leisure offer through the Elder Way Redevelopment increases dwell time of existing visitors and increases the share of existing expenditure within the retail catchment. The effect is assumed to support a 3% uplift in annual comparison retail expenditure in the town centre	Annual comparison retail expenditure in Chesterfield Town Centre of £186m (CACI Retail Catchment Assessment, 2015) 3% uplift equivalent to £5.58m additional expenditure £54,000 spend per job in tourism and leisure (Deloitte/Visit Britain, 2013)
TOTAL gross outputs		**510**	**19**		

Benefits assumptions

The primary assumption is that all benefits associated with the Elder Way hotel and leisure redevelopment are entirely additional as a result of the SCRIF and CBC investment. Evidence in support of this includes the letter from Jomast Developments which states that:

> *'The proposed lettings, ongoing marketing campaign and general success of the development are heavily reliant on the SCRIF–funded activity in terms of significant enhancements to the wider public realm works [sic] adjoining the subject buildings.…Whilst this is undoubtedly a strong leisure location it nevertheless remains a secondary town centre pitch on the fringe of the town centre and as such the wider SCRIF funded works are essential in linking the scheme to the core retail area and in securing interest from leisure promoters and prospective investors'.*

The assumption of the re-occupation of the 10 vacant properties in the immediate vicinity appears reasonable and is supported by a schedule of the vacant properties, use classes and floorspace (additional information provided). CBC have applied a prudent attribution rate of 50% of associated benefits.

The assumption that the increased dwell time and share of catchment area spend could support a 3% increase in comparison goods spend, again appears logical but is not supported by any evidence.

Gross employment outputs

On the basis of the assumptions above, the overall gross employment outputs from enabled development appear to have been calculated appropriately – 510 jobs in the *With SCRIF* case and 19 in the *No SCRIF* case. Jobs estimates have been made using recognised employment floorspace densities (HCA) and information from proposed developers and occupiers.

Gross employment outputs from construction

CBC estimate that the capital investment could support 81 construction job years (38 direct from public realm, MSCP, business centre; 43 indirect from Elder Way) based upon assumptions of the spend on labour (20%) and the cost per worker week (£800). These figures have **not been accounted for in the net additional jobs or GVA calculations in the business case.**

Two alternative methods – HCA Construction Labour Coefficients and turnover per worker metrics – actually indicate a possibility that the spend would generate ***more*** employment than the business case estimate (110 or 132 construction job years respectively).

Net employment outputs from enabled development and increased expenditure

The business case estimates that the SCRIF investment could create or support the generation of ***341 net additional jobs by 2021***. On the basis of the gross jobs estimates above, the net jobs appear to have been calculated appropriately for both the *With SCRIF* (349) and *No SCRIF* cases (8) applying additionality adjustments as per government guidance.

However, leakage and displacement have been assessed at the level of the Chesterfield Travel to Work Area (TTWA) rather than for the Sheffield City Region. These are overlapping but not coterminous geographies. The implication of this is that the area of benefit used in the business case economic calculations is a smaller area but that it also extends beyond the SCR.

An assessment of the project's impact on the SCR might apply a higher displacement discount on the basis that as a rule there will be more displacement of economic activity across a larger area of benefit (see HCA Additionality Guide 2014; BIS Occasional Paper 1, 2009). Conversely, leakage is usually lower across a larger area such as the SCR.

In the event, the applicant has already applied a prudent estimate of 50% of displacement to retail-leisure employment, and 25% for office employment – which appear reasonable for either geographical benefits area (CTTWA or SCR).

The leakage discount of 10% for all benefits is at the lower end of the scale – and is arguably too low particularly given Chesterfield's location in the outer part of the SCR.

However, the economic multipliers applied (1.29 and 1.3) to calculate induced and indirect impacts are equivalent to local level multipliers (HCA 2014) and it is also therefore arguable that the economic multiplier effect of the project would be greater across the SCR than the chosen benefit area.

As such, in broad terms it is considered that the net economic effect to the Chesterfield TTWA would not be greatly different to the net economic effect for the SCR.

Gross value added

Based on the net additional job outputs and economic activity supported by the six identified benefits streams, the business case estimate is that the investment could support net cumulative GVA of approximately £76.1m by 2030/31 (present value). The appraisers revised estimate based on the business case jobs profiling is **£74.4m net cumulative GVA (present value)** (see below).

The GVA calculations do not include economic activity supported by the construction of the infrastructure and developments.

Gross value added estimates have been made using sectoral GVA per job metrics for SCR. GVA per job accommodated in the business centre of £45,036 has been applied as a blended average based on 60% of jobs in ICT (£56,468 GVA p/a) and 40% jobs in Business Services (£27,051 GVA p/a).

The business case estimates have been discounted at 3% p/a to calculate present value and 10% p/a decay factor has also been applied. The appraisers' revised estimate applies a 3.5% p/a discount as per Green Book guidance.

Does the scheme offer reasonable value for money (making reference to benchmarks and the reference case)?

The SCRIF cost per net additional job as presented in the business case is £17,097 (£3.815m total SCRIF investment / 341 net additional jobs). The net cumulative GVA (adjusted) per £1 of SCRIF (BCR) is £12.77.

The total public sector cost per net additional job is £27,566 (£9.4m total public sector investment / 341 net additional jobs).

This analysis suggests that the investment has reasonable potential to achieve good value for money in cost per job terms, assuming that all of the identified economic benefits are delivered. The project would need to support a minimum of 324 net additional jobs in order to meet the HCA's 'low' cost per net additional job benchmark of £28,700 and 236 to meet the 'mid-point' benchmark or £39,850.

Assess the wider contribution of the scheme

The business case presents a number of potential wider benefits of the investment, which may have positive economic benefits which cannot necessarily be easily monetised for the purposes of appraisal. These include: addressing the wider employment needs of the Borough, and economic deprivation of residents in the immediate vicinity; generating local job and supply chain opportunities; enhancing the urban environment; and re-establishing civic pride.

What Value for Money Category has been ascribed to this scheme?

N/A as not assessed as transport investment.

Have any adjustments been made to the analysis provided by the promoter and why? N/A
What are the key risks, sensitivities, and uncertainties relating to the analysis? The assumption that the increased dwell time and share of catchment area spend could support a 3% increase in comparison goods spend is not wholly supported by evidence and therefore introduces a level of risk that the 103 gross jobs associated with that benefit stream may not be fully delivered.
Are there any significant environmental disbenefits or missing analyses? None noted. The environmental effects appear to be neutral or positive.
Are there any significant social and distributional impacts or missing analyses? No missing analyses noted. The investment is likely to have a positive social effect through improved pedestrian amenity and safety.

FINANCIAL CASE ASSESSMENT (TO BE COMPLETED BY THE ASSESSOR)

Have scheme finances been assessed appropriately?

Funding

The proposed funding plan is for £5.83m of SCRIF investment alongside £3.57m match funding from Chesterfield Borough Council. The business case indicates that the Council's commitment to funding was confirmed by the Full Council on 27th July 2016 – to be financed through a combination of PWLB prudential borrowing and capital receipts from asset disposal. The applicant has indicated (appraisal discussions) that sites and buildings for disposal have already been identified, and in some cases are already being marketed.

The financial proposals for the Elder Way Redevelopment are not detailed in the financial case, beyond confirmation that a developer (Jomast) is in place and that further pre-lets are required to secure the financial viability of the development. Further detail in this regard would provide greater assurance that the incentive effect of the SCRIF / CBC investment in the public realm will be sufficient to ensure the financial sustainability of the development (and associated economic outputs).

Costs

Elemental cost plans have been provided for each of the three SCRIF-funded projects, with the total cost estimated at approximately £9.4m.

Project	Estimated Cost	Contingency allowance	Cost source
Saltergate Multi-storey Car Park	£3.583m	£250,000 (7%)	Report for the Council by Makers Construction based on site and structure investigations September/October 2015
Public Realm works to Elder Way and Knifesmithgate	£1.199m	£34,940 (3%)	Cost plan by PSC Surveying Limited on behalf of Jomast Developments, dated 21.8.2016
Business Centre	£4.545m	£190,836 5% construction contingency £100,189 inflation allowance	Preliminary full cost plan prepared by Fusion Building Consultancy for CBC, September 2016

The Council has provided additional appraisal material which states that: *'If there are any cost over-runs the Council will seek to address these by value engineering the scheme, alternatively it will seek to secure additional funding (borrowing) from non-SCRIF sources*'.

Cashflow and drawdown

The business case indicates that the majority of the total spending will occur in 2017/18 (£5.89m). The intention is to draw down SCRIF as follows:

- £0.09m of SCRIF in 2016/17;
- £3.65m SCRIF in 2017/18;
- £1.78m SCRIF in 2018/19; and
- £0.30m SCRIF in 2019/20.

Are financial risks managed appropriately?

The business case indicates a number of financial risks associated with the direct delivery of the SCRIF-funded projects; and appropriate measures in place to manage the risks. One of the main outstanding risks is that initial cost analysis has taken place for the public realm and business centre but these estimates remain to be finalised. The business case indicates that the costs for the multi-storey car park works are based on 'a detailed structural report', although this report is due to be updated. All cost estimates provided include contingencies, although the 3% contingency on the public realm works appears low given that detailed designs are yet to be developed.

The Council has confirmed (additional appraisal information) that there will be no further call on SCRIF in the event of cost overruns.

In the absence of more detailed information (development appraisals, funding plan) there is a level of residual risk associated with the financing of the Elder Way Redevelopment works. This issue is directly addressed in the applicant's assessment of the overall risk of the project (see *Management* Case). CBC and Jomast have expressed confidence that the development will come forward if additional occupiers can be secured for restaurant units, as a result of the CBC / SCRIF investment, but it has not been possible to validate this with reference to the financial evidence.

Has other funding been confirmed or what is the timescale for confirmation?

The business case indicates that the Council's commitment to funding was confirmed by the Full Council on 27th July 2016 – to be financed through a combination of PWLB prudential borrowing and capital receipts from asset disposal.

MANAGEMENT CASE ASSESSMENT (TO BE COMPLETED BY THE ASSESSOR)

Is there a clear project management and delivery plan?

1. Governance

The business case and appended documents outline a clear and robust approach to project governance. The Council's full approval of funding and project commencement (July 2016) instructed the establishment of a Project Board to oversee the process from inception to completion. The Project Board will consist of the Council's Leader, Chief Executive, Director of Resources, Development and Growth Manager and the Cabinet Member for the Town Centre and Visitor Economy. The Terms of Reference of the Project Board have been provided, which outlines roles and responsibilities and the frequency of meetings.

The Council also intends to establish a Design and Consultation group including key stakeholders such as access experts and transport providers.

2. Management and delivery

Clear project management arrangements are also in place. CBC intends to procure, manage and deliver all elements of the SCRIF-funded projects itself. The business case indicates that a Project Manager will be appointed imminently to work within the Economic Development Team of the Council. The responsibilities of the Project Manager for group facilitation, financial compliance, procurement, contract and contractor management, risk management, health and safety, project monitoring and reporting are clearly outlined.

The Council appears to have appropriate existing project management systems in line with public sector best practice, and cites the delivery of the £4.5m refurbishment of Chesterfield Market Hall (2013) on time and to budget as evidence of its delivery capacity and experience.

A headline project timetable is provided which indicates the steps towards proposed completion of the public realm works in November 2017, car park works in March 2018, and managed business centre in May 2019. Estimated construction periods are as follows: multi-storey car park, 35 weeks (June 2017-March 2018); public realm, 6 months (May-November 2017); business centre, 15 months (February 2018-May 2019).

The Elder Way Redevelopment (Co-Op) is currently scheduled by Jomast to be completed between January 2017 and July 2018 (planning permission granted December 2015).

3. Operational management and maintenance

The business case indicates that the new business centre will be managed and maintained by CBC on the same basis as its existing business centres at Tapton and Dunston, with an annual service charge included in the rental terms for tenants and the buildings maintained under contract by Kier.

On request, CBC have provided useful further information on the management of the Tapton Park and Dunston Innovations Centres. The centres are managed directly by CBC and overseen by a dedicated Innovation Centres Board – comprising two public and two private sector members. The new town centre facility would also fall under this existing mechanism.

Currently the operation of the two centres is overseen by an Innovation Centre Manager (ICM), with the working proposal for the same manager to oversee the new town centre facility. Each centre has three FTE staff. The ICM reports directly to the Council's Economic Development Manager on day-to-day operational issues, and quarterly to the Board.

CBC states: '*Leases are offered on easy-in easy-out terms to encourage take-up and allow businesses to adjust quickly to their changing accommodation requirements as they develop. The Council provides three year leases, but with no tie-in periods and one month's notice to leave at any time. Rent is payable one month in advance*'. Both centres are reported to have achieved considerable operating surpluses (£72,000 and £61,000) in the last financial year.

The multi-storey car park will continue to be managed by the Council's Car Park and CCTV unit.

Public realm maintenance will be the responsibility of Derbyshire County Council as Highways Authority. Further information on the agreed maintenance plan and budget with DCC would provide greater assurance that the public realm will be maintained in a condition likely to support the associated economic benefits. Soft landscaping will be managed and budgeted under CBC's 'Street Scene Amenity Maintenance Budget'.

Are monitoring and evaluation procedures in place?

The proposed monitoring and evaluation procedures are outlined in the business case. Project delivery monitoring will be encompassed within the Council's project management systems with progress reports against delivery milestones, budgets, outputs and outcomes – monthly to the Project Team and quarterly to the Project Board.

CBC has an existing requirement and mechanisms for ex-post project evaluations, and the business case establishes the principles for such an evaluation including measurement of the wider impact of the delivery of the scheme on town centre business and property performance.

Are the levels of risk acceptable and capable of being managed?

A reasonably detailed assessment of risk has been provided in the business case, although this is not presented as a comprehensive risk register. The assessment directly addresses the risks to the project's ability to support the proposed economic outputs and achieve value for money:

- **Failure to leverage the private sector investment:** This is potentially the most significant risk to the project outputs, as the £12.5m privately-financed Elder Way Redevelopment is estimated to support 152 of the 510 proposed gross jobs (i.e. 30%). The business case risk assessment states: 'There is a risk that JDL [*Jomast Developments Limited*] never reaches the point at which it is commercially viable to bring the scheme forward'. Evidence presented to provide assurance on the likelihood of this occurring includes the letter of commitments from Jomast (see *Commercial* and *Economic Cases*) and the full planning application (approved) submitted by the developer. However, this is a residual risk which cannot be directly managed or mitigated by Chesterfield Borough Council**.**
- **Failure to secure the locality and town centre employment outcomes:** This is also a risk to the project's overall outputs. The risk assessment re-states the rationale developed through the commercial and economic cases: '*Delivery of the scheme as proposed will ensure that there is an uplift in private sector investment and confidence in the area, bringing forward a leisure led scheme that will improve footfall and expenditure across the town centre, resulting in the creation of further employment opportunities*'. Although this rationale is broadly accepted in the appraisal of the Commercial and Economic Cases (see above), again this is a residual risk over which CBC will have limited capacity to manage or mitigate.

Appropriate management and mitigation actions appear to have been identified for other outstanding risks.

It is recommended that the CIAT requests and reviews an updated risk register as the project develops.

Assessment summary (to be completed by the assessor)
Please summarise your assessment of the scheme's strategic case and set out any recommendations Chesterfield Borough Council is applying for £5.83m SCRIF – reduced from the £9m in the Stage 1A application – to support the Northern Gateway development project. Northern Gateway is a key strategic development site, located to the north of Chesterfield town centre, within short walking distance of both the main retail area and the railway station – and is identified as a main economic regeneration priority in the Council's Local Plan (2013) and the Town Centre Masterplan (2015). The project aims to increase economic and commercial activity in the north of the Town Centre which has been badly affected by the closure of the Co-Op; and encourage the diversification of the town centre offer away from a strictly retail-led strategy in response to the changing nature of that sector. Specifically, SCRIF is required to part-fund: 1. A new business centre – a 2,600m^2 office building, located at Holywell Cross, to provide town centre accommodation for start-up and SME businesses; 2. 4,475m^2 of refurbished and reconfigured public realm on Saltergate, Elder Way and Knifesmithgate; and 3. Essential structural repairs and subsequent refurbishment to the Saltergate multi-storey car park. The SCRIF-funded development is closely linked to the Elder Way Redevelopment, a £12.5m project to convert Chesterfield's former Co-Op Department Store in to an 89 room hotel, gym and six restaurant units (and providing 30% of the gross jobs claimed against the proposed SCRIF investment). The project has a clear strategic economic rationale – in line with City Region's economic ambitions – to: ❑ increase private sector investment confidence in the northern part of the town centre – through increased footfall and enhanced urban environment; ❑ directly support private sector investment in the Elder Way project; and ❑ increase the scale and diversity of private sector employment in the town centre in professional services, IT, leisure and retail. The options analysis clearly outlines the principles of the strategic and economic additionality of the investment, which in part relies on assumptions about the effect of the investment on private sector investment and commercial activity in the town (see Commercial and Economic Cases). It is recommended that the project objectives are revised and reviewed with reference to the appraisal comments to ensure that they can be usefully and readily used to measure the success of the proposed SCRIF investment.
Please summarise your assessment of the scheme's commercial case and set out any recommendations Overall, reasonable market evidence has been provided to support the commercial viability of the projects – particularly on the demand for office space. However, more evidence on the commercial deliverability of the Elder Way Redevelopment would provide greater assurance on the commercial risk to the overall project and outputs. The overall commercial case for the investment is based on three key areas: ❑ ***Commercial case for new small-scale office accommodation in Chesterfield Town Centre***: supported by the lack of appropriate supply; evidence of demand from the Council's Land and Property Information Service; and the apparent commercial success of the Council's two existing business centres which are around 85% occupied.

- ***Commercial case for public realm and car parking investment to incentivise the Elder Way Redevelopment***: supported by evidence of Jomast Developments' commitment to delivering the scheme including secured pre-lets, letter of support and market commentary; and the full planning application.
- ***Commercial case for increased footfall, demand and expenditure in Chesterfield Town Centre***: supported by evidence from national reports and studies of the links between new leisure opportunities and increased retail and services demand and expenditure.

The business case has not been supported by development appraisals or a financial plan for the Jomast Redevelopment and therefore has not been possible to verify from the information provided or further enquiries made through the appraisal process what level of further pre-let commitment is required to guarantee the development (i.e. secure a Jomast Developments Board approval to proceed with the development).

Further evidence and analysis of retail and leisure expenditure trends in the town would also have benefited the Commercial Case.

A reasonably clear procurement strategy has been defined, but the proposed process for the multi-storey car park works remain to be confirmed. It is recommended that CIAT and/or the Investment Board seek further details (when available) of the proposed process prior to draw down of grant funding.

Please summarise your assessment of the scheme's economic case and set out any recommendations

The applicant's analysis indicates that the investment could support a total of **341 net additional jobs by 2021, generating around £75m in cumulative GVA by 2030**. The economic impacts are drawn from six different benefit streams associated with the proposed infrastructure and developments:

1. Employment directly accommodated in the new business centre;
2. Developer and occupier investment in the Elder Way Redevelopment generating indirect hotel and leisure sector jobs incentivised by the public sector commitment to deliver high-quality public realm and the upgrade of the car park;
3. Investment in the re-occupation of ten vacant commercial properties totalling c. 2,100m^2 in the immediate vicinity stimulated by increased footfall generated by the public realm, car parking facilities and the Elder Way Redevelopment;
4. Increased visitor expenditure in the town from residents of the new hotel in the Elder Way Redevelopment;
5. Increased expenditure in the town centre from increased dwell time of shoppers as a result of the enhanced retail-leisure offer; and
6. Increased share of retail expenditure from the wider catchment as a result of the enhanced retail-leisure offer of Chesterfield town centre.

An important assumption is that all benefits associated with the Elder Way hotel and leisure redevelopment are entirely additional as a result of the SCRIF and CBC investment. Evidence in support of this includes the letter from Jomast Developments, which does indicate some good pre-lets already secured (for example, Premier Inn and restaurant chain Prezzo). It is important as the Jomast scheme delivers 30% of the gross job outputs attributed to the SCRIF investment.

On the basis of these assumptions, it appears that gross and net economic outputs have been calculated appropriately, although the full appraisal includes methodological caveats on the benefit area used and social preference discount applied.

The SCRIF cost per net additional job as presented in the business case is £17,097 (£3.815m total SCRIF investment / 341 net additional jobs). The net cumulative GVA (adjusted) per £1 of SCRIF (BCR) is £12.77.

The total public sector cost per net additional job is £27,566 (£9.4m total public sector investment / 341 net additional jobs).

This analysis suggests that the investment has **reasonable potential to achieve good value for money in cost per job terms**, assuming that all of the identified economic benefits are delivered. The project would need to support a minimum of 324 net additional jobs in order to meet the HCA's 'low' cost per net additional job benchmark of £28,700 and 236 to meet the 'mid-point' benchmark or £39,850, i.e. if the Jomast scheme does not go ahead, then this is likely to be the value for money outcome.

Please summarise your assessment of the scheme's financial case and set out any recommendations

The proposed funding plan is for £5.83m of SCRIF investment alongside £3.57m match funding from Chesterfield Borough Council – commitment to funding was confirmed by the Full Council on 27th July 2016 – to be financed through a combination of PWLB prudential borrowing and capital receipts from asset disposal.

The financial proposals for the Elder Way Redevelopment are not detailed in the financial case, beyond confirmation that a developer (Jomast) is in place and that further pre-lets are required to secure the financial viability of the development. In the absence of more detailed information (development appraisals, funding plan) there is a level of residual risk associated with the financing of the Elder Way Redevelopment works. CBC and Jomast have expressed confidence that the development will come forward if additional occupiers can be secured for the restaurant units, as a result of the CBC / SCRIF investment, but this cannot be validated with reference to financial evidence.

Further detail in this regard would provide greater assurance that the incentive effect of the SCRIF / CBC investment in the public realm will be sufficient to ensure the financial sustainability of the development (and associated economic outputs).

Elemental cost plans have been provided for each of the three SCRIF-funded projects, with the total cost estimated at approximately £9.4m.

Please summarise your assessment of the scheme's management case and set out any recommendations

The business case and appended documents outline a clear and robust approach to project governance. The Council's full approval of funding and project commencement (July 2016) instructed the establishment of a Project Board to oversee the process from inception to completion. Clear project management arrangements are also in place. The Council appears to have appropriate existing project management systems in line with public sector best practice, and cites the delivery of the £4.5m refurbishment of Chesterfield Market Hall (2013) on time and to budget as evidence of its delivery capability and experience.

The business case indicates that the new business centre will be managed and maintained on the same basis as its existing business centres at Tapton and Dunston, with an annual service charge included in the rental terms for tenants and the buildings maintained under contract by Kier. Detail has been provided on the existing management arrangements and the proposals for the new business centre.

A reasonably detailed assessment of risk has been provided in the business case, although this is not presented as a comprehensive risk register. The main outstanding risks to output delivery appear to be a failure to leverage the £12.5m private sector investment in the Elder Way Redevelopment, and a failure to secure the locality and town centre employment outcomes. Whilst these risks are well understood, they cannot be directly managed or mitigated by Chesterfield Borough Council as they will rely upon investment decisions and take-up by small private sector businesses.

Further detail of the timing and interface of the public realm works and the Elder Way Redevelopment would provide further assurance that the two projects can be appropriately managed in sequence.

It is recommended that the CIAT requests and reviews an updated risk register as the project develops.

Summarise your overall assessment of the scheme and recommendations for SCR

The proposal to invest £5.83m SCRIF in the development of a new business centre, high-quality public realm and refurbishment of a multi-storey car park in Chesterfield Town Centre has a clear strategic rationale as part of the planned Northern Gateway economic regeneration project for the town. Northern Gateway is identified as a main economic regeneration priority in the Chesterfield Borough Council's Local Plan (2013) and the Town Centre Masterplan (2015) – and it has a strong strategic and spatial alignment with City Region priorities as outlined in the *Strategic Economic Plan.*

The economic rationale for the investment is to increase private sector confidence through increased footfall and enhanced urban environment; directly support private sector investment; and to increase the scale and diversity of private sector employment. The investment is also intended to demonstrate the public sector's commitment to the delivery of the Chesterfield Town Centre Masterplan

As with all public realm infrastructure projects, it is difficult to evidence direct causality between improved environment and amenity and economic growth. Nevertheless, the applicant has provided a reasonable case to suggest that the SCRIF investment will help to secure private sector investment and increased commercial and economic activity.

Reasonable evidence has been provided on the progress of the linked Elder Way Redevelopment, but this does not include development appraisals or a financial plan for the Jomast Redevelopment and therefore has not been possible to verify from the information provided or further enquiries made through the appraisal process what level of further pre-let commitment is required to guarantee the development, and clarification of this is recommended as a condition of the draw-down of any funding. Reasonable evidence has also been provided of demand for the type of office accommodation to be provided in the new business centre.

Evidenced assumptions have been used to develop a fairly convincing economic and commercial case for the project, although there remain some outstanding uncertainties over the deliverability of some of the commercial and economic outputs associated with the SCRIF investment. Nevertheless, the project has reasonable potential to achieve good value for money, particularly since the economic effects of construction activity have not yet been accounted for. Given however that the appraisal has clarified that 30% of the project outputs are dependent upon the Jomast scheme going ahead, the value for money position will be weakened if there is a significant delay or the Jomast scheme does not go ahead.

The project appears to be deliverable, and Chesterfield Borough Council has a demonstrable track record in managing new build capital projects.

The recommendation is for the £5.83m 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 revised set of project objectives between SCR and CBC;
2. Provision of further evidence on the commercial viability of the Elder Way Redevelopment, to detail the number and/or value of remaining pre-lets which would trigger Jomast to commence development;
3. Confirmed details of the proposed procurement for works to the Saltergate Multi Storey Car Park;
4. Provision of an updated risk register and programme to include an outline of the management and mitigation measures for the sequential phasing of all works; with particular focus on the interface between public realm works and the Elder Way Redevelopment.

SCR COMBINED AUTHORITY INFRASTRUCTURE EXECUTIVE BOARD

7th October 2016

APPRAISAL PANEL BUSINESS CASE RECOMMENDATION

Purpose of Report

In line with the Sheffield City Region Single Assurance Framework, projects seeking CA funding have been considered and recommended for Executive Board endorsement, prior to presentation to the CA.

This cycle the Full Business Case (FBC) for four projects seeking Full Approval and Award of Contract has been reviewed by the SCR Appraisal Panel.

The technical recommendation for the Strategic Testing Tools is now presented for consideration.

Thematic Priority

The Business case for Strategic Testing Tools is a cross cutting thematic priority which will be used to underpin the prioritisation and business case assessment required to meet the needs of the Strategic Economic Plan. When delivered the testing tools will be used to ensure projects seeking investment have a robust business case which as met appropriate levels of scrutiny.

Freedom of Information

This paper is not exempt under the Freedom of Information act 2000

Part II of the Freedom of Information Act 2000

Recommendations

Consider and endorse progression of SCR Strategic Testing Tools to Full Approval and Award of Contract at a cost of up to £3m, subject to the conditions set out in the Project Approval Summary Table attached at Appendix 1. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1. Introduction

1.1 Assurance Framework

The SCR Assurance Framework requires that all schemes seeking investment undergo a thorough and proportionate scheme appraisal following the Treasury Green Book approach.

1.2 Before papers are submitted to Executive Boards an independent technical appraisal has been undertaken and reviewed by a panel of Officers representing the Statutory Officers of the SCR Executive. Where appropriate, due to the scale / risk and complexity of the project, this is supplemented by external appraisal from a panel of Consultants referred to as Central Independent Appraisal Team (CIAT).

1.3 The technical appraisal will scrutinise the business case documents submitted by scheme promoters to ensure completeness and test the responses to each of the 5 cases (Strategic, Economic, Financial, Management and Commercial) and will present their findings for each case and the project overall.

1.4 These findings will inform the s151 Officers view regarding the Value for money Statement and the Monitoring Officers view regarding the relative risks of the scheme presented.

1.5 This cycle the Full Business Case (FBC) for four projects seeking Full Approval and Award of Contract has been reviewed by the SCR Appraisal Panel;

- SCR Growth Hub (BGEB)
- SCR Strategic Testing Tools (HEB / TEB / IEB)
- Enterprise Zone (EZ) Accelerator Fund (IEB)
- SCRIF – Chesterfield Northern Gateway (IEB)

1.6 The technical recommendation for the Strategic Testing Tools is now presented for consideration at cost of £3m to the SCRCA

2. Proposal and justification

2.1 The Infrastructure Executive Board (IEB) are asked to consider the recommendation to progress the scheme business cases to Full Approval and endorse the entering into Contracts for Strategic Testing Tools at a cost of up to £3,000,000.

This paper will also be presented to the TEB and HEB for consideration.

2.2 The Expression of Interest (EOI) for this project was approved by the Combined Authority at the meeting held 12th September 2016 along with approval for the project to progress directly to Full Business Case.

2.3 Testing tools are a fundamental part of the assurance process which are required to test projects as part of Devolution.

2.4 SCR have a good track record in this regard and our rigour has secured us £350m via Growth Deals and the Gainshare funding equating to £484m to 2021.

2.5 Value for Money is nationally under increasing scrutiny and our testing tools (FLUTE and Transport models) have ensured we have been able to thoroughly test the value of projects seeking funding contributions from SCR.

2.6 The data supporting these tools is now outside the required age range and needs a major refresh.

2.7 The methods of securing data for the tools have also progressed and this presents SCR an opportunity to improve the data collection and ensure we can continue to maintain data required to support the testing tools.

2.8 There are a number of pressing needs for use of the SCR testing tools, notably the early commissioning call (which includes housing schemes), the large major transport schemes and soon to be projects commissioned via the SCR Integrated Infrastructure Plan (IIP).

2.9 The opportunity costs of not progressing with these updates are far reaching as it will not be possible to continue to access capital funds, either through the Growth Deals or significant parts of the Gainshare. This is a cost of doing business for SCR for large capital projects and is therefore the closest project to a mandatory requirement the Appraisal Panel are being asked to consider.

2.10 The procurement of the works is being undertaken in two parts:

- AECOM are to be procured to update the strategic transport model following a competitive tender process under the SCR Transport Modelling framework.
- The continued operation and update of the land-use model FLUTE by David Simmonds Consultancy is being progressed by waiver to Contract Standing Orders as sole supplier of this model.

3. Consideration of alternative approaches

3.1 Alternative approaches including do nothing, do less and do more were considered as part of the options appraisal in the Economic Case of the FBC, all of which were not viable alternatives or would significantly impact the value for money of the project.

4. Implications

4.1 Financial

Financial implications have been fully considered by a representative of the S151 officer and included in the recommendations agreed by the Appraisal Panel as presented in this report.

Endorsement is sought to progress the scheme business cases to Full Approval and endorse the entering into Contracts for Strategic Testing Tools at a cost of up to £3,000,000.

4.2 Legal

Legal implications have been fully considered by a representative of the Monitoring officer and included in the recommendations agreed by the Appraisal Panel as presented in this report.

4.3 Risk Management

The Appraisal Panel have requested that a full risk register be prepared with clear risk owners.

The contractual arrangements to ensure that the scheme can be appropriately resourced.

The risk allowance for the elements of work which would not be needed should the model validate quickly should be assigned to specific activities such that it can be released from the programme if the risk is not realised using the change control process.

Appraisal Panel to have oversight of the projects Progress as this underpins the tools used by this panel.

4.4 Equality, Diversity and Social Inclusion

None as a result of this paper.

5. Communications

5.1 None as a result of this paper.

6. Appendices/Annexes

6.1 Appraisal Panel Comments / Record of Approval – Appendix 1

Assessment Summary – Appendix 2

REPORT AUTHOR	**Melanie Dei Rossi**
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Background papers used in the preparation of this report are available for inspection at:

Other sources and references:

*Thematic Priorities

1. Ensure new businesses receive the support they need to flourish.
2. Facilitate and proactively support growth amongst existing firms.
3. Attract investment from other parts of the UK and overseas, and improve our brand.
4. Increase sales of SCR's goods and services to other parts of the UK and abroad.
5. Develop the SCR skills base, labour mobility and education performance.
6. Secure investment in infrastructure where it will do most to support growth.

Appendix 1

Scheme Details		Appraisal Panel Comments		Recommendations / Conditions	
SCR Executive Board	Infrastructure – (Transport and Housing)	**Strategic Case**	The strategic rationale for this investment is well made as a requirement to deliver the economic infrastructure that is required to support economic growth. The overall investment is directly linked to the Large Local Major Schemes call from DfT, and wider opportunities through SCRIIP and the future prioritisation of investment. The scheme cuts across all infrastructure investment, therefore is of interest to the Transport, Infrastructure and Housing Boards. It is clear that without this investment the ability of transformation investment to be developed and delivered through the Assurance and Accountability Framework will be compromised. This with then impact on the achievement of local and national policy.	**Funding**	LGF
Project Name	Strategic Technical Tools	**Value for Money**	It is clear that the investment in the model itself will not bring about economic growth, but is on the critical path of scheme development which is required to enable the SCRCA to understand the opportunities and risks associated with transport and wider investment. Value for Money will be measured on the basis of future funding secured to deliver infrastructure.	**Approval Requested**	Progression to Full Business Case
Scheme Promoter	SCRCA	**Risk**	The level of risk is high and described as typical for this type of project. While the level is acceptable, the management of the plan needs to be explicit on how the risks will be reviewed and managed. It is suggested that the SCR performance team agree specific requirements with the scheme promoter to better manage this risk.	**Grant Award**	£3M – LGF Capital
SCR Funding	***£3,000,000***			**Grant Recipient**	SCRCA
Total Scheme Cost	***£3,000,000***	**State Aid**	The investment is State Aid Compliant – the procurement has complied with EU guidelines and the approach includes on-going engagement with the market.	**Payment Basis**	In arrears at proof of defrayal

% SCR allocation	100%	**Delivery**	The scheme is ready to be delivered and the promoter can engage with the market once funding is available. It should be noted that the business case highlights the inherent high level of risk that is typically experienced within the development of modelling tools. It is therefore suggested that the SCR performance team agree specific requirements with the scheme promoter to reduce and manage this risk.	**Claw Back Clauses**	None

Description	**Conditions of Award**
SCR is seeking investment in the on-going development of the strategic technical tools that are required by Government and reinforced in the SCR Assurance and Accountability Framework. The investment is identified to underpin the development of business case to support significant transport interventions that the SCR has agreed as part of the call from Government for Large Local Major Schemes. This includes investment in the Land-use and economics model FLUTE and a Strategic Transport model.	1. A full risk register is prepared with clear risk owners 2. The Management Case is updated to define the Project Management structure outside of scheme specific project boards. Appraisal Panel to have oversight of the projects Progress as this underpins the tools used by this panel. 3. Further analysis of the provider’s capacity and capability should be undertaken to confirm that delivery can commence immediately and contractual arrangements to ensure the scheme is appropriately resourced. 4. The risk allowance should be assigned to specific activities so that it can be released from the programme if the risk is not realised. This will support SCR programme management activities.

Appendix 1

Record of Approvals					
Strategic Testing Tools					
Appraisal Panel		Executive Board		CA	
Date of Meeting	20-09-2016	**Date of Meeting**		**Date of Meeting**	
SCR Officer Presenting Paper	Melanie Dei Rossi	**SCR Officer Presenting Paper**		**SCR Officer Presenting Paper**	
Signature	[illegible]	**Signature**		**Signature**	
Approving Officer	Gareth Sutton	**Approving Officer**		**Approving Officer**	
Signature	[illegible]	**Signature**		**Signature**	
Date	20/09/16	**Date**		**Date**	

ANNEX A - ASSESSMENT SUMMARY (TO BE COMPLETED BY THE ASSESSOR)
Please summarise your assessment of the scheme's Strategic Case and set out any recommendations. *SCR is seeking to invest £3,000,000 in the on-going development of the technical tools that are required by Government and reinforced in the SCR Assurance and Accountability Framework. The investment is identified to underpin the development of business case to support significant transport interventions that the SCR has agreed as part of the call from Government for Large Local Major Schemes.* *SCR has defined three emerging priorities for transport investment that will required the development of a robust and accepted transport model. The business case identifies that without this initial investment by SCR critical infrastructure that are required to unlock economic growth and improve productivity cannot be delivered.* *It is clear that the investment in the model itself will not bring about economic growth, but is on the critical path of scheme development which is required to enable the SCRCA to understand the opportunities and risks associated with transport and wider investment.* *The strategic rationale for this investment is well made as a requirement to deliver the economic infrastructure that is required to support economic growth. The overall investment is directly linked to the Large Local Major Schemes call from DfT, and wider opportunities through SCRIIP and the future prioritisation of investment.* *The scheme cuts across all infrastructure investment, therefore is of interest to the Transport, Infrastructure and Housing Boards. It is clear that without this investment the ability of transformation investment to be developed and delivered through the Assurance and Accountability Framework will be compromised. This with then impact on the achievement of local and national policy.* *Overall the objectives have been sufficiently defined in the strategic case, though there is a lack of detail provided. This is rectified in the following sections of the business case, particularly in relation to timescales and risks.* *The strategic case does not fully recognise the alternative options for developing the tools for scheme appraisal. While this does not undermine the case, it could be better made if recognition that individual tools can be developed for specific schemes. The business case could explore further the negative cost and time implications of separate model development and investment is a less coordinated manner.*
Please summarise your assessment of the scheme's Commercial Case and set out any recommendations. *The commercial case sets out the need for this investment at a high level. The information provided is acceptable, but more could have been done to demonstrate the expected pipeline of investment that the SCR is expecting to make that requires this tool. For example, support further development of HS2, SCRIIP and local partner's investment opportunities. This should be undertaken as an early task to help manage the programme and use of the technical tools.* *A thorough procurement framework is in place that can enable the delivery of the investment. Further market testing should be undertaken as a priority to understand capacity and capability requirements and to refine the programme to reduce risks.*

Please summarise your assessment of the scheme's Economic Case and set out any recommendations. *The business case for investment in this intervention is not directly related to the economic impacts of schemes. The scheme offers the opportunity to ensure reasonable value for money and will enhance the value for money case from future infrastructure investment. The business case could say more about the incremental cost of the investment if not delivered as described in the business case document presented.* *The key risk is the availability of further investment to make full use of investment in the tools. Linked to this is the on-going cost and maintenance of the tools and how this relates to the timing of business case development. This is dealt with in more detail in the Management and Financial Cases.* *There is a limited assessment of the economic impact of the investment as it is reliant on investment beyond the tools. An initial attempt has been made to quantify the benefits of some of the schemes that are known, but as the investment in this scheme is required to further inform the development of the future schemes it is recognised that there is a limit on the level of information that can be provided at this stage.*
Please summarise your assessment of the scheme's Financial Case and set out any recommendations. *The scheme includes a 60% degree of certainty for the initial cost estimated based on specific requirements of this project. The business case highlights the high likelihood of cost changes and therefore can built this into the overall costing with an allocation for Risk.* *The level of risk and uncertainty in developing the models is clearly highlighted. There is some concern about the limited attention given to programme and risk management that will need to be in place to deliver the scheme. This links through to the Management Case, where it is not clear specifically who is responsible for managing risk.* *As part of any approval the scheme promoter should provide a more comprehensive description of the project management structure and procedures to manage this inherently risky project.*
Please summarise your assessment of the scheme's Management Case and set out any recommendations. *The Management of the project is indicated to be part of business cases that are developed in line with requirements of respective Project Boards for schemes. The business case needs to provide a clearer description of the management of this specific programme of activity.* *The business case highlights the inherent high level of risk that is typically experienced within the development of modelling tools. The level of risk is high and described as typical for this type of project. While the level is acceptable the management of the plan needs to be explicit on how the risks will be reviewed and managed.* *Monitoring and evaluation of the outputs is summarised in the business case. This could be further strengthened with a summary of how the outcomes might be understood, assessed and evaluated. For example if additional cost is incurred when refining the model for specific schemes or policy tests.*

Summarise your overall assessment of the scheme and recommendations for SCR.

SCR is seeking to invest £3,000,000 in the on-going development of the technical tools that are required by Government and reinforced in the SCR Assurance and Accountability Framework. The investment is identified to underpin the development of business case to support significant transport interventions that the SCR has agreed as part of the call from Government for Large Local Major Schemes. The project is also critical to the delivery of a wide range of infrastructure schemes across SCR.

The recommendation is for the investment of £3.m in Strategic Testing Tool should be made with the following conditions:

1. *A full risk register is prepared with clear risk owners*
2. *The Management Case is updated to define the Project Management structure outside of scheme specific project boards*
3. *Further analysis of the providers capacity and capability should be undertaken to confirm that delivery can commence immediately*
4. *The risk allowance should be assigned to specific activities so that it can be released from the programme if the risk is not realised. This will support SCR programme management activities.*

INFRASTRUCTURE EXECUTIVE BOARD

7th October 2016

APPRAISAL PANEL BUSINESS CASE RECOMMENDATION

Purpose of Report

In line with the Sheffield City Region Single Assurance Framework, projects seeking CA funding have been considered and recommended for Executive Board endorsement, prior to presentation to the CA.

This cycle the Full Business Case (FBC) for four project seeking Full Approval and Award of Contract has been reviewed by the SCR Appraisal Panel

The technical recommendation for the Enterprise Zone Accelerator Fund is now presented for consideration.

Thematic Priority

The Business case for the EZ Fund is a cross cutting thematic priority primarily focussed on achieving priorities:

6. Secure investment in infrastructure where it will do most to support growth

Freedom of Information

This paper is not exempt under the Freedom of Information act 2000

Part II of the Freedom of Information Act 2000

Recommendations

Consider and endorse progression of EZ Accelerator to Full Approval and Award of Contract at a cost of up to £5m, subject to the conditions set out in the Project Approval Summary Table attached at Appendix 1. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1. Introduction

1.1 Assurance Framework

The SCR Assurance Framework requires that all schemes seeking investment undergo a thorough and proportionate scheme appraisal following the Treasury Green Book approach.

1.2 Before papers are submitted to Executive Boards an independent technical appraisal has been undertaken and reviewed by a panel of Officers representing the Statutory Officers of the SCR Executive. Where appropriate, due to the scale / risk and complexity of the project, this is supplemented by external appraisal from a panel of Consultants referred to as Central Independent Appraisal Team (CIAT).

1.3 The technical appraisal will scrutinise the business case documents submitted by scheme promoters to ensure completeness and test the responses to each of the 5 cases (Strategic, Economic, Financial, Management and Commercial) and will present their findings for each case and the project overall.

1.4 These findings will inform the s151 Officers view regarding the Value for money Statement and the Monitoring Officers view regarding the relative risks of the scheme presented.

1.5 This cycle the Full Business Case (FBC) for four projects seeking Full Approval and Award of Contract has been reviewed by the SCR Appraisal Panel;

- SCR Growth Hub (BGEB)
- SCR Strategic Testing Tools (HEB / TEB / IEB)
- Enterprise Zone (EZ) Accelerator Fund (IEB)
- SCRIF – Chesterfield Northern Gateway (IEB)

1.6 The technical recommendation for the Enterprise Zone Accelerator Fund is now presented for consideration at cost of £5m to the SCRCA

2. Proposal and justification

2.1 The Infrastructure Executive Board (IEB) are asked to consider the recommendation to progress the scheme business cases to Full Approval and endorse the entering into Funding Agreement at a cost of £5,000,000.

2.2 The Expression of Interest (EOI) for this project was approved by the Combined Authority at the meeting held 12th September 2016 along with approval for the project to progress directly to Full Business Case.

2.4 Expressions of interest for this fund have yet to be sought and hence the outputs and outcomes have been modelled pro rata using the performance of the existing JESSICA and similar funds in recent periods.

2.5 The EZ and associated sites which this fund would apply to are:

Shortwood, Barnsley
Ashroyd Business Park, Barnsley
Gladman Park, Barnsley
Capitol Park, Barnsley
Europa Link, Sheffield
Tinsley Park, Sheffield
Templeborough, Rotherham
AMP, Rotheham
Smithywood, Sheffield
Phase 2 Dinnington, Rotherham
Vantage Park, Sheffield
Markham Vale
DSA,Doncaster

2.6 If approved delivery is planned to commence January 2017

3. Consideration of alternative approaches

3.1 Alternative approaches including do nothing and do less were considered as part of the options appraisal in the Economic Case of the FBC, all of which were not viable alternatives or would significantly impact the value for money of the project.

4. Implications

4.1 **Financial**

Financial implications have been fully considered by a representative of the S151 officer and included in the recommendations agreed by the Appraisal Panel as presented in this report.

Endorsement is sought to progress the scheme business cases to Full Approval and endorse the entering into Contracts for Enterprise Zone Accelerator Fund at a cost of up to £5,000,000.

4.2 **Legal**

Legal implications have been fully considered by a representative of the Monitoring officer and included in the recommendations agreed by the Appraisal Panel as presented in this report.

4.3 **Risk Management**

The JESSIA fund has a well-established governance structure with responsibility and oversight for all risk management and mitigation.

4.4 **Equality, Diversity and Social Inclusion**

None as a result of this paper

5. Communications

5.1 *None as a result of this paper*

6. Appendices/Annexes

6.1 Appraisal Panel Comments / Record of Approval – Appendix 1

Assessment Summary – Appendix 2

REPORT AUTHOR	**Melanie Dei Rossi**
POST	**Head of Performance**
Officer responsible	**Ruth Adams, Interim Deputy Executive / Director of Skills & Performance**
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Background papers used in the preparation of this report are available for inspection at:
Other sources and references:

*Thematic Priorities

1. Ensure new businesses receive the support they need to flourish.
2. Facilitate and proactively support growth amongst existing firms.
3. Attract investment from other parts of the UK and overseas, and improve our brand.
4. Increase sales of SCR's goods and services to other parts of the UK and abroad.
5. Develop the SCR skills base, labour mobility and education performance.
6. Secure investment in infrastructure where it will do most to support growth.

Scheme Details		Appraisal Panel Comments		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	The Business case for the EZ Fund is a cross cutting thematic priority primarily focussed on achieving priorities: 1. Ensure new businesses receive the support they need to flourish. 2. Facilitate and proactively support growth amongst existing firms. 3. Attract investment from other parts of the UK and overseas, and improve our brand. and 6. Secure investment in infrastructure where it will do most to support growth	**Funding**	LGF
Project Name	EZ Accelerator	**Value for Money**	The fund is envisaged to achieve a GVA / £ SCRCA fund invested of £23.8 and a SCRCA £ per job of £8,665 both of which are very good value for money. The proposal seeks to recycle and reinvest 20% of the fund during the 5-year period.	**Approval Requested**	Full Approval and Award of Funding
Scheme Promoter	SCR Urban Development Fund (SCR JESSICA)	**Risk**	The case for a Fund to help kick start speculative development in key locations is strong and the preferred option of a blend of loan and viability is a suitable mix of product. As this is a fund the risk of low demand / take up is very low risk to the SCR CA as the fund could be returned and re-invested and the agreements in place for the JESSICA allow for the fund to returned upon request by SCRCA. The financial and commercial cases indicate that the investment in the EZ fund is considered low risk to SCR CA.	**Grant Award**	£5m
SCR Funding	£5m			**Grant Recipient**	SCR Urban Development Fund (SCR JESSICA)
Total Scheme Cost	£5m	**State Aid**	The investment will constitute state aid. The amount of the fund to be used through State Aid will be determined through detailed appraisal of each investment proposal and managed appropriately in each case, the investment in the fund its self is considered State Aid Neutral.	**Payment Basis**	Upon completion of Funding Agreement

<table>
<tr><td>% SCR allocation</td><td>100%</td><td>Delivery</td><td>The fund will be delivered using the existing arrangements in place to manage the JESSICA fund which is well established and has successfully delivered schemes of a similar nature.</td><td>Claw Back Clauses</td><td>Not recommended</td></tr>
<tr><td colspan="4">Description</td><td colspan="2">Conditions of Award</td></tr>
<tr><td colspan="4" rowspan="3">This proposal is for a £5m grant to establish a flexible fund within the SCR JESSICA to encourage and accelerate development in the SCR Enterprise Zone and a number of ‘Associated Sites’ that are waiting formal EZ designation by Government.
The flexible fund will look to allow the SCR JESSICA (a Limited Partnership established and owned by Sheffield City Council on behalf of the Sheffield City Region) to provide finance through a number of routes to stimulate development including commercial loans, sub-market loans (including first loss), rental guarantees and, in cases of last resort, grant.
Each investment opportunity will require detailed analysis to determine the nature and scale of funding but provisional assumptions regarding investments are to bring forward up to 5 commercial schemes on the EZ and Associated Sites resulting in the creation of over an estimated 25,000sqm of high quality industrial and manu-services floorspace for indigenous business to grow or accommodate inward investors.
Expressions of interests to access the funding are to be co-ordinated through the relevant Local Authority given their role in promoting EZ sites for inward investment and overseeing the use of EZ occupier incentives. Proposals will be considered by both the SCR JESSICA Fund Manager (CBRE) and the JESSICA Investment Board. Developments will be prioritised based on their potential to accommodate/create jobs, deliverability and deliver a return on investment.
Where investments are made as a loan and/or result in repayment and overage the funds will be recycled to support further development in the EZ and Associated sites or, subject to SCR approval, across the wider City Region.</td><td colspan="2">1. Before funding agreement is signed the position regarding retained rates and the associated sites accessing this funding to be resolved.
2. Recording third party investment for inclusion in quarterly performance reports
3. Further clarity re reporting of funds to be sought to ensure separate reporting to CLG on the various fund uses.</td></tr>
<tr><td colspan="2">Appraisal Panel Recommendation</td></tr>
<tr><td colspan="2">To review the range of SCR investment funds available; to refresh governance arrangements and ensure best use of these funds</td></tr>
</table>

Deliverable	Total for Scheme (All years)
Outputs	
new commercial floor space	28,000 sqm
Outcomes	
net new or safeguarded jobs accommodated	577
GVA	£119m

Appendix 1

Record of Approvals					
Enterprise Zone Fund					
Appraisal Panel		**Executive Board**		**CA**	
Date of Meeting	27-09-2016	**Date of Meeting**		**Date of Meeting**	
SCR Officer Presenting Paper	Melanie Dei Rossi	**SCR Officer Presenting Paper**		**SCR Officer Presenting Paper**	
Signature		**Signature**		**Signature**	
Approving Officer	Gareth Sutton	**Approving Officer**		**Approving Officer**	
Signature		**Signature**		**Signature**	
Date	27/09/16	**Date**		**Date**	

Full Business Case Appraisal Summary

Sheffield City Region

ASSESSMENT SUMMARY (TO BE COMPLETED BY THE ASSESSOR)
This proposal is for a £5m grant to establish a flexible fund within the SCR JESSICA to encourage and accelerate development in the SCR Enterprise Zone and a number of 'Associated Sites' that are waiting formal EZ designation by Government. The flexible fund will look to allow the SCR JESSICA (a Limited Partnership established and owned by Sheffield City Council on behalf of the Sheffield City Region) to provide finance through a number of routes to stimulate development including commercial loans, sub-market loans (including first loss), rental guarantees and, in cases of last resort, grant. Each investment opportunity will require detailed analysis to determine the nature and scale of funding but provisional assumptions regarding investments are to bring forward up to 5 commercial schemes on the EZ and Associated Sites resulting in the creation of over an estimated 25,000sqm of high quality industrial and manu-services floorspace for indigenous business to grow or accommodate inward investors. Expressions of interests to access the funding are to be co-ordinated through the relevant Local Authority given their role in promoting EZ sites for inward investment and overseeing the use of EZ occupier incentives. Proposals will be considered by both the SCR JESSICA Fund Manager (CBRE) and the JESSICA Investment Board. Developments will be prioritised based on their potential to accommodate/create jobs, deliverability and deliver a return on investment. Where investments are made as a loan and/or result in repayment and overage the funds will be recycled to support further development in the EZ and Associated sites or, subject to SCR approval, across the wider City Region. The eligible sites are as follows: Shortwood, Barnsley Ashroyd Business Park, Barnsley Gladman Park, Barnsley Capitol Park, Barnsley Europa Link, Sheffield Tinsley Park, Sheffield Templeborough, Rotherham AMP, Rotheham Smithywood, Sheffield Phase 2 Dinnington, Rotherham Vantage Park, Sheffield Markham Vale DSA,Doncaster

Full Business Case Appraisal Summary

Sheffield City Region

Please summarise your assessment of the scheme's Strategic Case and set out any recommendations.

The strategic case seeks to reduce the current market failure to invest in high quality, accessible, turn-key property available within our economy which in turn attracts foreign direct investment into the local economy and the ensuing long term investment, business growth, and added value to the local economy.

Developers are currently operating on a low risk basis and are only committing to speculate development on a pre-let basis. This is a particular issue as trends also suggest the stock of high quality, available industrial premises in the SCR has decreased over the past 2 to 5 years. This is a significant barrier to securing jobs and economic growth.

This fund will allow SCR to accelerate development at a number of sites – allowing the EZ to make up some of the lost time which resulted from the uncertainty and blight following the HSR announcement in 2013. The need to accommodate an extra 70,000 jobs within the SCR is a cornerstone of the SCR Vision. Without a property market that can help facilitate development in key areas of growth – Urban Centres and Enterprise Zones the ability and capacity of the SCR to meets its own targets will be severely constrained.

The objectives of the plan are therefore to utilise the EZ fund to deliver 28,000 sqm of new commercial floor space which will accommodate 577 new or safeguarded jobs and contribute £119m GVA to the SCR economy whilst also seeking to recycle 20% of the investment fund into additional SCR commercial property schemes.

Should this investment not go ahead the adverse impact on the SCR is the lost investment and the downstream implications of such; options analysis has therefore focussed on the scale of investment received which is likely to have a more than proportional impact due to the size of fund required to be suitable attractive and settles on the preferred scheme value as being sufficient to stimulate demand.

The Business case for the EZ Fund is a cross cutting thematic priority primarily focussed on achieving priorities:

1. Ensure new businesses receive the support they need to flourish.

2. Facilitate and proactively support growth amongst existing firms.

3. Attract investment from other parts of the UK and overseas, and improve our brand. and

6. Secure investment in infrastructure where it will do most to support growth

Full Business Case Appraisal Summary

Please summarise your assessment of the scheme's Commercial Case and set out any recommendations. The sites that are the subject of the proposed schemes are Enterprise Zone and Associated sites, in prime locations, in established markets. Because there has been a lack of new stock brought to the market in recent years, there are pent up requirements and the EZ itself also provides occupier incentives in the form of Business Rate reductions or Capital Allowances. Therefore, there is confidence in the ability of the schemes to attract tenants particularly in the current market conditions with a trend of falling supply and increased take up has resulted in supply gaps in the region. The case for a Fund to help kick start speculative development in key locations is therefore strong and the preferred option of a blend of loan and viability is a suitable mix of product. As this is a fund the risk of low demand / take up is very low risk to the SCR CA as the fund could be returned and re-invested and the agreements in place for the JESSICA allow for the fund to returned upon request by SCRCA.

Full Business Case Appraisal Summary

Sheffield City Region

Please summarise your assessment of the scheme's Economic Case and set out any recommendations. Outputs and outcomes have been estimated pro rata for the £5m extrapolated from recent JESSICA, EFDF and Growing Places funds. Outputs 28,000 sqm new commercial floor space 577 new or safeguarded jobs accommodated and FTE construction £119m GVA GVA / SCR £ invested = £23.8 and SCR £/ job = £8,665 which is below the HCA Low cost per job. This scheme therefore presents good value for money for the investment requested. The scheme will also require significant third party leverage in order to draw down the fund, this has not been quantified but will be recorded and reported as the fund progresses. Business Growth in the designated EZ areas will also achieve a growth in the business rates, the uplift of which will be retained by SCR CA as per the existing EZ arrangements. The options analysis is based on a number of scenarios of how to use the funds as a blend of loan and incentive finance with a proportion to be recycled for further investment and alternatives where no funds are recycled, 100% recycled as a commercial loan and a do nothing scenario. The are no negative environmental or social impacts envisaged as a result of this scheme and all developments are expected to achieve a minimum BREEAM rating of Very Good (or equivalent) There is a small risk that the outcomes are extracted from similar schemes however this will be mitigated as due diligence will be carried out on each and every scheme proposed to unsure the returns for each investment is acceptable.

Full Business Case Appraisal Summary

Sheffield City Region

Please summarise your assessment of the scheme's Financial Case and set out any recommendations.

The financial case is 100% based on the SCR LGF investment and as part of the fund is to be recycled assumes that 20% of the fund will be recycled and re-invested. Significant third party investment is to be expected from this scheme and although not included in the assessment will need to be reported as the project progresses.

The Management arrangements will ensure that the fund and the recycled elements of the fund are re – invested hence cost overruns is not envisaged to be a risk.

Individual investments are expected to generate additional private sector leverage and possibly additional finance from within the SCR JESSICA.

Recommend recording third party investment for inclusion in quarterly performance reports

Full Business Case Appraisal Summary

Sheffield City Region

Please summarise your assessment of the scheme's Management Case and set out any recommendations.

The Management of the fund is to be incorporated into the existing SCR JESSICA which is a Financial Engineering Instrument known as an Urban Development Fund. All structures are in place and have been tested over the past 3 years since the Fund's inception in 2012. This will benefit from the established process and protocols and management structure. The fund is also well understood by the SCR Partners and as such will ensure the fund is best utilised in a timely fashion.

State Aid - The use of funds to private sector developers on sub-market terms would constitute state aid. The amount of the £5m to be used through State Aid will be determined through detailed appraisal of each investment proposal.

The Fund considers it has the ability to provide funding in the form of sub-market loans, guarantees and grant subject to compliance with Regional Aid regulations of GBER 2014 (No 651/2014). The Fund is also exploring the ability to take advantage of the State Aid scheme made available to the North West Urban Development Fund (SA.32835 2011/N) or through an amendment to Article 16 of the GBER in respect of Regional Urban Development aid to make it applicable to the SCR JESSICA.

In cases where State Aid is required but the SCR JESSICA is not an appropriate vehicle to do so, it will look to the relevant Local Authority to provide the Aid and put the LA in funds to do so under a contractual agreement.

EU State Aid case SA.32835 (2011/N) establishes that there is no state aid in respect of a contribution to the SCR JESSICA which either benefits the Limited Partner (SCC), the General Partner (SCC) or the Fund Manager (CBRE), hence the fund its self is considered State Aid Neutral.

Risk – works may not commence until 17/18 due to time to undertake all necessary stages.

Associated sites – the position re business rate uplift retention to be clarified during due diligence and overall position regarding associated sites to be agreed with CLG

Evaluation, the JESSICA fund has an established reporting process, both to the investment Board and to CLG via the Logasnet reporting system and this will continue throughout the duration of this fund investment.

Recommend further clarity re reporting of funds, ie will this be reported as part of the existing JESSICA fund as a separate project

Full Business Case Appraisal Summary

Sheffield City Region

Summarise your overall assessment of the scheme and recommendations for SCR.

The Business case for the EZ Fund is a cross cutting thematic priority primarily focussed on achieving priorities:

1. Ensure new businesses receive the support they need to flourish.

2. Facilitate and proactively support growth amongst existing firms.

3. Attract investment from other parts of the UK and overseas, and improve our brand. and

6. Secure investment in infrastructure where it will do most to support growth

The case for a Fund to help kick start speculative development in key locations is strong and the preferred option of a blend of loan and viability is a suitable mix of product. As this is a fund the risk of low demand / take up is very low risk to the SCR CA as the fund could be returned and re-invested and the agreements in place for the JESSICA allow for the fund to returned upon request by SCRCA.

The fund is envisaged to achieve a GVA / £ SCRCA fund invested of £23.8 and a SCRCA£ per job of £8,665 both of which are very good value for money. The proposal seeks to recycle and reinvest 20% of the fund during the 5-year period.

The fund will be delivered using the existing arrangements in place to manage the JESSICA fund which is well established and has successfully delivered schemes of a similar nature.

The financial and commercial cases indicate that the investment in the EZ fund is considered low risk to SCR CA.

The investment will constitute state aid. The amount of the fund to be used through State Aid will be determined through detailed appraisal of each investment proposal and managed appropriately in each case, the investment in the fund its self is considered State Aid Neutral.

The following recommendations should be considered:

1. Before funding agreement is signed the position regarding retained based and associated sites access this funding to be resolved.
2. Recording third party investment for inclusion in quarterly performance reports
3. Further clarity re reporting of funds to be sought, i.e. will this be reported as part of the existing JESSICA fund as a separate project

INFRASRUCTURE EXECUTIVE BOARD

7 OCTOBER 2016

SHEFFIELD CITY REGION'S PROPOSED APPROACH TO COMMISSIONING THE INFRASTRUCTURE PIPELINE

Purpose

This paper provides an update on the Sheffield City Region (SCR) proposed approach to commissioning, setting out the key working principles of how SCR will prioritise future investments from the SCR Integrated Infrastructure Plan (SCR IIP).

All investment decisions will be subject to the SCR Assurance Framework and approval by the Combined Authority (CA).

The Board is asked to endorse the SCR's proposed approach to commissioning future infrastructure schemes and recommend the approach to the CA for approval.

1. **Issue**

1.1 This paper provides an update on Sheffield City Region's proposed approach to commissioning future infrastructure schemes, and sets out the proposed commissioning schedule.

1.2 The proposed approach is also likely to be considered in the context of a wider commissioning call to ensure that priorities of all 5 x Boards are identified and progressed in line with each Board's timescales and commissioning processes.

1.3 The recommendations will be presented to the Combined Authority for approval.

2. **Recommendations**

2.1 The Infrastructure Executive Board (IEB) is asked to endorse the proposed approach to commissioning future infrastructure schemes.

2.2 The IEB is asked to recommend the proposed commissioning approach to the CA for approval.

3. **Background Information**

3.1 In order to deliver infrastructure at the scale and impact the SCR requires, it is important to take a pragmatic view to schemes that can deliver benefits in the short, medium and long term.

3.2 Strategic Economic Plan (SEP)

Our SEP sets out the SCR's ambition to create jobs and GVA. This has been the focus of previous commissioning calls relating to the SCR Investment Fund (SCRIF), however, it is recognised these calls have invested in a relatively narrow focus of schemes. There is considerable potential to broaden the SCR programme of activity, for example to include direct investment in housing schemes.

Furthermore, based on lessons learned from SCRIF, future SCR commissioning rounds will have a focus on deliverability which will also remain a key part of the SCR Assurance Framework.

3.3 LEP Priorities

SCR LEP has already completed one workshop to develop their priorities for the new SCR Single Pot. Two strategic priorities emerged in that workshop; **the Advanced Manufacturing Innovation District** and **Doncaster Sheffield Airport**. Subsequent to the workshop the importance of maximising the opportunities from the **HS2 route** has also been raised. The workshop also noted the importance of improving delivery against our housing growth targets.

A second workshop more recently confirmed the above priorities as well raising the importance of City and Town Centres.

3.4 SCR Integrated Infrastructure Plan (IIP)

The IIP is the SCR's first Integrated Infrastructure Plan. It sets out the infrastructure opportunities and challenges over the next decade based on capacity testing. Spatial packages have been developed on seven key Growth Areas including the AMID, Doncaster Sheffield Airport, Sheffield City Centre, A61 corridor and Chesterfield, Markham Vale, Dearne Valley- J36 and DN7. Where relevant, strategic interventions have also been identified in a number of Urban Areas.

The SCR IIP also focuses on eight economic infrastructure types, including, land and commercial property; housing; energy; flood defence; utilities; waste; transport and communications. This forms the infrastructure network analysis which sets out the high level challenges and opportunities by infrastructure type.

3.5 Engagement with Partners

The proposed commissioning schedule and prioritisation approach is being / has been discussed at the following meetings:

- Statutory Officers Meeting – 30 September
- Formal Chief Executive Meeting – 5 October
- Infrastructure Executive Board – 7 October
- Combined Authority – 24 October

The approach has also been discussed at the Infrastructure Development Group meeting which took place on 13 July with further engagement having taken place electronically on the commissioning schedule.

The proposed approach (set out in 3. 8) broadly aligns with feedback from the IDG– **see Appendix A**

3.6 Funding and Assurance

SCR is preparing a pipeline of projects – however, until SCR has the available funds, projects will not be able to progress to full approval.

- All projects will need to meet the requirements of the Single Assurance Framework
- Project development is undertaken at promotor risk
- Combined Authority funding is not ring fenced until full approval is achieved, notional allocations will be made when Outline Business Case has been approved

SCR will seek to aid the development process by allowing early access to development funds on a managed gateway process.

3.7 Programme Planning

SCR is seeking to invest in schemes that can provide the following:

- Spend and delivery within 1-5 years (short-medium term infrastructure schemes)
- Spend and delivery within 5-10 years (medium – long term transformational infrastructure schemes)

All schemes will be subject to the Single Assurance Framework and funding approval by the Combined Authority.

3.8 Proposed Commissioning Schedule

The schedule below proposes three tranches – this is to be confirmed and subject to discussion at the IEB meeting on 7 October. This is not the agreed position, however, engagement has taken place with the IDG, Statutory Officers and Chief Executives. Once we have a firm position, this is also likely to be considered in the context of a wider commissioning call to ensure that priorities of all 5 x Boards are identified and progressed in line with each Board's timescales and commissioning processes.

Tranche One

- **LEP Priorities – Advanced Manufacturing Innovation District, Doncaster Sheffield Airport, HS2 route / connectivity and City and Town Centres**
    - Medium to Long term transformational infrastructure schemes (5-10 years plus)
    - Short-medium term schemes – 1-5 years
    - Non capital support - for example, revenue support required to deliver benefits around the above LEP priorities
    - Other supporting projects needed to maximise the benefits including for example, supporting revenue activity and / or Sustainable transport projects

Tranche Two

- **Alignment with SEP and SCR IIP Growth Areas – not already covered by Tranche One**
    - Medium to Long term transformational infrastructure schemes (5-10 years plus)
    - Short-medium term schemes – 1-5 years
    - Other supporting projects needed to maximise the benefits including for example, supporting revenue activity and Sustainable transport projects

Tranche Three
• **Alignment with SCR IIP Network Analysis – not already covered by Tranche One and Two**
    o Medium to Long term transformational infrastructure schemes (5-10 years plus)
    o Short-medium term schemes – 1-5 years
• Other supporting projects needed to maximise the benefits including for example, supporting revenue activity and Sustainable transport projects

3.9 All schemes should have a strong focus and alignment to the SEP, LEP priority areas, SCR IIP, deliverability, value for money and additionality.

3.10 <u>Prioritisation Approach</u>

The SCR has been developing its approach to prioritisation across all themes, cognisant of the lessons learned from the development of the current pipeline, the Sheffield City Region Investment Fund (SCRIF).

3.11 Following the Early Commissioning call, a brief lessons learned exercise will be undertaken by the SCR Executive. The proposed approach is as follows:

- Propose to use EOI form based on HM Treasury Green Book 5 x cases
- Weighting of each cases agreed for each tranche prior to commission call
- Scoring undertaken by SCR appraisal panel using a balanced scorecard
- Process will result in a prioritised list for consideration by the CA
- Schemes to be assessed via testing tool

The role of the appraisal panel in this process will be to weight and score submissions and recommend a prioritised list for discussion at future IEB meetings. The IEB will then recommend the list to the CA for approval.

3.12 The approach set out in 3.11 is based on the previously IEB agreed approach to scheme prioritisation predicated against a reconfigured FLUTE model.

The testing tool will therefore not dictate the programme but will provide a suitable sounding board for investment decisions to be made by the CA.

3.13 The above principles will ensure that SCR can prioritise more effectively to deliver the schemes that will make the greatest positive difference towards the delivery of the SCR SEP.

3.14 <u>Timescales</u>

A discussion is required by SCR Officers before a realistic plan on timescales can be developed. A discussion will be taking place at the Statutory Officers Meeting on 30 September 2016. Feedback provided by Statutory Officers and CEX will be presented as a verbal update to the IEB on 7 October.

4. Implications

i. Financial

SCR is currently seeking funding to for up to £3m to update its Strategic Tools. Funding will enable an up to date suite of testing tools and enable schemes to be tested effectively.

The funding will support:

- Updating the Testing Tool

- Scheme Testing (via the Testing Tool)

Risks

- SCR is seeking available funds to support early scheme development
- SCR is seeking available funds to fund the future infrastructure pipeline

ii. Legal

There are no legal issues arising directly from this report, however, as each project is submitted and then approved it will be subject to legal scrutiny and advice.

iii. Diversity

None at this stage

iv. Equality

None at this stage

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Appendix A

Infrastructure Development Group – SCR Integrated Infrastructure Plan (SCR IIP) Session 13 July 2016

Discussion Headlines

- The IDG were provided with an update on SCR IIP progress:
  - Document 'un-paused' by CA chair as it reflects key SCR priorities
  - Minor edits required
  - Now is a great opportunity to demonstrate a united front, strong evidence base and the only integrated infrastructure plan in the northern powerhouse
  - Clarify that SCR is not the only funding route for infrastructure
  - SCR Executive is currently exploring budget options to launch the SCR IIP and develop/deliver the prioritisation process- Martin M to explore (RE summit) further with LEP

Commissioning the Infrastructure Pipeline

- The majority of the discussion focused on the approach to prioritising schemes for the pipeline:
  - Keep governance robust
  - Needs some flexibility to bring forward transformational or long term schemes
  - Model should help determine but not decide
  - Real economic returns remain key
  - Learn lessons from SCRIF – promoters were over ambitious due to the competitive nature of the prioritisation process. Now issues over validity/deliverability.
  - Deliverability should be a key consideration
  - Should look to reduce front-end cost to promoters
  - Development funding is a key requirement of promoters
  - Should develop oven ready back-up schemes
  - Consider an early call based on priorities
  - Likely that there will need to be multiple calls
  - SCR needs to be open for business. The process shouldn't scare promoters or investors off
  - Timescales of building pipeline by April extremely tight
  - We can't let Brexit uncertainty hold us back, need to plough on

INFRASTRUCTURE EXECUTIVE BOARD

7 OCTOBER 2016

Sheffield City Region's Approach to Launch the Integrated Infrastructure Plan

Purpose

This paper sets out the approach to launch the SCR Integrated Infrastructure Plan (SCR IIP), locally and nationally.

MIPIM UK takes place 19 – 21 October 2016 in London and presents a suitable opportunity for the SCR IIP to be launched nationally.

The Insider Event takes place on 17 November 2016 and presents a suitable opportunity for the SCR IIP to be launched locally.

The Board is asked to note the Sheffield City Region's (SCR) approach to launching the SCR IIP.

1. Issue

1.1 This paper sets out the SCR's approach to launch the SCR IIP, both locally and nationally.

1.2 The SCR Executive recommends that the SCR IIP be launched nationally at MIPIM UK in October 2016 (London) and locally at an Insider Event in November 2016.

1.3 The rationale for taking this approach is largely due to the opportunity presented at these high profile events to launch the SCR IIP.

2. Recommendations

2.1 The IEB is asked to note the recommendations to launch the SCR IIP.

2.2 The IEB is asked to recommend one additional member from the Board to attend as a panel speaker at the Insider Event on the 17 November.

3. Background Information

3.1 As recommended by the IEB, the SCR IIP was approved for sign off by the SCR Combined Authority (CA) and LEP in August this year. The SCR IIP provides the strategic context upon which to develop the next infrastructure pipeline.

3.2 As the SCR Executive begins to develop the commissioning schedule to shape the future infrastructure pipeline, now is the time to officially launch the SCR IIP at two high profile events.

3.3 The SCR IIP is now being finalised, formatted and fully designed by ARUP, ready for an official launch.

3.4 National Launch- MIPIM UK (19-21 October 2016)

The SCR Executive recommends the national launch of SCR IIP takes place at MIPIM UK (London) in mid-October.

3.5 The rationale for this approach is that MIPIM UK presents a suitable opportunity to launch the SCR IIP to a captive audience of institutional investors, developers, agents, local authorities and business service providers.

It is a UK wide event, therefore, likely to attract a sizable audience (thus raising the profile of SCR IIP even further), as well being the UK's largest property exhibition.

It also presents an opportunity to showcase the SCR IIP at a later date at MIPIM France.

3.6 Sir Nigel Knowles and Sir Stephen Houghton will be attending the three-day event and will launch the SCR IIP on behalf of SCR.

Additional speaker and panellists include Stephen Dance (Head of Infrastructure, HM Treasury) and Jules Pipe (Deputy Mayor of Planning for London).

3.7 Further details on the Marketing Plan are set out in Appendix A.

3.8 Local Launch – Insider Event (17 November 2016)

The SCR Executive recommends the local launch of SCR IIP takes place at the Breakfast Insider Event in mid-November.

3.9 The rational for this approach is the Insider event presents a suitable opportunity for the SCR IIP to be launched locally to a range of audiences including Local Authority partners, the private sector, and other relevant organisations.

Insider events typically attract circa 100 attendees, the SCR IIP, therefore will be promoted to a good range and number of local partners.

3.10 The event will be hosted by Adam Lovell, with confirmed panel speakers - Sir Nigel Knowles and Martin McKervey. Other panel speakers are to be confirmed but are likely to include ARUP. **We would like to invite one more person from the IEB as a speaker to this event.**

4. **Implications**

i. Financial

Funding for the national launch will be supported by the MIPIM budget and funding for the local launch will be supported by the Marketing budget.

ii. Legal

None at this stage

iii. Diversity

None at this stage

iv. Equality

None at this stage

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Telephone	

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

Other sources and references:

Appendix A

Marketing Channels Promoting SCR IIP We are targeting: 1, Local Partners, raising awareness there is the mechanics now open to funding whereby we appeal for them to bring forward schemes. 2, Central Government, that we have identified deficit and 3, Private Sector investment we are open for business and fertile for growth.		
METHODS		TIMEFRAME
Campaign Management	Create an identity for the SCR IIP so that it's recognisable throughout the SCR marketing, and therefore found across online and offline marketing. This may be in the form of an icon developed to sit alongside the SCR logo and supported by created infographic style summaries.	August/ September
Direct Marketing	Consider the distribution of SCR brochures, along with personalised letter of introduction to local partners and known Private Sector Investment companies.	September/ October/ November
Email and Database Marketing	Consider the distribution of electronic brochures to download and target the market sectors with an introductory email, personalised for follow up to discover further detail. Distribute via departmental CRM systems. Alert to event touchpoints where opportunities and processes can be discussed. Use as newsletter item in available policy areas within SCR. Consider joint parties being able to also promote outwardly – providing content and graphics.	September/ October/ November December
Internal Communication	Announce internally and to stakeholders that the campaign material is available and placement online is readily available for pushing wider, and where enquiries are to be steered towards internally. Be aware of should enquires land and where to send information to. Recognition to be made to contributing partners for example ARUP, SCR, Local Growth Fund and the Infrastructure and Development Group. Internal communications support internal acknowledgement of development and further brand awareness.	August/ September
Marketing Collateral	Create a brochure as part of the proposed events scheduled for example MIPIM UK, Sheffield City Talks with Estates Gazette, - the brochure to promote who the SCR are, what we stand for and the SCR IIP to feature as a benefit and process that is created. Headers and website banners for e-marketing, and social promotion. Create infographics that push the summary items Pull up banner for use at networking events for associating awareness. Review opportunities to determine volume required, anticipate small number – consider LAs use for the promotion of.	August/ September
Online Media	Create a landing page within the main SCR website as well as the SCR Invest site, Growth Hun websites, including a news item release. Include within the LinkedIn group coverage – push out as a discussion point. Provide news to be passed onto related partners. Schedule tweets and Facebook posts with infographics – update Pinterest/Instagram with the icons and pictorial key messages. Follow and include recent investors on twitter feeds so that there is	August/ September

	association.	
Promotions and Events	There are a series of events pre-planned that can combine the SCR IIP exposure. • SCR Sponsor Promotion Session 12th September 10am – 12pm, AMP – Sir Nigel Knowles etc., supporting with exposure – we will include as a promotional item • Estates Gazette City Talks Event – 22nd September starting at 5.30 till 9pm (Thursday Evening) Sheffield United as a venue - Panel Debate and Evening Networking event. This will be an ideal PR exposure and content piece to promote to up to 250 property aligned delegates, various marketing mediums included for promotion • October 7th - Quarter 3 QES – held at Doncaster • MIPIM UK Business Lounge 9.45 -10.30 – Sir Nigel Knowles, Sir Steve presenting at an opening session at MIPIM Olympia for up to 70 delegates – we shall include into the programme and PR – in addition during MIPIM UK there are Opportunities in the Region sessions, where the plan will also receive exposure. To be included within the portfolio as a section, both the app and the printed material.	September
Public Relations and Publicity	General PR pieces and website/social promotion Regular column pieces in, Business Insider, Yorkshire Post and Sheffield Telegraph schedule in as thought piece write ups	August/ September

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