INFRASTRUCTURE EXECUTIVE BOARD
Date: 13th January 2017
Venue: Room 2, Broad Street West, Sheffield
Time: 10:00 – 12:00

Sheffield City Region COMBINED AUTHORITY

AGENDA

Items	Title	Method	Speaker
Introduction			
1.	Welcome and Apologies	Verbal	Chair
2.	Minutes & Actions of the Previous Meeting & Matters Arising	Paper	Chair
3.	Declarations of Interest	Verbal	All
4.	Urgent items / Announcements	Verbal	All
Business items			
5.	SCRIF Programme Review	Paper	Joanne Neville
Business Case Endorsement			
6.	Early Commissioning Recommendations	Paper	Joanne Neville
7.	South Yorkshire Broadband	Paper	Natalie Ward
Discussion items			
8.	SCR IIP Delivery Framework	Paper & Presentation	Mark Lynam
9.	Property Development Funding	Paper	Ben Morley
10.	Enterprise Zone Accelerator Fund	Paper	Andy Gates
11.	Science and Innovation Audit	Paper	David Campbell-Molloy
12.	Autumn Statement and Government Strategies	Paper	Veena Prajapati
Actions & Forward Planning			
13.	Agree actions & Summary for Resolution Log	Verbal	Chair
14.	IEB Business Plan Progress Dashboard	Paper	Mark Lynam
15.	AOB	Verbal	All
DATE OF NEXT MEETING – 24th February 2017			

INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

SCRIF Programme Review

Purpose of Report

To update the Infrastructure Executive Board with the headlines from the SCRIF programme review, undertaken in November/ December 2016.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

Executive Boards do not make decisions on behalf of the Combined Authority therefore reports to this Boards are not made available under the Combined Authority Publication Scheme. This report is exempt under Part II of the Freedom of Information Act 2000.

Recommendations

It is recommended that Infrastructure Executive Board notes the contents of the report and agrees to the recommended revisions to the SCRIF Infrastructure Programme set out at paragraph 2.10. The onward recommendation to the CA will be confirmed at the IEB meeting.

1. Introduction

1.1 Purpose of SCRIF Programme Review

Following significant slippage identified at each quarter return, the CA tasked the IEB to lead a review of the current SCRIF Infrastructure Programme. At the end of the Q2 returns, there was significant underspend identified creating the potential for the CA to lose money.

In order to mitigate against the underspend, an early commission call for projects to spend in 16/17 was announced. There are 12 projects progressing through the assurance process as part of this early commission with a potential value of £46.6m. These early commission projects will displace funds for existing projects in the programme, meaning that savings will need to be made.

2. Proposal and justification

2.1 SCRIF Programme Review – Overview

SCRIF is valued at £699 million, with £216 million secured from Government

- 35 Projects – from an initial 15
- 3 Projects Complete – evaluations pending
- 7 Projects - Funding agreement in place/ On site
- 5 Projects - Funding agreements pending
- 20 Projects at FBC/OBC
- 1 project at mandate

2.2

Project	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	21+	Total
Budget (March 16)	23,176,570	48,123,664	44,409,232	24,788,218	34,616,464	22,655,967	18,230,030	216,000,145
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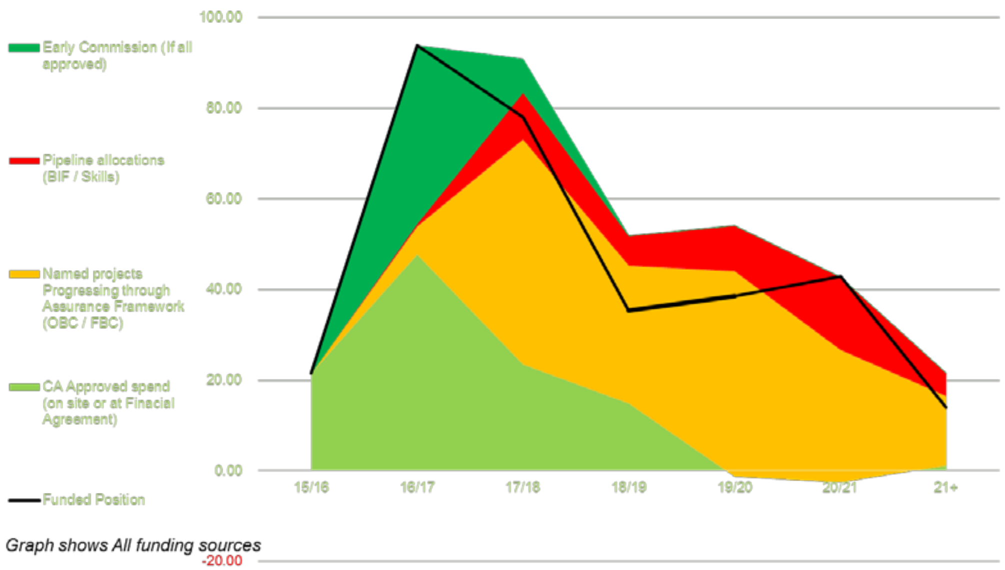
The table above demonstrates the key changes within the programme at each quarter. When the budget was set in March 2016, it was expected that £48,123,664 would be spent in 16/17. The Q2 returns presented to IEB on 18th November showed that this figure had dropped to £43,412,036 and then post the November review, it has dropped to £34,333,642. The level of underspend in 16/17 is due to projects slipping into future spend years.

2.3 There were 24 Change requests submitted as part of review, predominantly seeking approval to slip funds into future years and these are presented at Appendix 1 for IEB's consideration.

2.4



2.5 The graph above shows the spend position for the entire LGF programme (SCRIF/ BIF etc).

The graph takes into account the potential progression of all 12 early commission projects and demonstrates that there is the potential for projects to be ‘at risk’, as a result of the 16/17 underspend and the progression of the early commission schemes. Any projects which sit above the black line may not be able to secure funds.

2.6

	15/16	16/17	17/18	18/19	19/20	20/21	21+	Total
Funded Position	21.58	93.89	78.04	35.36	38.66	43.00	13.99	324.53
CA Approved spend (on site or at Finacial Agreement)	21.58	47.76	23.52	14.91	-1.23	-2.48	1.19	105.24
Named projects Progressing through Assurance Framework (OBC / FBC)	0.00	6.21	49.62	30.41	45.33	29.21	15.33	176.11
Pipeline allocations (Skills / BIF)	0.00	0.63	10.39	6.58	10.09	16.10	5.10	48.89
In year funding surplus / deficit (Total)	-0.00	39.29	-5.50	-16.54	-15.52	0.17	-7.63	-5.72
Early Commission (If all approved)	0.00	39.29	7.38	0.00	0.00	0.00	0.00	46.67
In year funding surplus / deficit (Total)	-0.00	0.00	-12.88	-16.54	-15.52	0.17	-7.63	-52.39

2.7 The table above demonstrates the implications of the underspend and the overprogramming on the entire LGF programme and identifies the in year funding/ surplus and deficit for the future spend years of the programme. The progression of all 12 early commission projects, tackle the £39.29m funding surplus in 16/17 but it creates a funding deficit in future years of £12.88m in 17/18, £16.54m in 18/19 and £15.52m in 19/20.

2.8 There are a number of key issues for IEB to consider,

- Significant issue of a shortfall in funds in 18/19 and 19/20 - insufficient funds to deliver existing projects in 18/19 and 19/20 – projects that don’t meet milestones are potentially vulnerable

- Promotors to consider whether projects can still realistically deliver to existing milestones or would they be better suited to future IIP commissioning

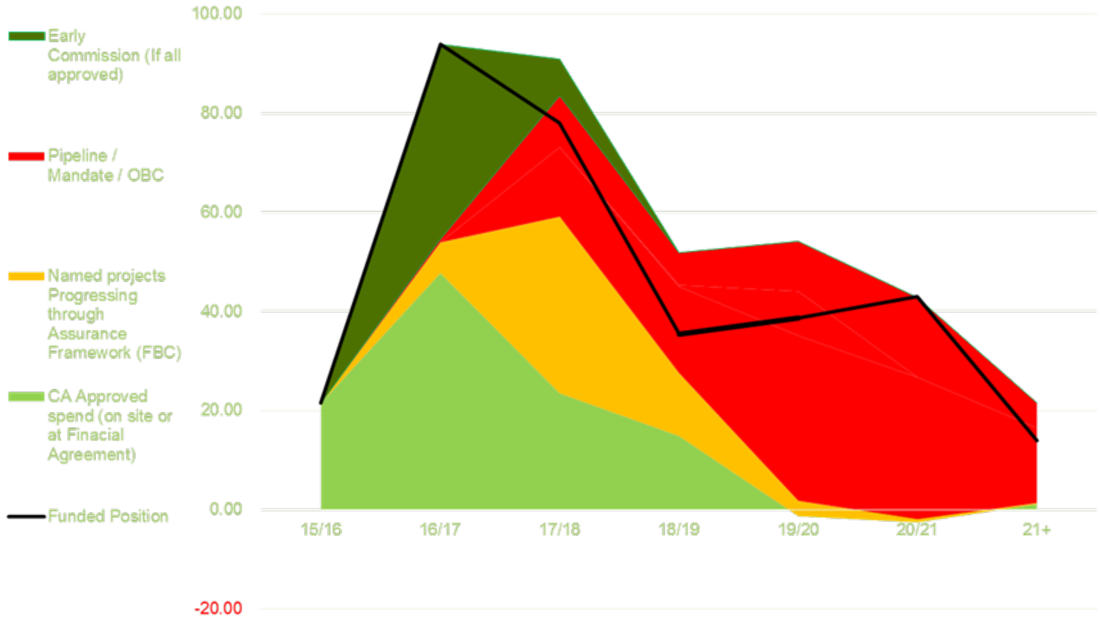
2.9 The tables presented within this report demonstrate how the slippage of SCRIF projects impacts upon the future shape of delivery across the entire LGF programme and prevents pipeline commissions in other policy areas. There are currently 20 SCRIF projects at full business case and outline business case stage with an allocation of £143.28m of SCRIF monies. The majority of these projects have not shown progress but continue to tie up a funding allocation. Is an alternative approach needed in the future?

2.10 **Recommended solutions** – A number of options to address the issue that the 16/17 underspend and over-programming creates, are set out below for discussion. The key rationale for the proposed solutions is to create a deliverable and realistic programme of infrastructure investment, allowing the projects that are ready to progress and spend to move to delivery but also allowing projects to remain in the programme and continue to be worked up into schemes that are ready for delivery. Following discussion at IEB, the onward recommendation to the CA will be confirmed.

1. Funding allocations for projects are not confirmed until Contract Award or ringfenced until a Full Business Case (FBC) is approved. Once a project has its full business case approved, it will be tied to milestone gateways, linked to the progression of the funding agreement, start on site and spend drawdown. These milestone gateways will be discussed with scheme promotors and agreed. This is to seek to prevent money being tied up with projects at FBC for long periods, therefore preventing other projects from progressing through the process.

2. All projects currently in the programme but which have not progressed beyond Mandate / Outline Business Case can continue to progress however the allocations will not be ringfenced until the FBC is approved. Where this is the case SCR Executive Officers will discuss with LA Promoters where such projects could be progressed in line with the work on the IIP to develop Strategic Business Case development.

3. The graph below demonstrates the implication for these pipeline projects; as currently there are insufficient LGF funds to deliver all these pipeline projects that sit above the black line. If at the point, there are no LGF funds to deliver these projects, an approval to progress may be given, subject to the CA securing further funds.



4. There are also a number of key principles that are recommended as part of this approach, these are that any underspends will be returned to the pot not ‘safeguarded’ by promotors seeking to move money between schemes.

5. It is recognised that early access to development funds is required, but it is dependent upon gainshare.

3. Consideration of alternative approaches

3.1 The IEB could choose to recommend the removal of schemes from the SCRIF programme order to tackle the over-programming and shortfall in funds in future years. However, given the nature of the programme there will inevitably be an element of future slippage of projects in future years. The solution set out above allows all projects to remain in the programme but with no confirmed/ ringfenced funds until a full business case is approved. This means that where projects do not deliver to agreed milestones, there is a risk that there may not be the funds available to support the project or approval is given pending funding availability.

4. Implications

4.1 Financial

The financial implications of the 16/17 underspend and the early commission over-programming as a result of the early commission are set out in this report.

4.2 Legal

The legal implications of each project will be fully considered by a representative of the Monitoring Officer as part of the Assurance process. Funding Agreements will be required for the Schemes recommended for approval.

4.3 Risk Management

This report is presented in response to the risk of underspend in the 16 / 17 financial year and presents options to address project delivery / spend in future years.

4.4 Equality, Diversity and Social Inclusion

There are no direct equality implications arising from this report.

5. Communications

5.1 This is a policy report and therefore there are no direct communications issues .

6. Appendices/Annexes

6.1 Appendix 1 – change requests

6.2 Appendix 2 – IEB Presentation

REPORT AUTHOR	**Joanne Neville**
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Telephone	0114 2203408

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

Other sources and references:

Appendix 1 – Change Requests (Post November 2016 review)

Board	Promoter	Project	Change	Impact
INFRASTRUCTURE	SFSY	Superfast South Yorkshire £10.6m – FA – on site	Further procurement	The SFSY has a £550k remaining BDUK allocation and £245K SCRIF allocation which can be used to close the coverage gap in Sheffield city centre. In order to do this and to adhere to current State Aid requirements a further procurement exercise is required. This procurement would allow SFSY to provide greater coverage in Sheffield city centre by revising the excluded zone from one defined by the Sheffield inner ring road to one defined by the Sheffield Business Improvement District (BID). Should this additional procurement not be undertaken the £550K BDUK funding would need to be returned hence represents a lost opportunity to Sheffield City Region. While this request does not change the overall project cost / allocation to Sheffield City region there is a risk that the procurement exercise may result in increased overall costs and potentially a future request for additional funding. **If Executive Board / CA accept the change request to undertake the additional procurement this does not indicate that additional SCR CA funding can be made available to the project.**
	BMBC	M1 Junction 36 – A6195 Dearne Valley Economic Growth Corridor (Phase 1 Hoyland) *£15.7m - FA - On site*	Request to claim / bring forward spend in 2016/17	The project is progressing quicker than anticipated due to favourable weather, therefore approval is sought to claim an additional £279,000 in 2016/17 from the 17/18 allocation
	CBC	Chesterfield Waterside £2.7m – FA – On site	SCR Fund Re-profiling	Approval is sought to re-profile £609,672 of SCR funds into 2017/18 due to delays in concluding the funding agreement.
	CBC	Peak Resort *£2.9m – FA- On site*	SCR Fund Re-profiling	Approval is sought to re-profile £2,141,677 of SCR funding to 2017/18. A delay in the negotiation of the primary and back to back Funding Agreement is the reason for submitting this request. This has created knock on delays in the delivery of the outputs to end of October 2017. The delay in the

				commencement of infrastructure works will also impact on the delivery of the Phase One development with scheme completion pushed back from September 2018 to April 2019.
	BDC	Worksop site delivery and Vesuvius scheme - A60/ A57/B6024 junction (Phase 1) *£0.5m – FBC pending FA*	SCR Fund Re-profiling	IEB approval is sought to re-profile the SCR funding profile by 31 days within 2016/17 due to the discovery of contamination under the existing highway. This doesn't affect the in-year spend profile as it is anticipated that all the £500,000 SCR funds will be claimed in 2016/17.
	DMBC	Doncaster Urban Centre – Colonnades *£2.3m – FBC pending FA*	SCR Fund Re-profiling	IEB approval is sought to re-profile £1,520,000 of SCR funding into year 2017/18 due to a revaluation of design that has resulted in an anticipated project delivery delay of 3 months.
	DMBC	DN7 Unity - Hatfield Link Road *£11.2m – FBC – pending FA*	SCR Fund Re-profiling	IEB approval is sought to re-profile £1,875,000 of SCR fund across 2017/18 and 2018/19. This is due to negotiations with Network Rail and Powergrid causing the project to slip by 3 months.
	DMBC	Finningley and Rossington Regeneration Route Scheme - Phase 2 (FARRRS) *£9.1m – FBC – pending FA*	SCR Fund Re-profiling	IEB approval is sought to re-profile £70,000 SCR funds into 2017/18. The project has experienced delays in the resolution of planning issues and as a result the project has slipped by 2 months.
	DMBC	Doncaster Urban Centre - The Civic & Cultural Quarter (CCQ) *£0.6m – FBC pending FA*	SCR Fund Re-profiling	IEB approval is sought to re-profile £635,000 SCR Fund to 2017/18 to reflect realistic timetable for negotiating and signing of Funding Agreement with SCR
	DMBC	Doncaster Urban Centre - Waterfront (West) *£750k – FBC pending FA*	Project Separation and SCR fund profiling	IEB approval sought to split the scheme from the overall waterfront scheme (East) with £750,000 re-profiled for 2017/18 in line with the revised anticipated project delivery timetable.
	SCC	Knowledge Gateway	SCR Fund	IEB Approval sought to re-profile £1,815,000 of SCR funding from 2017/18 to

		£3.8m – FBC pending FA	Re-profiling	2018/19 to accommodate slippage in the delivery timescale. This is due to slippage in gaining approvals.
	SCC	CLAYWHEELS LA SUSTAINABLE INDUSTRIES PARK *£4.8m – FBC (resubmitted for reconsideration)*	SCR Fund Re-profiling	IEB approval is sought to re-profile 2016/17 baseline SCR fund of £166,155 to 2017/18 in line with Scheme Promoters revised project timescales.
	DMBC	Doncaster Urban Centre - St Sepulchre West / Station Forecourt *£8.1m (+£1m early commission) – FBC pending approval early commission*	SCR Fund Re-profiling	IEB Approval is sought to re-profile £2,100,000 into 2018/19. The Scheme Promoter has been asked by SCR to resubmit the Full Business Case as a result, the anticipated SCR Contract start date has slipped to April 2017.
	BDC	Worksop Phase 2 *£2.397m - OBC*	Early drawdown of SCR Funds	IEB approval is sought for £2,397,000 of SCRIF funding over 10 years. The scheme promotor had previously requested a project change as they wish to review the original infrastructure proposals. The spend profile shown on the form identifies the original programme intentions not any subsequent revision, if approved by SCR. Total SCRIF ask £2,397,000 over 10 years. ***Awaiting discussion with scheme promotor. SCRIF Funding is not able to be profiled for 10 years, currently there is £1.125m profiled for spend in year 2022+**
	BMBC	M1 Junction 36 – A6195 Dearne Valley Economic Growth Corridor (Phase 2 Goldthorpe) *£7.3m - OBC*	SCR Fund Re-profiling	IEB approval is sought to re-profile £146,000 (2016/17) and £163,000 (2017/18) SCR fund into 2018/19. Work on the project has been limited due to revised Local Plan timescales.
	BMBC	M1 Junction 37 – Economic Growth	SCR Fund Re-profiling	Approval is sought to re-profile the SCR funding baseline by one year. The revised SCR Funding Spend has been re-profiled to April 2018/19 with a final

		Corridor (Claycliffe) *£11.8m - OBC*		claim in 2020. This has occurred due to revised Local Plan timescales.
	DMBC	Doncaster Urban Centre - Lakeside Power *£1.3m - OBC*	SCR Fund Re-profiling	IEB approval is sought to re-profile £638,000 into 2017/18. All SCR funding has been condensed into the single year. The scheme promoter has stated that there has been a lack of resources 'in house' to deliver the project. A recruitment process has been undertaken to fill the vacant post.
	DMBC	Doncaster Urban Centre - Quality Streets *£1.4m - OBC*	SCR Fund Re-profiling	IEB approval is sought to re-profile £1,250,000 from 2017/18 to 2018/19. The scheme promoter has taken action to reschedule the project to prevent added disruption caused by other town centre projects.
	DMBC	Doncaster Urban Centre - Waterfront (East) *£8.3m – OBC (subject to change)*	SCR Fund Re-profiling	2 change requests received : 1. IEB approval is sought reduce the SCR Fund assigned to this project by £2,677,000, to reduce to £5.63m) in line with the revised programme and assigning the SCR funds to the Markets project. (Markets FBC pending approval) Linked to the above request is to re-profile the SCR funds and overall spend baseline into future years. £4,823,000 into 2019/20
	DMBC	Doncaster Urban Centre: Enterprise Market Place *£2m - OBC*	SCR Fund Re-profiling	In line with the above change request, the existing SCRIF allocation for the Markets scheme is £2m. The change request seeks to increase the Markets scheme allocation by £2.67m to provide £4.67m of funding for the Markets project (split into two phases). 2. ***These funding allocation changes between projects will not be permitted in the future as per the recommendations in the report setting out the SCRIF Programme Review.**

	RMBC	A630 Parkway Widening *£42.2m - OBC*	SCR Fund Re-profiling	IEB approval is sought re-profile SCR funding with £74,000 slipping to 2017/18, resulting in a six month slippage in the SCR Contract Completion from 01/06/2021 to 01/12/2021. The project still seeks final approval from DfT on approach to modelling.
	RMBC	Waverley Link Road *£8.4m - OBC*	SCR Fund Re-profiling	IEB approval is sought to re-profile £1,545,000 of SCR funding into future years. (2020/21 and 2021/22). Lack of support for the scheme is a factor affecting the progress of this project resulting considerable slippage in the SCR Contract Completion Date by 16 months from 01/09/2019 to 01/12/2020.
	SCC	Upper Don Valley Flood Alleviation Scheme *£4m - OBC*	SCR Fund Re-profiling	IEB approval is sought to re-profile £3,550,000 of SCR funding from 2018/19 to 2019/20 due to delays in public consultation.

SCRIF PROGRAMME REVIEW

November 2016

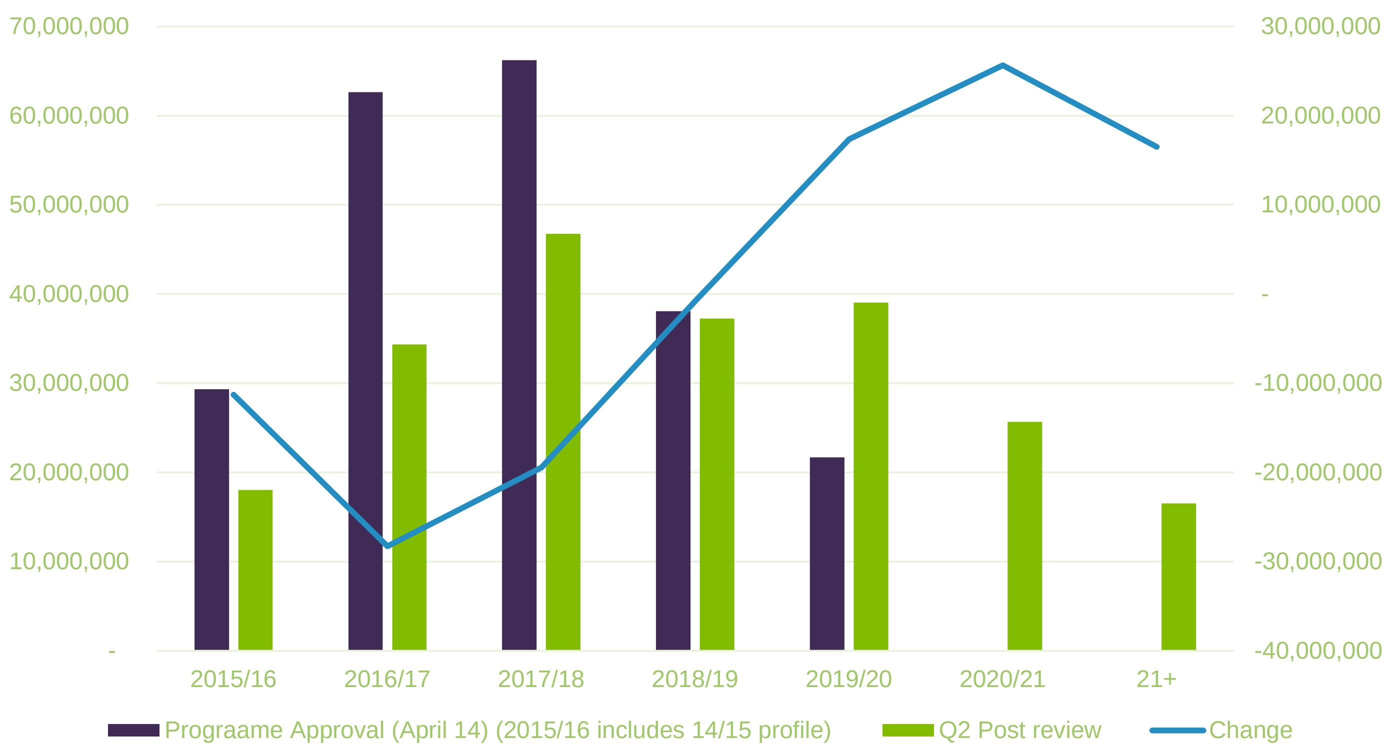
PURPOSE OF REVIEW

- Significant slippage continually identified at each quarter
- 16/17 – significant underspend, potential for the CA to lose money
- 12 early commission projects progressing through assurance – potential value of £46.6m
- All early commission projects spend to be defrayed in 16/17
- These projects may need to displace funds in the existing programme – future savings to be made

- SCRIF part of larger SCR programme and everything has an impact / trade on other areas of the programme.
- Perception of SCR performance has potential to;
  - Impact future funding allocation
  - Impact S31 grant status
  - Impede flexibility and responsiveness of SCR
  - Damage reputation

SCRIF CHANGE - APRIL 14 TO NOV 16

Project	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	21+	Total
Q2 Post review	18,034,587	34,333,642	46,739,390	37,258,754	39,039,831	25,665,506	16,520,967	217,592,677
Programme Approval (April 14) (2015/16 includes 14/15 profile)	29,305,000	62,627,000	66,218,000	38,055,000	21,668,000	-	-	217,873,000
Change	- 11,270,413	- 28,293,358	- 19,478,610	- 796,246	17,371,831	25,665,506	16,520,967	- 280,323



WHY?

- Nature of the process has created competition between schemes and promotors – unrealistic milestones set
- Projects that are not ready are put forward – risk of missing out
- Resource issue for promotors – too many schemes
- Natural project slippage/ changes
- Funding allocations are 'stuck' with projects – some of these aren't progressing, preventing new projects coming forward

SCRIF PROFILE CHANGES 16/17

Project	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	21+	Total
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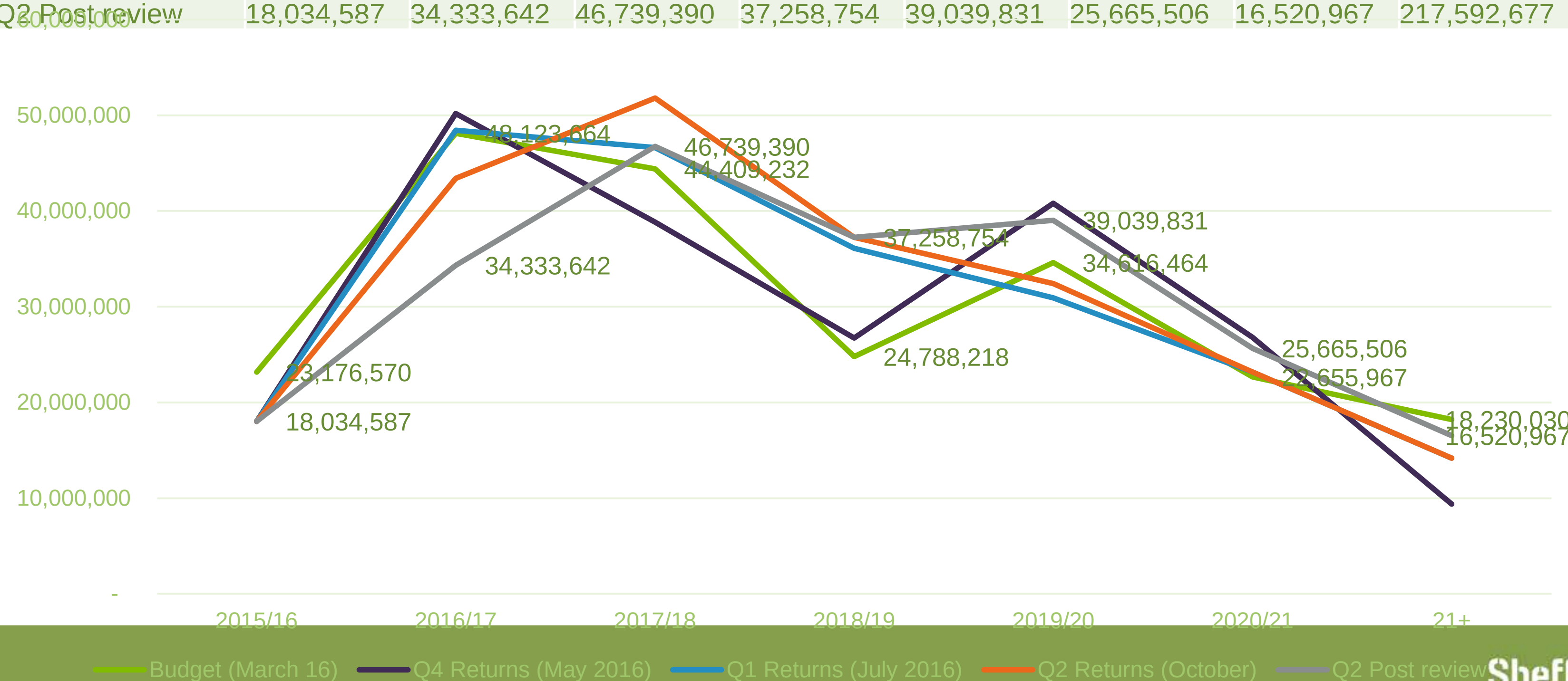
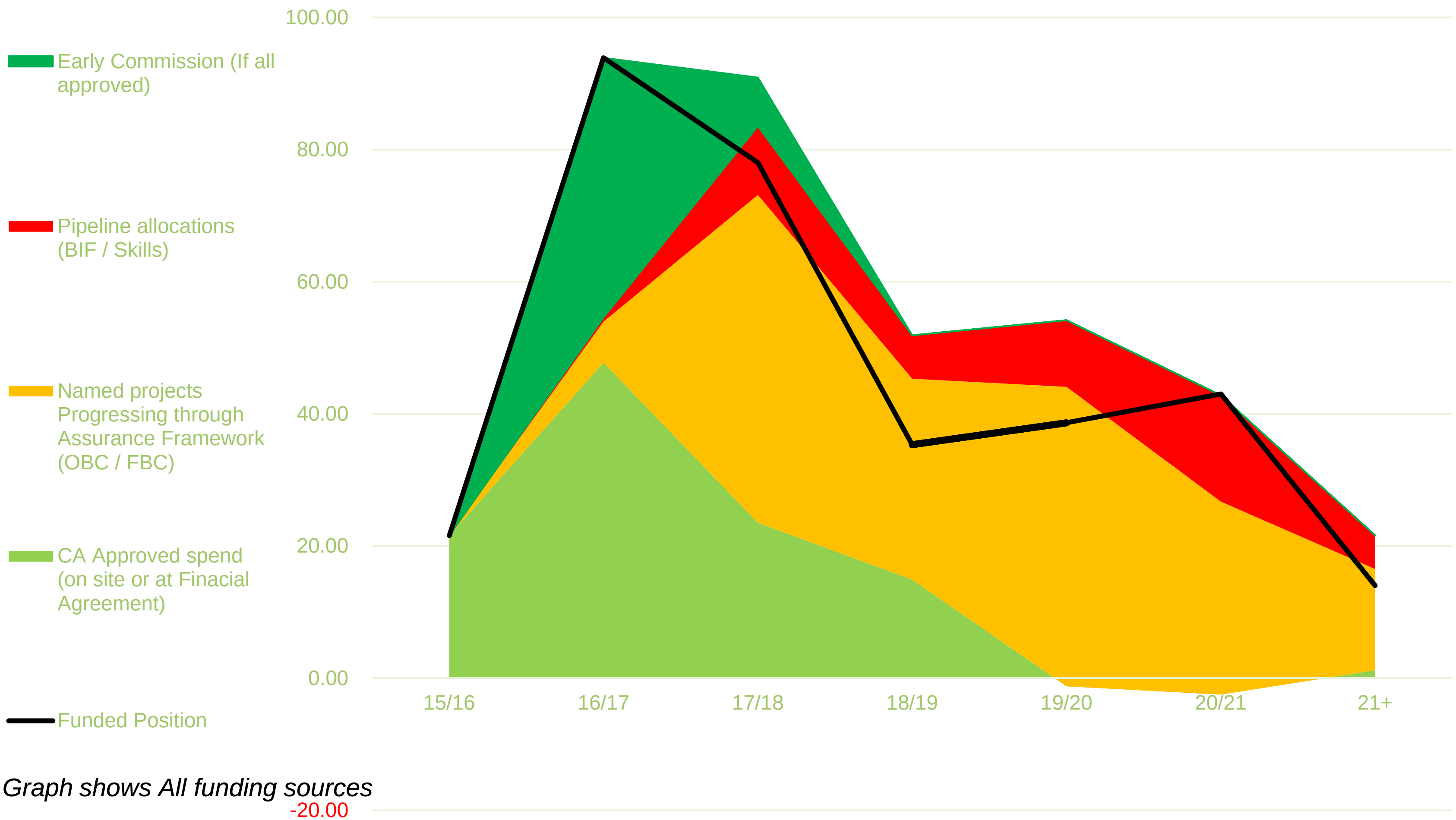


Sheffield City Region

SCR FUNDING / SPEND PROFILE



Graph shows All funding sources

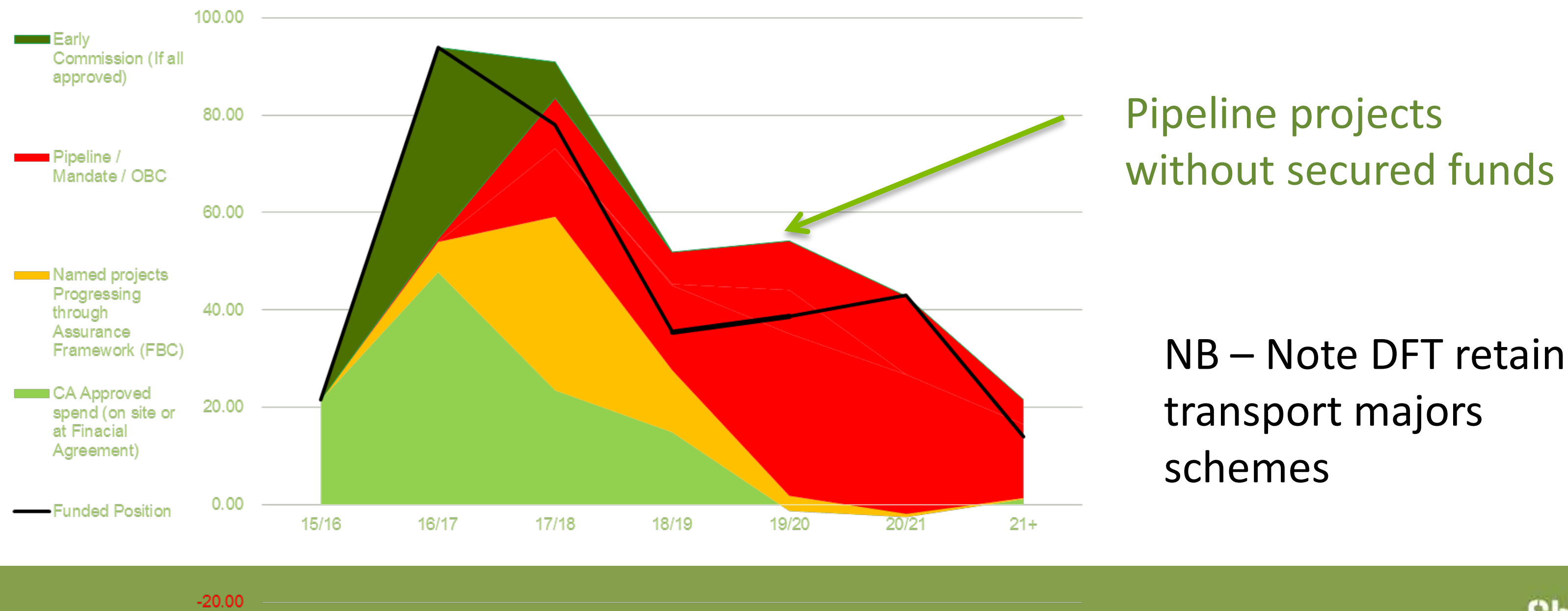
Sheffield City Region

KEY ISSUES

- Significant issue with shortfall in funds in 18/19 and 19/20
- 24 change requests submitted as part of review to slip funds into future years
- Insufficient funds to deliver existing projects in 18/19 and 19/20 – projects that don't meet milestones are potentially vulnerable
- Promotors to consider whether projects can still realistically deliver with existing milestones or would they be better suited to future IIP commissioning

PROPOSED SOLUTION

- Allocations for <u>projects</u> are not ringfenced until a Full Business Case is approved nor confirmed until a Funding Agreement is in place
- Projects at FBC will be tied to milestone gateways
- All projects currently at Outline Business Case/ Mandate to become IIP pipeline projects – without a secured funding allocation.



NB – Note DFT retained transport majors schemes

Sheffield City Region

PROPOSED SOLUTION

- Potential for these IIP pipeline projects to be brought forward (with SCR support) to FBC approval – subject to funds being available
- Slippage/ non delivery to be tightly controlled through milestones and delivery gateways. Projects will be 'called in' for IEB review where these milestones are not met.
- Any underspends are to be returned to the pot and not 'safeguarded' by moving money between schemes.
- Next step- working with scheme promotors to agree milestone dates

INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

SCRIF Programme Review

Purpose of Report

To update the Infrastructure Executive Board with the headlines from the SCRIF programme review, undertaken in November/ December 2016.

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In order to mitigate against the underspend, an early commission call for projects to spend in 16/17 was announced. There are 12 projects progressing through the assurance process as part of this early commission with a potential value of £46.6m. These early commission projects will displace funds for existing projects in the programme, meaning that savings will need to be made.

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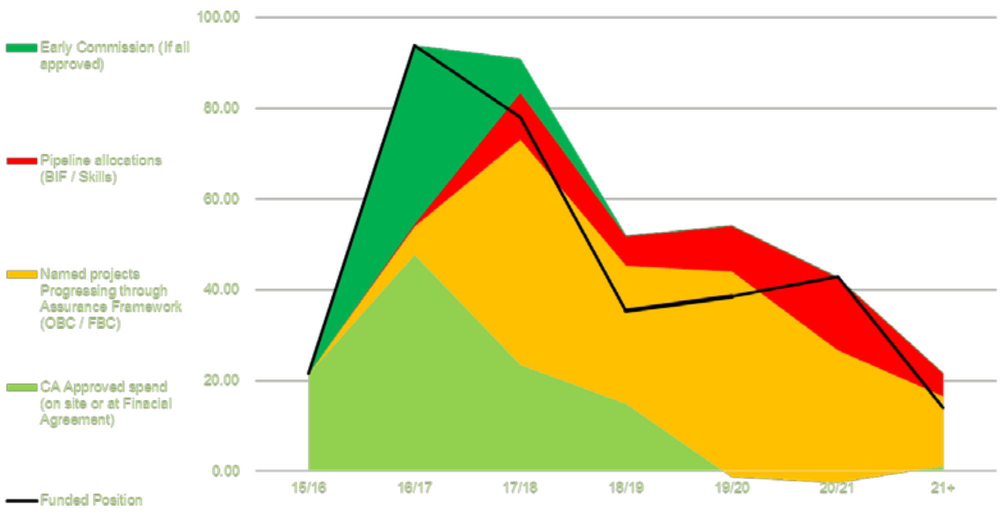


Graph shows All funding sources

2.5 The graph above shows the spend position for the entire LGF programme (SCRIF/ BIF etc).

The graph takes into account the potential progression of all 12 early commission projects and demonstrates that there is the potential for projects to be ‘at risk’, as a result of the 16/17 underspend and the progression of the early commission schemes. Any projects which sit above the black line may not be able to secure funds.

2.6

	15/16	16/17	17/18	18/19	19/20	20/21	21+	Total
Funded Position	21.58	93.89	78.04	35.36	38.66	43.00	13.99	324.53
CA Approved spend (on site or at Finacial Agreement)	21.58	47.76	23.52	14.91	-1.23	-2.48	1.19	105.24
Named projects Progressing through Assurance Framework (OBC / FBC)	0.00	6.21	49.62	30.41	45.33	29.21	15.33	176.11
Pipeline allocations (Skills / BIF)	0.00	0.63	10.39	6.58	10.09	16.10	5.10	48.89
In year funding surplus / deficit (Total)	-0.00	39.29	-5.50	-16.54	-15.52	0.17	-7.63	-5.72
Early Commission (If all approved)	0.00	39.29	7.38	0.00	0.00	0.00	0.00	46.67
In year funding surplus / deficit (Total)	-0.00	0.00	-12.88	-16.54	-15.52	0.17	-7.63	-52.39

2.7 The table above demonstrates the implications of the underspend and the overprogramming on the entire LGF programme and identifies the in year funding/ surplus and deficit for the future spend years of the programme. The progression of all 12 early commission projects, tackle the £39.29m funding surplus in 16/17 but it creates a funding deficit in future years of £12.88m in 17/18, £16.54m in 18/19 and £15.52m in 19/20.

2.8 There are a number of key issues for IEB to consider,

- Significant issue of a shortfall in funds in 18/19 and 19/20 - insufficient funds to deliver existing projects in 18/19 and 19/20 – projects that don’t meet milestones are potentially vulnerable

- Promotors to consider whether projects can still realistically deliver to existing milestones or would they be better suited to future IIP commissioning

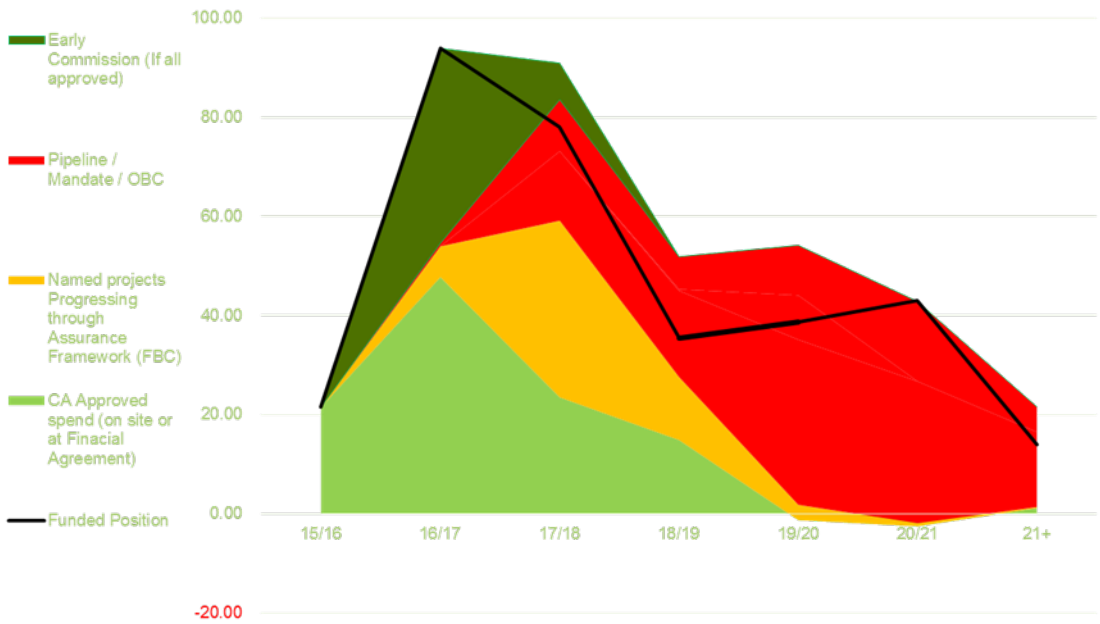
2.9 The tables presented within this report demonstrate how the slippage of SCRIF projects impacts upon the future shape of delivery across the entire LGF programme and prevents pipeline commissions in other policy areas. There are currently 20 SCRIF projects at full business case and outline business case stage with an allocation of £143.28m of SCRIF monies. The majority of these projects have not shown progress but continue to tie up a funding allocation. Is an alternative approach needed in the future?

2.10 **Recommended solutions** – A number of options to address the issue that the 16/17 underspend and over-programming creates, are set out below for discussion. The key rationale for the proposed solutions is to create a deliverable and realistic programme of infrastructure investment, allowing the projects that are ready to progress and spend to move to delivery but also allowing projects to remain in the programme and continue to be worked up into schemes that are ready for delivery. Following discussion at IEB, the onward recommendation to the CA will be confirmed.

1. Funding allocations for projects are not confirmed until Contract Award or ringfenced until a Full Business Case (FBC) is approved. Once a project has its full business case approved, it will be tied to milestone gateways, linked to the progression of the funding agreement, start on site and spend drawdown. These milestone gateways will be discussed with scheme promotors and agreed. This is to seek to prevent money being tied up with projects at FBC for long periods, therefore preventing other projects from progressing through the process.

2. All projects currently in the programme but which have not progressed beyond Mandate / Outline Business Case can continue to progress however the allocations will not be ringfenced until the FBC is approved. Where this is the case SCR Executive Officers will discuss with LA Promoters where such projects could be progressed in line with the work on the IIP to develop Strategic Business Case development.

3. The graph below demonstrates the implication for these pipeline projects; as currently there are insufficient LGF funds to deliver all these pipeline projects that sit above the black line. If at the point, there are no LGF funds to deliver these projects, an approval to progress may be given, subject to the CA securing further funds.



4. There are also a number of key principles that are recommended as part of this approach, these are that any underspends will be returned to the pot not ‘safeguarded’ by promotors seeking to move money between schemes.

5. It is recognised that early access to development funds is required, but it is dependent upon gainshare.

3. Consideration of alternative approaches

3.1 The IEB could choose to recommend the removal of schemes from the SCRIF programme order to tackle the over-programming and shortfall in funds in future years. However, given the nature of the programme there will inevitably be an element of future slippage of projects in future years. The solution set out above allows all projects to remain in the programme but with no confirmed/ ringfenced funds until a full business case is approved. This means that where projects do not deliver to agreed milestones, there is a risk that there may not be the funds available to support the project or approval is given pending funding availability.

4. Implications

4.1 Financial

The financial implications of the 16/17 underspend and the early commission over-programming as a result of the early commission are set out in this report.

4.2 Legal

The legal implications of each project will be fully considered by a representative of the Monitoring Officer as part of the Assurance process. Funding Agreements will be required for the Schemes recommended for approval.

4.3 Risk Management

This report is presented in response to the risk of underspend in the 16 / 17 financial year and presents options to address project delivery / spend in future years.

4.4 Equality, Diversity and Social Inclusion

There are no direct equality implications arising from this report.

5. Communications

5.1 This is a policy report and therefore there are no direct communications issues .

6. Appendices/Annexes

6.1 Appendix 1 – change requests

6.2 Appendix 2 – IEB Presentation

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

Other sources and references:

Appendix 1 – Change Requests (Post November 2016 review)

Board	Promoter	Project	Change	Impact
INFRASTRUCTURE	SFSY	Superfast South Yorkshire £10.6m – FA – on site	Further procurement	The SFSY has a £550k remaining BDUK allocation and £245K SCRIF allocation which can be used to close the coverage gap in Sheffield city centre. In order to do this and to adhere to current State Aid requirements a further procurement exercise is required. This procurement would allow SFSY to provide greater coverage in Sheffield city centre by revising the excluded zone from one defined by the Sheffield inner ring road to one defined by the Sheffield Business Improvement District (BID). Should this additional procurement not be undertaken the £550K BDUK funding would need to be returned hence represents a lost opportunity to Sheffield City Region. While this request does not change the overall project cost / allocation to Sheffield City region there is a risk that the procurement exercise may result in increased overall costs and potentially a future request for additional funding. **If Executive Board / CA accept the change request to undertake the additional procurement this does not indicate that additional SCR CA funding can be made available to the project.**
	BMBC	M1 Junction 36 – A6195 Dearne Valley Economic Growth Corridor (Phase 1 Hoyland) *£15.7m - FA - On site*	Request to claim / bring forward spend in 2016/17	The project is progressing quicker than anticipated due to favourable weather, therefore approval is sought to claim an additional £279,000 in 2016/17 from the 17/18 allocation
	CBC	Chesterfield Waterside £2.7m – FA – On site	SCR Fund Re-profiling	Approval is sought to re-profile £609,672 of SCR funds into 2017/18 due to delays in concluding the funding agreement.
	CBC	Peak Resort *£2.9m – FA- On site*	SCR Fund Re-profiling	Approval is sought to re-profile £2,141,677 of SCR funding to 2017/18. A delay in the negotiation of the primary and back to back Funding Agreement is the reason for submitting this request. This has created knock on delays in the delivery of the outputs to end of October 2017. The delay in the

				commencement of infrastructure works will also impact on the delivery of the Phase One development with scheme completion pushed back from September 2018 to April 2019.
	BDC	Worksop site delivery and Vesuvius scheme - A60/ A57/B6024 junction (Phase 1) *£0.5m – FBC pending FA*	SCR Fund Re-profiling	IEB approval is sought to re-profile the SCR funding profile by 31 days within 2016/17 due to the discovery of contamination under the existing highway. This doesn't affect the in-year spend profile as it is anticipated that all the £500,000 SCR funds will be claimed in 2016/17.
	DMBC	Doncaster Urban Centre – Colonnades *£2.3m – FBC pending FA*	SCR Fund Re-profiling	IEB approval is sought to re-profile £1,520,000 of SCR funding into year 2017/18 due to a revaluation of design that has resulted in an anticipated project delivery delay of 3 months.
	DMBC	DN7 Unity - Hatfield Link Road *£11.2m – FBC – pending FA*	SCR Fund Re-profiling	IEB approval is sought to re-profile £1,875,000 of SCR fund across 2017/18 and 2018/19. This is due to negotiations with Network Rail and Powergrid causing the project to slip by 3 months.
	DMBC	Finningley and Rossington Regeneration Route Scheme - Phase 2 (FARRRS) *£9.1m – FBC – pending FA*	SCR Fund Re-profiling	IEB approval is sought to re-profile £70,000 SCR funds into 2017/18. The project has experienced delays in the resolution of planning issues and as a result the project has slipped by 2 months.
	DMBC	Doncaster Urban Centre - The Civic & Cultural Quarter (CCQ) *£0.6m – FBC pending FA*	SCR Fund Re-profiling	IEB approval is sought to re-profile £635,000 SCR Fund to 2017/18 to reflect realistic timetable for negotiating and signing of Funding Agreement with SCR
	DMBC	Doncaster Urban Centre - Waterfront (West) *£750k – FBC pending FA*	Project Separation and SCR fund profiling	IEB approval sought to split the scheme from the overall waterfront scheme (East) with £750,000 re-profiled for 2017/18 in line with the revised anticipated project delivery timetable.
	SCC	Knowledge Gateway	SCR Fund	IEB Approval sought to re-profile £1,815,000 of SCR funding from 2017/18 to

		£3.8m – FBC pending FA	Re-profiling	2018/19 to accommodate slippage in the delivery timescale. This is due to slippage in gaining approvals.
	SCC	CLAYWHEELS LA SUSTAINABLE INDUSTRIES PARK *£4.8m – FBC (resubmitted for reconsideration)*	SCR Fund Re-profiling	IEB approval is sought to re-profile 2016/17 baseline SCR fund of £166,155 to 2017/18 in line with Scheme Promoters revised project timescales.
	DMBC	Doncaster Urban Centre - St Sepulchre West / Station Forecourt *£8.1m (+£1m early commission) – FBC pending approval early commission*	SCR Fund Re-profiling	IEB Approval is sought to re-profile £2,100,000 into 2018/19. The Scheme Promoter has been asked by SCR to resubmit the Full Business Case as a result, the anticipated SCR Contract start date has slipped to April 2017.
	BDC	Worksop Phase 2 *£2.397m - OBC*	Early drawdown of SCR Funds	IEB approval is sought for £2,397,000 of SCRIF funding over 10 years. The scheme promotor had previously requested a project change as they wish to review the original infrastructure proposals. The spend profile shown on the form identifies the original programme intentions not any subsequent revision, if approved by SCR. Total SCRIF ask £2,397,000 over 10 years. ***Awaiting discussion with scheme promotor. SCRIF Funding is not able to be profiled for 10 years, currently there is £1.125m profiled for spend in year 2022+**
	BMBC	M1 Junction 36 – A6195 Dearne Valley Economic Growth Corridor (Phase 2 Goldthorpe) *£7.3m - OBC*	SCR Fund Re-profiling	IEB approval is sought to re-profile £146,000 (2016/17) and £163,000 (2017/18) SCR fund into 2018/19. Work on the project has been limited due to revised Local Plan timescales.
	BMBC	M1 Junction 37 – Economic Growth	SCR Fund Re-profiling	Approval is sought to re-profile the SCR funding baseline by one year. The revised SCR Funding Spend has been re-profiled to April 2018/19 with a final

		Corridor (Claycliffe) *£11.8m - OBC*		claim in 2020. This has occurred due to revised Local Plan timescales.
	DMBC	Doncaster Urban Centre - Lakeside Power *£1.3m - OBC*	SCR Fund Re-profiling	IEB approval is sought to re-profile £638,000 into 2017/18. All SCR funding has been condensed into the single year. The scheme promoter has stated that there has been a lack of resources 'in house' to deliver the project. A recruitment process has been undertaken to fill the vacant post.
	DMBC	Doncaster Urban Centre - Quality Streets *£1.4m - OBC*	SCR Fund Re-profiling	IEB approval is sought to re-profile £1,250,000 from 2017/18 to 2018/19. The scheme promoter has taken action to reschedule the project to prevent added disruption caused by other town centre projects.
	DMBC	Doncaster Urban Centre - Waterfront (East) *£8.3m – OBC (subject to change)*	SCR Fund Re-profiling	2 change requests received : 1. IEB approval is sought reduce the SCR Fund assigned to this project by £2,677,000, to reduce to £5.63m) in line with the revised programme and assigning the SCR funds to the Markets project. (Markets FBC pending approval) Linked to the above request is to re-profile the SCR funds and overall spend baseline into future years. £4,823,000 into 2019/20
	DMBC	Doncaster Urban Centre: Enterprise Market Place *£2m - OBC*	SCR Fund Re-profiling	In line with the above change request, the existing SCRIF allocation for the Markets scheme is £2m. The change request seeks to increase the Markets scheme allocation by £2.67m to provide £4.67m of funding for the Markets project (split into two phases). 2. ***These funding allocation changes between projects will not be permitted in the future as per the recommendations in the report setting out the SCRIF Programme Review.**

	RMBC	A630 Parkway Widening *£42.2m - OBC*	SCR Fund Re-profiling	IEB approval is sought re-profile SCR funding with £74,000 slipping to 2017/18, resulting in a six month slippage in the SCR Contract Completion from 01/06/2021 to 01/12/2021. The project still seeks final approval from DfT on approach to modelling.
	RMBC	Waverley Link Road *£8.4m - OBC*	SCR Fund Re-profiling	IEB approval is sought to re-profile £1,545,000 of SCR funding into future years. (2020/21 and 2021/22). Lack of support for the scheme is a factor affecting the progress of this project resulting considerable slippage in the SCR Contract Completion Date by 16 months from 01/09/2019 to 01/12/2020.
	SCC	Upper Don Valley Flood Alleviation Scheme *£4m - OBC*	SCR Fund Re-profiling	IEB approval is sought to re-profile £3,550,000 of SCR funding from 2018/19 to 2019/20 due to delays in public consultation.

Sheffield City Region

SCRIF PROGRAMME REVIEW

November 2016

PURPOSE OF REVIEW

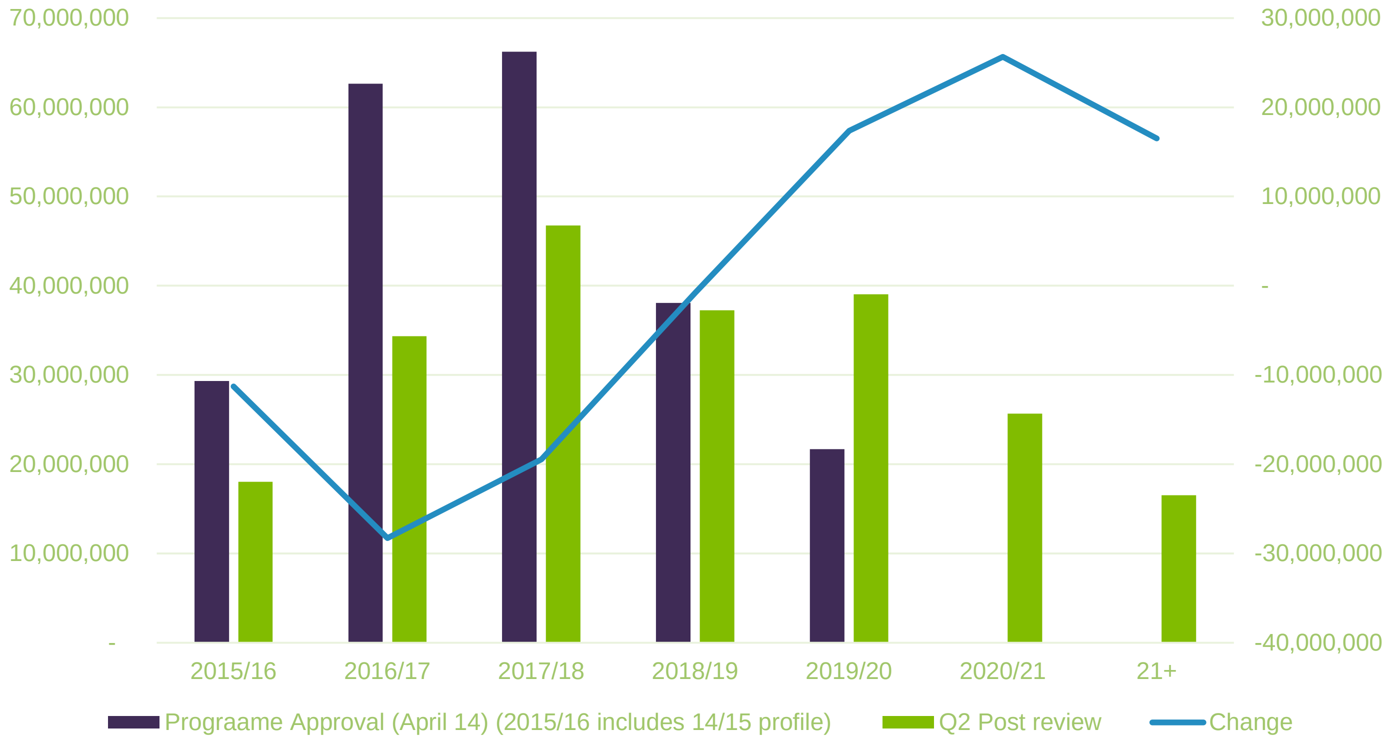
- Significant slippage continually identified at each quarter
- 16/17 – significant underspend, potential for the CA to lose money
- 12 early commission projects progressing through assurance – potential value of £46.6m
- All early commission projects spend to be defrayed in 16/17
- These projects may need to displace funds in the existing programme – future savings to be made

- SCRIF part of larger SCR programme and everything has an impact / trade on other areas of the programme.
- Perception of SCR performance has potential to;
  - Impact future funding allocation
  - Impact S31 grant status
  - Impede flexibility and responsiveness of SCR
  - Damage reputation

Sheffield City Region

SCRIF CHANGE - APRIL 14 TO NOV 16

Project	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	21+	Total
Q2 Post review	18,034,587	34,333,642	46,739,390	37,258,754	39,039,831	25,665,506	16,520,967	217,592,677
Programme Approval (April 14) (2015/16 includes 14/15 profile)	29,305,000	62,627,000	66,218,000	38,055,000	21,668,000	-	-	217,873,000
Change	- 11,270,413	- 28,293,358	- 19,478,610	- 796,246	17,371,831	25,665,506	16,520,967	- 280,323



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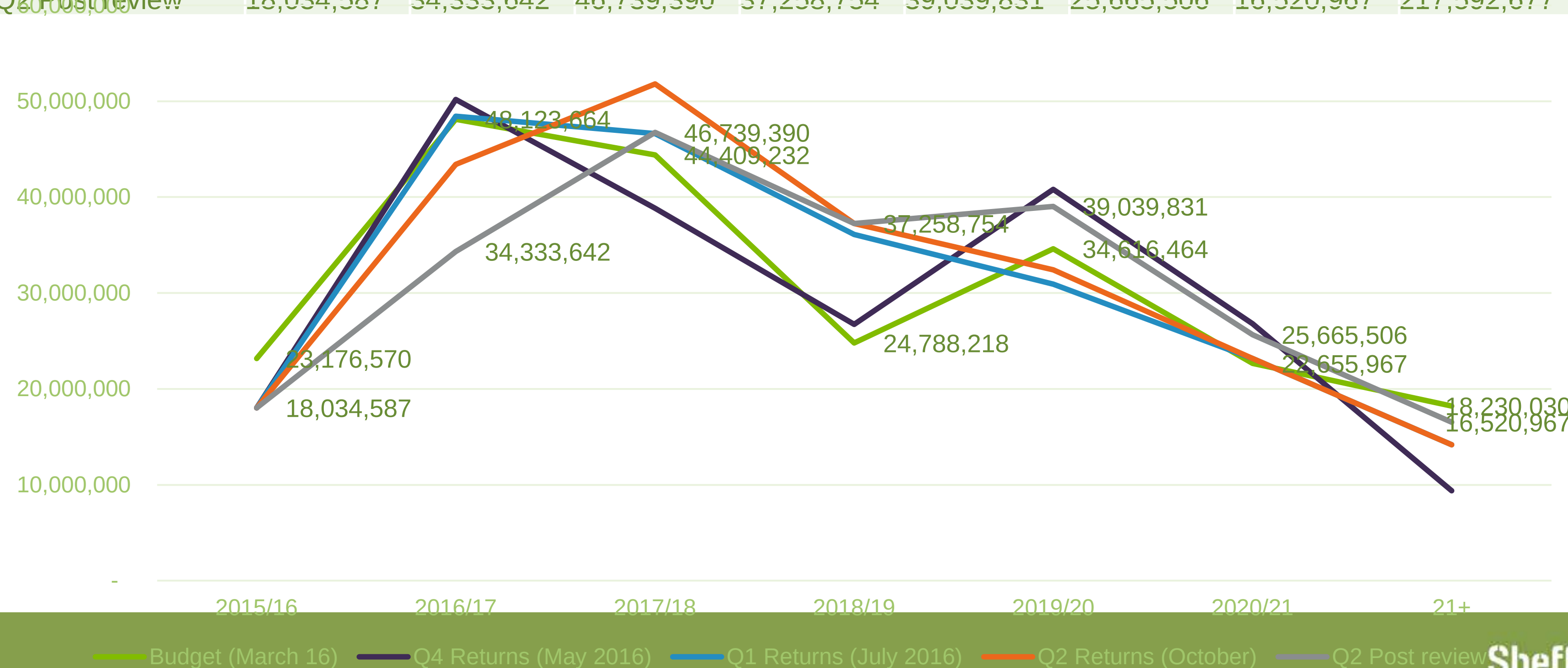
WHY?

- Nature of the process has created competition between schemes and promotors – unrealistic milestones set
- Projects that are not ready are put forward – risk of missing out
- Resource issue for promotors – too many schemes
- Natural project slippage/ changes
- Funding allocations are 'stuck' with projects – some of these aren't progressing, preventing new projects coming forward

SCRIF PROFILE CHANGES 16/17

Project	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	21+	Total
Budget (March 16)	23,176,570	48,123,664	44,409,232	24,788,218	34,616,464	22,655,967	18,230,030	216,000,145
Q4 Returns (May 2016)	18,034,587	50,194,073	38,847,769	26,737,100	40,805,172	26,792,677	9,393,000	210,804,377
Q1 Returns (July 2016)	18,034,587	48,426,866	46,634,285	36,118,169	30,931,172	23,163,210	14,193,467	217,501,757
Q2 Returns (October)	18,034,587	43,412,036	51,791,106	37,248,930	32,418,672	23,163,210	14,193,467	220,262,008
Q2 Post review	18,034,587	34,333,642	46,739,390	37,258,754	39,039,831	25,665,506	16,520,967	217,592,677



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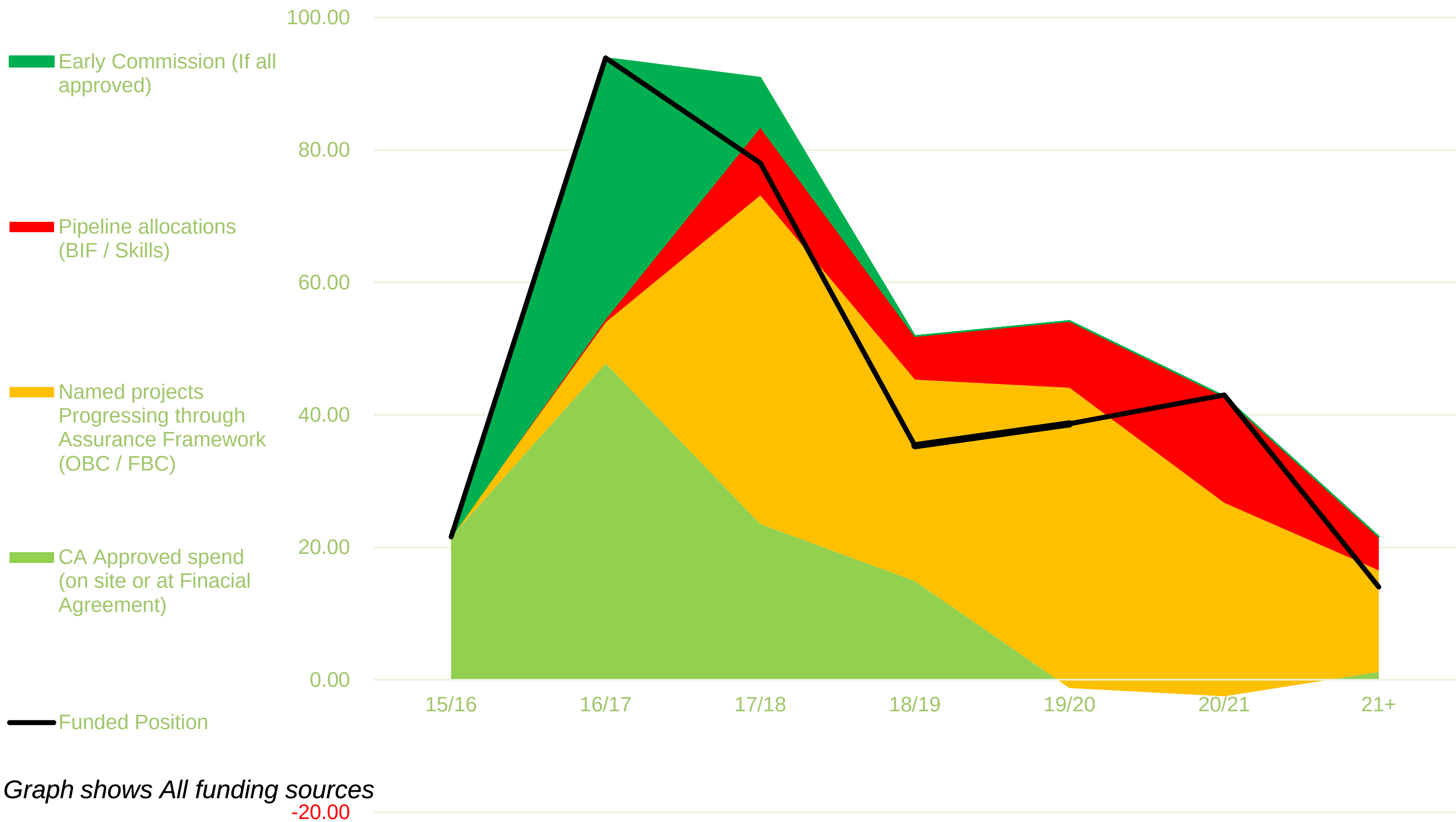
SCR FUNDING / SPEND PROFILE



Graph shows All funding sources

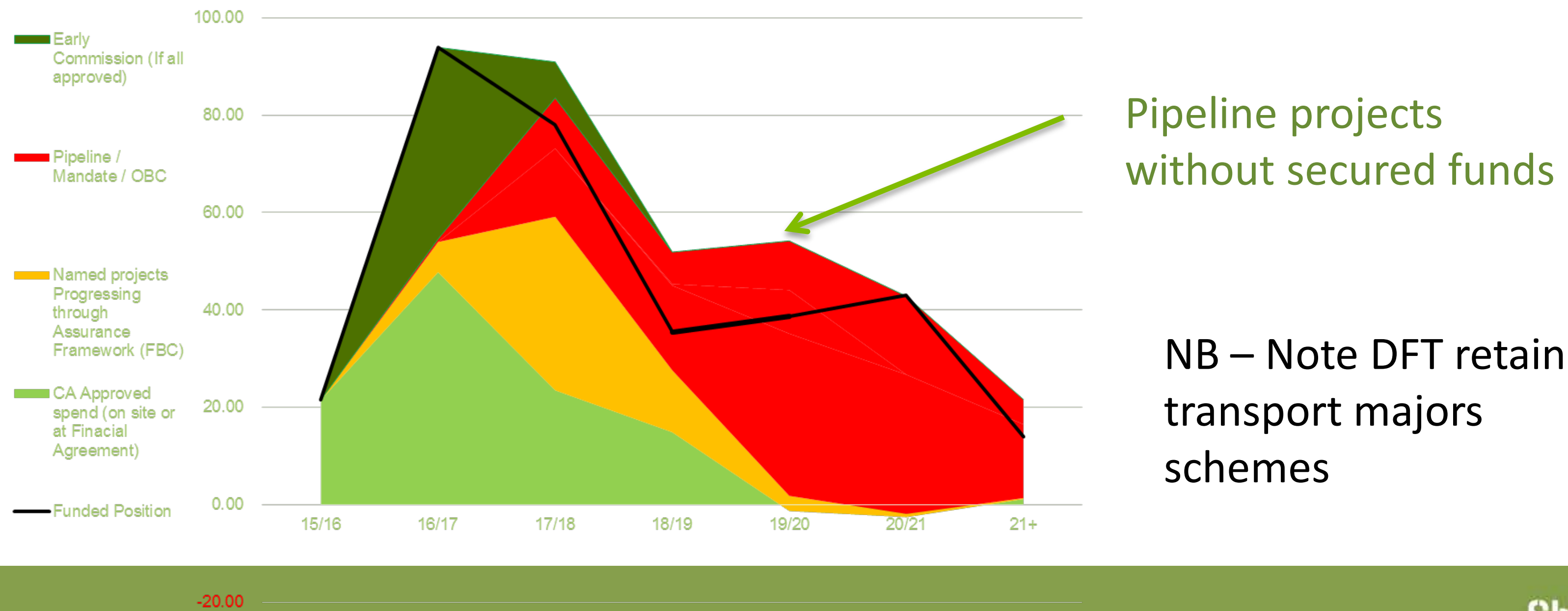
Sheffield City Region

KEY ISSUES

- Significant issue with shortfall in funds in 18/19 and 19/20
- 24 change requests submitted as part of review to slip funds into future years
- Insufficient funds to deliver existing projects in 18/19 and 19/20 – projects that don't meet milestones are potentially vulnerable
- Promotors to consider whether projects can still realistically deliver with existing milestones or would they be better suited to future IIP commissioning

PROPOSED SOLUTION

- Allocations for projects are not ringfenced until a Full Business Case is approved nor confirmed until a Funding Agreement is in place
- Projects at FBC will be tied to milestone gateways
- All projects currently at Outline Business Case/ Mandate to become IIP pipeline projects – without a secured funding allocation.



NB – Note DFT retained transport majors schemes

PROPOSED SOLUTION

- Potential for these IIP pipeline projects to be brought forward (with SCR support) to FBC approval – subject to funds being available
- Slippage/ non delivery to be tightly controlled through milestones and delivery gateways. Projects will be ‘called in’ for IEB review where these milestones are not met.
- Any underspends are to be returned to the pot and not ‘safeguarded’ by moving money between schemes.
- Next step- working with scheme promotors to agree milestone dates

INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

SCRIF EARLY COMMISSION

BUSINESS CASE RECOMMENDATIONS

Purpose of Report

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

The SCR Appraisal Panel at its meetings on 13th December, 3rd January and 6th January has reviewed the following SCRIF Early Commission Projects and the technical recommendations are now presented for consideration:

- SCC – SCR Property Fund
- SCC – Sheffield Central Retail and Business District: Enabling Works 2
- DMBC – St Sepulchre Gate West
- BMBC – Better Barnsley
- BMBC – J36 Strategic Site Acquisition (early approval requested)
- RMBC – A618 Growth Corridor (early approval requested)
- BDC – Retford Employment Sites Phase 2 (early approval requested)
- SCC – AMRC Lightweighting Centre (early approval requested)
- RMBC – Forge Island (early approval requested)

The Doncaster Urban Centre: Markets Full Business Case is also re-presented consideration, following the SCRIF programme review: It is expected that the following business case will be presented in a separate paper, following further discussion and due diligence.

- RMBC – AMP Acquisition

The Housing Intervention Fund has now been received for appraisal. It is estimated that it will be reported to IEB on 24th February.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

1.1 Consider and endorse progression of SCR Property Fund to Full Approval and Award of Contract at a cost £10m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 1**. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1.1. Consider and endorse progression of Sheffield Central Retail and Business District: Enabling works phase 2 to Full Approval and Award of Contract at a cost £3.514m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 2**. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1.2. Consider and endorse progression of St Sepulchre Gate West Phases 1 and 2 to Full Approval and Award of Contract at a cost £7.5m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 3**. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1.3. Consider and endorse progression of Better Barnsley Town Centre Retail and Leisure Development to Full Approval and Award of Bridging Finance Facility at a cost £2.14m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 4**. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1.4. IEB is asked to note the recommended progression of the following Full Business cases to Full Approval and Award of Contract/ bridging finance facility, subject to the early CA approval by written procedures:

- 1.4.1. J36 Strategic Site Acquisition to Full Approval and Award of Contract at a cost £1.309m (£1.2m grant with contingent repayment/ £0.109m grant) to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 5**.
- 1.4.2. A618 Growth Corridor to Full Approval and Award of Contract at a cost £0.759m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 6.**
- 1.4.3. Retford Employment Sites Phase 2 to Full Approval and Award of Contract at a cost £0.725m SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 7**.
- 1.4.4. AMRC Lightweighting Centre to Full Approval and Award of Contract at a cost of £10m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 8**.
- 1.4.5. Delegated authority to the Head of Paid Service, in conjunction with the Chairman of the CA, to agree future investment/ reinvestment opportunities in the AMP and to enter into contractual agreements required as a result of the above.
- 1.4.6. Forge Island to Full Approval and Award of Bridging Finance Facility at a cost £1.5m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 9.**

1.5. IEB are asked to note that in endorsing the progression of the above schemes as well as those that have requested early CA approval via written procedures, IEB is endorsing the use of £28.43m of the forecast £39.29m underspend for 16/17. It also endorses spend of £9.01m from the current programme.

1.6. Consider and endorse progression of Doncaster Urban Centre: Enterprise Marketplace to Full Approval and Award of Contract at a cost of £3.189m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 10**. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1. Introduction

1.1 The IEB are asked to consider the recommendations to progress the scheme business cases to Full Approval and endorse the entering into funding agreements for the schemes, subject to conditions.

1.2 In line with the Sheffield City Region Single Assurance Framework these projects have been through a process of technical Appraisal, utilising external support, and consideration by a Panel of Officers representing the SCR Statutory Officers. The outcomes of this process are the recommendations presented for endorsement of the Infrastructure Executive board prior to seeking approval from the CA.

2. Proposal and justification

2.1 Assurance Framework

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

2.2 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).

2.3 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.

2.4 These findings will inform the s73 Officers view regarding the Value for money Statement and the Monitoring Officers view regarding the relative risks of the scheme presented.

2.5 There are a number of key principles associated with this early commission of funds that were accepted by the CA and these principles will be incorporated into the project funding agreements, these are:

- Spend beyond that incurred (defrayed) in 2016/17 will need be met by the sponsoring Authority
- Clawback and overage clauses will be required to ensure a link to outcomes,
- No commitment from SCR CA to fund later phases is inferred as a result of early phase approvals,
- Should future phases be considered for funding the value for money calculations must include all phases.

2.6 The following full business cases are presented for endorsement:

2.7 SCR Property Fund

The Property Fund seeks £10m SCRIF investment to develop the city region's property offer to attract new business investment. A number of objectives for the fund are set out in the business case, setting broad parameters in terms of the number of projects the fund could support and the likely anticipated job outputs. The proposal generates a good value for money (SCRIF cost of £16,863 per net additional job) and is considered to be a good project for SCR investment. In order to protect the SCR investment from non-delivery, one of the recommendations is to provide a clause in the funding agreement to ensure that if, following a suitable period to allow a pipeline of projects to be developed, the investments do not come forward as anticipated then the CA can request the return of the SCRIF monies.

2.8 St Sepulchre Gate West

The St Sepulchre Gate FBC seeks £9.1m of SCRIF investment for 3 phases of development activity. The initial £1m is proposed to be spent in 16/17 to fund strategic demolitions and this £1m of spend forms part of the early commission. The remaining £8.1m is included in the existing SCRIF programme for St Sepulchre Gate. The scheme generates a very good value for money (SCRIF cost of £8,969 per net additional job over the three phases of development). It is recommended that phases 1 and 2 (demolitions and public realm work, with a SCRIF ask of £7.5m) proceed to funding agreement. It is considered that a further full business case is required before phase 3 can be progressed as concerns were raised by CIAT regarding the level of the potential viability gap. However, as there very few job outcomes delivered directly as part of phases 1 and 2 and all the job outcomes are delivered as part of phase 3, clawback on outcomes associated with phase 3 is recommended.

2.9 Notwithstanding the above comments, sensitivity tests have been carried out on the basis that an increased amount of public sector funding is required for phase 3 and with a sliding scale of economic outcomes (as currently the jobs have been calculated on the floorspace shown in the masterplan and this could potentially be ambitious) and even with reduced outcomes the scheme is still shown to achieve a positive value for money. It is recommended that this sliding scale is reflected in the clawback requirements linked to phase 3.

2.10 Sheffield Central Retail and Business District: Enabling works phase 2

The FBC submitted reflects the existing SCRIF request of £2.51m for the project and therefore seeks £3.514m of SCRIF, the additional £1m as part of the early commission to be spent in 16/17.The SCRIF funding is required as part of a wider package of enabling works required to bring forward the commercial phase 1 development surrounding the Cavendish building and the relocation of an anchor tenant. The scheme delivers good value for money (SCRIF cost per net additional job of £30,861).

2.11 The SCRIF funded enabling works do not directly deliver any employment outputs and therefore it is recommended that clawback is required on outcomes (i.e. the jobs delivered as part of the wider phase 1 development) in order to protect the SCR investment.

2.12 Better Barnsley – Bridging Finance Facility

2.13 The business case for Better Barnsley has not met the value for money indicators required for LGF investment, recognising that this is a large scale regeneration projects therefore requiring significant upfront public sector investment. On this basis a Local Growth Fund grant cannot be recommended. In order to assist the scheme to progress, the SCR appraisal panel recommends approval of the FBC and award of a bridging finance facility. The bridging finance facility is recommended until an alternative more suitable funding source becomes available.

2.14 Better Barnsley Town Centre Retail and Leisure Development

The appraisal panel summary is presented at Appendix 5. BMBC seek £2.14m of SCRIF investment to deliver the Better Barnsley Town Centre Retail and Leisure scheme through funding two elements of enabling infrastructure. The Better Barnsley scheme is split into 2 phases, the first phase incorporates the SCRIF investment in infrastructure. The majority of the economic outcomes are dependent upon the future delivery of phase 2 (275,000sqft of commercial floorspace). There is currently some uncertainty surrounding the deliverability of phase 2. As the economic outcomes of this scheme are delivered as part of this phase 2, which currently has limited certainty surrounding its delivery. The funding agreement should incorporate the need for clawback clauses linked to the delivery of the outcomes in phase 2 should the bridging facility no longer be required if suitable grant funding is secured.

2.15 Early Approval – Combined Authority

The following Full Business Cases have requested early approval from the Combined Authority and it has been agreed that these will be prepared for determination via the CA through written representations. It is likely that they will be circulated to the CA prior to the IEB meeting on 16th January 2017.

2.16 Junction 36 Strategic Site Acquisition

SCRIF investment of £1.309m is sought to acquire a parcel of land from the HCA, to facilitate employment and housing growth. £1.2m is requested as grant with contingent repayment linked to the future sale of the sites and £0.109m as a grant. The scheme delivers a very good value for money (SCRIF cost per net additional job of £8,080.25 reducing to £672.83 taking into account the intended SCRIF reimbursement of £1.2m. The acquisition of the site will not directly deliver any economic outcomes and therefore clawback on outcomes (i.e. the future sale and development of the site for commercial and residential uses) is recommended. The SCR CA require defined parameters surrounding the repayment of the £1.2m grant and it is recommended that this is included as part of a funding agreement.

2.17 A618 Growth Corridor

The project seeks £0.759m of SCRIF investment to address constraints with the current layout of the highway infrastructure on the A618 and reduce the barriers to economic growth. The scheme achieves a very high BCR of 91.5 and assists in securing the economic growth of the A618 corridor, through reducing delay and waiting times and also improving the potential for economic activity through the investment of phase 1 of the Gullivers site (£10m investment) and also a 240,000sqft industrial expansion of the Vector 31 site. It is recommended that this scheme proceeds to funding agreement, with a clawback clause related the outputs (i.e. the highway arrangements being delivered). As this is a transport project a traditional BCR (benefit to cost ratio) is used to reflect value for money rather than cost per job.

2.18 Retford Employment Sites

BDC seek £0.725m SCRIF investment to assist in funding Retford Enterprise Centre phase 2 creating 10 new employment units. The remainder of the funds (£0.725m) is in place as a loan and will be provided by BDC. The scheme delivers a good value for money (SCRIF cost per net additional job of £20,139). Given that the employment outputs are directly linked to the delivery of the scheme, clawback on outputs (i.e. the delivery of the 10 units) is recommended.

2.19 Given that the proposal has the potential to generate a revenue surplus, CIAT have recommended an overage arrangement be secured to protect the SCRIF investment. Given that this is outside the CA's current 'business as usual approach' with SCRIF investments, the SCR appraisal panel recommend that the SCR investment is protected via a condition as part of a funding agreement that ensures that if the Enterprise Centre is sold in the future any profits are shared with SCR 50/50.

2.20 AMRC Lightweighting Centre

SCC seek £10m of SCRIF investment to fund the development of Phase 1 of the Lightweighting Centre, a project aimed at supporting the manufacturing and research of lightweighting structures and materials within AMID. Given the nature of the project, the majority of the jobs delivered are indirect jobs (14 direct jobs compared with 305 indirect jobs) and achieving a good value for money of a SCRIF cost per job of £20,596. On this basis, in order to protect the SCR investment it is recommended that clawback on outcomes (i.e. the indirect jobs) is secured as part of the funding agreement.

In addition, there is the potential for the Lightweighting Centre to generate a revenue surplus, CIAT recommended the inclusion of a SCRIF repayment mechanism and clawback mechanism. However, given the nature of the centre, the SCR appraisal panel recommend that a condition is included as part of a funding agreement to ensure that any potential surplus would be re-invested in the facility i.e. in equipment and the ongoing maintenance of the procured kit.

Therefore, the SCR CA were asked to consider and approve delegated authority to the Head of Paid Service, in conjunction with the Chairman of the CA to agree future investment/re-investment opportunities in the Advanced Manufacturing Park and to enter into the contractual arrangements required as a result of the above proposals.

2.21 Forge Island – Bridging Finance Facility

As per the Better Barnsley scheme above, the business case for the Forge Island scheme did not meet the value for money indicators required for LGF investment and therefore a Local Growth Fund grant could not be recommended. In order to assist this project in progressing, the SCR appraisal panel recommended approval of the FBC and award of a bridging finance facility. The bridging finance facility is recommended until an alternative more suitable funding source becomes available.

RMBC seek £1.5m of SCRIF investment to acquire the former Tesco site in Rotherham Town Centre as a phase 1 of the Forge Island scheme. The second phase incorporates RMBC investment in site preparation, demolition and flood alleviation work. The intention for phase 3 is for the site to be redeveloped in the future to facilitate a leisure scheme delivering a cinema and restaurants. The economic outcomes of this scheme are delivered as part of this future phase 3, which currently has limited certainty surrounding its delivery. The funding agreement should incorporate the need for clawback clauses linked to the delivery of the outcomes in phase 3 should the bridging facility no longer be required if suitable grant funding is secured.

2.22 **<u>Existing SCRIF Programme – FBC Approval</u>**

<u>Doncaster Urban Centre: Enterprise Market Place</u>

2.23 This business case is re-presented for approval as the SCRIF review is now complete. The existing SCRIF allocation for the Enterprise Market Place scheme is £2m. DMBC has submitted a Full Business Case seeking a total SCRIF allocation of £4.68m SCRIF for the Markets project. Two phases are proposed with £3.189m of SCRIF sought for phase 1 and £1.488m SCRIF sought for phase 2. In tandem with the submission of the FBC, DMBC seek approval of a change request to move the money from their Waterfront allocation into their Markets allocation. The Waterfront allocation, currently £8.3m is proposed to reduce to £5.63m to provide £4.68m of funding for the Markets project.

2.24 The project comprises the rationalisation of Doncaster Markets and public realm works as phase 1 and an office block as phase 2. A funding agreement for the first phase is being sought for £3.189m. The SCRIF cost per net additional job for both phases is £14,588. The second phase still carries a level of uncertainty regarding delivery, therefore an in principle approval is sought. A further detailed business case will need to be provided for phase 2 when there is greater clarity surrounding the project. The appraisal panel is satisfied with this phased approach to delivery and a number of conditions of award are recommended for phase 1, prior to the completion of a funding agreement and prior to the drawdown of funding.

2.25 The appraisal panel asks the IEB to consider the proposal in the context of the issues below:

- The Markets project has changed from the approved outline scheme, with an additional office component forming part of phase 2.

- The SCRIF allocation required for phase 1 and phase 2 is more than the Markets scheme current allocation but it is a project that is ready for delivery and is able to begin spending. The additional funds are proposed to be funded from the Waterfront allocation and DMBC state that Waterfront scheme is still able to deliver the same outputs and outcomes with reduced funding.

- The SCRIF programme review has taken into account this change request and the in year spend profiles and funding gaps and the impact on the programme.

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 S73 officer and included in the recommendations agreed by the Appraisal Panel as presented in this report.

The early commission projects have been brought forward with the key requirement of delivering spend in 16/17 and all projects have demonstrated that they have the ability to spend in 16/17. The funding agreements will reflect this requirement and any projects that do not spend in 16/17 will be unable to slip their SCRIF allocation into future years and the sponsoring authority will be required to meet the future spend needs of the project.

4.2 Legal

The legal implications of the projects have been fully considered by the SCR legal adviser on behalf of the Monitoring Officer. A number of the Full Business cases did not include a satisfactory statement addressing state aid, therefore it is recommended that in order to progress to funding award these projects must demonstrate a systematic explanation of the State Aid dynamic and a submission to say how the State Aid provisions have been complied with or whether there is a State Aid exemption being utilised. This will ensure that both SCRCA and the applicant can demonstrate ‘due diligence’ with regard to State Aid issues. This is recommended as a condition to be complied with prior to progression to funding agreements and is recommended within the conditions as part of the appraisal panel summary sheets.

4.3 Risk Management

Risk management is a key requirement for each of the submissions and is incorporated into the full business case submissions. Where weaknesses have been identified in the FBCs in terms of risk management, further work to capture and mitigate these risks is included as suggested conditions in the appraisal panel summary sheets.

4.4 Equality, Diversity and Social Inclusion

None as a result of this report

5. Communications

5.1 The business cases for the SCRIF schemes present an opportunity for positive communications; officers from the SCR Executive Team will work with the relevant local authority officers on joint communications activity.

6. Appendices/Annexes

6.1 Appendices 1 – 10 (Appraisal Panel Summaries)

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Telephone	**0114 220 3445**

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

Other sources and references:

Appendix 1

Scheme Details		Appraisal Panel Summary		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	The proposal to use £10m of SCRIF to establish an investment Property Fund is a City Region economic growth priority, as outlined in the Strategic Economic Plan and the Integrated Infrastructure Plan.	**Funding**	LGF
Project Name	SCR Property Fund	**Value for Money**	The Property Fund, utilising £10m of SCRIF investment and the residual £6.3m JESSICA funding could* support 593 net additional jobs and £107.95m of cumulative additional GVA by 2025 (present value). Assuming that the investment supports 593 net additional jobs the cost per job analysis is a follows: Net public sector investment: £10m SCRIF / 593 jobs = £16,863 per net additional job Gross upfront public sector cost: £16.3m / 593 jobs = £27,487 per net additional job On the basis that commercial investors can be secured to deliver the developments and new jobs proposed, the Property Fund appears to have potential to deliver good value for money in cost per job terms when compared to the HCA 'low' benchmark for gross public sector cost per net additional job of £28,700. Estimated GVA from 593 net additional jobs and construction effects: £107.95m / £10m net public sector investment = **benefit cost ratio of 10.8: 1** Estimated GVA from 593 net additional jobs and construction effects: £107.95m / £16.3m gross upfront public sector cost = **benefit cost ratio 6.6: 1** The benefit: cost ratio analysis demonstrates that the programme is likely to deliver a positive economic return on investment, even if the output estimates are	**Approval Requested**	Full approval and award of funding subject to conditions.

			taken from the lower end of the range of sensitivities identified in the employment analysis.		
Scheme Promoter	Sheffield City Council	**Risk**	One of potentially most damaging financial risks identified is the financial failure of a developer already in receipt of grant and/or loan. Suggested risk management is for security to be put in place as part of the investment including charges and/or funding/completion guarantees. It is recommended that the use of these guarantees is confirmed as part of any SCRIF grant funding agreement	**Grant Award**	£10m
SCR Funding	£10m			**Grant Recipient**	Sheffield City Region Urban Development Fund
Total Scheme Cost	£41.5m	**State Aid**	The project is considered to be state aid neutral from an SCR perspective.	**Payment Basis**	Defrayal on arrears
% SCR allocation	55.43% (based on previous investment)	**Delivery**	The project will be delivered using existing JESSICA arrangements – subject to the recommended conditions.	**Claw Back Clauses**	Clawback on outputs

Description	Conditions of Award
The SCRUDF is seeking £10m from SCRIF to establish a complementary Property Fund – which will be able to offer finance as ‘de facto grant’ (first loss loans) as well as sub-market and commercial loans. £8m SCRIF will be used as viability gap funding and £2m as commercial loan - allowing a second round of grant funding once the loan has been repaid. The intention is that the Property Fund can be used alongside loan from JESSICA to help fund a wider range of schemes – including those of marginal commercial viability – than possible with only commercial loan. The focus of the Property Fund will be to develop the City Region’s property offer to attract new business investment. Key growth sites including Doncaster Sheffield Airport and the Advanced Manufacturing Innovation District will be prioritised alongside Enterprise Zone sites to enable potential occupiers to capitalise on fiscal incentives and SCRIF enabling investments. The business case outlines that the Property Fund will not seek to tackle physical constraints but will instead address failures related to development finance uncertainty to progress non-viable or stalled speculative construction projects. Over the programme, developments are expected to be split out as 70% industrial floor space, 20% warehousing and 10% office space. The focus of the Property Fund will be to develop the City Region’s property offer to attract new business investment. The objectives set out in the business case are: ❑ Assisting up to 6 commercial property schemes; ❑ To fund £41.5m of projects by levering £23m of private capital; ❑ Providing 33,800 sq. m of employment floor space; ❑ Accommodating 958 gross jobs.	Prior to grant agreement or drawdown the following conditions are proposed: ➢ confirmation that no revenue funding will be required from the CA to meet management costs; ➢ provision of a simplified summary of the governance arrangements; ➢ agreement of an updated version of the SCRUDF *Investment Strategy* to include a review of the funding criteria and agreements to ensure: (a) value for SCRIF Investment through first loss loans is appropriately addressed and clarification on the assurance processes for previously funded schemes; and (b) such guarantees as deemed necessary are used to protect the SCRIF investment in the case of financial failures or mismanagement by recipients; and ➢ the provision of a statement of the proposed evaluation approach to include an agreed revised series of objectives. ➢ Clause recommended within the funding agreement to ensure that if, following an agreed period, investments do not come forward the CA can request the return of the SCRIF monies

<table>
<tr><th colspan="6">Record of Approvals</th></tr>
<tr><th colspan="6">Sheffield City Region Urban Development Fund – Property Fund</th></tr>
<tr><th colspan="2">Appraisal Panel</th><th colspan="2">Executive Board</th><th colspan="2">CA</th></tr>
<tr><td>Date of Meeting</td><td>13/12/16</td><td>Date of Meeting</td><td></td><td>Date of Meeting</td><td></td></tr>
<tr><td>SCR Officer Presenting Paper</td><td>Joanne Neville</td><td>SCR Officer Presenting Paper</td><td></td><td>SCR Officer Presenting Paper</td><td></td></tr>
<tr><td>Signature</td><td></td><td>Signature</td><td></td><td>Signature</td><td></td></tr>
<tr><td>Approving Officer</td><td></td><td>Approving Officer</td><td></td><td>Approving Officer</td><td></td></tr>
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Scheme Details		Appraisal Panel Summary		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	The project has a clear strategic rationale based in the long-term plans for: (i) the retention and growth of knowledge intensive business services; and (ii) the ongoing redevelopment of Sheffield City Centre; both of which are strongly aligned to the economic growth ambitions for the City Region. The business case highlights that the growth of Sheffield City Centre knowledge services is identified in the *Independent Economic Review* (2013) as the main driver of growth for the whole City Region economy. In order to support this, the *Strategic Economic Plan* (2014) prioritises investment in enabling infrastructure and sustainable transport that creates a high-quality, attractive business environment.	**Funding**	LGF
Project Name	Sheffield Central Retail and Business District: Enabling Works 2	**Value for Money**	The total public sector cost per net FTE job is estimated to be £26,032 (£87.610m / 3,365 net additional FTE jobs). The net cumulative GVA (NPV) per £1 of public investment is £12.86. Based on the above assessment of the benefits that can be attributed to the investment by the SCRIF (Preferred Option minus the Reference Case), the SCRIF cost per net additional job is £30,861 (£3.514m total SCRIF investment / 114 net additional FTE jobs). The net cumulative GVA (NPV) per £1 of SCRIF (BCR) is £10.08. When compared to the HCA's 'low' (£28,700) and 'medium' (£39,850) cost per net additional job benchmarks 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	**Approval Requested**	Full approval and award of funding subject to conditions.

			identified economic benefits are delivered.		
Scheme Promoter	Sheffield City Council	**Risk**	The overriding risk associated with the scheme is the failure to secure a lease agreement with HSBC as part of Phase 1. Other risks associated with the scale of jobs that could be achieved include the inability to secure tenancy agreements in the remaining commercial space delivered through the scheme.	**Grant Award**	£3.514m
SCR Funding	£3.514m			**Grant Recipient**	Sheffield City Council
Total Scheme Cost	£12.7m – enabling works 2. Total project costs £87.6m.	**State Aid**	The project is considered to be State Aid Neutral in relation to SCR investment.	**Payment Basis**	Payment in arrears £1m in 2016/17, £1m in 2017/18 and £1.514m in 2018/19.
% SCR allocation	4% of entire scheme	**Delivery**	Sheffield City Council's existing management and approval structures will be used to deliver this project - utilising Prince2 and public sector best practice.	**Claw Back Clauses**	Clawback on outcomes.

Description	Conditions of Award
Sheffield City Council is seeking a £3.514m SCRIF investment contribution towards a £12.7m programme of public realm and highways works, enabling the development of the Phase 1 Sheffield Retail Quarter scheme, an £87.6m office-led mixed-use development. The £12.7m programme of development enabling works will include: ☐ Highways and public realm reconfiguration to release the land as a development site including: rerouting of highways routes and closure of Charter Square roundabout; stopping-up of highways; creation of new public spaces; and pedestrianisation measures; ☐ Construction of a 750m section of segregated cycleway as one part of the first of six strategic routes planned between the City Centre and residential areas; and ☐ High-quality public realm enhancements – on a par with the Peace Gardens – including street furniture, landscaping and lighting to create a new main square and restaurant terraces and stronger pedestrian route to the adjacent Moor shopping area. SCRIF investment will help to create a site able to accommodate the Phase 1 development, reduce severance, consolidate the retail core and improve City Centre traffic management. Phase 1 development comprises the Cavendish building and a 15 year lease is agreed by HSBC to occupy a 10,150sqm office space, accommodating 1450 staff. There is scope for a further 230 office jobs in the remainder of the building.	Prior to drawdown the following conditions are to be satisfied: ☐ Completion of a revised set of project objectives to provide a definitive and consistent set of targets by which to measure the relative success of the SCRIF investment; ☐ Provision of a revised cost plan to include an additional 5% contingency for Stages 2 and 3; ☐ Production of a clear and simple statement of the project management and governance arrangements for the project, to be reviewed to the satisfaction of the SCR; and ☐ Provision of an up-to-date risk register to provide adequate assurances on the management and mitigation of strategic, commercial and financial risks to the delivery of both the public realm enabling works and Project Cavendish.

Record of Approvals					
Sheffield Central Retail and Business District: Enabling Works 2					
Appraisal Panel		**Executive Board**		**CA**	
Date of Meeting	13/12/16	**Date of Meeting**		**Date of Meeting**	
SCR Officer Presenting Paper	Joanne Neville	**SCR Officer Presenting Paper**		**SCR Officer Presenting Paper**	
Signature		**Signature**		**Signature**	
Approving Officer		**Approving Officer**		**Approving Officer**	
Signature		**Signature**		**Signature**	
Date		**Date**		**Date**	

Scheme Details		Appraisal Panel Summary		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	The project is strongly aligned to the Doncaster Urban Centre Masterplan as a future driver for change. The scheme will support transformational regeneration and aims to contribute to the delivery of one of the four goals set out in the SCR Transport Strategy refresh 'for the transport system to support the economic growth of SCR'.	**Funding**	LGF
Project Name	St Sepulchre Gate West	**Value for Money**	The project could deliver 1,148 net additional jobs, on this basis the cost per job analysis is - Total public sector investment £10.3m/ 1,148 net additional jobs = £8,969 per net additional job - SCRIF investment £9.1m/ 1,148 net additional jobs = £7,924 per net additional job The project delivers a BCR of 8:1 for SCRIF investment and 8.3:1 for total public sector investment. The project is expected to deliver £146m GVA uplift by 2030. The vast majority of these outputs are in phase 3 (only 6 net jobs are estimated in phase 2). On the basis that commercial investors/ development partners can be secured to deliver the outcomes in phase 3 and that all of the outputs can be deemed attributable to the SCRIF funded investments, the project has the potential to deliver good value for money.	**Approval Requested**	Full approval and award of funding for phases 1 and 2 subject to conditions.
Scheme Promoter	Doncaster Metropolitan Borough Council	**Risk**	The majority of the outcomes of the scheme are realised at phase 3 and are subject to third party delivery. CIAT believe that the viability gap for phase 3 is understated in the FBC, meaning that a further ask for funding (over and above the £1.6m SCRIF ask)	**Grant Award**	£7.5m (phase 1 and 2)
SCR	£9.1m *£1m phase 1*			**Grant**	Doncaster Metropolitan

Funding	*£6.5m phase 2* *£1.6m phase 3*		may be required to deliver phase 3. Clawback on the outcomes of phase 3 is required to protect SCR investment.	**Recipient**	Borough Council
Total Scheme Cost	£13.4m	**State Aid**	The FBC does not yet provide sufficient consideration for state aid. Further information is required prior to signing funding agreement.	**Payment Basis**	Payment in arrears
% SCR allocation	70%	**Delivery**	The project will be managed using the existing established procedures for capital projects.	**Claw Back Clauses**	Clawback on outcomes – phase 3.

Description	Conditions of Award
Doncaster Metropolitan Borough Council seeks £9.1m of SCRIF investment to fund demolition work, rail station forecourt improvements and land acquisitions in preparation for public realm enhancements – to be completed in three phases across the St Sepulchre Gate West area in Doncaster. A phased approach is proposed: • Phase 1 - £1m of SCRIF for demolition work around the railway station including the former Royal Mail sorting office, to unlock Council owned land for regeneration – complete March 2017 • Phase 2 - £6.5m of SCRIF investment (matched by £0.2m DMBC And £0.159m VTEC investment) for strengthening of the railway station forecourt and surrounding area as a key gateway to the town centre. This phase will create a new sense of arrival for the town and will include public realm upgrades and improvements to infrastructure beyond the forecourt itself. – complete Spring/ Summer 2018. This will deliver 10 jobs (gross) and 121sqm of of retail space by 18/19. • Phase 3 - £1.6m of SCRIF investment (matched by £1m DMBC investment) for land acquisitions for the wider regeneration to establish St Sepulchre Gate West as a key area within the Urban Centre. This will indirectly deliver up to 2034 jobs (gross) by 2030 and 5,588sqm of A1/A3 uses and 23,923sqm of B1/A1 uses.	Recommended that £7.5m of the £9.1m of the SCRIF investment could proceed to Full approval and award of funding, subject to the following conditions prior to grant agreement or drawdown: ➢ A systematic explanation of the State Aid dynamic of the project is required and a submission to say how the State Aid provisions have been complied with or whether there is a State Aid exemption being utilised.. ➢ Completion of a revised set of project objectives to provide a definitive and consistent set of targets by which to measure the relative success of the SCRIF investment; ➢ Provision of a revised cost plan for Phase 2 works once further detailed design work is completed; ➢ Provision of a more detailed programme which indicates key dependencies between the different phases of the project and a set of clear project milestones. ➢ Provision of the lease agreement with Network Rail confirming that DMBC have control of the land critical for the Station Forecourt works to go ahead and the agreement reached with Virgin Trains on the management and operation of the temporary car park. And additionally, that within two years of the agreement for Phases 1 and 2 investment, DMBC submit: ➢ a more detailed business case for Phase 3 identifying the range of individual site opportunities across the St Sepulchre West area, and including indicative scheme assessments and viability appraisals, and proposals in terms of the level of public sector support that will be required to help unlock the wider Phase 3 potential.

Record of Approvals					
Doncaster Urban Centre – St Sepulchre Gate West Phases 1 and 2					
Appraisal Panel		**Executive Board**		**CA**	
Date of Meeting	13/12/16	**Date of Meeting**		**Date of Meeting**	
SCR Officer Presenting Paper	Joanne Neville	**SCR Officer Presenting Paper**		**SCR Officer Presenting Paper**	
Signature		**Signature**		**Signature**	
Approving Officer		**Approving Officer**		**Approving Officer**	
Signature		**Signature**		**Signature**	
Date		**Date**		**Date**	

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<tr><th colspan="2">Scheme Details</th><th colspan="2">Appraisal Panel Summary</th><th colspan="2">Recommendations / Conditions</th></tr>
<tr><td>SCR Executive Board</td><td>Infrastructure</td><td>Strategic Case</td><td>Overall the project has a clear strategic rationale in line with SCR’s economic ambitions, enabling the redevelopment of a key site within Barnsley Town Centre through improving private sector confidence to invest and provide regeneration and sustainability benefits.</td><td>Funding</td><td>LGF</td></tr>
<tr><td>Project Name</td><td>Better Barnsley Town Centre Retail and Leisure Development</td><td>Value for Money</td><td>The value for money indicators required to draw down LGF grant have not been met, recognising that this is a regeneration project therefore requiring significant upfront public sector investment. On this basis a grant cannot be recommended from Local Growth Fund.</td><td>Approval Requested</td><td>FBC approval and award of a bridging finance facility.</td></tr>
<tr><td>Scheme Promoter</td><td>Barnsley Metropolitan Borough Council</td><td rowspan="2">Risk</td><td rowspan="2">All the project outcomes are dependent upon the delivery of phase 2 which means there is a high risk to the ability of the project to achieve the desired outcomes, therefore clawback on outcomes linked to phase 2 is required to ensure a link to outcomes. There are known viability issues surrounding the deliverability of phase 2. Progress against delivery milestones would need to be closely monitored as the project progresses.</td><td>Bridging Finance Facility</td><td>£2.14m</td></tr>
<tr><td>SCR Funding</td><td>£2,140,000</td><td>Grant Recipient</td><td>Barnsley Metropolitan Borough Council</td></tr>
<tr><td>Total Scheme Cost</td><td>£ 119.3M</td><td>State Aid</td><td>The FBC does not yet provide sufficient consideration for state aid. Further information is required prior to signing funding agreement.</td><td>Payment Basis</td><td>On completion of funding agreement</td></tr>
<tr><td>% SCR allocation</td><td>1.79%</td><td>Delivery</td><td>The proposed governance and management structures are relevant and appropriate.</td><td>Claw Back Clauses</td><td>Clawback on outcomes in phase 2 should grant funding be secured.</td></tr>
</table>

Description	Appraisal Panel Opinion
SCRIF investment is sought to assist in the delivery of enabling infrastructure to facilitate the overall development of Better Barnsley Town Centre Retail and Leisure scheme. SCRIF funding of £2,140,000 is sought for two elements of construction work associated with Phase 1 of the development. The delivery of Phase 1 is already underway with the demolition and clearance of a number of buildings in the town centre and Phase 1 will comprise the following works: - New public square - Development of the Beacon (new public library) - Refurbishment of the Metropolitan Centre (indoor market) Phase 1 seeks to create the right environment for the delivery of phase 2, a scheme of c.275,000 sqft of new commercial floorspace, delivering 875 new jobs (gross).	FBC approval and award of a bridging finance facility is recommended until alternative more suitable funding sources become available, subject to the following conditions: - An updated Full Business case (incorporating the agreed changes following assurance) - A systematic explanation of the State Aid dynamic of the project is required and a submission to say how the State Aid provisions have been complied with or whether there is a State Aid exemption being utilised. - Defined parameters surrounding the loan repayment/ SCR will work with the scheme promotor to explore suitable alternative funding - - The inclusion of an appropriate claw-back mechanism within the funding agreement (should grant funding be secured) between SCR and BMBC to mitigate the risk to the SCR of the non-delivery of commercial floorspace following upfront public sector investment in infrastructure. 100% clawback to be sought and if the agreed floorspace outputs are not delivered within a reasonable timeframe as agreed then the SCR would have the ability to claw-back SCRIF monies against non-delivery of floorspace within these timeframes (on a proportionate basis). - Written confirmation from BMBC of its agreed approach to addressing the phase 2 viability gap

Record of Approvals					
BMBC – Better Barnsley					
Appraisal Panel		**Executive Board**		**CA**	
Date of Meeting	06/01/16	**Date of Meeting**		**Date of Meeting**	
SCR Officer Presenting Paper	Joanne Neville	**SCR Officer Presenting Paper**		**SCR Officer Presenting Paper**	
Signature		**Signature**		**Signature**	
Approving Officer		**Approving Officer**		**Approving Officer**	
Signature		**Signature**		**Signature**	
Date		**Date**		**Date**	

Scheme Details		Appraisal Panel Summary		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	The proposal has a good strategic case focused around the growth and delivery of economic and housing ouputs at Junction 36 .	**Funding**	LGF
Project Name	J36 Strategic Acquisition	**Value for Money**	All of the impacts of the scheme are regarded as indirect impacts due to the scheme only directly involving the purchase of the land. *The indirect impacts rel*ate to the ability of BMBC to secure 3rd party developers to purchase the land and develop appropriate commercial property and housing schemes. The SCRIF cost per net additional job is £8,080.25 (£1,309m/ 162 net additional jobs) reducing to £672.83 (£109,000/ 162 net additional jobs) which is very good value for money taking into account the intended SCRIF reimbursement of £1.2m.	**Approval Requested**	Full approval and award of funding subject to conditions.
Scheme Promoter	Barnsley Metropolitan Borough Council	**Risk**	Objectives include the primary focus of acquiring the site and the subsequent disposal to a developer with a development agreement in place. However there is no definitive position as to when the acquisition will be made and there are still outstanding matters relating to the agreement and hence risks. Similarly there is no indication of sale timescales and repayment of the SCRIF monies. The scheme is reliant on third parties to develop appropriate schemes and deliver job outputs so it should be recognised that this is a risk within the management case. This relates firstly to the jobs claimed for the development of the site itself and the wider reference to the construction jobs created	**Grant Award**	£1,309m comprising £1.2m grant with contingent repayment and £109,000 grant
SCR Funding	£1,309m comprising £1.2m grant with contingent repayment and £109,000 grant			**Grant Recipient**	Barnsley Metropolitan Borough Council

			through the development of housing on the three housing sites identified within the business case. On this point there are still a range of unknowns and options presented in relation to the sale of the site and this means there is risk here relating to both sale value and timescales.		
Total Scheme Cost	£ 50,899,600	**State Aid**	The FBC does not yet provide sufficient consideration for state aid. Further information is required prior to signing funding agreement.	**Payment Basis**	Payment in arrears
% SCR allocation	2.6 % at start reducing to 0.21% following payback of recoverable element	**Delivery**	The first step of acquisition is scheduled to be dealt with by the Asset Management team at BMBC. Following this the onward sale to a developer will be assisted by a joint agent and the site will be made for sale through a tender or private treaty. The future development of an access road on the site is likely to play a large role in the future development in HOY2 housing site but BMBC state this is currently at an early feasibility stage only. This could be included as a milestone for the scheme.	**Claw Back Clauses**	Clawback on outcomes (future sale of the plots)

<table>
<tr><th>Description</th><th>Conditions of Award</th></tr>
<tr><td>Barnsley Metropolitan Borough Council is seeking SCRIF investment to purchase a 4.78ha parcel of land to contribute to the wider Hoyland development at M1 Junction 36. This strategic acquisition will proactively facilitate and accelerate both housing and employment total growth targets around the J36 Hoyland Growth Zone (2412 new dwellings and 116.8 ha employment land as set out in the local plan).

The acquired site will be used to provide for:

- Commercial development – sold via development agreement (in 17/18) to secure speculative commercial development - 9,720sqm of gross employment space
- Provide access to housing sites – 753 new units in total

The objectives of the scheme are as follows:

• The acquisition from the HCA of the whole of plot 2 in 2016/17.
• The onward sale through a tendered process of plot 2a in 2017/18
• The onward sale of plot 2a will include a development licence or agreement to secure the build out of the site in 1 or more phases by 2023 and to provide specific building types and sizes.
• The resolution of the highway access to the adjacent housing sites to facilitate and accelerate phased development.</td><td>Recommend full approval and award of funding agreement subject to the following conditions:

• An updated Full Business case (incorporating the agreed changes following assurance)
• Finalisation of the purchase price
• A systematic explanation of the State Aid dynamic of the project is required and a submission to say how the State Aid provisions have been complied with or whether there is a State Aid exemption being utilised.
• A clear statement of the purchase price of the land, which parties will be contributing the specific shares and what the arrangements for payment will be if the price of the land varies from the current figure
• Defined parameters surrounding the grant with contingent repayment repayment.
• An updated risk register</td></tr>
</table>

Record of Approvals					
Barnsley Metropolitan Borough Council – J36 Strategic Acquisition					
Appraisal Panel		**Executive Board**		**CA**	
Date of Meeting	13/12/16	**Date of Meeting**		**Date of Meeting**	
SCR Officer Presenting Paper	Joanne Neville	**SCR Officer Presenting Paper**		**SCR Officer Presenting Paper**	
Signature		**Signature**		**Signature**	
Approving Officer		**Approving Officer**		**Approving Officer**	
Signature		**Signature**		**Signature**	
Date		**Date**		**Date**	

Scheme Details		Appraisal Panel Summary		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	The scheme has evidenced that, whilst principally a transport improvement scheme, the existing and near forecast conditions of traffic volume in the study area is of detriment to any further economic growth in the area through jobs creation. Whilst not wholly evidenced as being dependent on the scheme, there is a strong case put forward in the FBC that development activity is hindered by the existing road network condition; namely the new Gulliver's Valley Resort and family theme park.	**Funding**	LGF
Project Name	A618 Growth Corridor	**Value for Money**	The proposal creates a very high BCR of 91.5 as a transport scheme. Whilst the scheme is not directly creating economic outcomes, the indirect benefits that are potentially delivered by the scheme achieves a SCRIF cost per job **£1,468 per job** (517 net jobs / £759,000 SCRIF) and a total public sector cost per job of £**1,524** per job.	**Approval Requested**	Full approval and award of funding subject to conditions.
Scheme Promoter	Rotherham Metropolitan Borough Council	**Risk**	The key risk with the proposal is the ability of RMBC to cover cost overruns. £29,000 is already in place and the S151 Officer has confirmed that RMBC will cover any cost overruns (to be formally ratified on 9th January 2017). The risk schedule submitted is considered adequate to mitigate risk to SCR.	**Grant Award**	£759,000
SCR Funding	£759,000			**Grant Recipient**	Rotherham Metropolitan Borough Council
Total Scheme Cost	£788,090	**State Aid**	The FBC does not yet provide sufficient consideration for state aid. Further information is required prior to signing funding agreement.	**Payment Basis**	Defray in arrears
% SCR allocation	96.3%	**Delivery**	The project will be managed via RMBC project management team and associated planning activities.	**Claw Back Clauses**	Clawback on outputs.

Description	Conditions of Award
This project seeks £759,000 of SCRIF funding to deliver the necessary access/egress arrangements to: 1) open up land at the former Pithouse West site to accommodate the new Gulliver's Valley Resort and family theme park 2) allow expansion of an existing business park 3) ease accessibility to/from the Rother Valley Country Park (RVCP) that caters for mass participation events. 4) allow other, smaller scale developments in the area The development and expansion of the sites noted above are entirely dependent upon the A618 Growth Corridor project, as the levels of congestion and delay on the current highway network is such, that additional traffic cannot be accommodated in peak periods. The layout of the highway infrastructure acts as a severe constraint to economic growth on this corridor so this project seeks to overcome some of the key restrictions beyond the immediate access/egress requirements for new development. In specific terms, the improvements will take place at: • A57/Chesterfield Road roundabout – minor widening and channelisation, with carriageway markings and lane signing • A57/A618(N) – Signalisation of all manoeuvres and the installation of signalled pedestrian crossing facilities across the A57(W) • A57/A618 Mansfield Road – widening of approaches and provision of 2 lanes on the A57 locally in the east-west and west-east routes. Signalisation of the roundabout with signal co-ordination to the A57/A618(N) junction. Minor realignment of approaches to the roundabout • A618/Delves Lane – improvement in detection and control strategies	Full approval recommended, subject to the following conditions being satisfied prior to the completion of a funding agreement: 1.A systematic explanation of the State Aid dynamic of the project is required and a submission to say how the State Aid provisions have been complied with or whether there is a State Aid exemption being utilised. 2.Confirmation of RMBC's commitment to cover any cost overruns (following meeting on 9th January 2017)

Record of Approvals					
Rotherham Metropolitan Borough Council – A618 Growth Corridor					
Appraisal Panel		**Executive Board**		**CA**	
Date of Meeting	13/12/16	**Date of Meeting**		**Date of Meeting**	
SCR Officer Presenting Paper	Joanne Neville	**SCR Officer Presenting Paper**		**SCR Officer Presenting Paper**	
Signature		**Signature**		**Signature**	
Approving Officer		**Approving Officer**		**Approving Officer**	
Signature		**Signature**		**Signature**	
Date		**Date**		**Date**	

Scheme Details		Appraisal Panel Summary		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	The project has a strong strategic rationale that links to SCR Growth Plan objectives specifically employment creation, business growth and GVA delivery. The scheme seeks to address a market failure in Bassetlaw and build upon the existing success of a business centre.	**Funding**	LGF
Project Name	Retford Enterprise Centre Phase 2	**Value for Money**	The public sector cost per net FTE jobs is estimated to be £20,139 per job (£0.725m for 36 net jobs) which provides a good value for money. The BDC investment is a loan which will be repaid and therefore the SCRIF investment is the total public sector investment in the scheme.	**Approval Requested**	Full approval and award of funding subject to conditions.
Scheme Promoter	Bassetlaw District Council	**Risk**	The Council funds are committed (£725,000 through borrowing and s106). The scheme is being underwritten by BDC, restricting the risks to SCRIF of non delivery.	**Grant Award**	£0.725m
SCR Funding	£0.725m			**Grant Recipient**	Bassetlaw District Council
Total Scheme Cost	£1.45m	**State Aid**	The FBC does not yet provide sufficient consideration for state aid. Further information is required prior to signing funding agreement.	**Payment Basis**	Defray in arrears
% SCR allocation	50%	**Delivery**	The proposed governance and management structures/ processes are relevant and appropriate.	**Claw Back Clauses**	Clawback on outputs

Description	Conditions of Award
The project proposes to extend the existing Retford Enterprise Centre through the creation of 10 new serviced office workspaces creating a total of 688sqm (NIA). The workspace will provide high quality supported office accommodation on flexible terms to allow SMEs to become established and grow. The project has the potential to create a further 48 gross jobs and 36 net jobs, delivering £16.9m GVA.	Recommend full approval and award of funding agreement subject to the following conditions: • An updated Full Business case (incorporating the agreed changes following assurance) • A systematic explanation of the State Aid dynamic of the project is required and a submission to say how the State Aid provisions have been complied with or whether there is a State Aid exemption being utilised. • An agreed mechanism to ensure that if the Enterprise Centre is sold in the future the profits are shared with SCR 50/50.

<table>
<tr><th colspan="6">Record of Approvals</th></tr>
<tr><th colspan="6">Bassetlaw District Council – Retford Enterprise Centre Phase 2</th></tr>
<tr><th colspan="2">Appraisal Panel</th><th colspan="2">Executive Board</th><th colspan="2">CA</th></tr>
<tr><td>Date of Meeting</td><td>13/12/16</td><td>Date of Meeting</td><td></td><td>Date of Meeting</td><td></td></tr>
<tr><td>SCR Officer Presenting Paper</td><td>Joanne Neville</td><td>SCR Officer Presenting Paper</td><td></td><td>SCR Officer Presenting Paper</td><td></td></tr>
<tr><td>Signature</td><td></td><td>Signature</td><td></td><td>Signature</td><td></td></tr>
<tr><td>Approving Officer</td><td></td><td>Approving Officer</td><td></td><td>Approving Officer</td><td></td></tr>
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<tr><td>Date</td><td></td><td>Date</td><td></td><td>Date</td><td></td></tr>
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Scheme Details		Appraisal Panel Summary		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	This investment is located within the Advanced Manufacturing and Innovation District (AMID) which is a strategic SCR priority. It is required to support the research and development of innovative manufacturing technologies within the City Region to maintain the region's strength in this high value sector and continue to attract inward investment.	**Funding**	LGF
Project Name	AMRC Lightweighting Centre	**Value for Money**	The total public sector/ SCRIF cost per job is £20,596 (£10m/ 485 net additional jobs) which provides excellent value for money on the basis of the type of jobs created from the Lightweighting Centre. Given that the majority of the outcomes are not directly associated with the lightweighting centre, clawback on outcomes is recommended to protect SCR investment. The scheme delivers £109m of GVA.	**Approval Requested**	Full approval and award of funding subject to conditions.
Scheme Promoter	Sheffield City Council	**Risk**	The FBC is accompanied by a risk register confirming that any cost overruns will be borne by the scheme promotors. There is uncertainty regarding funding of the lightweighting centre beyond the construction phase, greater confidence can be given once the contract with Project Mercury is signed.	**Grant Award**	£10m
SCR Funding	£10m			**Grant Recipient**	Sheffield City Council
Total Scheme Cost	£31m	**State Aid**	The project is considered to be state aid neutral from an SCR perspective.	**Payment Basis**	Defray in arrears
% SCR allocation	32%	**Delivery**	The delivery of the lightweight centre will be overseen by the University of Sheffield's Project Executive Group (PEG) and managed on a day to day basis by the University of Sheffield's Estate Department. During the operational phase, the project will be governed by the AMRC Board.	**Claw Back Clauses**	Clawback on outcomes.

Description	**Conditions of Award**
The University of Sheffield (via Sheffield City Council) are seeking £10m of SCRIF to support Phase 1 of the development of a Lightweighting Centre to support the manufacturing and research of lightweighting structures and materials, within the Advanced Manufacturing Innovation District (AMID) Phase 1 involves the development of a 778m2 facility to house a 300 tonne hydraulic press and associated equipment and experimental capital equipment required to deliver research programmes for three OEM investments. The scheme is the focus for a number of inward investment propositions. SCRIF funding is sought as part of an overall £25m capital investment project for phase 1. - £6m to support the first building - £4m experimental capital equipment The project creates a number of outputs: - 788m2 commercial floorspace - 14 net additional direct jobs - 305 net additional indirect jobs - £109m GVA - £21m private sector investment	Full approval and award of funding subject to the following conditions: • The commercial agreement with the first inward investor is signed. • The approvals required by SCC and UoS are in place. • Approval from SCC's Stronger Economy Programme Board is secured. • The inclusion of a mechanism to ensure that any revenue surplus from the lightweighting centre is re-invested into the facility.

Record of Approvals					
Sheffield City Council – AMRC Lightweighting Centre					
Appraisal Panel		**Executive Board**		**CA**	
Date of Meeting	13/12/16	**Date of Meeting**		**Date of Meeting**	
SCR Officer Presenting Paper	Joanne Neville	**SCR Officer Presenting Paper**		**SCR Officer Presenting Paper**	
Signature		**Signature**		**Signature**	
Approving Officer		**Approving Officer**		**Approving Officer**	
Signature		**Signature**		**Signature**	
Date		**Date**		**Date**	

Scheme Details		Appraisal Panel Summary		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	Overall the project has a clear strategic rationale in line with SCR's economic ambitions, enabling the redevelopment of a key site within Rotherham Town Centre through improving private sector confidence to invest and provide regeneration and sustainability benefits.	**Funding**	LGF
Project Name	Forge Island	**Value for Money**	The value for money indicators required to draw down LGF grant have not been met, recognising that this is a regeneration project therefore requiring significant upfront public sector investment. On this basis a grant cannot be recommended from Local Growth Fund.	**Approval Requested**	FBC approval and award of a bridging finance facility.
Scheme Promoter	Rotherham Metropolitan Borough Council	**Risk**	All the project outcomes are dependent upon the delivery of phase 3 which means there is a high risk to the ability of the project to achieve the desired outcomes. Progress against delivery milestones needs to be closely monitored as the project progresses.	**Bridging Finance Facility**	£1.5m
SCR Funding	£1.5m			**Grant Recipient**	Rotherham Metropolitan Borough Council
Total Scheme Cost	£43.5m	**State Aid**	The FBC does not yet provide sufficient consideration for state aid. Further information is required prior to signing funding agreement.	**Payment Basis**	On completion of funding agreement
% SCR allocation	3%	**Delivery**	The proposed governance and management structures are relevant and appropriate.	**Claw Back Clauses**	Clawback on outcomes linked to phase 3 should grant funding be secured

Description	Appraisal Panel Opinion
SCRIF investment is sought to acquire Forge Island (the site/premises of the former Tesco store) and to demolish the vacant Tesco store, clearing the site and enhancing its attractiveness to future developers to deliver a leisure and cultural quarter (hotel, cinema plus A3 uses). The proposal is broken down into three phases and SCRIF investment is sought for this first phase: Phase 1 – £1.5m acquisition and site assembly Phase 2 – £6.1m Council investment in works relating to site remediation, flood issues and infrastructure works i.e bridge repairs Phase 3 – Procurement of a development part to drive forward the development of the site for leisure and culture in partnership with the Council – including two adjacent sites for residential development. This will deliver 38 direct net jobs and 6 indirect net jobs.	FBC approval and award of a bridging finance facility is recommended until alternative more suitable funding sources become available, subject to the following conditions being satisfied prior to the draw down of funding : - Formal Red Book Valuation Report Update of the Forge Island site (to provide an updated opinion of market value) - Delivery plan with milestones surrounding phase 2 and 3 delivery – developer procurement/planning permission/ pre-lets etc. - A systematic explanation of the State Aid dynamic of the project is required and a submission to say how the State Aid provisions have been complied with or whether there is a State Aid exemption being utilised. - A detailed overview is required of the proposed monitoring and evaluation proposals of the scheme. - A comprehensive risk register - The inclusion of an appropriate claw-back mechanism within the funding agreement (should grant funding be secured) between SCR and RMBC to mitigate the risk to the SCR of the non-delivery of commercial/ residential floorspace following upfront public sector investment in infrastructure. 100% clawback is sought and if the agreed floorspace outputs are not delivered within a reasonable timeframe then the SCR would have the ability to claw-back SCRIF monies against non-delivery of floorspace within these timeframes (on a proportionate basis).

Record of Approvals					
RMBC – Forge Island					
Appraisal Panel		**Executive Board**		**CA**	
Date of Meeting	13/12/16	**Date of Meeting**		**Date of Meeting**	
SCR Officer Presenting Paper	Joanne Neville	**SCR Officer Presenting Paper**		**SCR Officer Presenting Paper**	
Signature		**Signature**		**Signature**	
Approving Officer		**Approving Officer**		**Approving Officer**	
Signature		**Signature**		**Signature**	
Date		**Date**		**Date**	

Scheme Details		Appraisal Panel Summary		Recommendations / Conditions	
SCR Executive Board	Infrastructure	**Strategic Case**	The proposal presents a good rationale for SCRIF funding, strengthening the role of Doncaster Town Centre as a key employment location. The rejuvenation of the City markets has been identified within Doncaster's Masterplan as one of the main areas of change in Doncaster that have the potential to affect significant economic outcomes. The SCRIF investment is intended to address growth barriers of restricted availability/ access to public/private development finance and to improve connections and address the viability gap for new commercial development in the town centre. The project is split into two phases, with the focus of the first phase of investment into the Council owned market buildings and associated public realm which is intended to safeguard existing jobs, deliver new jobs, increase footfall and build private sector investment confidence for the delivery of the second phase.	**Funding**	LGF
Project Name	Doncaster Urban Centre – Enterprise Market Place	**Value for Money**	The SCRIF cost per net additional job for the first phase of the project is £5,798 (£3.189m / 550 net additional jobs) and for the second phase is £14,588 (£1.488m / 102 net additional jobs). The scheme outlines an anticipated cumulative GVA impact of £97.04m following the investment in both phases of the project. The SCRIF cost per net additional job for both phases of the project is £7,133 (£4.677m / 652 net additional jobs) and the total public sector cost per job (incl £2.544m of DMBC funding and £4.677m SCRIF) is £11,075.The net cumulative GVA per £1 of SCRIF (BCR) for each phase and for both phases combined is approx. £21. If the project is delivered as proposed it presents very good value for money.	**Approval Requested**	Full approval and award of funding for phase 1 subject to conditions.

Scheme Promoter	Doncaster Metropolitan Borough Council	**Risk**	If occupiers are not secured for the reconfigured markets (phase 1) then there will remain a risk that the projected economic outputs may not be achieved and/or that the project will not be financially sustainable in future years. DMBC has 50% of their funding in place but are awaiting the outcome of a bid (expected January 2017) for the remainder of the funds. The business case indicates that any cost overruns in the delivery of the project will be met by DMBC to ensure that there is no further call on SCRIF investment, although it does not specify whether this would apply for example to an increased requirement for gap funding which will be subject to agreement with a develop/investor at a later date.	**Grant Award**	£3.189m capital LGF – phase 1
SCR Funding	Phase 1 £3.189m			**Grant Recipient**	Doncaster Metropolitan Borough Council
Total Scheme Cost	Phase 1 £5.942m	**State Aid**	The FBC does not yet provide sufficient consideration for state aid. Further information is required prior to signing funding agreement.	**Payment Basis**	Defray in arrears
% SCR allocation	54%	**Delivery**	The proposed governance and management structures/processes are relevant and appropriate.	**Claw Back Clauses**	Clawback on outputs

Description	Conditions of Award
The Enterprise Marketplace project is the first investment in the implementation of the Doncaster's new Urban Centre Masterplan (2016). The first phase of the project 2016/17 to 2017/18 involves: ☐ Relocation of the 'Irish Middle' Market to alternative stalls in the Corn Exchange and Outer Market and the redesign of existing car parking provision to provide additional spaces and coach drop off. This is aimed at enhancing this key gateway to the town and making new connections to the Waterfront development. ☐ Conversion of the existing Grade II listed Wool Market building to provide a multifunctional space accommodating new food outlets and central events space – contributing to the diversification of Doncaster's town centre retail and leisure offer. ☐ Refurbishment of the Corn Exchange as the main market building to accommodate a rationalised and enhanced markets offer – responding to the findings of the Council's proposed Doncaster Markets 2025 Strategy. ☐ Rationalisation of the Outer Market to respond to the enhanced role of the Corn Exchange and to open up views and physical connectivity. ☐ Public realm programme to enhance the market square and enhance wider linkages to the Minster, Waterfront and City Retail Core. Phase 1 seeks a funding agreement for £3.189m of SCRIF investment with a further £2,554,000 investment from DMBC and £200,000 from private sources (predominantly market traders fit out).	Approval recommended on the basis that the applicant will satisfactorily meet the following requirements prior to the completion of a funding agreement 1. A systematic explanation of the State Aid dynamic of the Enterprise Market Place project is required and a submission to say *how* the State Aid provisions have been complied with or *whether* there is a State Aid exemption being utilised.. 2. Confirmation of DMBC's match funding and/or information on the approval process The following conditions are recommended as part of the funding agreement and prior to any draw–down of SCRIF funding: 1. Completion of the Doncaster Markets 2025 Strategy to include an outline business plan (incl. financial forecasts and marketing strategy) for the reconfigured/refurbished markets; 2. Provide a detailed programme plan with inter–dependencies and supported by a project plan for the relocation of market traders; 3. Provide further detailed cost estimates for the works to the Corn Exchange, Outer Market and public realm/access improvements; 4. Provide confirmation that DMBC will cover any cost over–runs incurred in the delivery of the project; and 5. Provision of a full risk register addressing risks associated with design, cost planning, market take–up etc

Record of Approvals					
Doncaster Urban Centre – Enterprise Market Place					
Appraisal Panel		**Executive Board**		**CA**	
Date of Meeting	15/11/16	**Date of Meeting**		**Date of Meeting**	
SCR Officer Presenting Paper	Joanne Neville	**SCR Officer Presenting Paper**		**SCR Officer Presenting Paper**	
Signature		**Signature**		**Signature**	
Approving Officer		**Approving Officer**		**Approving Officer**	
Signature		**Signature**		**Signature**	
Date		**Date**		**Date**	

INFRASTRUCTURE EXECUTIVE BOARD

16TH JANUARY 2017

SCRIF EARLY COMMISSION

BUSINESS CASE RECOMMENDATIONS

Purpose of Report

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

The SCR Appraisal Panel at its meetings on 13th December, 3rd January and 6th January has reviewed the following SCRIF Early Commission Projects and the technical recommendations are now presented for consideration:

- SCC – SCR Property Fund
- SCC – Sheffield Central Retail and Business District: Enabling Works 2
- DMBC – St Sepulchre Gate West
- BMBC – Better Barnsley
- BMBC – J36 Strategic Site Acquisition (early approval requested)
- RMBC – A618 Growth Corridor (early approval requested)
- BDC – Retford Employment Sites Phase 2 (early approval requested)
- SCC – AMRC Lightweighting Centre (early approval requested)
- RMBC – Forge Island (early approval requested)

The Doncaster Urban Centre: Markets Full Business Case is also re-presented consideration, following the SCRIF programme review: It is expected that the following business case will be presented in a separate paper, following further discussion and due diligence.

- RMBC – AMP Acquisition

The Housing Intervention Fund has now been received for appraisal. It is estimated that it will be reported to IEB on 24th February.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

1.1 Consider and endorse progression of SCR Property Fund to Full Approval and Award of Contract at a cost £10m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 1**. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1.1. Consider and endorse progression of Sheffield Central Retail and Business District: Enabling works phase 2 to Full Approval and Award of Contract at a cost £3.514m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 2**. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1.2. Consider and endorse progression of St Sepulchre Gate West Phases 1 and 2 to Full Approval and Award of Contract at a cost £7.5m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 3**. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1.3. Consider and endorse progression of Better Barnsley Town Centre Retail and Leisure Development to Full Approval and Award of Bridging Finance Facility at a cost £2.14m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 4**. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1.4. IEB is asked to note the recommended progression of the following Full Business cases to Full Approval and Award of Contract/ bridging finance facility, subject to the early CA approval by written procedures:

- 1.4.1. J36 Strategic Site Acquisition to Full Approval and Award of Contract at a cost £1.309m (£1.2m grant with contingent repayment/ £0.109m grant) to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 5**.
- 1.4.2. A618 Growth Corridor to Full Approval and Award of Contract at a cost £0.759m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 6.**
- 1.4.3. Retford Employment Sites Phase 2 to Full Approval and Award of Contract at a cost £0.725m SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 7**.
- 1.4.4. AMRC Lightweighting Centre to Full Approval and Award of Contract at a cost of £10m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 8**.
- 1.4.5. Delegated authority to the Head of Paid Service, in conjunction with the Chairman of the CA, to agree future investment/ reinvestment opportunities in the AMP and to enter into contractual agreements required as a result of the above.
- 1.4.6. Forge Island to Full Approval and Award of Bridging Finance Facility at a cost £1.5m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 9.**

1.5. IEB are asked to note that in endorsing the progression of the above schemes as well as those that have requested early CA approval via written procedures, IEB is endorsing the use of £28.43m of the forecast £39.29m underspend for 16/17. It also endorses spend of £9.01m from the current programme.

1.6. Consider and endorse progression of Doncaster Urban Centre: Enterprise Marketplace to Full Approval and Award of Contract at a cost of £3.189m to SCR CA subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix 10**. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR CA.

1. Introduction

1.1 The IEB are asked to consider the recommendations to progress the scheme business cases to Full Approval and endorse the entering into funding agreements for the schemes, subject to conditions.

1.2 In line with the Sheffield City Region Single Assurance Framework these projects have been through a process of technical Appraisal, utilising external support, and consideration by a Panel of Officers representing the SCR Statutory Officers. The outcomes of this process are the recommendations presented for endorsement of the Infrastructure Executive board prior to seeking approval from the CA.

2. Proposal and justification

2.1 Assurance Framework

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

2.2 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).

2.3 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.

2.4 These findings will inform the s73 Officers view regarding the Value for money Statement and the Monitoring Officers view regarding the relative risks of the scheme presented.

2.5 There are a number of key principles associated with this early commission of funds that were accepted by the CA and these principles will be incorporated into the project funding agreements, these are:

- Spend beyond that incurred (defrayed) in 2016/17 will need be met by the sponsoring Authority
- Clawback and overage clauses will be required to ensure a link to outcomes,
- No commitment from SCR CA to fund later phases is inferred as a result of early phase approvals,
- Should future phases be considered for funding the value for money calculations must include all phases.

2.6 The following full business cases are presented for endorsement:

2.7 SCR Property Fund

The Property Fund seeks £10m SCRIF investment to develop the city region's property offer to attract new business investment. A number of objectives for the fund are set out in the business case, setting broad parameters in terms of the number of projects the fund could support and the likely anticipated job outputs. The proposal generates a good value for money (SCRIF cost of £16,863 per net additional job) and is considered to be a good project for SCR investment. In order to protect the SCR investment from non-delivery, one of the recommendations is to provide a clause in the funding agreement to ensure that if, following a suitable period to allow a pipeline of projects to be developed, the investments do not come forward as anticipated then the CA can request the return of the SCRIF monies.

2.8 St Sepulchre Gate West

The St Sepulchre Gate FBC seeks £9.1m of SCRIF investment for 3 phases of development activity. The initial £1m is proposed to be spent in 16/17 to fund strategic demolitions and this £1m of spend forms part of the early commission. The remaining £8.1m is included in the existing SCRIF programme for St Sepulchre Gate. The scheme generates a very good value for money (SCRIF cost of £8,969 per net additional job over the three phases of development). It is recommended that phases 1 and 2 (demolitions and public realm work, with a SCRIF ask of £7.5m) proceed to funding agreement. It is considered that a further full business case is required before phase 3 can be progressed as concerns were raised by CIAT regarding the level of the potential viability gap. However, as there very few job outcomes delivered directly as part of phases 1 and 2 and all the job outcomes are delivered as part of phase 3, clawback on outcomes associated with phase 3 is recommended.

2.9 Notwithstanding the above comments, sensitivity tests have been carried out on the basis that an increased amount of public sector funding is required for phase 3 and with a sliding scale of economic outcomes (as currently the jobs have been calculated on the floorspace shown in the masterplan and this could potentially be ambitious) and even with reduced outcomes the scheme is still shown to achieve a positive value for money. It is recommended that this sliding scale is reflected in the clawback requirements linked to phase 3.

2.10 Sheffield Central Retail and Business District: Enabling works phase 2

The FBC submitted reflects the existing SCRIF request of £2.51m for the project and therefore seeks £3.514m of SCRIF, the additional £1m as part of the early commission to be spent in 16/17.The SCRIF funding is required as part of a wider package of enabling works required to bring forward the commercial phase 1 development surrounding the Cavendish building and the relocation of an anchor tenant. The scheme delivers good value for money (SCRIF cost per net additional job of £30,861).

2.11 The SCRIF funded enabling works do not directly deliver any employment outputs and therefore it is recommended that clawback is required on outcomes (i.e. the jobs delivered as part of the wider phase 1 development) in order to protect the SCR investment.

2.12 **<u>Better Barnsley – Bridging Finance Facility</u>**

2.13 The business case for Better Barnsley has not met the value for money indicators required for LGF investment, recognising that this is a large scale regeneration projects therefore requiring significant upfront public sector investment. On this basis a Local Growth Fund grant cannot be recommended. In order to assist the scheme to progress, the SCR appraisal panel recommends approval of the FBC and award of a bridging finance facility. The bridging finance facility is recommended until an alternative more suitable funding source becomes available.

2.14 Better Barnsley Town Centre Retail and Leisure Development

The appraisal panel summary is presented at Appendix 5. BMBC seek £2.14m of SCRIF investment to deliver the Better Barnsley Town Centre Retail and Leisure scheme through funding two elements of enabling infrastructure. The Better Barnsley scheme is split into 2 phases, the first phase incorporates the SCRIF investment in infrastructure. The majority of the economic outcomes are dependent upon the future delivery of phase 2 (275,000sqft of commercial floorspace). There is currently some uncertainty surrounding the deliverability of phase 2. As the economic outcomes of this scheme are delivered as part of this phase 2, which currently has limited certainty surrounding its delivery. The funding agreement should incorporate the need for clawback clauses linked to the delivery of the outcomes in phase 2 should the bridging facility no longer be required if suitable grant funding is secured.

2.15 **<u>Early Approval – Combined Authority</u>**

The following Full Business Cases have requested early approval from the Combined Authority and it has been agreed that these will be prepared for determination via the CA through written representations. It is likely that they will be circulated to the CA prior to the IEB meeting on 16th January 2017.

2.16 Junction 36 Strategic Site Acquisition

SCRIF investment of £1.309m is sought to acquire a parcel of land from the HCA, to facilitate employment and housing growth. £1.2m is requested as grant with contingent repayment linked to the future sale of the sites and £0.109m as a grant. The scheme delivers a very good value for money (SCRIF cost per net additional job of £8,080.25 reducing to £672.83 taking into account the intended SCRIF reimbursement of £1.2m. The acquisition of the site will not directly deliver any economic outcomes and therefore clawback on outcomes (i.e. the future sale and development of the site for commercial and residential uses) is recommended. The SCR CA require defined parameters surrounding the repayment of the £1.2m grant and it is recommended that this is included as part of a funding agreement.

2.17 A618 Growth Corridor

The project seeks £0.759m of SCRIF investment to address constraints with the current layout of the highway infrastructure on the A618 and reduce the barriers to economic growth. The scheme achieves a very high BCR of 91.5 and assists in securing the economic growth of the A618 corridor, through reducing delay and waiting times and also improving the potential for economic activity through the investment of phase 1 of the Gullivers site (£10m investment) and also a 240,000sqft industrial expansion of the Vector 31 site. It is recommended that this scheme proceeds to funding agreement, with a clawback clause related the outputs (i.e. the highway arrangements being delivered). As this is a transport project a traditional BCR (benefit to cost ratio) is used to reflect value for money rather than cost per job.

2.18 Retford Employment Sites

BDC seek £0.725m SCRIF investment to assist in funding Retford Enterprise Centre phase 2 creating 10 new employment units. The remainder of the funds (£0.725m) is in place as a loan and will be provided by BDC. The scheme delivers a good value for money (SCRIF cost per net additional job of £20,139). Given that the employment outputs are directly linked to the delivery of the scheme, clawback on outputs (i.e. the delivery of the 10 units) is recommended.

2.19 Given that the proposal has the potential to generate a revenue surplus, CIAT have recommended an overage arrangement be secured to protect the SCRIF investment. Given that this is outside the CA's current 'business as usual approach' with SCRIF investments, the SCR appraisal panel recommend that the SCR investment is protected via a condition as part of a funding agreement that ensures that if the Enterprise Centre is sold in the future any profits are shared with SCR 50/50.

2.20 AMRC Lightweighting Centre

SCC seek £10m of SCRIF investment to fund the development of Phase 1 of the Lightweighting Centre, a project aimed at supporting the manufacturing and research of lightweighting structures and materials within AMID. Given the nature of the project, the majority of the jobs delivered are indirect jobs (14 direct jobs compared with 305 indirect jobs) and achieving a good value for money of a SCRIF cost per job of £20,596. On this basis, in order to protect the SCR investment it is recommended that clawback on outcomes (i.e. the indirect jobs) is secured as part of the funding agreement.

In addition, there is the potential for the Lightweighting Centre to generate a revenue surplus, CIAT recommended the inclusion of a SCRIF repayment mechanism and clawback mechanism. However, given the nature of the centre, the SCR appraisal panel recommend that a condition is included as part of a funding agreement to ensure that any potential surplus would be re-invested in the facility i.e. in equipment and the ongoing maintenance of the procured kit.

Therefore, the SCR CA were asked to consider and approve delegated authority to the Head of Paid Service, in conjunction with the Chairman of the CA to agree future investment/re-investment opportunities in the Advanced Manufacturing Park and to enter into the contractual arrangements required as a result of the above proposals.

2.21 Forge Island – Bridging Finance Facility

As per the Better Barnsley scheme above, the business case for the Forge Island scheme did not meet the value for money indicators required for LGF investment and therefore a Local Growth Fund grant could not be recommended. In order to assist this project in progressing, the SCR appraisal panel recommended approval of the FBC and award of a bridging finance facility. The bridging finance facility is recommended until an alternative more suitable funding source becomes available.

RMBC seek £1.5m of SCRIF investment to acquire the former Tesco site in Rotherham Town Centre as a phase 1 of the Forge Island scheme. The second phase incorporates RMBC investment in site preparation, demolition and flood alleviation work. The intention for phase 3 is for the site to be redeveloped in the future to facilitate a leisure scheme delivering a cinema and restaurants. The economic outcomes of this scheme are delivered as part of this future phase 3, which currently has limited certainty surrounding its delivery. The funding agreement should incorporate the need for clawback clauses linked to the delivery of the outcomes in phase 3 should the bridging facility no longer be required if suitable grant funding is secured.

2.22 **Existing SCRIF Programme – FBC Approval**

Doncaster Urban Centre: Enterprise Market Place

2.23 This business case is re-presented for approval as the SCRIF review is now complete. The existing SCRIF allocation for the Enterprise Market Place scheme is £2m. DMBC has submitted a Full Business Case seeking a total SCRIF allocation of £4.68m SCRIF for the Markets project. Two phases are proposed with £3.189m of SCRIF sought for phase 1 and £1.488m SCRIF sought for phase 2. In tandem with the submission of the FBC, DMBC seek approval of a change request to move the money from their Waterfront allocation into their Markets allocation. The Waterfront allocation, currently £8.3m is proposed to reduce to £5.63m to provide £4.68m of funding for the Markets project.

2.24 The project comprises the rationalisation of Doncaster Markets and public realm works as phase 1 and an office block as phase 2. A funding agreement for the first phase is being sought for £3.189m. The SCRIF cost per net additional job for both phases is £14,588. The second phase still carries a level of uncertainty regarding delivery, therefore an in principle approval is sought. A further detailed business case will need to be provided for phase 2 when there is greater clarity surrounding the project. The appraisal panel is satisfied with this phased approach to delivery and a number of conditions of award are recommended for phase 1, prior to the completion of a funding agreement and prior to the drawdown of funding.

2.25 The appraisal panel asks the IEB to consider the proposal in the context of the issues below:

- The Markets project has changed from the approved outline scheme, with an additional office component forming part of phase 2.

- The SCRIF allocation required for phase 1 and phase 2 is more than the Markets scheme current allocation but it is a project that is ready for delivery and is able to begin spending. The additional funds are proposed to be funded from the Waterfront allocation and DMBC state that Waterfront scheme is still able to deliver the same outputs and outcomes with reduced funding.

- The SCRIF programme review has taken into account this change request and the in year spend profiles and funding gaps and the impact on the programme.

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 S73 officer and included in the recommendations agreed by the Appraisal Panel as presented in this report.

The early commission projects have been brought forward with the key requirement of delivering spend in 16/17 and all projects have demonstrated that they have the ability to spend in 16/17. The funding agreements will reflect this requirement and any projects that do not spend in 16/17 will be unable to slip their SCRIF allocation into future years and the sponsoring authority will be required to meet the future spend needs of the project.

4.2 Legal

The legal implications of the projects have been fully considered by the SCR legal adviser on behalf of the Monitoring Officer. A number of the Full Business cases did not include a satisfactory statement addressing state aid, therefore it is recommended that in order to progress to funding award these projects must demonstrate a systematic explanation of the State Aid dynamic and a submission to say how the State Aid provisions have been complied with or whether there is a State Aid exemption being utilised. This will ensure that both SCRCA and the applicant can demonstrate 'due diligence' with regard to State Aid issues. This is recommended as a condition to be complied with prior to progression to funding agreements and is recommended within the conditions as part of the appraisal panel summary sheets.

4.3 Risk Management

Risk management is a key requirement for each of the submissions and is incorporated into the full business case submissions. Where weaknesses have been identified in the FBCs in terms of risk management, further work to capture and mitigate these risks is included as suggested conditions in the appraisal panel summary sheets.

4.4 Equality, Diversity and Social Inclusion

None as a result of this report

5. Communications

5.1 The business cases for the SCRIF schemes present an opportunity for positive communications; officers from the SCR Executive Team will work with the relevant local authority officers on joint communications activity.

6. Appendices/Annexes

6.1 Appendices 1 – 10 (Appraisal Panel Summaries)

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

Other sources and references:

INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

SOUTH YORKSHIRE BROADBAND

Purpose of Report

To provide the Infrastructure Executive Board with an update of the Superfast South Yorkshire programme and to outline plans for a further Open Market Review and procurement to reduce the currently excluded City boundary and to further extend fibre broadband coverage deeper across South Yorkshire.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

Executive Boards do not make decisions on behalf of the Combined Authority therefore reports to this Boards are not made available under the Combined Authority Publication Scheme. This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

2.1. Note the progress made by the Superfast South Yorkshire programme.

2.2. Infrastructure Executive Board to support the proposed Open Market Review and subsequent procurement necessary to achieve the planned broadband coverage for South Yorkshire utilising the previously allocated, but not yet fully committed, SCRIF funding to enable SFSY to respond to the outcome of the Open Market Review.

1. Introduction

Fibre Broadband Infrastructure

1.1 Superfast South Yorkshire (SFSY) programme continues to work positively with BT to extend the fibre infrastructure across South Yorkshire at pace, with over 50,000 premises across South Yorkshire now having access to faster broadband. Each of the four authority areas have new access and continued infrastructure being deployed.

1.2 The local investment, £4.8m, to bring ultrafast connectivity secured at South Yorkshires enterprise zones and business parks is now bringing access to this business grade connectivity to areas in Sheffield and Attercliffe. Planning and deployment activity is underway in each of the four areas and further business parks will have access in early 2017. South Yorkshire is leading the way in bringing this grade of connectivity to businesses and the first area the have Enterprise Zones with Ultrafast status.

1.3 Following SFSY investment in fibre broadband in Sheffield BT are able to offer, and have announced, that a new product, G Fast, will be rolled out in some areas of Sheffield which is capable of delivering speeds in excess of 100mbps from the fibre enabled cabinet.

Connectivity at New Residential and Commercial Sites

1.3 New developments and connectivity remain a key strategic focus for SFSY to ensure South Yorkshire retains the high level of connectivity that is currently being delivered, especially seeking to retain the ultrafast status at the enterprise zones. SFSY Strategic Management Board have a specific priority focus, to ensure a joined-up approach with local authorities, developers and infrastructure providers.

Demand Stimulation Activity and Take Up

1.4 The SFSY team work across South Yorkshire with partners and networks to promote the benefits of being connected in order to drive take up of the investment in fibre broadband and already take up is at 12.7%, this compares to an overall take up of fibre broadband of 22% for South Yorkshire.

1.5 The last update report to Sheffield City Region (SCR) Chief Executives, made on 20th July 2016, presented and sought approval to respond to an ESIF Call for a SCR Connection and Innovation Voucher scheme. The full ERDF business case for the scheme was submitted to DCLG on 29th September 2016.

1.6 The SFSY voucher scheme has successfully secured £1.5m ERDF for the connection and innovation vouchers, which will require SMEs to provide the equivalent match, the management and administration of the scheme (£226k) will be funded from ERDF and a contribution from the agreed demand stimulation funding for South Yorkshire, removing the need for the scheme to be underwritten by partners.

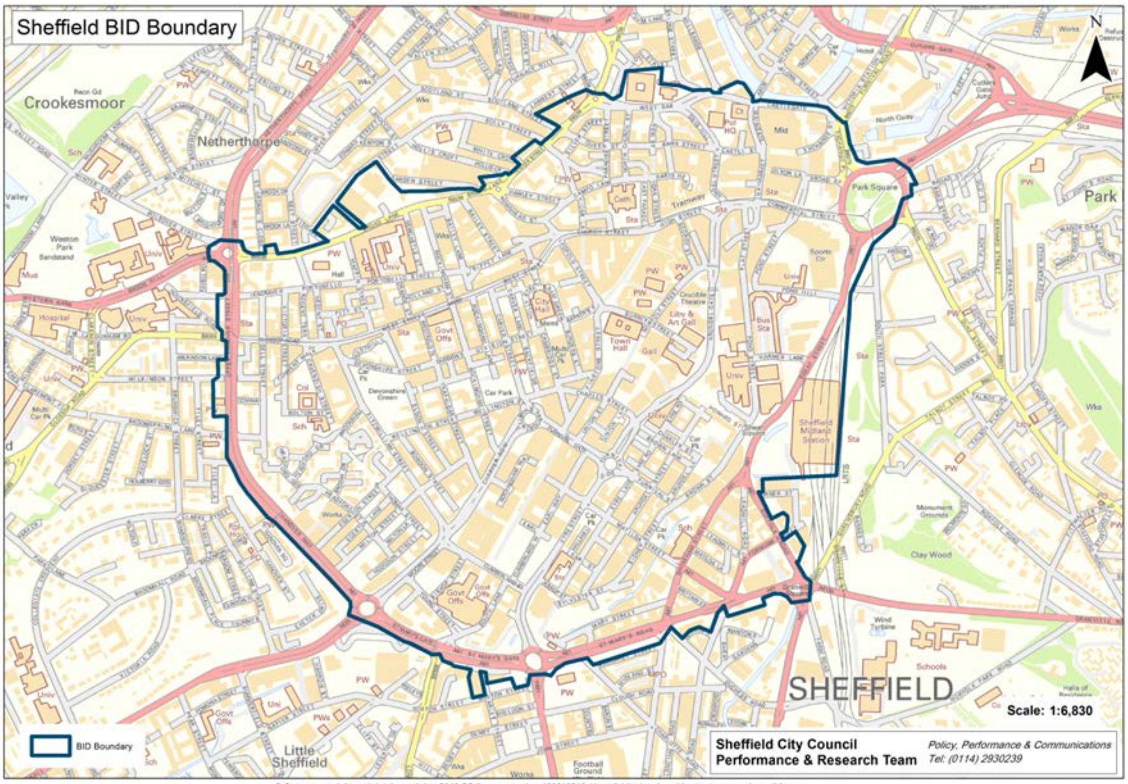
1.7 The scheme will launch in early 2017 and be operational across the SCR for two years, as a demand led scheme SFSY will work with partners, networks, business intermediaries and suppliers to promote the availability of the vouchers.

1.8 The two ERDF funded schemes objectives are to drive take up by promoting the benefits and capabilities that faster connectivity can bring to businesses and providing them with financial support to access faster connection and introduce innovations for business growth. Both schemes have levered in additional investment, of almost £4m, to SFSY.

2. Proposal and justification

2.1 As all UK City Centre's, Sheffield, is currently excluded from any public investment due to state aid law deeming there is no commercial market failure; the boundary is signified by the inner ring road. There have been negotiations with BDUK to reduce the excluded zone to the Sheffield Business Improvement District (BID), this zone has been used in other areas of the UK so a precedent is set. BDUK are open but are clear that the preferred mechanism to reduce the de scope and to stay within state aid requirements is to combine the City reduction with a new Open Market Review and public consultation. These processes are required, in line with state aid, to define the eligible areas for public intervention in broadband infrastructure.

2.2 The map below signifies the boundary of the BID and the area therefore SFSY is seeking to reduce the exclusion zone for the City.



2.3 The total BDUK allocation for South Yorkshire is £10.4m and secured SCRIF £10.6m, the current value of public funding committed in the exiting contract with BT is £20m. SFSY's strategy was to change request the remaining funding into the BT contract in later years to drive, as gaps were clearer, as much coverage through the contract as possible with the funding available.

2.4 The UK State Aid Notification for Broadband Investments expired in 2015; a further notification was re-negotiated between the UK Government and the EU. The new State Aid Notification carries considerable differences to the previous scheme. One of the key changes is that the BDUK Framework is no longer available and broadband investments must follow OJEU procurement. The EU is looking to promote greater competition and activity from alternative suppliers.

2.5 The Public Consultation conducted in 2014 stated that South Yorkshire intended to invest between £15m and £20m public funds to improve the fibre coverage of the region, however under this new state aid regime contracting the £21m (£10.4m BDUK and £10.6m SCRIF) is viewed as a material breech and this therefore forces SY down a procurement route to be able to fulfil its original scope.

The only reason that SFSY finds itself having to commence a further procurement is to ensure the original scope and intention for South Yorkshire is delivered.

2.6 BDUK has considerable pressures from Treasury and now seeks all areas across the UK to utilise remaining funding allocations under the new state aid OJEU procurement. Areas not wishing to progress further procurements will have the remaining funding allocated to other areas. SFSY has £550k remaining BDUK allocation and £245 SCRIF which can be utilised to further close the connectivity gap.

2.7 Although sooner than planned South Yorkshire should proceed with the opportunity to progress a further procurement, in order to utilise and not lose the remaining BDUK funding. The activity will fully support delivery of the original objectives, specifically targeting the remaining areas and seek a solution to bring speeds of 24mbps to ensure coverage across South Yorkshire exceeds 99%.

2.8 This is not additional activity; it is necessary to proceed in order to achieve the original aims, objectives, outputs and benefits for South Yorkshire and therefore is not viewed as a change to the original programme. The SCRIF Business Case articulated that all funding would be utilised via the existing BT contract, but at that time no one could predict the new state aid regime introduced by the EU and the associated procurement requirements. In order for SFSY to meet the original project scope it is now forced to go down this route.

2.8 There are a number of opportunities and considerations for South Yorkshire which will inform the timescales and route for procurement;

• The size of the current funding pot (£795k) in comparison to the number of premises requiring public intervention, work is underway identifying the scale of premises and estimating potential costs. The outcome of this may uncover the need to seek additional funding.

• Establishing the appetite of bidders to ensure any procurement undertaken by South Yorkshire is successful.

• BDUK are seeking areas to progress at pace and are seeking timelines for new procurement and all contracts signed early/mid 2017.

2.9 BDUK are seeking a decision and a confirmed timescale for any planned procurement from South Yorkshire. Indicatively it is proposed for the process to commence in January 2017 with preparatory work for the Open market Review. The SFSY Management Board will oversee the agreement of any timescales with BDUK for any procurement.

2.10 Superfast West Yorkshire and York are keen to work closely and to similar timescales as Superfast South Yorkshire to realise efficiencies benefits to the resources required to run the end to end process of a BDUK procurement.

3. Consideration of alternative approaches

3.1 Due to the nature of this programme there are no other options to deliver the scope and benefits, as this area of activity has state aid implications SFSY have to adhere and be compliant with UK Government Policy and the State Aid Notification for the UK for investments in broadband infrastructure.

4. Implications

4.1 Financial

None specific to this report however it should be noted that, whilst currently unknown, the Open Market Review could conceivably identify a requirement for additional capital funding to increase fibre coverage across South Yorkshire and any further contract to extend broadband coverage will require revenue costs for the management.

Should this be the case a further detailed report will be brought to this meeting for consideration.

4.2 Legal

None arising from this report?

4.3 Risk Management

None arising from this report.

4.4 Equality, Diversity and Social Inclusion

None arising from this report.

5. Communications

5.1 None arising from this report.

6. Appendices/Annexes

6.1 None

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

Other sources and references:

REPORT TO THE HOUSING EXECUTIVE BOARD AND THE INFRASTRUCTURE EXECUTIVE BOARD

11th and 16th JANUARY 2017

SCR INTEGRATED INFRASTRUCTURE PLAN DELIVERY

Purpose of Report

This joint report provides an update to the Infrastructure Executive Board (IEB) and Housing Executive Board (HEB) on the delivery of the SCR Integrated Infrastructure Plan (IIP). The 18 November Infrastructure Executive Board meeting discussed and approved progression of three key work streams including, delivery plans for the strategic network infrastructure, scoping of the spatial priority growth areas and progressing investment options linked to identify the SCR's most investable propositions.

The SCR is already undertaking work to progress some of our investable propositions which were highlighted to government at a meeting with 10 Downing Street at the end of last year. These include projects at the Advanced Manufacturing Innovation District and Doncaster Sheffield Airport.

It is recommended that the SCR move towards an IIP Delivery Framework detailing the work to date (as above). The Framework will set out four key stages of development:

- **Stage 1**: identify and agree strategic infrastructure projects (SIP) and spatial growth packages (SGP)
- **Stage 2**: develop investment options for each SIP and SGP
- **Stage 3**: establish a financial mechanism or funding for SIPs / take SGP through commissioning process
- **Stage 4**: develop an evaluation and monitoring framework that meets the requirements of the IIP and refreshed SEP

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

Executive Boards do not make decisions on behalf of the CA therefore reports to this Boards are not made available under the Combined Authority Publication Scheme. This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

The IEB is asked to note and discuss the update and recommend progression of the IIP delivery framework in line with the four stages outlined above.

The HEB is asked to discuss and endorse the update and provide views on the approach.

1. Introduction

1.1 This report provides an update on the next phase of the Integrated Infrastructure Plan. The IEB previously agreed the progression of three key work streams, including, delivery plans for the strategic infrastructure projects, working up more detail of the spatial priority growth areas and progressing other complimentary work related to network infrastructure. This is underpinned by exploring investment options linked to identify the SCR's most investable propositions.

This report will be supported by a presentation at the IEB meeting that will provide more detail on the work being progressed.

1.2 Work is already underway to progress some of our investable propositions which were highlighted to government at a meeting with 10 Downing Street at the end of 2016. These include projects at the Advanced Manufacturing Innovation District and Doncaster Sheffield Airport such as Aero Centre Yorkshire.

1.3 **<u>IIP Work streams</u>**

To shape the next phase of the IIP, the three work streams described at 1.1 require further development, not least to agree a list of strategic infrastructure projects with the greatest transformational impact. This will also require specialist input to understand how these large-scale projects could be financed.

1.4 The IIP also contains eight network infrastructure themes which require clear delivery plans to be developed. The SCR Executive is currently drawing up a suggested long list of projects and interventions.

1.5 The IIP also contains seven spatial priority areas linked to the Strategic Economic Plan. Work is required to develop wider spatial frameworks to provide more detail in order to identify our most investable propositions. This work will be supported by specialist input to identify opportunities with genuine ROI opportunities.

1.6 **<u>Housing Investable Propositions</u>**

At the SCR Housing Executive Board (HEB) in November the importance of SCR proactively engaging with potential investors on a range of housing investment opportunities was discussed. From a housing perspective, this needs to encompass a range of investment opportunities (e.g. infrastructure at priority sites/ locations, investment opportunities in the PRS, mixed use development).

1.7 Work to develop investable opportunities is already underway and is critical to SCRs offer at MIPIM, as well as ensuring the delivery of the IIP. The SCR needs to develop the marketing materials, skills, capacity and expertise to engage with potential investors through a 'single conversation' which importantly need to join up all potential investment opportunities (e.g. housing, commercial, transformational infrastructure).

1.8 It was agreed that the work on housing investment opportunities will be included in the current efforts to develop a single prospectus of SCR's investable opportunities with this work to be shaped and reported to both the IEB and the HEB.

1.9 **<u>Future Commissioning</u>**

Future commissioning of the IIP requires a culture shift from competitive to collaborative delivery which means the SCR intends to work collaboratively with partners to work up the spatial packages in more detail and agree the content before proceeding through the formal commissioning process.

1.10 Infrastructure Development Group

The contents of this paper were discussed with the IDG on 16 December 2016. The feedback from the group will be presented in the form of a presentation to IEB members on 13 January 2017.

1.11 MIPIM France and IIP

MIPIM Cannes will take place 14 -17 March 2017. The IIP will provide an underpinning narrative about the SCR being a place that has a clear Plan, which will include clear spatially led investment plans with clear commissioning plans flowing from these.

The objectives for SCR MIPIM is to:

a) To build on global awareness and business development activity undertaken in previous years.
b) To provide a platform in relation to regeneration, investment and private sector job creation.

Specifically, the focus will be on telling a story about:

1. The SCR, what sectors we cover what benefits and problems we solve and our key messages – why we stand out on the international playing field.
2. The development – historic, progress and planning for Advanced Manufacturing Innovation District (AMID)
3. The development – historic, progress and planning for Doncaster Sheffield Airport – Aero Centre Yorkshire
4. Urban Renaissance, (Regeneration) key projects across the SCR, the SCR IIP, our connectivity and focus on being a great place to live and work.

1.12 MIPIM France and Housing Investment Opportunities

At the 2016 MIPIM Cannes event there was clear interest from investors and developers in PRS opportunities. As a result work is now underway to develop the housing proposition for Cannes 2017. Housing Directors have been tasked with providing a baseline of site and opportunity level information to inform our pitch.

This includes information on:

1. Sites / buildings available for PRS development
   - Location
   - Size
   - Estimated # of units

2. Estimated value (to the market) of the development
3. Indication of what is required to get the site away (e.g. attracting finance or securing developer interest)
4. Examples of PRS schemes that are currently “live” / in development / recently announced
5. **L**arge / of market interest housing sites (e.g. straight sale sites) to be included in investor / agent / developer focused promotional material

It is expected that the emerging Housing Intervention Fund (HIF) will be part of our communications and PR at MIPIM Cannes. Whilst approvals for the HIF fall outside of the production timescales for promotional collateral we will endeavour to promote the HIF through press and communications activity.

2. Proposal and justification

2.1 It is recommended that the SCR move towards an IIP Delivery Framework setting out in detail the four key stages of development:

- **Stage 1: Business Planning-** identify and agree strategic infrastructure projects (SIP) and spatial growth packages (SGP)
- **Stage 2: Investment Options** -develop investment options for each SIP and SGP
- **Stage 3: Delivery**- establish a financial mechanism or funding for SIPs / take SGP through commissioning process
- **Stage 4: Evaluation and Monitoring**- develop an evaluation and monitoring framework that meets the requirements of the IIP and refreshed SEP

2.2 The IIP Delivery Framework will enable the SCR to clearly define, progress and track the activity required to implement the IIP successfully.

The HEB is asked to discuss the update and provide views on the approach at its meeting on 11 January. The views of the HEB will be reported to the IEB on 13 January.

The IEB is asked to endorse the recommendation to progress to a delivery framework, taking in to consideration any comments received from the HEB.

2.3 <u>**Next Steps**</u>

- Report for the February HEB & IEB setting out IIP Delivery Framework
- Identify fund brokers to help shape investable propositions
- Get closer to National Infrastructure Commission, TfN and other strategic bodies
- Identify opportunities to accelerate or publicise work already underway i.e. Housing Intervention Fund, Superfast South Yorkshire etc.

3. Consideration of alternative approaches

3.1 A report was presented on the proposed IIP commissioning approach at the IEB on 7 October. This report outlined a high-level framework on a tranche based approach, however this was considered to not be in keeping with arrangements introduced through the governance review.

Since that meeting, the agreed approach has been to progress three key work streams:

1. Strategic network infrastructure;
2. Scoping of the spatial priority growth areas;
3. Progressing investment options linked to identify the SCR's most investable propositions;

As the SCR awaits the outcome of its Local Growth Funding allocation and future Gainshare funding, it is recommended the SCR scope a delivery framework incorporating detailed plans of the work streams ready for when funding is available to the SCR Executive. This approach will inform the future commissioning model and support a step-change in the delivery of future infrastructure schemes.

4. Implications

4.1 Financial

Commissioning of future infrastructure schemes will be largely dependent on LGF and Gainshare monies. The activity to identify the SCR's most investable propositions has the potential to leverage private sector investment.

4.2 Legal

None arising from this report.

4.3 Risk Management

None arising from this report.

4.4 Equality, Diversity and Social Inclusion

None arising from this report.

5. Communications

5.1 This report recommends that SCR identifies opportunities to accelerate or publicise work already underway i.e. Housing Intervention Fund, Superfast South Yorkshire etc.

6. Appendices/Annexes

6.1 None arising from this report.

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

Other sources and references:

INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

SCR JESSICA UPDATE - INVESTMENTS

Purpose of Report

The SCR JESSICA currently has access to £38m and is looking to secure a further £15m from the SCR Combined Authority (CA) to invest in commercial property development. This paper identifies the various sources of funding that contribute to the JESSICA and the criteria that apply to each.

This paper is supplemented with a position statement approved by the JESSICA Investment Board that provides wider context – this is set out in Annex A.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

The Infrastructure Executive Board (IEB) is asked to discuss and note the report.

1. Introduction

1.1 At the previous meeting of the IEB, members discussed the variety of funding sources that are contributing to the SCR JESSICA and how different criteria apply to each element. This paper provides a summary of the funding sources and criteria and outlines how the elements are managed by the Fund.

2. Proposal and justification

2.1 Funding Sources and Criteria

The table below provides a summary of the funds contributing towards the SCR JESSICA and outlines the criteria for each:

	ERDF	GPF	Additional Funds	SCR Loan	EZ Fund	Early Commission[1]
Value[2]	£15.2m	£8.1m	£0.5m	£15.0m	£5.0m	*£10.0m*
Provider	DCLG	SCC / LEP	DCLG	SCR CA	SCR CA	SCR CA
Provided To Fund As	Repayable Grant[3]	Repayable Grant[3]	Repayable Grant[3]	Loan	Grant	Grant
Investment Type						
Loan	✔	✔	✔	✔	✔	✔
Equity	✔	✔	✔	x	✔	✔
Guarantee	x[4]	x[4]	x[4]	x	✔	✔
First Loss Loan/Equity (Grant)	x[4]	x[4]	x[4]	x	✔	✔
Use Type						
Office	✔	✔	✔	✔	✔	✔
Industrial	✔	✔	✔	✔	✔	✔
Logistics	x[5]	✔	x[5]	✔	x[6]	✔
Mixed Use	x[5]	✔	x[5]	✔	x	✔
Other[7]	x[5]	✔	x[5]	✔	x	✔
Geography						
SCR	x	✔	x	✔	x	✔
South Yorkshire Only	✔[8]	x	✔[8]	x	x	x
EZ only	x	x	x	x	✔	x
Average Length of Investment	3 years	3 years	3 years	3 years	3 years	3 years
Maximum Investment						
Loan (as % of Fund)	20%	20%	20%	20%	20%	20%
% of Guarantee covered	80%	80%	80%	x	80%	80%
Max Grant[9]	25%	25%	25%	x	25%	25%
Minimum Loan Investment	£1.5m	£1.5m	£1.5m	£1.5m	£1.5m[10]	£1.5m[10]
Loan to Cost	70%	70%	70%	70%	70%	70%
Loan to Value	70% to 80%	70% to 80%	70% to 80%	70% to 80%	70% to 80%	70% to 80%
Arrangement Fee[11]	2%	2%	2%	2%	2%	2%
Other fees	Legal, project monitor, loan servicing					

Notes

1: Yet to be approved.
2: Excludes investment returns.
3: Provided as loan with presumption against making a 'loss'.
4: Investment Strategy is for loans only.
5: ERDF investment limited to eligible items for first and second round investments.
6: Presumption against using EZ fund for logistics in EZ - SCR to agree policy position
7: Where demonstrable strategic economic case can be provided.
8: For first and second round investments
9: Dependent upon State Aid scheme used.
10: May be less depending on form of intervention and strategic case
11: %age of investment. May need increasing for small investments

2.2 From the table above the key point to note is that where the funding is provided to the SCR JESSICA as grant there is full flexibility in how it is used in respect of the form of investment and where it is provided as a loan the SCR JESSICA can only invest in a way that enables the loan to be repaid. In respect of the ERDF and GPF contributions their relevant Investment Strategies dictate how the funding is to be used.

2.3 Other key restrictions relate to Use Type and Geography where the ERDF element and the

EZ Funding has more constraints attached than the other funding. Notably, the JESSICA Investment Board has agreed that strong economic based developments with high employment generation potential might be supported provided a robust business case can demonstrate such a case. This enables the Fund to support activity such as retail rather than just office and industrial if such a case can be made.

The Fund does not currently support Housing developments unless part of a mixed use scheme which includes employment generating activity.

2.4 It is expected that the majority (if not all) investments will require a minimum contribution of 30% from the private sector promoter whether the SCR JESSICA investment is a loan and/or another form of intervention.

2.5 The IEB is asked to discuss and note the update.

2.6 Managing the Funds

Whilst there are a number of funding sources contributing to the SCR JESSICA with different criteria it is the job of the Fund Manager, working with the SCC Project Director, to determine how the various 'pots' can be blended to deliver the best results for the Fund, the developer and the SCR economy. As far as funding recipients are concerned they will receive support from the SCR JESSICA through a single source.

2.7 In respect to seeking support from the SCR JESSICA developers should approach the Fund Manager who will discuss the proposal and consider investment options. However, where a developer seeks funding in the form of a guarantee or 'grant' they are expected to seek support of the relevant Local Authority to enable the submission of an appropriate economic business case to support a potentially loss making investment by the Fund.

2.8 For reference the JESSICA Investment Board has recently considered the future of the Fund and their recommendations are attached at Appendix 1.

2.9 Glossary of terms

Loan to value:
The loan-to-value (LTV) ratio is a financial term used by the Fund to express the ratio of a loan to the value of an asset purchased. The ration helps the Fund assess the risk of offering a loan.

Loan to cost:
The loan-to-cost (LTC) ratio is a metric used in commercial real estate construction that compares the financing of a project as offered by a loan to the cost of building the project. The LTC ratio allows the Fund to determine the risk of offering a construction loan.

Charge over an asset:
A 'charge' represents the right of people who are owed money by a company to receive money from the company's assets if the debt is not paid on time. This can be through the ability to sell an asset or receive the income generated from that asset. Holding a charge represents a way of managing risk.

First and second charges:
More than one charge can be placed over an asset; however, the 'first' charge holds primacy with other charges being subordinate. Any value from the asset after the first charge is settled would flow to the 'second' charge, and so on. As such, it is riskier to hold a second charge than a first.

Inter-creditor agreement:

When several organisations lend a company money they will not only agree with the debtor company what the terms of the deal are, but will need to come to arrangements between themselves to establish how their competing interests towards that company will be handled in the event of a dispute. This can be achieved through an 'inter-creditor agreement'.

Developer equity
This is the financial interest a developer has in a development. In this instance, the interest is likely to be through direct investment into the project. It is important to the Fund for the developer to at least match the Fund's investment such that the developer carries as much risk – and is thus as incentivized – as the Fund.

Step-in rights
A 'step-in clause' permits a funder to step-in to another party's shoes on a development. It is primarily intended to give the funder comfort that, in the event of the developer defaulting on its loans, the funder can take over the development in the developer's place to complete the scheme. This clause gives the Fund comfort that it can be proactive in the event of a problem with a developer, rather than passively watching a scheme fail.

3. Consideration of alternative approaches

3.1 This is an update paper and as such this section is not applicable.

4. Implications

4.1 Financial
This paper has no direct financial implications for the SCR CA.

4.2 Legal

There are no legal implications for the SCR CA within this paper.

4.3 Risk Management

The SCR JESSICA Fund Manager carries out a full risk assessment of all its investments prior to seeking approval to invest in a development.

There are no direct risk issues for the SCR CA to consider within this paper.

4.4 Equality, Diversity and Social Inclusion
The SCR JESSICA has been established to support economic growth across the Sheffield City Region. This is expected to have positive impacts across the SCR population.

There are no direct E,D&SI for the SCR CA to consider within this paper.

5. Communications

5.1 Not applicable

6. Appendices/Annexes

6.1 Annex A

SCR JESSICA Investment Board – Future of the Fund

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

Other sources and references:

APPENDIX 1 – SCR JESSICA INVESTMENT BOARD

THE FUTURE OF SCR JESSICA

- ### Background

This paper was presented to the SCR JESSICA Investment Board to aid a debate on the future of the SCR JESSICA Fund. It has been updated with a **Board's Decision** section below each CBRE View, following the SCR JESSICA Investment Board on 2nd September 2016. It is now finalised following distribution to the Board and the General Partner, with comments noted and decision details updated as required.

Current Position

The fund currently has an initial capital allowance of £23m, which is made up of £15.3m ERDF 2007-2013 programme capital and £8.1m of Growing Places money. In addition, a further £0.5m was provided by DCLG in December 2015. The ERDF has been invested within the required timescales, and is now being recycled.

There is still a theme of investment type that needs to be followed by the Fund, particularly relating to the ERDF element, however the strict rules are understood to now not be relevant to investments as the capital will have been utilised and recycled under the programme.

In addition, there is further capital available to the Fund which has no such restrictions, although must still align with the investment strategy. £15m of this further capital, provided by the Sheffield City Region, has a 3 year payback profile.

Investments to date

Initial investments have been quite reactive, as necessitated by the short timescales for investment imposed by the ERDF programme. Nevertheless, the fund can be proud of the investments made which will undoubtedly be seen to have added to the region's economy.

The investments have also been very prescriptive, again because of the imposed investment strategy.

Sources of Capital

Aside from interest earned or accrued by the Fund on investments, the available initial capital is spread as per the table below. Whilst the ERDF retains certain restrictions, this now only accounts for 38.5% of the Fund's capital.

The balance is open to be invested in a much wider manner, subject to approvals and a revised investment strategy.

Source	ERDF	Growing Places and Other	SCRIF
Capital	£15,042,857	£9,054,921 (includes £454k bank interest)	£15,000,000
%of total Fund	38.5%	23.2%	38.3%

The Future

We now have the opportunity to consider what and how the Fund should be investing in for the future. Now that the Fund is established, it has the opportunity to move away from piecemeal investment into individual buildings, to unlocking larger place-making and employment generating schemes that will make a significant difference in economic growth.

The Sheffield City Region (and wider) has a number of Enterprise Zones and strategic sites zoned for development that are stalled, and we expect the Board to consider unlocking of these sites as a priority for the region.

The SCR JESSICA fund can assist with this priority, however the overall style of the Fund is likely to require adjustment to support this.

Typically, early investment in strategic sites is the piece of the jigsaw that is missing. To assist with this unlocking, the Fund will need to consider making much longer, and potentially larger, loans, as well as exerting pressure on landowners to ensure that land prices for development on those schemes does not make them unviable.

The intention is that the investment in this point of the cycle can provide development platforms where viable development can happen.

The implication of making a smaller number of larger, longer tenor loans, is that the investment profile will be such that there are periods in between investments or when investments are part repaid, that there are idle funds. By planning the profile of investments, those idle funds can be used to make investments more akin to the traditional SCR JESSICA loans.

The Board should be aware that funds available to SCR JESSICA have varying levels of availability, and therefore some long term investments may need further approvals from the various funding sources.

The Board should also be aware that the Fund Manager procurement is to 2022.

Decision point on Fund focus:

- Long term, strategic schemes including infrastructure?
- More traditional piecemeal investment, similar to current portfolio?
- An ad-hoc approach, mixing investment types as the market requires?

Parameters

There are certain basic parameters that the fund has operated within. The purpose of this paper is to generate debate around these issues, and the board should consider whether these are still appropriate. These are:

- Development finance
- Loan funding
- 20% per scheme, 30% per borrower
- No grant
- Employment schemes
- Short term investment

- Real asset security
- Within Sheffield City Region

Development Finance

Funding development schemes is the purpose of the Fund. The alternative would be to invest in standing real estate.

CBRE's View: Investment in standing real estate is not additive to the regional economy in terms of delivering new employment space, and is better suited to profit oriented funds.

Board's Decision: The Fund will only make Development investments.

Loan Funding

The Board should consider if this remains the appropriate mechanism for investment. In terms of a fast recycling development debt fund, in a market #where schemes are predominantly viable, loan funding at a reasonable loan-to-cost and loan-to-value level is the most reliable form of investment. The upside is limited to interest margin, and the counter to this is the level of security obtainable, and the ability to enforce if a loan isn't repaid at the set point in time.

Alternatively, equity investment or joint venture could be considered. The Fund is constituted to be able to make equity investment, and there may be occasions where an equity investment will unlock a stalled scheme and debt will not. The down side is that the equity will usually be the highest risk capital in an investment, and whilst super profit can be made in a rising market, losses are much more likely than with loan. Often there is no trigger to repayment, which may mean the Fund's capital is tied up longer than necessary.

CBRE's View: Loan Funding seems to be more appropriate for the Fund, creating lower profit but with better security, and the ability to plan recycling. There may be occasions where equity investment could unlock a strategically important scheme, and should therefore remain as an option for exceptional circumstances.

Board's Decision: The fund's prime intervention will be by loan. Equity will be considered where required by appropriate schemes, but will never be invested for the prime purpose of making a return. Joint venture or direct development arrangements will not be considered by the Fund.

20% limit per scheme, 30% per Borrower

In order to fund some of the larger, strategic schemes there may be a requirement upon the Fund to provide in excess of the limits (that are self-imposed).

If this limit is applied to the capital shown in the table above, this will be a limit of £7.8m per scheme, or £11.7m per Borrower.

CBRE's View: there may be occasions where this is necessary, and each scheme should be viewed on its merits. If the security is appropriate, and the strategic contribution very strong, then it should be brought to the Board for consideration.

Board's Decision: with the increased Fund capacity, it is considered that the new limit on £7.8m should be sufficient for anything in the Sheffield City Region. Anything above this would be by exception only.

No Grant

The Fund has made a strong stand against offering grant. Very little is available in the region, and State Aid schemes to employ it are complicated. To date, grant or intervention has been provided by the Local Authority.

We have however come across a number of strategically important schemes where an element of grant has been a genuine requirement to deliver the specific vision. To date, this grant has been provided through Growing Places, and is nearly exhausted. Future availability is unknown at this point.

The Board should consider whether profit (through interest) earned by the original capital could be used as intervention funding, alongside SCR JESSICA loan. This could be provided through traditional grant funding, or other interventions such as sub market interest rates or rental guarantees

There may be technical issues with the Fund providing grant or intervention directly, but this can be explored if it is considered an option.

CBRE's View: There are undoubtedly some schemes that do still need intervention. It is the Board's decision whether this should be provided. The level of grant must be properly challenged to obtain best value. In order to avoid the confusion of the Fund providing loan and grant, a separate body should administer this (although with CBRE's input).

Board's Decision: The Fund may be required to facilitate various interventions in the future. Intervention should be promoted by the Local Authority and brought to the Fund. The Fund may have a contractual arrangement with the Borrower once the intervention is established. The Fund's brand will clearly remain a "no grant" instrument. Grant will be last intervention, with priority to schemes that make use of rental guarantees etc.

Employment Schemes

To date, the fund has been tied to investing in specific types of employment scheme, not considering retail or leisure development as employment generating, as well as excluding any type of logistics development.

The board must consider whether the Fund should be wider than office and manufacturing development. The Fund could be open to a much wider type of development, as long as a good case for either employment space being created or the scheme being additive to the local economy.

It is not envisaged that the Fund will invest in residential development, as there are alternative funds for this. The Strategic Housing Board is currently exploring the possibility of the SCR JESSICA Fund playing a role in a new, separately branded housing fund.

CBRE's View: in principle, it would be sensible to widen the scope of sectors that the Fund can invest in, as long as ultimately those investments will drive economic growth. There is a risk of the SCR JESSICA product becoming confused to the market, so strongly defined criteria would need to be developed.

Board's Decision: The Fund's investment sectors will remain Office and Manufacturing, adding Logistics to reflect the region's priorities. Schemes with elements of other sectors may be considered as part of mixed use schemes or where that investment facilitates economic and employment growth. 'Place making' projects will be considered but by exception only, and with the need for a strong strategic case. The Fund must be cognoscente of the Infrastructure Fund and not compete. There are 3 SCR J Investment Board members also on the Infrastructure Fund Board, which will provide oversight.

Short Term Investment

Early SCR JESSICA loans have been typically up to three years. If the Fund is to start unlocking the bigger more strategic sites, there will necessarily be some longer term investment required.

Additionally, we have started to see developers pushing hard for loans up to 5 years to buy them some additional flexibility following the EU Referendum result. We have been able to demand reasonable interest rate hikes at this point to provide an incentive for the Borrower to refinance at that point.

CBRE's View: If the Fund wishes to invest in more strategic sites, it is likely that longer term investments will be required. These should be structured in such a way that if the schemes is able to repay sooner (ie through plot sales etc) that the loan agreement requires them to. Note the earlier comment on availability of funding sources.

Board's Decision: There is a dedicated Infrastructure fund that should fund the longer term infrastructure investments. SCR J should be for funding specific buildings, or infrastructure for specific buildings. SCR J should continue to target 3 year repayments, which ratchets imposed for any longer term investment.

Real Asset Security

The Fund always takes a legal charge over the asset that is being funded and occasionally over additional assets if appropriate value cannot be obtained through the development asset.

Taking real asset security is a fundamental of the Fund and the character of the Fund would change entirely if this were varied other than in exceptional circumstances.

CBRE's View: There may be occasions where a large corporate requires a corporate loan rather than an asset secured loan to deliver a strategic site. This should be considered on its merits but must be an exception and provide similar or better security as the asset itself would.

Board's Decision: Agree with CBRE.

Within Sheffield City Region

This is a point that the Board must agree upon. Some of the capital is derived from South Yorkshire sources.

CBRE's View: The Board Has already agreed that all non ERDF funds should be made available across the entire Sheffield City Region. ERDF legacy funds remain tied to South Yorkshire at this stage.

Board's Decision: as above.

• Summary

CBRE will now bring this together in a revised draft investment strategy, to be approved by the sources of capital to ensure that they are content with its adoption, and to obtain their approval.

We will build a pipeline based upon the Board's decisions, and will run investment strategy approval in parallel.

The strategy will need final approval from the Board, at which point it will be adopted.

INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

ENTERPRISE ZONE FUND – INVESTMENT STRATEGY

Purpose of Report

The Enterprise Zone (EZ) Fund will include an amount of “viability funding” i.e. non-commercial support such as “first loss loans”. The purpose of this report is to determine whether, in the context of the SCR’s broader property offer, viability funding should be used to support projects that are (or would appear to be) outside the scope of the EZ vision set out below.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

1. Facilitate and proactively support growth amongst existing firms.
2. Attract investment from other parts of the UK and overseas, and improve our brand.
3. Secure investment in infrastructure where it will do the most to support growth.

Freedom of Information

Executive Boards do not make decisions on behalf of the Combined Authority therefore reports to this Boards are not made available under the Combined Authority Publication Scheme. This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

It is recommended that viability funding should be prioritised for projects which are in line with the EZ vision i.e. for end users in the modern manufacturing and technology sector. However, should there be a shortfall in viable propositions which fail to meet the appraisal criteria above from those priority sectors, use of the fund should be extended to supporting sectors deemed to be “acceptable”.

1. Introduction

1.1 The SCR Enterprise Zone – background and vision

The Sheffield City Region (“SCR”) Enterprise Zone (EZ) forms an important part of SCR’s offer to investors in the modern manufacturing and technology sectors.

1.2 The Enterprise Zone Vision (included at Appendix 1 is)[1]

To build on Sheffield City Region's significant credentials and strengths in advanced manufacturing and materials to develop a Modern

Manufacturing and Technology Growth Area.

To attract investment from a range of manufacturing companies who are involved in the process of turning ideas into products and services, from research and design, through production, to service provision. This approach seeks to build on the SCRs existing strengths and integral contribution of materials and manufacturing expertise to a range of global supply chains across a number of sectors including: aerospace, automotive, power generation, defence, medical, transport, and oil and gas.

In particular, the Enterprise Zone will focus on modern manufacturing which typically has at least one of the following characteristics:

(a) Manufacturing that entails rapid transfer of science and technology into manufacturing products and processes
(b) The use of recently developed techniques and equipment to produce commodities generally considered to be high tech, complex or difficult to make
(c) Companies which seek to differentiate their business and move up the value chain through R&D, advanced technology, contributions to advances in materials, product design, or customer service.

1.3 For the purpose of the Enterprise Zone, Technology sectors comprise of the following:

(a) Healthcare Technologies - This includes all aspects of the supply chain of pharmaceutical, life science and medical device sectors that have a significant technology component.
(b) Low Carbon and Environmental Goods and Services - This includes the following areas of activity which can be broadly subdivided as follows:

   i. The more traditional environmental goods and services sector which include solutions for problems such as air, noise and marine pollution, land and water contamination, as well as activities such as environmental analysis and consultancy
   ii. A range of rapidly growing renewable energy technologies (such as hydro, wave and tidal power, geothermal, wind and biomass), as well as a number of other emerging low carbon activities (such as reduced emissions from within the transport and

[1] Source: Policy for Granting Business Rate Discount.

construction sectors, nuclear energy, energy management, carbon capture and storage and carbon finance).

(c) Creative and Digital Industries (CDI) - For the purpose of the Enterprise Zone, specific sub sectors from the wider CDI sector will be targeted. This will include companies that utilise digital technology to develop, design, print or produce a product or service. In addition, this will include hardware and computer services but excludes the normal application of administrative software.

1.4 The "Target Sector Descriptions" also identify other "acceptable uses" of EZ sites "where there is clear evidence that the activity supports growth, particularly across the modern manufacturing and technology sectors". These "acceptable uses" include:

(d) Modern Logistics, Supply Chain Management and Transportation.
(e) Service Sector Activity and:
(f) Investment in the provision of education, training, research and development facilities.

1.5 There is a three-tier distinction made in the EZ Vision between:

(g) modern manufacturing - "the focus" of the EZ;
(h) technology - within the vision but less of a priority than modern manufacturing;
(i) other acceptable uses – "acceptable" although not a priority or strictly within the vision.

1.6 It is recognised that are some EZ sites that are more suitable to modern manufacturing and technology than others.[2]

1.7 SCR property funds

As detailed elsewhere on this agenda (Item 10), the SCR has a number of property funds either existing or in development including:

(j) the SCR JESSICA – with access to £38m of funding;
(k) a £15 property fund in development (part of the £38m);
(l) a £10m proposal to the "Early Commission" (yet to be approved);
(m) a £5m EZ Fund (the subject of this report).

[2] Although this does raise the question as to why sites that were not suitable for modern manufacturing and technology were promoted for inclusion in the Enterprise Zone. This is outside the scope of this report.

1.8 For ease of reference, the table summarising these funds is summarised below.

Table 1 – SCR Property Funds

	ERDF	GPF	Additional Funds	SCR Loan	EZ Fund	Early Commission[1]
Value[2]	£15.2m	£8.1m	£0.5m	£15.0m	£5.0m	*£10.0m*
Provider	DCLG	SCC / LEP	DCLG	SCR CA	SCR CA	SCR CA
Provided To Fund As	Repayable Grant[3]	Repayable Grant[3]	Repayable Grant[3]	Loan	Grant	Grant

1.9 Footnote 6 of the above relates to the principle issue of this paper i.e. that the JESSICA Investment Board "presume" that the EZ fund should not be used to subsidise investments that are outside the EZ vision but would welcome clarity on this point. The purpose of this report is to provide that clarity.

1.10 The EZ Fund

Proposal to establish a flexible fund within the JESSICA

On 24 October 2016, the SCR CA approved 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.[3] The principle output of the Scheme (defined in the Full Business Case) will be the completion of floorspace (duly certified by a quantity surveyor).

1.11 In accordance with the Full Business Case provided to the Infrastructure Advisory Board it was agreed that:

(n) 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) and, in cases of last resort, grant.

(o) 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 15,000sqm of high quality industrial and manu-services floorspace for indigenous business to grow or accommodate inward investors.

(p) 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

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[3] The eligible sites would be: 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).

incentives. Proposals will be considered by both the SCR JESSICA Fund Manager (CBRE) and the JESSICA Investment Board. Developments will be <u>prioritised based on their potential to accommodate/create jobs, deliverability and deliver a return on investment.</u>

(q) 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 outline investment strategy set out in the Full Business Case

1.12 The Full Business Case sets out that a key next step is to: put in place an appraisal and selection process for projects that require viability funding – this will be in addition to the processes already applied by the SCR JESSICA fund for commercial loans (Para. 3.11 of the Full Business Case).

1.13 The Full Business Case sets out that:

Where proposals require an element of viability funding there will need to be a broader assessment of the proposal and the VFM it presents to the Fund and the SCR economy. An appraisal process will be agreed with the JESSICA Investment Board but will be expected to include the following areas for appraisal over and above the work undertaken by the Fund Manager for a normal commercial loan:

(r) Strategic fit – linked to the SCR priorities of Advanced Manufacturing Innovation District, Robin Hood Airport, City and Town Centres. In addition links to other SCR investment.
(s) Outputs/Outcomes (GVA calculated on the basis of number of jobs multiplied by GVA per worker).
(t) Type of Intervention (grant being least favoured intervention).
(u) Deliverability.
(v) Utilising SCR JESSICA commercial loan.
(w) Likelihood of repayment/overage.
(x) Overall VFM in light of the above.

1.14 The Full Business Case and, by extension the investment strategy has been approved by the IEB, and therefore it is not proposed that these criteria are revisited at this stage. Further, this paper is not about what retained EZ business rates are used for (and who retains these rates).

2. Proposal and justification

2.1 <u>The issue for the IEB</u>

The issues of the IEB is to determine whether the Investment Panel / Fund manager should be able to use the EZ fund (which includes “viability funding” i.e. a level or public subsidy) for projects that are (or would appear to be) outside the scope of the EZ vision.

Note: as set out at Para. 1.5 there is a three-tier differentiation set out in this vision – 1) modern manufacturing 2) technology 3) other "acceptable" sectors.

Recommendations

The use of viability funding within the EZ fund

2.2 It is recommended that viability funding should be prioritised for projects which are in line with the EZ vision i.e. for end users in the modern manufacturing and technology sector. However, should there be a shortfall in viable propositions which fail to meet the appraisal criteria above from those priority sectors, use of the fund should be extended to supporting sectors deemed to be "acceptable".

2.3 The Fund Manager / Investment Panel should be given the discretion to determine how best to determine the future use of a proposed development – but clearly the size of the building and the nature of any planning consent should guide this judgement. The fund manager / Investment Panel should take steps to enforce this policy through a term in any future funding agreement.

2.4 Whilst the £5m EZ fund should be prioritised for uses which are consistent with the EZ vision, this would not preclude the use other available "viability" funding for sites and sectors outside of the EZ or EZ vision. For example, the £10m being sought from the early commission call. The use of sub-commercial funding should be determined by a precise application of the Strategic Economic Plan (pre-and post SEP-refresh) so that subsidised, as opposed to commercially driven interventions are deployed in line with agreed strategy.

2.5 A very important point of detail is that whilst it is recommended that "subsidy" or viability funding is prioritised for projects that fit with the EZ vision, the JESSICA board is able to provide alternative commercial funding to support all projects either on Enterprise Zone sites or elsewhere. Further, the JESSICA Investment Board report a strong pipeline of viable logistics projects across the City Region.

3. Consideration of alternative approaches

3.1 Prioritisation of sites that fit the EZ vision

There are two substantial alternatives to the proposed approach:

Approach	**Comment**
Restrict EZ viability fund to only the modern manufacturing and technology sector.	• Does not preclude the use of commercial funding on these sites. • More consistent with the EZ vision. • Market conditions suggest lower demand levels for modern manufacturing and technology uses on some EZ sites (see *Footnote 2* above).
Allow EZ viability funding to be used for any project, regardless of sector.	• Not consistent with EZ vision. • Misapplication of agreed strategy. • Does not support the vision set out in the Strategic Economic Plan i.e. "higher wage, higher skill economy".

4. Implications

4.1 Financial

There are no direct financial implications from this report. The criteria for the use of viability funding may involve a trade-off between financial return and economic outcomes.

4.2 Legal

There are no direct legal implications from this report.

4.3 Risk Management

There are no direct risk management implications.

4.4 Equality, Diversity and Social Inclusion

There are no direct equality implications arising from this report.

5. Communications

5.1 This is a policy report and therefore there are no direct communications issues other than in respect of the marketing of the fund.

6. Appendices/Annexes

6.1 Annex A - ***EZ Vision attached***

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

Full Business Case - SCR EZ Fund

Sheffield City Region Enterprise Zone Policy For Granting Business Rate Discount

CA Agenda 24 October 2016 -
http://meetings.southyorks.gov.uk/ieListDocuments.aspx?CId=366&MId=3262&Ver=4&zTS=B

Other sources and references:

INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

SCIENCE AND INNOVATION AUDIT

The Sheffield City Region (SCR), in conjunction with Lancashire LEP, was one of five LEP regions to be shortlisted by Government to undertake a first round Science and Innovation Audit (SIA). The purpose of SIAs is to analyse and evidence regional strengths, and identify mechanisms to help realise their potential.

Our SIA was submitted to Government in September 2016. It demonstrates the SCR's global leader status in high value manufacturing as part of a broader 'Northern Advanced Manufacturing Corridor' that stretches to Lancashire. Our high value manufacturing strengths are especially noted in sectors such as aerospace, medical technologies, rail and nuclear energy.

Whilst we anticipate some form of national response to the first round of SIA submissions, it was agreed by the LEP Board at its meeting in September 2016 that the SCR needed to develop its own local response to this and nominated Julie Kenny CBE as the lead LEP Board Member. This report summarises the key findings of the SIA and the implications for the SCR's infrastructure agenda.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

Executive Boards do not make decisions on behalf of the CA therefore reports to this Boards are not made available under the Combined Authority Publication Scheme. This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

The SCR response to our Science and Innovation Audit is cross-cutting in nature. The Infrastructure Executive Board is recommended to consider the implications of this Audit for the infrastructure agenda. The full implications of the Science and Innovation Audit will be considered by each of the SCR's respective Executive Boards with a fully comprehensive report being considered by the LEP and Combined Authority once all of the Executive Boards have had an opportunity to consider and debate the implications for their respective agendas.

1. Introduction

1.1 The Sheffield City Region (SCR), in conjunction with Lancashire LEP, was one of five LEP regions to be shortlisted by Government to undertake a first round Science and Innovation Audit (SIA). The purpose of SIAs is to analyse and evidence regional strengths, and identify mechanisms to help realise their potential.

1.2 Our SIA was submitted to Government in September 2016. It demonstrates the SCR's global leader status in high value manufacturing as part of a broader '**Northern Advanced Manufacturing Corridor**' that stretches to Lancashire. Our high value manufacturing strengths are especially noted in sectors such as aerospace, medical technologies, rail and nuclear energy.

1.3 Whilst we anticipate some form of national response to the first round of SIA submissions, it was agreed by the LEP Board at its meeting in September 2016 that the SCR needed to develop its own local response to this and nominated Julie Kenny CBE as the lead LEP Board Member. This report summarises the key findings of the SIA and the implications for the SCR's infrastructure agenda.

2. Proposal and justification

2.1 Our SIA describes the changing nature of manufacturing through the ever-increasing integration and incorporation of digital technologies into the high value manufacturing process. These 'Industry 4.0' principles, or the fourth industrial revolution, form the next generation of manufacturing technologies and includes cyber-physical systems, 'the internet of things' and cloud computing.

2.2 Our SIA shows the SCR has:

- a lot of the key components and assets (e.g. through translational research centres such as the AMRC) to bring industry and our universities together to collaborate on the next generation of manufacturing
- a strong evidence base in targeting SCR investment into priority projects and programmes that will help to stimulate productivity and economic growth
- a critical need to build on the productivity performance of the advanced engineering and manufacturing sector, particularly within SMEs, to help ensure the SCR remains globally competitive. And key to delivering this will be maximising existing and developing new collaborations between industry and our science and innovation assets.

2.3 Appendix A sets out the suggested SCR response to our SIA for the aspects that cover our infrastructure agenda. Some of the SIA findings support the approach the SCR has already taken through the strategic significance attached to the development of key infrastructure projects such as AMID.

3. Consideration of alternative approaches

3.1 The proposal set out in this report has been developed in response to the consideration of our SIA submission by the LEP Board in September 2016. In considering and developing the SCR's response in the form of an Action Plan it was agreed that this would be developed and driven through our respective Executive Boards. This report forms the initial infrastructure aspect of this Action Plan, with a refined draft to be resubmitted at a later meeting once the Infrastructure Executive Board has had an opportunity to discuss, debate and agree the infrastructure aspects that need to form part of this Action Plan. Each of our respective Executive Boards will have an opportunity to consider the implications of the

SIA for their respective agendas and contribute. The intention is to take a finalised report and Action Plan to the LEP and CA once our Executive Boards have signed their respective aspects off.

4. Implications

4.1 Financial

The SCR SIA Action Plan will have both capital and revenue financial implications. These will need to be worked up and agreed between the SCR Executive Team and each of our respective Executive Boards in due course. The SCR SIA Action Plan will also contribute towards other important strategy documents such as the refresh of the Strategic Economic Plan and LEP prioritisation investment discussions by the LEP Board. The Science & Innovation Audit forms an important part of the evidence base for the SEP refresh and IIP delivery.

4.2 Legal

There are no legal implications arising directly from this report and legal advice will be taken on any specific legal aspects of individual initiatives going forward.

4.3 Risk Management

The successful delivery of the SIA Action Plan in relation to infrastructure is set out at Appendix A. There is a risk that a failure on the part of the SCR to develop a comprehensive, cross-cutting response to the SIA could mean investment not being directed at areas of the City Region economy where a robust evidence base indicates the SCR has comparative and competitive strengths.

4.4 Equality, Diversity and Social Inclusion

At this stage, it not envisaged that there are any equality, diversity or social inclusion implications associated with this report. However, once all Executive Boards have had the chance to input and consider the implications of the SIA across each of their respective agendas there may be a requirement to undertake an Equality Impact Assessment before the report is considered by the Combined Authority in its entirety.

5. Communications

5.1 We will be supporting the response we are likely to receive from Government in the Autumn Statement. We are also working closely with The University of Sheffield communications team to develop a proactive joint communications and PR activity to support the launch of the Science and Innovation Audit report, which we expect to happen in November 2016. The SCR Action Plan to our SIA has potential implications for our future place-marketing and branding strategy and these will need to be considered as part of our response.

6. Appendices/Annexes

A Science and Innovation Audit SCR Action Plan: Infrastructure – ‘Industry 4.0’ High Value Manufacturing

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

'Driving productivity growth through innovation in high value manufacturing', Sheffield City Region and Lancashire Science & Innovation Audit, October 2016
Other sources and references:

Sheffield City Region Local Enterprise Partnership

Appendix A: Science & Innovation Audit SCR Action Plan - 'Industry 4.0' High Value Manufacturing

Theme: Infrastructure	The SIA identifies that…	Therefore the SCR needs to…	This could mean…	And success will mean…
	• The SCR has key physical and translational assets including: • AMID • Factory 2050 • AMRC with Boeing • Nuclear AMRC • AMRC Training Centre • DSA • AWRC • There are strong examples of translational research centres which bring academia together with global and regional businesses to accelerate the adoption of new technology: • UoS AMRC Group - £280m capex, £38m pa turnover includes: Factory 2050 (research/demonstration factory for industry 4.0) • AMRC with Boeing (part of the HMV catapult) • Nuclear AMRC (part of the HMV catapult)	• Support the development of a nuclear advanced manufacturing hub that supports the global nuclear industry • Assist the Nuclear AMRC to support the development of the technologies as well as the development of the supply chains • National Centre for Robotics and Autonomous Systems (national ask of Government from the SIA) and for a major	• Support and progress AMRC Lightweighting Centre Business Case through SCR Appraisal process • Small Modular Reactors • Adds additional weight to SCR strategic priorities including AMID, DSA • Additional strategic priority to include AWRC/OLP • Next phase development of DSA based on translational research model	• Larger scale operation of our excellent translational research centres so they operate across the whole of the SCR to meet fully the demands and needs of the SCR industrial base • Investment targeted at right projects and programmes • Delivery of key strategic projects e.g. AMID, DSA, AWRC/OLP

	• The University of Sheffield hosts the EPSRC National Centre for III-V Technologies, which plays a central role in enabling world class research and capabilities in epitaxy and device fabrication • Sheffield Hallam University hosts the National High Power Impulse Magnetron Sputtering Technology Centre (HIPIMS) which enhances protection ability against harsh environments with high temperature oxidation, wear and corrosion such as aerospace and power generation gas turbines, automotive engine components, hydraulic parts, cutting tools as well as in more delicate long life environments such as biomedical implants • In relation to medical, the SCR has large teaching hospitals with many leading clinicians and academics active in collaborative research with nearby universities and the private sector • The SCR is also running NHS Test Bed programmes	element of this to be located in the AMID • Knit together global just-in-time supply chains to serve increasingly customisable manufacturing processes, including smart digitised potentially satellite linked multi-model systems for international freight with the potential for the use of autonomous delivery devices, DSA as ideal location for translational research centre modelled on AMRC to accelerate the uptake of new technology and business models in the logistics sector • Advanced Wellbeing Research Centre and Medical AMRC should be further developed in the context of the private sector/NHS/academic partnerships established to accelerate the development and uptake of cost-saving technology in our health and social care sectors		

Driving productivity growth through innovation in high value manufacturing

Summary report

A Science and Innovation Audit report sponsored by the Department for Business, Energy & Industrial Strategy

October 2016

“The SIA priority focus areas are essential to enable UK industry to keep pace with its competition and position the north of England as a continued global sector leader in advanced engineering and manufacturing.”

David Holmes

MAI Manufacturing Operations Director, Military Air & Information, BAE Systems plc

Foreword

“The Science and Innovation Audit is a vital mechanism to ensure that much needed investment is targeted at the priority projects and programmes that will stimulate productivity and economic growth in Lancashire, Sheffield and across the Northern Powerhouse region.”

“There is a critical need to build on the productivity performance of the advanced engineering & manufacturing sector, particularly within SMEs, to ensure we remain globally competitive. Key to delivering this will be maximising existing and developing new collaborations between industry and our science and innovation assets. This successful formula can be seen in practice with the emerging Northern Advanced Manufacturing Innovation Corridor and how this SIA drives new and better partnerships to deliver what’s required.”

“The pace of change within advanced manufacturing technologies is constantly accelerating and the UK’s global competitors are well placed to take advantage of the potential benefits that step changes such as Industry 4.0 present. The SIA priority focus areas are essential to enable UK industry to keep pace with its competition and position the north of England as a continued global sector leader in advanced engineering and manufacturing.”

David Holmes
MAI Manufacturing Operations Director, Military Air & Information, BAE Systems plc

“Between the geographies of the Sheffield City Region and Lancashire lies a unique opportunity. One which the UK economy desperately needs. Here lie the components required to equip the UK to deliver the vision of the 4th industrial revolution, Industry 4.0. Within our existing Northern Advanced Manufacturing Innovation Corridor, we have strong high value manufacturing industrial bases, innovative excellence, world-class science and multi-level skills training; ensuring that the region is ready to bring the right skills, people and technology to close the productivity gap not just for the North but for the UK as a whole”.

“Both our individual regions are also ambitious about building on existing assets through the development of their own Innovation Districts coupled with a drive and willingness to collaborate; as demonstrated by the joint commitment to develop a NW AMRC (Advanced Manufacturing Research Centre) with private sector partners in the aerospace, automotive and energy supply chain sectors”.

“The SIA also talks about productivity, competitiveness and winning work. To achieve this we need not only industrial investment and participation in skills, innovation assets and SME supply chains but we also need strategic ownership, vision and funding from Government to lead the charge”.

“This SIA provides a robust picture of innovation, industrial excellence and world-class research and I am confident that the other SIAs conducted across the UK will also show the same. What we need now is a cutting-edge national strategy to help regions like ours to deliver real change which will create economic growth and with it the jobs and opportunities which are so crucial for all in our communities”.

Professor Sir Keith Burnett, CBE, FRS, FRSW
Vice-Chancellor of the University of Sheffield

1. Introduction & context

In Autumn 2015 the UK Government announced regional Science and Innovation Audits (SIAs) to catalyse a new approach to regional economic development. SIAs enable local consortia to focus on analysing regional strengths and identify mechanisms to realise their potential. In the Sheffield City Region (SCR) and Lancashire a consortium was formed to focus on our strength in high value manufacturing. This report presents the results which include broad-ranging analysis of the audit region's capabilities, the challenges and the substantial opportunities for future economic growth.

The context for this audit is set by a UK-wide economic problem: stagnation of productivity growth since 2008. The audit region of Sheffield City Region (SCR) and Lancashire contributes to this; regional productivity is well below the average for England.

This regional productivity gap has been attributed to three factors[1]: structural change in the economy through a shift away from manufacturing to lower productivity activities; a skills problem; and not enough innovation and entrepreneurship. This audit proposes concrete and substantive measures in response to each of these issues.

The two Local Enterprise Partnership (LEP) areas comprising the Audit region share a specialism in high value manufacturing (HVM) in key sectors of *aerospace, energy* (particularly *nuclear*), transport (particularly *rail)*, and *health technology.* Manufacturing capability in these sectors makes a key contribution to the economy of the wider North. The audit finds that there is a highly complementary range of globally significant research excellence between the two regions, as well as successful and established innovation assets that underpin this industrial capability.

But manufacturing is changing. The full integration of digital capabilities in manufacturing – often referred to as *'Industry 4.0'* - and adoption of new materials and manufacturing processes, will drive high productivity growth in businesses able to adopt them.

The hypothesis tested by this audit is that ***the region has the necessary underpinning research and innovation assets in relevant areas of engineering, digital and data science to underpin a transformation in the performance of the region's manufacturing base.***

Translational research facilities are crucially important for the spread of new technologies, especially to the Small and Medium Sized Enterprises (SMEs) that are such an important part of the regional economy. The capacity for excellent management and leadership will be no less important, together with a system for developing technical skills at all levels, especially those digital skills that will drive Industry 4.0.

There is a growing consensus on the need to work collaboratively across the audit region, as a partnership between private and public sectors, to capitalise on the assets already in place within and between the two LEP areas by realising the potential of the region's high value manufacturing to drive economic growth and to close the productivity gap with the most prosperous parts of the UK. Significant initiatives have already begun with this goal in mind.

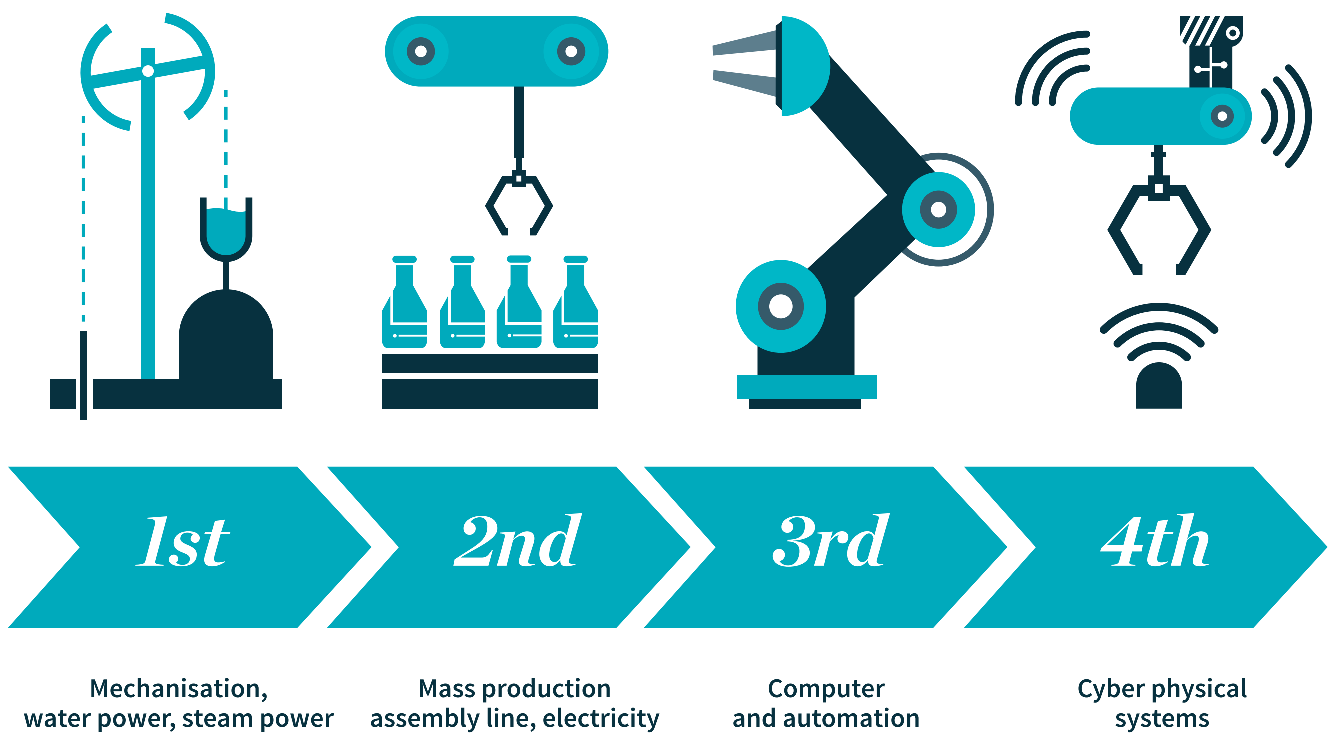
The vision presented here is of a *"Northern Advanced Manufacturing Innovation Corridor",* bringing existing, emerging and new science and innovation assets and programmes into collaboration with industry to drive productivity growth in advanced manufacturing and key linked sectors across the region to world-class levels.

The opportunity is to invest in key schemes which will enable the region to deliver innovation so the UK can maximise the benefits of Industry 4.0.

[1] Transport for the North, Independent Economic Review of the Northern Powerhouse, 2016.
The five work-stream reports are available from the SQW website here: www.sqw.co.uk/insights-and-publications/northern-powerhouse-independent-economic-review/

> " Between the geographies of the Sheffield City Region and Lancashire lies a unique opportunity. One which the UK economy desperately needs. Here lie the components required to equip the UK to deliver the vision of the 4th industrial revolution, Industry 4.0. "

Professor Sir Keith Burnett, CBE, FRS, FRSW
Vice-Chancellor of the University of Sheffield



The vision presented here is of a "Northern Advanced Manufacturing Innovation Corridor", bringing existing, emerging and new science and innovation assets and programmes into collaboration with industry to drive productivity growth in advanced manufacturing and key linked sectors across the region to world-class levels.

2. The vision

The region has the elements required to be a globally significant centre for innovation and translational research, ensuring the rapid take-up in manufacturing industry of new materials and processes, new business models and the ubiquitous digital technologies of Industry 4.0. The resulting resurgence in high value manufacturing will drive productivity growth and strengthen the economy of the region, the wider North, and the UK more generally.

The suggested investments will build on an already strong base of existing and emergent science and innovation infrastructure and programmes, as follows:

- build on existing outstanding translational research assets (£207m research grant income per year [2])
- join up the skills landscape across the region from apprenticeships to Higher Education (HE) (sector-leading schemes already in place, in partnership with the key industrial sectors)
- develop excellent leadership and management, and support new enterprise and entrepreneurship (the HE sector leader in business and management is within the audit region, and has particular strengths in advanced manufacturing and SME engagement)
- support the internationalisation of the business base (innovation assets in the region have strong global links and are already being replicated in Korea, the US and China)
- expand the research base in areas that will be important for Industry 4.0 and the future of manufacturing (e.g. robotics, data analytics, new materials and processes for lightweighting, resource efficiency, leadership and management)

Strategic delivery of the vision will build on initiatives already taking place within and between the two LEP areas, based on the ***Advanced Manufacturing Innovation District (AMID) concept*** which recognises the need for a 'whole-place' approach to the development of innovation ecosystems.

Successful delivery of an Innovation District requires a high level of interconnected physical, economic and networking assets. The audit has considered the existence of these and has concluded that there is significant strength in each of the three areas, but a need to further develop and raise the performance of networking assets within and between the two regions.

Advanced Manufacturing Innovation Districts are being developed at each end of the proposed corridor (Sheffield/Rotherham boundary and Salmesbury, near Preston), and there is a need to connect the two.

The North West AMRC at Salmesbury, which links to the University of Central Lancashire's (UCLan) Engineering Innovation Centre, is the first substantial project which will begin to achieve this, and will formalise the link between the two Innovation Districts as it represents a formal partnership between Lancaster and Sheffield Universities

Success in implementing this vision will be demonstrated by:

- more rapid adoption of new technology by the existing industry base, particularly SMEs
- greater proportion of businesses led and managed at the highest level
- increased rate of formation of innovative new companies, and enhanced growth of existing businesses
- inward investment by multinational manufacturing companies at the technological frontier
- broad skills base, talented people attracted to and retained in the region
- growing high value services sector in support of manufacturing
- enhanced regional export performance and international collaborations
- significant and measurable improvement in productivity outcomes across our advanced manufacturing sectors and throughout the regional economy

[2] HESA research income for 2014-15, from HEIDI.

3. Key strengths

HE research base	Public sector R&D facilities
• Six universities: £207m of grant research income (2014), 90% of research internationally recognised or better.[3] • Tripling of engineering research income in the decade to 2014-15.[3] • REF results and research grant funding rank the University of Sheffield as a leader in the UK for engineering, and citation results illustrate the impact of its outputs globally.[3] • Research impact outperforming national averages in key underpinning areas for *Industry 4.0*, including *Human-Computer Interaction, Computer Graphics/ Computer-Aided Design, Artificial Intelligence, Ceramics and Composites, Transportation, Business and International Management.*[4]	• The National Nuclear Laboratory (based at Sellafield) has a laboratory in leased facilities at Westinghouse's Springfield plant, near Preston. • Large teaching hospitals, with many leading clinicians and academics active in collaborative research with nearby universities and the private sector. • Both Lancashire and the SCR are running NHS Test Bed programmes.

Translational research centres [5]	Private sector collaborative R&D [6]
Translational research centres bring academia together with global and regional businesses, to accelerate the adoption of new technology. Examples in the region include: • The University of Sheffield's Advanced Manufacturing Research Centre Group. £280m capex, £38m pa turnover. Includes: Factory 2050 (research/demonstration factory for Industry 4.0), AMRC with Boeing (part of the HVM Catapult), Nuclear AMRC (part of the HVM Catapult). • EPSRC National Centre for III-V Technologies at The University of Sheffield • UCLan Engineering Innovation Centre (EIC), £40m capex 7000 sq m. • Sheffield Hallam University National High Power Impulse Magnetron Sputtering Technology Centre (HIPIMS). • Lancaster University Health Innovation Campus (£167m capex, planned).	• Research intensive companies already interacting with HE sector, with a combined turnover of circa £1bn and 6,000 employees. • In 2014, BAE Systems managed overall research and development (R&D) investment of £902m, including £63m of its own funds. • Siemens has invested £3.2m in funding research at TUOS since 2009, with a further £3.6m of in kind contributions and a further £8.3m in funding for collaborative research. • Rolls-Royce is a lead partner in the University of Sheffield's AMRC with Boeing. • Significant and growing cluster of innovative design and manufacturing companies co-located with innovation assets within the Advanced Manufacturing Innovation Districts.

[3] REF 2014 results:results.ref.ac.uk, Research income: HESA research income for 2014-15, from HEIDI.
[4] SciVal (Elsevier), Field Weighted Citation Impact for publications between 2011 and 2016 as at Aug 2016income for 2014-15, from HEIDI.
[5] Internal figures from University of Sheffield, UCLan and Lancaster University
[6] Private correspondence with BAE systems and Siemens

4. Growth opportunities

The complete integration of digital technologies into manufacturing – *Industry 4.0* – will increase productivity and add value for those firms able and willing to change. Future high value manufacturing will be digital, reconfigurable, customisable and will capture more of the value chain, blurring the line with services.

Sensors and networks will gather and integrate information from products in use (**"internet of things"**). Data analytics, machine learning and artificial intelligence (AI), machine/human interfaces, automation and robotics will underpin these trends, and issues of cyber-security will be more pressing. Innovation in materials and processes will be driven by the need to reduce weight, substitute scarce materials, and design for recycling *(the "circular economy")*. Customisation will be enabled by additive manufacturing (e.g. 3D printing), and these new technologies will demand new, optimised materials.

These technologies will transform the high value manufacturing sectors that the audit region specialises in. These sectors also offer great potential for market growth.

- In ***aerospace***, demand for air travel will grow, and new aircraft will need to be greener, quieter and more economical. The development of increasingly autonomous unmanned aerial vehicles (UAVs) presents a growing niche opportunity.
- In ***nuclear energy***, the challenge lies in ensuring that a supply chain with high value UK content delivers the UK's new nuclear build programme. The development of a UK driven small modular reactor programme is a particularly important prospect that would create substantial value for manufacturers in the region.
- In ***rail***, the global market is projected to grow at 2.7% pa worldwide, with an expansion of high speed rail in the UK and elsewhere driving the adoption of new technologies, such as the need for lightweighting and advanced control systems.
- In ***healthcare technology,*** there is intense pressure to develop technological solutions to the problems of supplying healthcare affordably to an ageing population.

5. Gap analysis

The audit has revealed gaps and shortcomings in the region's skills and innovation landscape. Some of these have emerged from data analysis, while others have recurred in industry consultations.

- Although there are some highly innovative companies, the overall level of private sector R&D is too low. This needs to be recognised and addressed.
- The excellence of the region's translational research institutions is acknowledged, but they should operate at a larger scale across the whole audit region to meet fully the demands and needs of the regional industrial base.
- There is a recognition of the excellence of the region's academic research base, but more could be done to connect this to regional industry. Areas in which the research base should be further strengthened include data analytics and cyber-security as applied to manufacturing problems.
- There is a widespread consensus that skills remain a problem. This includes intermediate technical skills and graduate attraction and retention.

6. Ambition, investment and growth opportunities

The audit's conclusions on the region's strengths, the relevant technological and market opportunities, and its gaps indicate the steps that need to be taken to realise the vision of a high value manufacturing sector revitalised through innovation and skills. The overall goal is an Advanced Manufacturing Innovation Corridor in which the widespread adoption of Industry 4.0 and the embracing of innovative materials and processes creates value and drives productivity growth.

Capital science and innovation infrastructure	Talent attraction, development and retention
Establish the **Northern Advanced Manufacturing Innovation Corridor** from Sheffield's Advanced Manufacturing Innovation District to the Lancashire Advanced Manufacturing Innovation District at Salmesbury, anchored by the Northwest AMRC. Further capital science and innovation infrastructure opportunities include: • Lightweighting Centre • Robotics and Autonomous Systems translational research centre • Data analytics for manufacturing, through strengthened links to the national Alan Turing Institute.	A **pan-Northern skills programme** to support the requirements of advanced manufacturing businesses and complementary aligned sectors for the emergent new skills needs of Industry 4.0. This will enthuse the younger generation and create a talent pipeline, tackle challenges around replacement demand for highly technical skills, mitigate risks around an ageing workforce and help to retain talent in the North. **New enterprise support will be provided** for advanced manufacturing, and linked industries will create the ambitious entrepreneurs and high growth businesses of the future.
Northern innovation support	**Northern productivity academy**
Collective innovation programmes (advanced manufacturing, digital, data science, cyber-security, robotics, eco-innovation, health and care, management, innovation) to link SME and corporate agendas to build resilient supply and value chains. Develop a **Northern Powerhouse nuclear supply chain productivity/innovation support programme** for the **Small Modular Reactor** (nuclear) growth opportunity.	Establish a **Northern Powerhouse Productivity Academy** to drive the transformational leadership and management change required to make a significant impact on the region's productivity and innovation behaviours. This builds on Lancaster's involvement through its partnership with BAE Systems on the Government's Productivity Leadership Group and a pilot Leadership for Productivity Programme under development.
Support for internationalisation	
Deliver support for internationalisation exploiting regional HE and industrial networks and partnerships, working with the LEPs and UKTI etc. Explore the potential for a **Northern International Catalyst Programme** building on Lancaster China Catalyst Programme, SCR internationalisation programmes.	

7. Networking, collaboration, and the added value of the SIA process

The SIA process has been a highly positive and successful one, with momentum and enthusiasm building over time as stakeholders have become more engaged and inspired. Partner representatives from across all of the pan-regional universities, and key RTOs, science parks, incubators, the NHS and industry have provided constructive 'check and challenge' throughout, whilst the assembled qualitative and quantitative data have ensured that the resulting SIA Framework is grounded in robust evidence.

In addition to the bottom-up data analyses and desk-based review work that has informed the region's science and innovation thinking, the open and inclusive process used to shape the SCR and Lancashire SIA Framework has itself delivered significant added value. Existing linkages have been enhanced, new relationships developed, and 'hidden' synergies and complementarities brought to the fore.

Whilst we must recognise that the collaborative working and common approaches evident across the two sub-regions are still very much in their infancy, the level of trust, shared commitment and ambition that now exists augurs well for both the two sub-regions (SCR and Lancashire), as well as the wider Northern Powerhouse. Indeed, it has become clear across the region's different partnership structures through recent discussions that the SIA process has already started to deliver beneficial impacts on the localised innovation systems and we are confident that it will leave a lasting legacy of a more outward-facing growth agenda. Notable aspects of our SIA process include:

- The first Northern Advanced Manufacturing Innovation Corridor collaboration - a new partnership formed between the Universities of Lancaster and Sheffield to establish a Northwest AMRC on the Salmesbury Enterprise Zone (EZ) in Lancashire, focused on supporting advanced manufacturing supply chains and driving productivity improvements in regional SMEs
- Agreement by BAE Systems, Rolls Royce, Siemens and the Lancashire LEP to fund a pilot Leadership and Management Programme under the Productivity Academy for mid-small supply chain businesses to be delivered by Lancaster University in early 2017
- SIA consultation workshops held in Lancashire in January and August 2016, with a mix of university, industry and Research and Technology Organisation (RTO) representatives in attendance. The events provided excellent networking opportunities and there was strong support for the emerging SIA framework
- A programme of primary research through in-depth consultations with 24 major advanced manufacturing firms and representative bodies active within the two sub-regional geographies. This work has helped to promote and champion existing growth plans, identify cross-sectoral synergies, common challenges and opportunities
- A meeting with the Greater Manchester and East Cheshire SIA leadership team held in July 2016 in Manchester, to share lessons and good practice, as well as exploring opportunities for increased joint-working in relation to high value manufacturing and Industry 4.0 thinking.
- Discussion with colleagues in the Midlands Engine SIA in September 2016 regarding the complementarities in advanced manufacturing broadly and particularly in rail, where the existing Doncaster involvement in the Birmingham-based National College for High Speed Rail could be a nucleus for further collaboration in Next Generation Transport.

This report was produced for the Department for Business, Energy and Industrial Strategy. The consortium overseeing the audit represents the key innovation partners in the Sheffield City Region and Lancashire Local Enterprise Partnership areas.

Department for Business, Energy & Industrial Strategy

BAE SYSTEMS
INSPIRED WORK

Lancashire Enterprise Partnership

Lancaster University

Sheffield City Region

Sheffield Hallam University

uclan

The University Of Sheffield.

INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

SCIENCE AND INNOVATION AUDIT

The Sheffield City Region (SCR), in conjunction with Lancashire LEP, was one of five LEP regions to be shortlisted by Government to undertake a first round Science and Innovation Audit (SIA). The purpose of SIAs is to analyse and evidence regional strengths, and identify mechanisms to help realise their potential.

Our SIA was submitted to Government in September 2016. It demonstrates the SCR's global leader status in high value manufacturing as part of a broader 'Northern Advanced Manufacturing Corridor' that stretches to Lancashire. Our high value manufacturing strengths are especially noted in sectors such as aerospace, medical technologies, rail and nuclear energy.

Whilst we anticipate some form of national response to the first round of SIA submissions, it was agreed by the LEP Board at its meeting in September 2016 that the SCR needed to develop its own local response to this and nominated Julie Kenny CBE as the lead LEP Board Member. This report summarises the key findings of the SIA and the implications for the SCR's infrastructure agenda.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

Executive Boards do not make decisions on behalf of the CA therefore reports to this Boards are not made available under the Combined Authority Publication Scheme. This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

The SCR response to our Science and Innovation Audit is cross-cutting in nature. The Infrastructure Executive Board is recommended to consider the implications of this Audit for the infrastructure agenda. The full implications of the Science and Innovation Audit will be considered by each of the SCR's respective Executive Boards with a fully comprehensive report being considered by the LEP and Combined Authority once all of the Executive Boards have had an opportunity to consider and debate the implications for their respective agendas.

1. Introduction

1.1 The Sheffield City Region (SCR), in conjunction with Lancashire LEP, was one of five LEP regions to be shortlisted by Government to undertake a first round Science and Innovation Audit (SIA). The purpose of SIAs is to analyse and evidence regional strengths, and identify mechanisms to help realise their potential.

1.2 Our SIA was submitted to Government in September 2016. It demonstrates the SCR's global leader status in high value manufacturing as part of a broader '**Northern Advanced Manufacturing Corridor**' that stretches to Lancashire. Our high value manufacturing strengths are especially noted in sectors such as aerospace, medical technologies, rail and nuclear energy.

1.3 Whilst we anticipate some form of national response to the first round of SIA submissions, it was agreed by the LEP Board at its meeting in September 2016 that the SCR needed to develop its own local response to this and nominated Julie Kenny CBE as the lead LEP Board Member. This report summarises the key findings of the SIA and the implications for the SCR's infrastructure agenda.

2. Proposal and justification

2.1 Our SIA describes the changing nature of manufacturing through the ever-increasing integration and incorporation of digital technologies into the high value manufacturing process. These 'Industry 4.0' principles, or the fourth industrial revolution, form the next generation of manufacturing technologies and includes cyber-physical systems, 'the internet of things' and cloud computing.

2.2 Our SIA shows the SCR has:

- a lot of the key components and assets (e.g. through translational research centres such as the AMRC) to bring industry and our universities together to collaborate on the next generation of manufacturing
- a strong evidence base in targeting SCR investment into priority projects and programmes that will help to stimulate productivity and economic growth
- a critical need to build on the productivity performance of the advanced engineering and manufacturing sector, particularly within SMEs, to help ensure the SCR remains globally competitive. And key to delivering this will be maximising existing and developing new collaborations between industry and our science and innovation assets.

2.3 Appendix A sets out the suggested SCR response to our SIA for the aspects that cover our infrastructure agenda. Some of the SIA findings support the approach the SCR has already taken through the strategic significance attached to the development of key infrastructure projects such as AMID.

3. Consideration of alternative approaches

3.1 The proposal set out in this report has been developed in response to the consideration of our SIA submission by the LEP Board in September 2016. In considering and developing the SCR's response in the form of an Action Plan it was agreed that this would be developed and driven through our respective Executive Boards. This report forms the initial infrastructure aspect of this Action Plan, with a refined draft to be resubmitted at a later meeting once the Infrastructure Executive Board has had an opportunity to discuss, debate and agree the infrastructure aspects that need to form part of this Action Plan. Each of our respective Executive Boards will have an opportunity to consider the implications of the

SIA for their respective agendas and contribute. The intention is to take a finalised report and Action Plan to the LEP and CA once our Executive Boards have signed their respective aspects off.

4. Implications

4.1 Financial

The SCR SIA Action Plan will have both capital and revenue financial implications. These will need to be worked up and agreed between the SCR Executive Team and each of our respective Executive Boards in due course. The SCR SIA Action Plan will also contribute towards other important strategy documents such as the refresh of the Strategic Economic Plan and LEP prioritisation investment discussions by the LEP Board. The Science & Innovation Audit forms an important part of the evidence base for the SEP refresh and IIP delivery.

4.2 Legal

There are no legal implications arising directly from this report and legal advice will be taken on any specific legal aspects of individual initiatives going forward.

4.3 Risk Management

The successful delivery of the SIA Action Plan in relation to infrastructure is set out at Appendix A. There is a risk that a failure on the part of the SCR to develop a comprehensive, cross-cutting response to the SIA could mean investment not being directed at areas of the City Region economy where a robust evidence base indicates the SCR has comparative and competitive strengths.

4.4 Equality, Diversity and Social Inclusion

At this stage, it not envisaged that there are any equality, diversity or social inclusion implications associated with this report. However, once all Executive Boards have had the chance to input and consider the implications of the SIA across each of their respective agendas there may be a requirement to undertake an Equality Impact Assessment before the report is considered by the Combined Authority in its entirety.

5. Communications

5.1 We will be supporting the response we are likely to receive from Government in the Autumn Statement. We are also working closely with The University of Sheffield communications team to develop a proactive joint communications and PR activity to support the launch of the Science and Innovation Audit report, which we expect to happen in November 2016. The SCR Action Plan to our SIA has potential implications for our future place-marketing and branding strategy and these will need to be considered as part of our response.

6. Appendices/Annexes

A Science and Innovation Audit SCR Action Plan: Infrastructure – 'Industry 4.0' High Value Manufacturing

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

'Driving productivity growth through innovation in high value manufacturing', Sheffield City Region and Lancashire Science & Innovation Audit, October 2016
Other sources and references:

Appendix A: Science & Innovation Audit SCR Action Plan - 'Industry 4.0' High Value Manufacturing

Theme: Infrastructure	The SIA identifies that…	Therefore the SCR needs to…	This could mean…	And success will mean…
	• The SCR has key physical and translational assets including: • AMID • Factory 2050 • AMRC with Boeing • Nuclear AMRC • AMRC Training Centre • DSA • AWRC • There are strong examples of translational research centres which bring academia together with global and regional businesses to accelerate the adoption of new technology: • UoS AMRC Group - £280m capex, £38m pa turnover includes: Factory 2050 (research/demonstration factory for industry 4.0) • AMRC with Boeing (part of the HMV catapult) • Nuclear AMRC (part of the HMV catapult)	• Support the development of a nuclear advanced manufacturing hub that supports the global nuclear industry • Assist the Nuclear AMRC to support the development of the technologies as well as the development of the supply chains • National Centre for Robotics and Autonomous Systems (national ask of Government from the SIA) and for a major	• Support and progress AMRC Lightweighting Centre Business Case through SCR Appraisal process • Small Modular Reactors • Adds additional weight to SCR strategic priorities including AMID, DSA • Additional strategic priority to include AWRC/OLP • Next phase development of DSA based on translational research model	• Larger scale operation of our excellent translational research centres so they operate across the whole of the SCR to meet fully the demands and needs of the SCR industrial base • Investment targeted at right projects and programmes • Delivery of key strategic projects e.g. AMID, DSA, AWRC/OLP

	• The University of Sheffield hosts the EPSRC National Centre for III-V Technologies, which plays a central role in enabling world class research and capabilities in epitaxy and device fabrication • Sheffield Hallam University hosts the National High Power Impulse Magnetron Sputtering Technology Centre (HIPIMS) which enhances protection ability against harsh environments with high temperature oxidation, wear and corrosion such as aerospace and power generation gas turbines, automotive engine components, hydraulic parts, cutting tools as well as in more delicate long life environments such as biomedical implants • In relation to medical, the SCR has large teaching hospitals with many leading clinicians and academics active in collaborative research with nearby universities and the private sector • The SCR is also running NHS Test Bed programmes	element of this to be located in the AMID • Knit together global just-in-time supply chains to serve increasingly customisable manufacturing processes, including smart digitised potentially satellite linked multi-model systems for international freight with the potential for the use of autonomous delivery devices, DSA as ideal location for translational research centre modelled on AMRC to accelerate the uptake of new technology and business models in the logistics sector • Advanced Wellbeing Research Centre and Medical AMRC should be further developed in the context of the private sector/NHS/academic partnerships established to accelerate the development and uptake of cost-saving technology in our health and social care sectors		

Driving productivity growth through innovation in high value manufacturing

Summary report

A Science and Innovation Audit report sponsored by the Department for Business, Energy & Industrial Strategy

October 2016

"The SIA priority focus areas are essential to enable UK industry to keep pace with its competition and position the north of England as a continued global sector leader in advanced engineering and manufacturing."

David Holmes

MAI Manufacturing Operations Director, Military Air & Information, BAE Systems plc

Foreword

"The Science and Innovation Audit is a vital mechanism to ensure that much needed investment is targeted at the priority projects and programmes that will stimulate productivity and economic growth in Lancashire, Sheffield and across the Northern Powerhouse region."

"There is a critical need to build on the productivity performance of the advanced engineering & manufacturing sector, particularly within SMEs, to ensure we remain globally competitive. Key to delivering this will be maximising existing and developing new collaborations between industry and our science and innovation assets. This successful formula can be seen in practice with the emerging Northern Advanced Manufacturing Innovation Corridor and how this SIA drives new and better partnerships to deliver what's required."

"The pace of change within advanced manufacturing technologies is constantly accelerating and the UK's global competitors are well placed to take advantage of the potential benefits that step changes such as Industry 4.0 present. The SIA priority focus areas are essential to enable UK industry to keep pace with its competition and position the north of England as a continued global sector leader in advanced engineering and manufacturing."

David Holmes
MAI Manufacturing Operations Director, Military Air & Information, BAE Systems plc

"Between the geographies of the Sheffield City Region and Lancashire lies a unique opportunity. One which the UK economy desperately needs. Here lie the components required to equip the UK to deliver the vision of the 4th industrial revolution, Industry 4.0. Within our existing Northern Advanced Manufacturing Innovation Corridor, we have strong high value manufacturing industrial bases, innovative excellence, world-class science and multi-level skills training; ensuring that the region is ready to bring the right skills, people and technology to close the productivity gap not just for the North but for the UK as a whole".

"Both our individual regions are also ambitious about building on existing assets through the development of their own Innovation Districts coupled with a drive and willingness to collaborate; as demonstrated by the joint commitment to develop a NW AMRC (Advanced Manufacturing Research Centre) with private sector partners in the aerospace, automotive and energy supply chain sectors".

"The SIA also talks about productivity, competitiveness and winning work. To achieve this we need not only industrial investment and participation in skills, innovation assets and SME supply chains but we also need strategic ownership, vision and funding from Government to lead the charge".

"This SIA provides a robust picture of innovation, industrial excellence and world-class research and I am confident that the other SIAs conducted across the UK will also show the same. What we need now is a cutting-edge national strategy to help regions like ours to deliver real change which will create economic growth and with it the jobs and opportunities which are so crucial for all in our communities".

Professor Sir Keith Burnett, CBE, FRS, FRSW
Vice-Chancellor of the University of Sheffield

1. Introduction & context

In Autumn 2015 the UK Government announced regional Science and Innovation Audits (SIAs) to catalyse a new approach to regional economic development. SIAs enable local consortia to focus on analysing regional strengths and identify mechanisms to realise their potential. In the Sheffield City Region (SCR) and Lancashire a consortium was formed to focus on our strength in high value manufacturing. This report presents the results which include broad-ranging analysis of the audit region's capabilities, the challenges and the substantial opportunities for future economic growth.

The context for this audit is set by a UK-wide economic problem: stagnation of productivity growth since 2008. The audit region of Sheffield City Region (SCR) and Lancashire contributes to this; regional productivity is well below the average for England.

This regional productivity gap has been attributed to three factors[1]: structural change in the economy through a shift away from manufacturing to lower productivity activities; a skills problem; and not enough innovation and entrepreneurship. This audit proposes concrete and substantive measures in response to each of these issues.

The two Local Enterprise Partnership (LEP) areas comprising the Audit region share a specialism in high value manufacturing (HVM) in key sectors of *aerospace, energy* (particularly *nuclear*), transport (particularly *rail*), and *health technology.* Manufacturing capability in these sectors makes a key contribution to the economy of the wider North. The audit finds that there is a highly complementary range of globally significant research excellence between the two regions, as well as successful and established innovation assets that underpin this industrial capability.

But manufacturing is changing. The full integration of digital capabilities in manufacturing – often referred to as *'Industry 4.0'* - and adoption of new materials and manufacturing processes, will drive high productivity growth in businesses able to adopt them.

The hypothesis tested by this audit is that ***the region has the necessary underpinning research and innovation assets in relevant areas of engineering, digital and data science to underpin a transformation in the performance of the region's manufacturing base.***

Translational research facilities are crucially important for the spread of new technologies, especially to the Small and Medium Sized Enterprises (SMEs) that are such an important part of the regional economy. The capacity for excellent management and leadership will be no less important, together with a system for developing technical skills at all levels, especially those digital skills that will drive Industry 4.0.

There is a growing consensus on the need to work collaboratively across the audit region, as a partnership between private and public sectors, to capitalise on the assets already in place within and between the two LEP areas by realising the potential of the region's high value manufacturing to drive economic growth and to close the productivity gap with the most prosperous parts of the UK. Significant initiatives have already begun with this goal in mind.

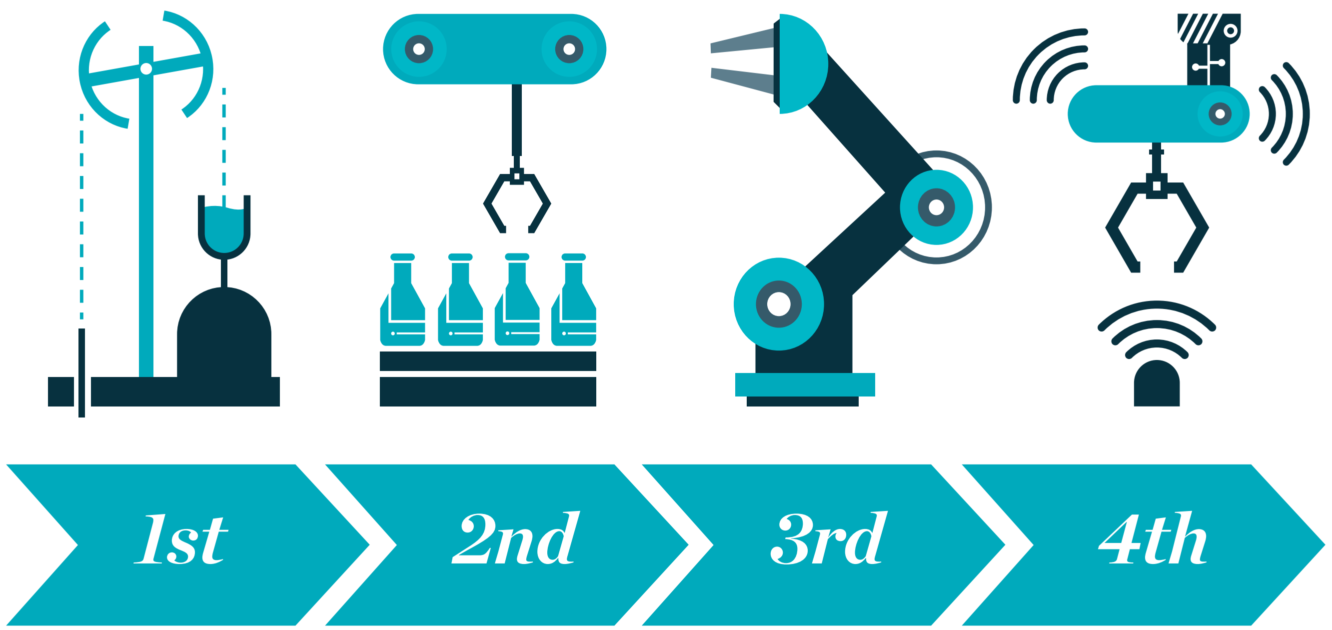
The vision presented here is of a *"Northern Advanced Manufacturing Innovation Corridor",* bringing existing, emerging and new science and innovation assets and programmes into collaboration with industry to drive productivity growth in advanced manufacturing and key linked sectors across the region to world-class levels.

The opportunity is to invest in key schemes which will enable the region to deliver innovation so the UK can maximise the benefits of Industry 4.0.

[1] Transport for the North, Independent Economic Review of the Northern Powerhouse, 2016.
The five work-stream reports are available from the SQW website here: www.sqw.co.uk/insights-and-publications/northern-powerhouse-independent-economic-review/

> " Between the geographies of the Sheffield City Region and Lancashire lies a unique opportunity. One which the UK economy desperately needs. Here lie the components required to equip the UK to deliver the vision of the 4th industrial revolution, Industry 4.0. "

Professor Sir Keith Burnett, CBE, FRS, FRSW
Vice-Chancellor of the University of Sheffield



Mechanisation, water power, steam power

Mass production assembly line, electricity

Computer and automation

Cyber physical systems

The vision presented here is of a "Northern Advanced Manufacturing Innovation Corridor", bringing existing, emerging and new science and innovation assets and programmes into collaboration with industry to drive productivity growth in advanced manufacturing and key linked sectors across the region to world-class levels.

2. The vision

The region has the elements required to be a globally significant centre for innovation and translational research, ensuring the rapid take-up in manufacturing industry of new materials and processes, new business models and the ubiquitous digital technologies of Industry 4.0. The resulting resurgence in high value manufacturing will drive productivity growth and strengthen the economy of the region, the wider North, and the UK more generally.

The suggested investments will build on an already strong base of existing and emergent science and innovation infrastructure and programmes, as follows:

- build on existing outstanding translational research assets (£207m research grant income per year [2])
- join up the skills landscape across the region from apprenticeships to Higher Education (HE) (sector-leading schemes already in place, in partnership with the key industrial sectors)
- develop excellent leadership and management, and support new enterprise and entrepreneurship (the HE sector leader in business and management is within the audit region, and has particular strengths in advanced manufacturing and SME engagement)
- support the internationalisation of the business base (innovation assets in the region have strong global links and are already being replicated in Korea, the US and China)
- expand the research base in areas that will be important for Industry 4.0 and the future of manufacturing (e.g. robotics, data analytics, new materials and processes for lightweighting, resource efficiency, leadership and management)

Strategic delivery of the vision will build on initiatives already taking place within and between the two LEP areas, based on the ***Advanced Manufacturing Innovation District (AMID) concept*** which recognises the need for a 'whole-place' approach to the development of innovation ecosystems.

Successful delivery of an Innovation District requires a high level of interconnected physical, economic and networking assets. The audit has considered the existence of these and has concluded that there is significant strength in each of the three areas, but a need to further develop and raise the performance of networking assets within and between the two regions.

Advanced Manufacturing Innovation Districts are being developed at each end of the proposed corridor (Sheffield/Rotherham boundary and Salmesbury, near Preston), and there is a need to connect the two.

The North West AMRC at Salmesbury, which links to the University of Central Lancashire's (UCLan) Engineering Innovation Centre, is the first substantial project which will begin to achieve this, and will formalise the link between the two Innovation Districts as it represents a formal partnership between Lancaster and Sheffield Universities

Success in implementing this vision will be demonstrated by:

- more rapid adoption of new technology by the existing industry base, particularly SMEs
- greater proportion of businesses led and managed at the highest level
- increased rate of formation of innovative new companies, and enhanced growth of existing businesses
- inward investment by multinational manufacturing companies at the technological frontier
- broad skills base, talented people attracted to and retained in the region
- growing high value services sector in support of manufacturing
- enhanced regional export performance and international collaborations
- significant and measurable improvement in productivity outcomes across our advanced manufacturing sectors and throughout the regional economy

[2] HESA research income for 2014-15, from HEIDI.

3. Key strengths

HE research base	Public sector R&D facilities
• Six universities: £207m of grant research income (2014), 90% of research internationally recognised or better.[3] • Tripling of engineering research income in the decade to 2014-15.[3] • REF results and research grant funding rank the University of Sheffield as a leader in the UK for engineering, and citation results illustrate the impact of its outputs globally.[3] • Research impact outperforming national averages in key underpinning areas for *Industry 4.0*, including *Human-Computer Interaction, Computer Graphics/ Computer-Aided Design, Artificial Intelligence, Ceramics and Composites, Transportation, Business and International Management.*[4]	• The National Nuclear Laboratory (based at Sellafield) has a laboratory in leased facilities at Westinghouse's Springfield plant, near Preston. • Large teaching hospitals, with many leading clinicians and academics active in collaborative research with nearby universities and the private sector. • Both Lancashire and the SCR are running NHS Test Bed programmes.

Translational research centres [5]	Private sector collaborative R&D [6]
Translational research centres bring academia together with global and regional businesses, to accelerate the adoption of new technology. Examples in the region include: • The University of Sheffield's Advanced Manufacturing Research Centre Group. £280m capex, £38m pa turnover. Includes: Factory 2050 (research/demonstration factory for Industry 4.0), AMRC with Boeing (part of the HVM Catapult), Nuclear AMRC (part of the HVM Catapult). • EPSRC National Centre for III-V Technologies at The University of Sheffield • UCLan Engineering Innovation Centre (EIC), £40m capex 7000 sq m. • Sheffield Hallam University National High Power Impulse Magnetron Sputtering Technology Centre (HIPIMS). • Lancaster University Health Innovation Campus (£167m capex, planned).	• Research intensive companies already interacting with HE sector, with a combined turnover of circa £1bn and 6,000 employees. • In 2014, BAE Systems managed overall research and development (R&D) investment of £902m, including £63m of its own funds. • Siemens has invested £3.2m in funding research at TUOS since 2009, with a further £3.6m of in kind contributions and a further £8.3m in funding for collaborative research. • Rolls-Royce is a lead partner in the University of Sheffield's AMRC with Boeing. • Significant and growing cluster of innovative design and manufacturing companies co-located with innovation assets within the Advanced Manufacturing Innovation Districts.

[3] REF 2014 results:results.ref.ac.uk, Research income: HESA research income for 2014-15, from HEIDI.
[4] SciVal (Elsevier), Field Weighted Citation Impact for publications between 2011 and 2016 as at Aug 2016income for 2014-15, from HEIDI.
[5] Internal figures from University of Sheffield, UCLan and Lancaster University
[6] Private correspondence with BAE systems and Siemens

4. Growth opportunities

The complete integration of digital technologies into manufacturing – *Industry 4.0* – will increase productivity and add value for those firms able and willing to change. Future high value manufacturing will be digital, reconfigurable, customisable and will capture more of the value chain, blurring the line with services.

Sensors and networks will gather and integrate information from products in use (**"internet of things"**). Data analytics, machine learning and artificial intelligence (AI), machine/human interfaces, automation and robotics will underpin these trends, and issues of cyber-security will be more pressing. Innovation in materials and processes will be driven by the need to reduce weight, substitute scarce materials, and design for recycling *(the "circular economy")*. Customisation will be enabled by additive manufacturing (e.g. 3D printing), and these new technologies will demand new, optimised materials.

These technologies will transform the high value manufacturing sectors that the audit region specialises in. These sectors also offer great potential for market growth.

- In ***aerospace***, demand for air travel will grow, and new aircraft will need to be greener, quieter and more economical. The development of increasingly autonomous unmanned aerial vehicles (UAVs) presents a growing niche opportunity.
- In ***nuclear energy***, the challenge lies in ensuring that a supply chain with high value UK content delivers the UK's new nuclear build programme. The development of a UK driven small modular reactor programme is a particularly important prospect that would create substantial value for manufacturers in the region.
- In ***rail***, the global market is projected to grow at 2.7% pa worldwide, with an expansion of high speed rail in the UK and elsewhere driving the adoption of new technologies, such as the need for lightweighting and advanced control systems.
- In ***healthcare technology,*** there is intense pressure to develop technological solutions to the problems of supplying healthcare affordably to an ageing population.

5. Gap analysis

The audit has revealed gaps and shortcomings in the region's skills and innovation landscape. Some of these have emerged from data analysis, while others have recurred in industry consultations.

- Although there are some highly innovative companies, the overall level of private sector R&D is too low. This needs to be recognised and addressed.
- The excellence of the region's translational research institutions is acknowledged, but they should operate at a larger scale across the whole audit region to meet fully the demands and needs of the regional industrial base.
- There is a recognition of the excellence of the region's academic research base, but more could be done to connect this to regional industry. Areas in which the research base should be further strengthened include data analytics and cyber-security as applied to manufacturing problems.
- There is a widespread consensus that skills remain a problem. This includes intermediate technical skills and graduate attraction and retention.

6. Ambition, investment and growth opportunities

The audit's conclusions on the region's strengths, the relevant technological and market opportunities, and its gaps indicate the steps that need to be taken to realise the vision of a high value manufacturing sector revitalised through innovation and skills. The overall goal is an Advanced Manufacturing Innovation Corridor in which the widespread adoption of Industry 4.0 and the embracing of innovative materials and processes creates value and drives productivity growth.

Capital science and innovation infrastructure

Establish the **Northern Advanced Manufacturing Innovation Corridor** from Sheffield's Advanced Manufacturing Innovation District to the Lancashire Advanced Manufacturing Innovation District at Salmesbury, anchored by the Northwest AMRC.

Further capital science and innovation infrastructure opportunities include:

- Lightweighting Centre
- Robotics and Autonomous Systems translational research centre
- Data analytics for manufacturing, through strengthened links to the national Alan Turing Institute.

Talent attraction, development and retention

A **pan-Northern skills programme** to support the requirements of advanced manufacturing businesses and complementary aligned sectors for the emergent new skills needs of Industry 4.0. This will enthuse the younger generation and create a talent pipeline, tackle challenges around replacement demand for highly technical skills, mitigate risks around an ageing workforce and help to retain talent in the North.

New enterprise support will be provided for advanced manufacturing, and linked industries will create the ambitious entrepreneurs and high growth businesses of the future.

Northern innovation support

Collective innovation programmes (advanced manufacturing, digital, data science, cyber-security, robotics, eco-innovation, health and care, management, innovation) to link SME and corporate agendas to build resilient supply and value chains.

Develop a **Northern Powerhouse nuclear supply chain productivity/innovation support programme** for the **Small Modular Reactor** (nuclear) growth opportunity.

Northern productivity academy

Establish a **Northern Powerhouse Productivity Academy** to drive the transformational leadership and management change required to make a significant impact on the region's productivity and innovation behaviours. This builds on Lancaster's involvement through its partnership with BAE Systems on the Government's Productivity Leadership Group and a pilot Leadership for Productivity Programme under development.

Support for internationalisation

Deliver support for internationalisation exploiting regional HE and industrial networks and partnerships, working with the LEPs and UKTI etc.

Explore the potential for a **Northern International Catalyst Programme** building on Lancaster China Catalyst Programme, SCR internationalisation programmes.

7. Networking, collaboration, and the added value of the SIA process

The SIA process has been a highly positive and successful one, with momentum and enthusiasm building over time as stakeholders have become more engaged and inspired. Partner representatives from across all of the pan-regional universities, and key RTOs, science parks, incubators, the NHS and industry have provided constructive 'check and challenge' throughout, whilst the assembled qualitative and quantitative data have ensured that the resulting SIA Framework is grounded in robust evidence.

In addition to the bottom-up data analyses and desk-based review work that has informed the region's science and innovation thinking, the open and inclusive process used to shape the SCR and Lancashire SIA Framework has itself delivered significant added value. Existing linkages have been enhanced, new relationships developed, and 'hidden' synergies and complementarities brought to the fore.

Whilst we must recognise that the collaborative working and common approaches evident across the two sub-regions are still very much in their infancy, the level of trust, shared commitment and ambition that now exists augurs well for both the two sub-regions (SCR and Lancashire), as well as the wider Northern Powerhouse. Indeed, it has become clear across the region's different partnership structures through recent discussions that the SIA process has already started to deliver beneficial impacts on the localised innovation systems and we are confident that it will leave a lasting legacy of a more outward-facing growth agenda. Notable aspects of our SIA process include:

- The first Northern Advanced Manufacturing Innovation Corridor collaboration - a new partnership formed between the Universities of Lancaster and Sheffield to establish a Northwest AMRC on the Salmesbury Enterprise Zone (EZ) in Lancashire, focused on supporting advanced manufacturing supply chains and driving productivity improvements in regional SMEs
- Agreement by BAE Systems, Rolls Royce, Siemens and the Lancashire LEP to fund a pilot Leadership and Management Programme under the Productivity Academy for mid-small supply chain businesses to be delivered by Lancaster University in early 2017
- SIA consultation workshops held in Lancashire in January and August 2016, with a mix of university, industry and Research and Technology Organisation (RTO) representatives in attendance. The events provided excellent networking opportunities and there was strong support for the emerging SIA framework
- A programme of primary research through in-depth consultations with 24 major advanced manufacturing firms and representative bodies active within the two sub-regional geographies. This work has helped to promote and champion existing growth plans, identify cross-sectoral synergies, common challenges and opportunities
- A meeting with the Greater Manchester and East Cheshire SIA leadership team held in July 2016 in Manchester, to share lessons and good practice, as well as exploring opportunities for increased joint-working in relation to high value manufacturing and Industry 4.0 thinking.
- Discussion with colleagues in the Midlands Engine SIA in September 2016 regarding the complementarities in advanced manufacturing broadly and particularly in rail, where the existing Doncaster involvement in the Birmingham-based National College for High Speed Rail could be a nucleus for further collaboration in Next Generation Transport.

This report was produced for the Department for Business, Energy and Industrial Strategy. The consortium overseeing the audit represents the key innovation partners in the Sheffield City Region and Lancashire Local Enterprise Partnership areas.

Department for Business, Energy & Industrial Strategy

BAE SYSTEMS
INSPIRED WORK

Lancashire Enterprise Partnership

Lancaster University

Sheffield City Region

Sheffield Hallam University

uclan

The University Of Sheffield.

INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

AUTUMN STATEMENT AND GOVERNMENT STRATEGIES

Purpose of Report

The Chancellor delivered the new Government's first Autumn Statement on 23 November 2016. A central theme running through the Statement was on improving the country's long-term productivity with measures focused on investment in infrastructure and innovation. This report seeks to provide an overview of these proposals as they relate to the economic growth of the City Region and specifically infrastructure. Of particular significance is the creation of a £23bn National Productivity Innovation Fund; a £2.3bn Housing Infrastructure Fund; £390m investment in future transport technology; £1bn investment in full-fibre broadband and trialling 5G networks and the provision of wider borrowing powers for Mayoral Combined Authorities.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

Executive Boards do not make decisions on behalf of the Combined Authority therefore reports to this Boards are not made available under the Combined Authority Publication Scheme. This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

The Infrastructure Executive Board (IEB) is asked to consider and discuss the Autumn Statement and other Strategies as well as the potential opportunities this may provide for future infrastructure investment and the Integrated Infrastructure Plan (IIP).

1. Introduction

1.1 The Government outlined its plan to improve the country's productivity through a range of economic measures on 23 November 2016. A central theme running through the Statement was on improving the country's long-term productivity with measures focused on investment in infrastructure and innovation. Whilst Government is no longer seeking to return its finances to a surplus by 2020 and is relaxing borrowing restrictions, the

Statement did not provide significant new additional funding. This in large part can be seen to reflect wider economic conditions and future growth.

1.2 Raising productivity is the central long-term economic challenge facing the UK and is a key focus of the Autumn Statement, the Northern Powerhouse Strategy and the forthcoming Industrial Strategy. Our Strategic Economic Plan has an ambition to increase productivity and generate over £3bn in GVA by 2025 and the IIP outlines the infrastructure required to meet this ambition. This report provides a high-level analysis of the key Government commitments made relating to infrastructure and the opportunities this presents to the City Region.

Autumn Statement

1.3 The Autumn Statement has identified a number of funding streams to help rebalance the economy with commitments made to a £23bn new National Productivity Innovation Fund; a £2.3bn Housing Infrastructure Fund; £390m investment in future transport technology; £1bn investment in full-fibre broadband and trialling 5G networks.

1.4 National Productivity Innovation Fund

Addressing the country's productivity challenge will require long-term change in how the economy operates. To reflect this the Chancellor set out a series of investments to try and address this issue centred on the **£23bn National Productivity Innovation Fund** (NPIF). Cumulatively the commitment of this investment in Infrastructure as part of the Statement means that the annual central government investment in economic infrastructure will increase by almost 60% from £14 billion in 2016-17 to £22 billion in 2020-21.

The NPIF will be targeted at housing; research and development (R&D); and economic infrastructure. Specifically, the breakdown fund includes the following investments, the full profile is set out an Annex A:

- £7.2 billion to support the construction of new homes;
- £4.7 billion in science and innovation;
- £2.6 billion to transport; and
- £0.7 billion to support the market to roll out full-fibre connections and future 5G communications.

1.5 Of particular note is the scale of additional investment announced for **housing** as part of the NPIF, reflecting its importance to Government. This includes confirmation of the Housing Infrastructure Fund (£23bn by 2020-21), which will be allocated to local government on a competitive basis, providing infrastructure targeted at unlocking new private house building in the areas where housing need is greatest. Additionally, the Accelerated Construction programme focused on bringing forward schemes on public sector land through partnerships with private sector developers will receive up to £2 billion of funding.

1.6 A series of investments in Regions and City Regions

Government confirmed the allocation of £1.8bn of investment through the third round of the **Local Growth Fund** (LGF3). This included the distribution of this investment between regions, rather than individual Local Enterprise Partnerships (LEPs) at this point in time. It was announced that £556m of this would be invested in the north, which represented the largest allocation in absolute terms. However, on a per capita basis the Midlands received marginally more per person than the north (37.60 compared to £36.60).

The Statement notes that the breakdown between individual LEPs will be announced over the coming months. Statements made by the Northern Powerhouse Minister in the media have indicated that the allocations of the LGF may be utilised to incentivise devolution.

Northern Powerhouse Strategy

1.7 As part of the wider suite of documents the Government published a strategy setting out an overall approach to building the Northern Powerhouse, through addressing the key barriers to productivity that the region faces. Investment will be made in transport infrastructure to improve connections between and within the North's towns, cities and counties; work with local areas to raise education and skills levels across the North; ensure the North is an excellent place to start and grow a business and maximise opportunities for trade and investment. However, the majority of the document identified existing commitments.

1.8 Consequently, there was relatively little further investment announced for the North through the Strategy. An exception to this was the award of funding to develop the business case for Sheffield Supertram Renewal, as part of the Local Majors Fund. Additionally, on the 28 November Government announced additional Local Majors funding to develop the business case for the Innovation Corridor, within the wider Advanced Manufacturing Innovation District.

1.9 Central to the connectivity theme of the Northern Powerhouse Strategy will be the development of the Strategic Transport Plan by Transport for the North. Work on this is currently underway and the SCR is inputting into this process through work done on existing documents such as the IIP.

Forthcoming Industrial Strategy

1.10 The development of the Government's Industrial Strategy is expected to have a strong linkage with priorities for funds such as the NPIF. With a green paper on the emerging Strategy expected by the end of the year the SCR will have an opportunity to put forward its priorities on the assets that it believes will drive growth.

The Industrial Strategy will broadly focus on the following elements:

- continued work towards higher productivity, including through the development of the science and research base in the UK
- **delivery of infrastructure projects**
- **increased house-building**
- continued support for regional development of cities and other economic areas outside London

The Strategy is being driven by the newly formed Department for Business, Energy and Industrial Strategy (BEIS). The Strategy, however, is still being developed, and the City Region, therefore has an opportunity to support Government to shape their plans regarding infrastructure specifically through the delivery of the IIP.

National Infrastructure Commission

1.11 The National Infrastructure Commission (NIC) will enable long term strategic decision making to build effective and efficient infrastructure for the UK and will be established as a permeant executive agency in January 2017.

The NIC has launched a 15 week call for evidence to provide input into the development of its National Infrastructure Assessment (NIA). The Commission will produce an NIA once in every Parliament, setting out the Commission's assessment of long-term economic infrastructure needs on a 30-year time horizon with recommendations to the government.

The Commission will publish a Vision and Priorities document in summer 2017. This will inform the full NIA, which will be published in 2018. As part of this call for evidence, the Commission also invites local government, LEPs and other organisations to share plans that are relevant to nationally strategic infrastructure, to help inform the evidence base for the NIA.

It is recommended that the IIP should be submitted as part of this call for evidence. The deadline for the submission is 10 February 2017.

2. Proposal and justification

2.1 The Infrastructure Executive Board (IEB) is asked to consider and discuss the opportunities presented by Autumn Statement, the Northern Powerhouse Strategy, the forthcoming Industrial Strategy and the call for Evidence by the National Infrastructure Commission for future infrastructure investment and the Integrated Infrastructure Plan (IIP).

In particular Board members are asked to consider:

- How can we engage with Government to determine the funding opportunities proposed in the Autumn Statement and the benefits this may unlock for the City Region in terms of infrastructure investment?
- Is there potential to be innovative in how we deliver future infrastructure interventions thus attracting funding?
- Are there other assets / projects that will drive growth in the SCR? Our current flagship assets are the Advanced Manufacturing Innovation District, Doncaster Sheffield Airport and Urban Centres.

It is recommended that the IIP be submitted to the Commission to help inform the evidence base for the NIA and Vision and Priorities document that will be published next summer.

2.2 There are currently a number of strategies that the Government has either published or is developing. This provides the SCR with an opportunity to present a strong voice on how we have an integrated plan to deliver infrastructure to support growth and increase productivity. There is a risk that SCR will lose out at the expense of other regions who are able to make a robust case to Government about their growth plans. SCR needs to be at the forefront of any new plans for infrastructure and innovation.

2.3 A coordinated approach and strong voice on our infrastructure ambition and investment requirements to fill the £28bn investment gap will demonstrate that the SCR has a clear, long-term strategy to deliver infrastructure to support economic growth.

3. Consideration of alternative approaches

3.1 The Government has abandoned its ambition to return finances to a surplus by 2020 and the Autumn Statement signals that spending and borrowing will increase. The allocation from the LGF is not yet clear and will be announced over the coming months, and timescales on Gainshare funding is also unclear. The impact of Brexit is also not fully clear.

3.2 This means the SCR will need to take advantage of the emerging Industrial Strategy and work more strategically with northern partners on the Northern Powerhouse Strategy. If the SCR is not proactive in this matter, there is a risk that we will lose out to other regions. Furthermore, in the likelihood of reduced Government funding, there is a need to be more innovative in how we attract and leverage in funding – the IIP presents an opportunity through future activity and commissioning to take a more innovative approach.

4. Implications

4.1 Financial

The Autumn Statement sets out a number of potential future funding opportunities for the SCR. It will be important to undertake early engagement with Government to determine the nature of these. In particular, it will be important to work with Treasury around the approach to wider borrowing powers for Mayoral Combined Authorities

4.2 Legal

None arising from this report.

4.3 Risk Management

None arising from this report.

4.4 Equality, Diversity and Social Inclusion

None arising from this report.

5. Communications

5.1 To continue publicising the IIP and our vision for future economic growth. In future, to publicise the SCR's most investable propositions.

6. Appendices/Annexes

6.1 Annex A outlines the profile for the National Productivity Investment Fund.

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

Other sources and references:
https://www.gov.uk/government/news/the-uks-first-ever-national-infrastructure-assessment-enters-its-next-phase

http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7682

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/563516/NIA_call_for_evidence_October_2017.pdf

Annex A – Profile for the National Productivity Investment Fund

	2017-18	2018-19	2019-20	2020-21	2021-22[4]
Housing					
Accelerated construction	285	635	665	380	*
Affordable housing[2]	1,120	1,125	880	340	*
Housing Infrastructure Fund	60	300	945	1,425	*
Transport					
Roads and local transport	365	500	430	650	*
Next generation vehicles	75	100	110	115	*
Digital railways enhancements	30	55	165	285	*
Cambridge-Milton Keynes-Oxford corridor	5	135	0	0	*
Digital Communications[3]					
Fibre and 5G investment	25	150	275	290	*
Research and Development					
Research and Development funding	425	820	1,500	2,000	*
Total	**2,390**	**3,820**	**4,970**	**5,485**	**7,000**

[1] Figures represent the total costs associated with the funding allocations announced at the Autumn Statement, including the impact on Devolved Administration budgets through the application of the Barnett formula.

[2] The affordable housing line includes the impact on Housing Association spending of £1.4 billion extra capital grant from central government to fund 40,000 new homes, and introducing tenure flexibility across the Affordable Homes Programme.

[3] Figures show PSGI impact of policies only, and do not include funding for the Digital Infrastructure Investment Fund.

[4] Capital budgets have not yet been set for 2021-22. Allocation of the £7 billion will be made in due course alongside wider capital budgets.

Source: HM Treasury.

INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

BUSINESS PLAN PROGRESS DASHBOARD

Purpose of Report

This report provides a progress update on key workstreams contained within the Infrastructure Executive Board (IEB) Business Plan.

All activity within the following workstreams - the Integrated Infrastructure Plan; Enterprise Zone Accelerator Fund; Property Development / JESSICA and SCRIF - are progressing but not in line with the timescales agreed in the IEB Business Plan.

A number of mitigating actions and milestones have been included in the progress dashboard which is set out in Annex A.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

The IEB is asked to note the update and provide recommendations on the progression of these key workstreams.

1. Introduction

1.1 This report provides an update on the progress across key infrastructure workstreams contained within the IEB Business Plan.

1.2 The Business Plan progress dashboard set out in Annex A is a new approach to provide members with a quick update on progression of key activity across the Integrated Infrastructure Plan; Enterprise Zone Accelerator Fund; Property Development / JESSICA and SCRIF.

1.3 Annex A outlines the following for each infrastructure workstream.

- Project / scheme / workstream
- Summary of latest position
- Traffic light rating
- Mitigating actions
- Future key milestones

1.4 The dashboard outlines that all activity is progressing but not in line with key timescales agreed by the IEB. A number of mitigating actions and milestones have been included in the progress dashboard.

1.5 This progress dashboard focuses primarily on infrastructure policy as the SCR Executive provides IEB with quarterly updates on the SCRIF programme.

Proposal and justification

2.1 Annex A provides IEB members with an update on the key activity contained with the IEB Business Plan. Activity is progressing across all workstreams; however, timescales have slipped slightly on the IIP; EZ Accelerator Fund; JESSICA investment Fund and SCRIF. Mitigating actions and future key milestones are outlined within the Annex on the options for how this activity can be progressed.

2.2 The IEB is asked to refer to Annex A and recommend further actions and discuss future milestones as appropriate.

3. Consideration of alternative approaches

3.1 This is an update paper on key IEB workstreams and therefore this section is not applicable.

4. Implications

4.1 Financial

Programmes under the scrutiny of the IEB account for the significant majority of the LGF capital programme.

Slippage on the SCRIF programme in particular has precipitated the need for the ‘early call’ commissioning process.

This process will address underspend in 2016/17 and secure this year’s Growth Deal funding. However, in accepting these projects the LGF capital programme will be significantly over-programmed in the medium-term.

Leaders have tasked the IEB with reviewing the LGF programme with a view to addressing the programme slippage and need to manage down the over-programming. These dashboards will help support this.

4.2 Legal

None arising from this report.

4.3 Risk Management

Devise risk management strategy for key policy activity going forward. Corrective action and monitoring required.

4.4 Equality, Diversity and Social Inclusion

None arising from this report.

5. Communications

5.1 None arising from this report.

6. Appendices/Annexes

6.1 Please refer *to Annex A Infrastructure Exec Board Progress Dashboard* attached as a separate document.

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

Other sources and references:

Sheffield City Region COMBINED AUTHORITY

Annex A: Business Plan Progress Tracker
[INFRASTRUCTURE EXECUTIVE BOARD]
[13 JANUARY 2017]

Project/ Scheme/ Workstream	Summary of Latest Position	Traffic Light Rating (see notes)	Mitigating Actions/ Priority & Sequencing (where required)	Future Key Milestones
Integrated Infrastructure Plan	The IIP is published and launched and progressing towards delivery phase. The IIP paper recommends SCR moves towards an IIP Delivery Framework that comprehensively captures key activity required to deliver and implement the IIP. Against the Business Plan, activity is underway but not in line with key milestones. The intention was to commission an infrastructure programme at the end of 2016, however, lack of funding has limited this progression.	**Amber**	• IDG meeting in Dec 16 to scope IIP delivery framework • IEB paper in Jan 2017 to discuss and agree IIP delivery framework • SCR Exec to identify investable propositions with fund brokers	• Paper to CEX, CA and LEP on IIP Delivery Framework • Determine timescales for future IIP commissioning • Identify nature of call(s)
Enterprise Zone Accelerator Fund	The Combined Authority has approved £5m EZ fund to progress to full approval and entering into funding agreement. The next steps are to identify and agree an investment strategy for the fund. Against the Business Plan, activity is underway but not in line with key milestones. The intention was for the first investment to be made in November 2016.	**Amber**	• IEB paper Jan 2017 to discuss and agree investment strategy for the fund	• Provide detailed analysis of each investment opportunity to determine nature and scale of funding • Appraisal and selection process to be put in place for projects that require viability funding
Property Development/ JESSICA Fund	The Combined Authority has advanced the JESSICA investment fund £15m of LGF capital to be invested as per the fund's objectives. The 18 Nov IEB meeting agreed the investment parameters / criteria to be used by JESSICA fund managers for the onward investment of the CA's loans to the Fund. Against the Business Plan, activity is underway but not in line with key milestones. The intention was for the first SCRIF loan investment to be made in November 2016.	**Amber**	• IEB paper Jan 2017 which provides an overview on the criteria for all the property development funds	• Progress paper to be presented to IEB in due course. IEB to advise if a report is required at February meeting
SCRIF	SCRIF has its own programme dashboard which is presented to the IEB on a quarterly basis. Current headlines include: • Significant slippage in current programme, spend moving to future years, creating issues with shortfall in funds in future years. Early commission process seeks to address underspend for 16/17.	**Amber**	• IEB programme review will be presented at Jan 2017 meeting. • Anticipated that 10 x FBC as part of early commission will be presented for discussion.	• IEB to agree approach following programme review in January

Annex A: Business Plan Progress Tracker
[INFRASTRUCTURE EXECUTIVE BOARD]
[13 JANUARY 2017]

Notes:
Green: Activity on track in line with the key milestones set out in the Business Plan/ agreed with the Board
Amber: Activity underway but not in line with key milestones set out in the Business Plan/ agreed with the Board
Red: Activity not progressing at this time

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INFRASTRUCTURE EXECUTIVE BOARD

16th JANUARY 2017

BUSINESS PLAN PROGRESS DASHBOARD

Purpose of Report

This report provides a progress update on key workstreams contained within the Infrastructure Executive Board (IEB) Business Plan.

All activity within the following workstreams - the Integrated Infrastructure Plan; Enterprise Zone Accelerator Fund; Property Development / JESSICA and SCRIF - are progressing but not in line with the timescales agreed in the IEB Business Plan.

A number of mitigating actions and milestones have been included in the progress dashboard which is set out in Annex A.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

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

Freedom of Information

This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

The IEB is asked to note the update and provide recommendations on the progression of these key workstreams.

1. Introduction

1.1 This report provides an update on the progress across key infrastructure workstreams contained within the IEB Business Plan.

1.2 The Business Plan progress dashboard set out in Annex A is a new approach to provide members with a quick update on progression of key activity across the Integrated Infrastructure Plan; Enterprise Zone Accelerator Fund; Property Development / JESSICA and SCRIF.

1.3 Annex A outlines the following for each infrastructure workstream.

- Project / scheme / workstream
- Summary of latest position
- Traffic light rating
- Mitigating actions
- Future key milestones

1.4 The dashboard outlines that all activity is progressing but not in line with key timescales agreed by the IEB. A number of mitigating actions and milestones have been included in the progress dashboard.

1.5 This progress dashboard focuses primarily on infrastructure policy as the SCR Executive provides IEB with quarterly updates on the SCRIF programme.

Proposal and justification

2.1 Annex A provides IEB members with an update on the key activity contained with the IEB Business Plan. Activity is progressing across all workstreams; however, timescales have slipped slightly on the IIP; EZ Accelerator Fund; JESSICA investment Fund and SCRIF. Mitigating actions and future key milestones are outlined within the Annex on the options for how this activity can be progressed.

2.2 The IEB is asked to refer to Annex A and recommend further actions and discuss future milestones as appropriate.

3. Consideration of alternative approaches

3.1 This is an update paper on key IEB workstreams and therefore this section is not applicable.

4. Implications

4.1 Financial

Programmes under the scrutiny of the IEB account for the significant majority of the LGF capital programme.

Slippage on the SCRIF programme in particular has precipitated the need for the ‘early call’ commissioning process.

This process will address underspend in 2016/17 and secure this year’s Growth Deal funding. However, in accepting these projects the LGF capital programme will be significantly over-programmed in the medium-term.

Leaders have tasked the IEB with reviewing the LGF programme with a view to addressing the programme slippage and need to manage down the over-programming. These dashboards will help support this.

4.2 Legal

None arising from this report.

4.3 Risk Management

Devise risk management strategy for key policy activity going forward. Corrective action and monitoring required.

4.4 Equality, Diversity and Social Inclusion

None arising from this report.

5. Communications

5.1 None arising from this report.

6. Appendices/Annexes

6.1 Please refer *to Annex A Infrastructure Exec Board Progress Dashboard* attached as a separate document.

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Other sources and references:

Annex A: Business Plan Progress Tracker
[INFRASTRUCTURE EXECUTIVE BOARD]
[13 JANUARY 2017]

Sheffield City Region COMBINED AUTHORITY

Project/ Scheme/ Workstream	Summary of Latest Position	Traffic Light Rating (see notes)	Mitigating Actions/ Priority & Sequencing (where required)	Future Key Milestones
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SCRIF	SCRIF has its own programme dashboard which is presented to the IEB on a quarterly basis. Current headlines include: • Significant slippage in current programme, spend moving to future years, creating issues with shortfall in funds in future years. Early commission process seeks to address underspend for 16/17.	**Amber**	• IEB programme review will be presented at Jan 2017 meeting. • Anticipated that 10 x FBC as part of early commission will be presented for discussion.	• IEB to agree approach following programme review in January

Annex A: Business Plan Progress Tracker
[INFRASTRUCTURE EXECUTIVE BOARD]
[13 JANUARY 2017]

Sheffield City Region COMBINED AUTHORITY

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