

# Assurance Summary (SBC)

VERSION 1 24.11.2021



## 1 – SCHEME DETAILS

<b>Project Name</b>	Rotherham Markets and Library Complex	<b>Type of funding</b>	Grant
<b>Grant Recipient</b>	Rotherham Metropolitan Borough Council	<b>Total Scheme Cost</b>	£31.7m
<b>MCA Executive Board</b>	Infrastructure	<b>MCA Funding</b>	£3
<b>Programme name</b>	Infrastructure	<b>% MCA Allocation</b>	9.47%
<b>Current Gateway Stage</b>	SBC	<b>MCA Development costs</b>	n/a
		<b>% of total MCA allocation</b>	n/a

## 2 – PROJECT DESCRIPTION

Rotherham Markets Complex incorporates the Indoor Market, Outdoor Covered Market, Guardian Centre and RAIN Building. The complex requires significant investment and modernisation to ensure it can provide for anticipated future demand in addition to continuing to perform its key role in the town centre as an economic and social activity hub. The site is in the Council's ownership and is a key priority as outlined in the Town Centre Masterplan.

As the economic and social heart of the town centre, supporting a substantial number of local small scale independent retailers and local jobs, the Council's objective is to enhance existing facilities to create a key hub for the local community, providing space to shop, meet and relax, for both local residents and visitors. Proposed works would create a modern, efficient facility that reflects its primary purpose to serve as a place for small business owners to trade and engage with customers, whilst also including elements of flexible space, suitable for easy adaptation to host temporary and changing uses.

The applicant is requesting £3m in grant funding that will be used to address a shortfall resulting from inflation and supply chain cost increases. Collectively, the funding will be used for the following aspects of the scheme:

- Renovation of the Indoor Market - £6,148,377
- Renovation of the Outdoor Market - £6,537,573
- Demolition works - £1,633,589
- Public Realm works - £5,622,275

- Library works - £6,095,763
- Design and development costs - £5,643,668

### 3. STRATEGIC CASE

<i>Project rationale</i>	<p>The applicant notes that the Rotherham Markets currently supports a “substantial number of local small scale independent retailers and local jobs” and the markets complex requires significant investment to secure ongoing operations and to accommodate future demand. The improvements to the markets complex are also part of a wider initiative to support the Town Centre Masterplan, in order to improve the attractiveness of the town centre, and lead to improved private sector confidence for future investment. Therefore, the rationale for the investment is clear, though further evidence of the need for investment in the Markets Complex would be beneficial (i.e. why are current conditions/operations across the Complex – not just the markets – unsustainable?).</p> <p>The applicant provides justification for public funding stating that MCA funding will offset the increasing cost of materials that has occurred as a result of inflationary pressures. The £3m of funding sought would be a reassignment of funding previously earmarked for acquisition of Rotherham bus interchange. The applicant justifies this by stating that MCA funding would enable completion of the proposed scheme and the drawdown of substantial public funding already secured.</p>
<i>Strategic fit</i>	<p>The project aligns with the “Stronger” objective by delivering against targets for enterprise and employment in the city region. This is through the creation of 455m<sup>2</sup> of new office space and by safeguarding 70 FTE jobs in the market, as well as creating 10 FTE jobs.</p> <p>The project demonstrates limited alignment with the “Fairer” objective, by delivering 2,200m<sup>2</sup> of new public realm and 6,235m<sup>2</sup> of improved public realm, alongside 2,591m<sup>2</sup> of new cultural facilities. This aims to increase the opportunity for cultural participation for people in Rotherham. However, the business case would benefit from additional evidence to support how these elements directly contribute to a more inclusive economy and support wellbeing in Rotherham.</p> <p>There may be elements of the project that support the “Greener” objective, for example, in the construction phase. However, the applicant has stated that the “design still being developed and reduction in carbon emissions cannot be confirmed at this time”. This should be presented at the next stage of business case development once these details are known.</p>
<i>Proposed outcomes</i>	<p>Outputs:</p> <ul style="list-style-type: none"> <li>• Public realm improved: 6,235m<sup>2</sup></li> <li>• New cultural facilities (Library): 2,591m<sup>2</sup></li> <li>• Public amenities/facilities created: 2,200m<sup>2</sup></li> <li>• New office space: 455m<sup>2</sup></li> <li>• Office space renovated/improved: 180m<sup>2</sup></li> </ul> <p>Outcomes:</p> <ul style="list-style-type: none"> <li>• Full-time equivalent (FTE) jobs safeguarded: 70</li> <li>• FTE jobs created: 10</li> <li>• Temporary full-time jobs supported during implementation: 30</li> </ul>

#### 4. VALUE FOR MONEY

The applicant has set out 3 options for the scheme:

- A Do Minimum option – described as the do nothing.
- A Viable Alternative Option 1 – To place the proposed project on hold, due to the identified funding gap being too great to achieve the required quality or impact of the scheme
- The Preferred Option – To construct the full scheme as described in the Strategic Case.

The difference between the Do Minimum and the Viable Alternative Option 1 is not clear from the commentary provided. Under both options the scheme would not progress, and therefore the viable option is actually unviable. At FBC stage, the options assessment would require greater clarity and distinction in approach. Furthermore, the inclusion of a valid Viable Alternative will be required.

The benefits the project will generate for the local area include new and safeguarded FTEs, the delivery of new and improved public realm and commercial and cultural floorspace. In terms of employment, the intervention is relatively limited given the overall funding of £31m. Therefore, a clear and detailed economic appraisal will be essential at FBC.

The business case highlights the potential economic benefits of the project to be factored into the calculation of the BCR at FBC stage, which are noted as amenity benefits from public realm improvements and reduced levels of crime and anti-social behaviour in the town centre. The applicant states that based on previous analysis, direct land value uplift will not be considered as part of the economic assessment; however, wider land value uplift to the surrounding commercial and residential properties could be considered. Additionally, the applicant could also consider monetising the impacts of employment, through safeguarding and the creation of permanent FTE jobs.

The economic assessment of the project should be prepared in line with the DLUHC Appraisal Guide and HMT Green Book.

#### 5. RISK

Five key risks to the project are highlighted within the business case. The first risk considers market traders not relocating to the new market, which will be mitigated through ongoing consultation with the traders to ensure they renew their lease.

Risk 2 is the subject of the need for the MCA funding, in cost increases due to inflation. This will be mitigated through thorough cost estimation, and including an 8% level of contingency, alongside a 9% level of inflation. Clarification responses highlight that RMBC are committed to covering any additional cost overruns from their internal budget.

Risk 3 concerns the procurement strategy and the risk of an unsuccessful procurement exercise, which will be mitigated through the early engagement with contractors for the scheme.

Risk 4 identifies the risk of insufficient capital funding, which will be addressed by seeking further funding. It is appropriate that this is considered a high risk, given that the options appraisal highlights the potential for FHSF to be jeopardised if outputs and outcomes committed to be delivered by the scheme are not met.

Risk 5 describes the requirement to secure vacant possession to allow for construction works, however, this is only a medium risk, as legal support has been engaged to ensure vacant possession is secured for the construction start date.

The applicant highlights additional risks in the Risk Log including objections to the proposed scheme, design delays to the library element of the scheme and risks associated with value engineering.

At FBC stage, further detail will be required as the scheme matures to provide greater confidence in mitigation measures proposed, such as detail of engagement with traders and relocation plans (Risks 1 and 5 respectively). Furthermore, there are notable gaps in the risks presented – for instance, the risk associated with securing planning permission, with this yet to be achieved, and project delays (including impacts on meeting spend milestones for other funding streams such as FHSF).

## 6. DELIVERY

According to the clarification responses from the applicant, the project has been delayed in its planning approval, with a new decision expected in November 2022, which in turn has delayed the rest of the scheme milestones. This is not reflected in the current version of the SBC and will need to be updated at FBC. Assuming planning permission is granted, then the project timetable for delivery is due to take approximately 3 years. This includes a year-long design period to be completed by May 2023. Procurement is due to take place in November 2022 for the Stage 1 PCSA, and in June 2023 for the Technical design and tender. Construction is due to finish in December 2025.

The timetable for delivery appears reasonable though, despite noting that *“Early engagement with contractors planned to take place May 2022 to inform any potential to accelerate programme”* has not yet taken place. It has been confirmed by the applicant in clarification responses that the Future High Streets Fund allocation will be spent by March 2024, in line with the funding deadline. This should be added to the ‘key milestones’ item at FBC.

## Annex 1 – Strategic Policy Fit

To what extent does the project meet the MCA's strategic objectives as set out in the of the MCA Corporate Plan 2021-22?

Outcome	Strategic Objective	R/A/G Rating	Comments
<b>Stronger</b> Achieve sustained good growth, underpinned by productivity gains that exceed the UK average	<b>Leading an economic transformation by:</b> 1. creating not just a bigger economy but a better one: higher-tech, higher skill, and higher-value - backing wealth and job creators	<b>R</b>	
	2. enabling businesses to survive, adapt and thrive and be more innovative and resilient as we come out of the pandemic and resulting economic downturn	<b>G</b>	
	3. stimulating local economies by investing in the infrastructure, transport and digital capabilities to create jobs and transform places	<b>G</b>	
<b>Greener</b> Drive forward environmental sustainability to achieve our net-zero carbon target by 2040	<b>Leading a green transformation by:</b> 4. decarbonising our economy, regenerating the natural environment and accelerating Net Zero Carbon transition	<b>A</b>	
	5. capitalising on technological and scientific capabilities to improve the resilience and quantum of clean energy supply, storage, distribution and usage	<b>R</b>	
	6. revolutionising transport, getting South Yorkshire moving by foot, bike, bus, tram and train	<b>R</b>	
<b>Fairer</b> Unlock prosperity by eliminating the wage gap and health inequalities between South	<b>Leading a wellbeing and inclusion transformation by:</b> 7. raising quality of life, reducing inequality, and widening opportunity for South Yorkshire people	<b>A</b>	
	8. equipping people to contribute to and benefit from economic prosperity	<b>A</b>	

Yorkshire and the national average	9. supporting people to improve their skills, get back to work, remain in or progress in work, or set up in business and thereby accelerate social mobility		
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## 8. RECOMMENDATION AND CONDITIONS

<b>Recommendation</b>	Proceed to FBC
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<b>Payment Basis</b>	
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<b>Conditions of Award (including clawback clauses)</b>