

Appraisal Panel Summary

Project Name	Waverley District Local Centre		
Grant Recipient	Waverley Square limited		
SCR Executive Board	Infrastructure	SCR Funding	£7m
% SCR Allocation	16.33%	Total Scheme Cost	£42,684,388

Project Description

This scheme aims to deliver a district centre at Waverley; a mixed-use development set in the heart of the Advanced Manufacturing Innovation District (AMID). The District Centre will directly link the Advanced Manufacturing Park and Waverley new community through the provision of 150,000 sqft of commercial, retail and leisure facilities. The scheme's bid to SCR seeks £7m of Local Growth Fund grant support to bridge a viability gap.

Strategic Case

The rationale outlined in the Full Business Case (FBC) for public sector investment is to achieve *"economic efficiency by addressing market failure in the office sector in Rotherham"*. The scheme aims to support on-going regeneration initiatives and seeks to redress inequality of opportunity faced by residents, resulting from a relative lack of local private sector job opportunities. The applicant argues that market failure in the local office market is evidenced by the lack of suitable SME premises resulting in missed supply chain opportunities linked to commercial activity at the neighbouring AMP. Thus far, speculative development for SME premises has not been undertaken in the local area and given the short decision process timescale for such firms, suitable premises are unlikely to be developed in the absence of an intervention that enables some speculative development.

In addition, the leisure and retail aspects of the scheme will aim to enhance the vitality of the area, creating a high-quality work and living environment that would support the development of employment opportunities at the AMP. The delivery of the district centre is also aimed at catalysing and accelerating housing delivery at Waverley increasing build-out to c. 200 homes per annum (from an existing base of 100-150 units per annum).

Value for Money

The scheme will deliver 367 net additional jobs which equates to an estimated net public sector (LGF) cost per job of £19,066. On this basis, the LGF investment will offer good value for money.

The net present value of the GVA impact over ten years is estimated to be £77.6m. This represents a return of £11 for every £1 of LGF investment.

Risk

The risk log provides a reasonable level of detail for the OBC stage. the top five risks identified in the FBC are cost overruns, material shortage, contractor failure, occupant issues and Brexit. Risks allocation and mitigation details have been provided.

Confirmation of approval of bank loan funding is still outstanding and thus a risk to scheme delivery. The applicant remains confident that this will be in place following LGF approval. This is therefore a condition of contract execution.

Delivery

Site development is scheduled to start on 24th June, after the necessary funding approvals are in place. A preferred developer has already been selected and the price has been agreed. The project end date will be 31st March 2021.

Project management and the future management of the Waverley District Centre development will be contracted to Dransfield Properties Ltd from Waverley Square Ltd, the joint venture delivering the scheme.

Legal

State aid advice has been provided by DWF LLP, on the applicant's behalf. The advice states that the grant is acceptable under GBER article 56 (local infrastructure) and article 14 (regional investment aid). DWF's opinion suggests 100% of the public realm aspect (£2.3m); £8.7m of speculative office development costs and 10% aid intensity against other eligible investment (£3.2m) as regional development support would be acceptable under GBER regulations.

Recommendation	Full grant award subject
Payment Basis	Payment on defrayal
Conditions of Award (including clawback clauses)	

Conditions of Award (including clawback clauses)

The following conditions must be satisfied before contract execution.

1. Formal confirmation of all other funding approvals required to deliver the project.
2. Agree detailed schedule of inclusive growth indicators and targets (e.g. % of [previously unemployed] locals offered permanent contracts and apprenticeships, mentoring and school engagement and engagement with the local supply chain) to ensure the project delivers wider socio-economic benefits and that these can be captured, monitored and reported.
3. State aid position to be clarified, updated with latest financial figures and supported with legal opinion.

The conditions above should be fully satisfied by 5th July 2019. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

4. Submission of a copy of the bank loan agreement including the terms and conditions.
5. Submission of evidence to confirm the position regarding negotiations with potential occupiers, particularly stating the proportion of pre-lets already agreed if pre-lets are not a condition of the bank loan.
6. Formal confirmation that planning permission and all relevant statutory requirements for the revised scheme are in place and have been satisfied.
7. Submission of evidence of Board approval from all scheme delivery partners
8. Formal confirmation of commitment to address any cost overruns (without recourse for further LGF support) without unduly compromising project outputs and outcomes.
9. Confirmation of the agreed contract price with the preferred contractor for this revised scheme and any relevant conditions precedent thereof.

The following conditions must be included in the contract

10. On completion of physical works, 30% (£2,100,000) of this LGF grant will be placed out of scope for any clawback. The remaining 70% LGF grant (£4,900,000) will remain in scope until 455 gross fte jobs including 170 office jobs (as identified in Table 5.1 of the FBC) have been created at the site. The SCR Operational Contracts team will monitor progress on job creation based on the annual profile and baseline (as at funding agreement) submitted by the promoter. If by the end of March 2022, the minimum threshold of 455 gross fte jobs have not been created, the applicant will return £10,770 for each job below the threshold.
11. Suitable overage clauses for inclusion in contract which also cover any state aid requirements.

Record of Recommendation, Endorsement and Approval

Waverley Local Centre

Appraisal Panel Recommendation		Board Endorsement		CA Approval		
Date of Meeting		Date of Meeting		Date of Meeting		
Head of Paid Service or Delegate	Ruth Adams Deputy MD	Endorsing Officer (Board Chair)		Approving Officer (Chair)		
Signature		Signature		Signature		
Date		Date		Date		
S73 Officer or Delegate	Mike Thomas Senior Finance Manager	Statutory Finance Officer Approval				
Signature						Name:
Date						Signature:
Monitoring Officer or Delegate	Steve Davenport SCR CA Solicitor					Date:
Signature						
Date						