

21st September 2020

## LGF CAPITAL PROGRAMME APPROVALS

### Purpose of Report

This paper seeks:

1. Approval of one scheme with a total value of £2.8m Local Growth Fund (LGF) and,
2. Approval of a change request for an existing project; and,
3. Approval for delegated authority to be granted to the Head of Paid service in consultation with the Section 73 Officer and the Monitoring Officer to enter into legal agreement for the schemes.

### Thematic Priority

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

### Freedom of Information and Schedule 12A of the Local Government Act 1972

The paper will be available under the Combined Authority Publication Scheme.

### Recommendations

The MCA consider and approve:

1. Progression of Forge Island Enabling to full approval and award of £2.8m grant (which consists of £1.5m existing loan being converted to a grant and an additional grant award of £1.3m) to Rotherham Metropolitan Borough Council subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix A**
2. Project change request from “DSAL Passenger Capacity Expansion” to agree an extension to works completion from September 2021 to September 2022 and reprofile of outputs and outcomes in accordance with the revised timescales
3. Delegated authority be given to the Head of Paid Service in consultation with the Section 73 and Monitoring Officer to enter into legal agreements for the schemes covered above.

## 1. Introduction

- 1.1 This report requests approval for one scheme with a total value of £2.8m and in line with the agreed Assurance Framework a project change
- 1.2 In recognition of unforeseen circumstances that can arise during the project delivery phase, the approved Assurance Framework establishes a formal process for the acceptance of change requests. These change requests could be financial requiring reprofiling of funds or could be to amend deliverables or timescales.
- 1.3 The Assurance Framework established that some change requests will be presented for approval to the relevant Executive Board, in line with their agreed delegation levels whilst others will require the approval of the MCA Board. There is one change request

proposed through this report which requires MCA approval. This is detailed in sections 2.5 to 2.6 below.

## 2. Proposal and justification

### 2.1 **Forge Island Enabling** (Infrastructure Scheme)

Appendix A provides a summary of the scheme appraisal and the suggested conditions of award.

**2.2 Background** - Forge Island is in the centre of Rotherham and is seen as important to delivering the regeneration of the town centre. In 2016 a £1.5m loan was awarded from LGF to acquire the site and undertake some flood defence works. A grant award could not be supported at that time due to value for money considerations. This reflected that the overall project was at an early stage of development and therefore unable to demonstrate creation of jobs. The loan agreement included provision to transfer the loan to grant once the development was sufficiently advanced to be able to demonstrate jobs creation.

### 2.3 **The Project** – This investment is for a £2.8m grant

The Forge Island Enabling project will deliver two further phases of flood defence works critical to enabling the wider mixed-use development which aims to deliver 105,000 square foot of new floorspace including cinema, hotel, retail and residential units alongside public realm improvements.

The LGF grant will be used to fund construction works on a flood Wall and canal barrier.

**2.4 The benefits and outcomes** – The scheme contributes to the four key objectives for SCR as set out in the SEP. It will increase the employment rate in the SCR through the jobs created from the retail elements of the development. It will increase the proportion of private sector employment. The scheme will also enhance quality of life in the SCR and deliver sustainable economic growth.

One of the action areas of the SEP is to ‘secure investment in infrastructure where it will do most to support growth’ which focuses on ‘transformational schemes’ and ‘enabling infrastructure’. The Forge Island scheme will address both of those by funding infrastructure to unlock land that can be developed for the benefit of Rotherham town centre.

The project is estimated to deliver 227 net additional jobs which equates to an estimated net public sector cost of £12,346. The GVA impact over ten years is estimated to be £42.3m which represents a return of £18 for every £1 of LGF investment.

The project is assessed as offering good value for money for the LGF investment.

### 2.5 **Change Request** - DSAL Passenger Capacity Expansion

#### **Background**

The project will deliver:

- a new enlarged and relocated central search area at the Northern end of Level 3 of the terminal including ‘smart lane’ technology to improve processing;

- reconfiguration of Level 3 departure lounge, linking with the exit from the new central search area, including improved passenger service facilities;
- two new departure gates with link bridges to the apron (including one for passengers with reduced mobility);
- a scheme of internal reconfiguration to enlarge the existing Level 1 International arrivals and immigration area; and
- a lightweight single storey extension to the terminal building to further enlarge the International arrivals area.

## 2.6 Detail of request

The project is requesting:

**Cost** – No change

**Time** - A delay of one year. Project completion would become 30/09/2022, rather than 30/09/2021.

**Quality** – DSAL are informing that job outcomes may change subject to the impact of Covid (and any associated economic recession) on airline growth plans, this is not known at the moment.

Currently the airports key concessions are operating in units which the project requires to be relocated to different areas of the lounge, since the configuration of the lounge is to be radically changed. Once new unit shells are constructed, the concessionaires are to pay for and deliver the fit-out of those units. (Approx. £2.35m).

The concessions they operate are fundamental not only to the commercial case for the project, but also for the passenger experience, for example food and beverages, retail shopping, travel essential and convenience items like newspapers, magazines and confectionary. Prior to the Covid pandemic the concessionaires were comfortable with the scheme, its timing and their role in it. Whilst they've all still wholly supportive of the scheme, DSAL have been unable to progress this commercial negotiation and regularisation at the pace which the project requires. DSAL, in the meantime can't plan and carry out the works and have a situation where the concessionaires won't do their fit-out and DSAL have empty shell units with no offerings for the passengers. Assuming the concessionaires re-engage by Spring 2021, DSAL are stating that they can't undertake extensive development works in Summer 2021 as the disruption to passengers would be too great. It follows that DSAL need to aim for the Winter season for construction, but will be too late for this Winter, the project is likely to be delayed for a full year. Each milestone would retain its original phasing and planned month but would be achieved a full year later than envisaged.

## 3. Consideration of alternative approaches

- 3.1 Do nothing: Forge Island** - LGF resource is currently the only means of delivering the Forge Island scheme. In a best case, should LGF resource not be awarded to the project delivery of the scheme and its benefits would be delayed until such time as alternative funding could be secured; in a worst case, no such funding would materialise and no scheme would be delivered. The Forge Island site also includes two well located and accessible sites bordering the main island referred to as 'The Courts' & 'Riverside'. These will play a key role in delivering one of the main objectives of the Masterplan, the introduction of more high-quality residential opportunities in the heart of the town centre and connecting the leisure led main island with the town centre.

- 3.2 Do nothing: DSAL** - If the scheme extension is not approved, then the scheme would become undeliverable and cause significant risk to the scheme promoter.

## 4. Implications

### 4.1 Financial

The project presented for approval today is profiled to drawdown £1.3m from the 2020/21 annual LGF allocation of £43.2. Under the MCA's pipeline management processes in-year expenditure is currently affordable.

The funding for the DSAL project has been previously approved and the change will have no detrimental impact on 20/21 LGF allocation and any pipeline projects.

### 4.2 Legal

The legal implications of the project have been fully considered by a representative of the Monitoring Officer and included in the recommendations agreed by the Appraisal Panel as presented in the supporting information.

### 4.3 Risk Management

Risk management is a key requirement for each of the submissions and is incorporated into the FBC 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 a condition of award in the appraisal panel summary sheets. Risks and Issues management is reported quarterly to the SCR Executive as part of contract monitoring.

High risk schemes will continue to be monitored and any changes will be reported back to the LEP and MCA.

A report detailing delays due to COVID-19 has been prepared and issues are being highlighted to MHCLG and an extension to the LGF programme has been requested. However, at the present time no extension has been granted.

### 4.4 Equality, Diversity and Social Inclusion

Appropriate equality and diversity considerations are taken into account as part of the assessment of the project business case.

## 5. Communications

- 5.1** The business case for LGF schemes presents opportunities for positive communications; officers from the SCR Executive Team will work with the relevant officers on joint communications activity at the appropriate time.

## 6. Appendices/Annexes

- 6.1** Appendix A: Appraisal Panel Summary Forge Island Enabling

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ