

Appraisal Panel Summary

Scheme Details

Project Name	Forge Island Enabling		
Grant Recipient	Rotherham Metropolitan Borough Council, (RMBC)		
SCR Executive Board	Infrastructure	SCR Funding	£2,8m (includes existing £1.5m loan being converted to grant)
% SCR Allocation	45%	Total Scheme Cost	£6,276,066

Project Description

Rotherham Metropolitan Borough Council are seeking £2.8m in grant funding from SCR to deliver flood defence works at Forge Island to unlock employment and residential land. The town centre regeneration scheme will enable delivery of 140 residential units, and a commercial development including a cinema, retail units and food & beverage (F&B) units.

The scheme has three stages – 1) site acquisition; 2) demolition, site preparation, de-contamination, enabling infrastructure; and 3) construction with private sector development partner. LGF is sought for the first two stages. Acquisition of the land and demolition works were completed following the award of an LGF loan of £1.5m in 2017. This current funding application is to convert this loan into a grant, now that a developer has been appointed and outputs can be attributed to the scheme, and there is greater certainty of delivery. This business case also requests a further £1.3m grant for flood defence works that are split into two phases – 1) development of a flood wall and 2) a canal barrier.

Strategic Case

The rationale for the scheme is two-fold: reduce flood risk and by doing so, unlock a key development site in Rotherham town centre. The flood defence element of the scheme forms part of the wider Rotherham Renaissance Flood Alleviation Scheme (RRFAS), a long-term project to reduce flood risk in the borough and part of the SCR Integrated Infrastructure Plan. The scheme fits with RMBC's Economic Development Strategy (Rotherham Growth Plan). The Growth Plan establishes RMBC's ambitions for the town centre and aims "to deliver a major town centre development on Forge Island", which this scheme will deliver. The scheme will also contribute towards the delivery of the town centre masterplan. The Rotherham Town Centre masterplan (produced in 2016) indicates that Forge Island would "become a major new piece of the town centre" and "is a strategically important scheme which should be advanced at the earliest possible stage". The masterplan also includes the recreational developments on Forge Island as the first 'key move' to develop the town centre.

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.

Value for Money

The project is estimated to deliver 227 net additional jobs, which equates to an estimated net public sector (LGF) cost per job of £12,346. 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 £42.3m. This represents a return of £18 for every £1 of LGF investment.

Risk

The highest rated risks (all with a medium probability and high impact rating) are

1. the business case being rejected by the MCA;
2. cost overrun;
3. enabling works delayed impact on scheme start;
4. technical risks associated with the design of a canal barrier / flood wall;
5. programme risks associated with the need to deliver in-channel works with canal stoppage; and
6. limited resource availability due to workload within flood risk management supply chain.

The costing risk has been mitigated through increased levels of contingency (£376,615 for the Flood Wall, and £700,000 for the Canal Barrier).

Another uncertainty is the ability to secure occupiers for the scheme. The present economic uncertainty from COVID-19 many reduce hotel, cinema and food and beverage operators' appetite to pursue new developments but engagement with operators is ongoing and mitigation plans are under constant review.

Delivery

A project manager is already in post for the flood elements of the work. The project manager will report to the Town Centre Project Management Board (TCMPB) . The group is chaired by the Cabinet Member for Local Economy and Jobs, and has the focus of maintaining overview of progress against project delivery. Progress reports tabled at the Board provide Senior Management with updates on scheme progress with associated narrative and traffic light risk registers to give real time data on which to act.

For the commercial elements of the scheme, the Development partner for Forge Island has signed a contract to deliver on the site with works scheduled to start September 2021 with Phase 1a cinema and restaurants scheduled to open in 2022/23.

Completion of the Flood Wall is scheduled for September 2020. The construction of commercial facilities will commence in September 2021. The canal barrier works will commence in April 2021 to allow for the construction period to fall in the winter stoppage (due to Canal & river Trust usage in the other quarters). Construction could continue until July 2022. Finally, the cinema and restaurants will open in 2022/23.

Legal

The applicant has stated that the project does not constitute State Aid. The reasoning provided by applicant is that it fails questions 2, 3 and 4 of the State Aid self-assessment tool. The scheme does not confer a select advantage to an undertaking and will not affect trade between member states.

Recommendation and Conditions

Recommendation	Full award
Payment Basis	payment on deferral
Conditions of Award (including clawback clauses)	

The following conditions must be satisfied before contract execution.

1. A definitive set of outcomes, including baselines where necessary, which SCR will contract against and monitor.
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. Submission of acceptable State Aid opinion
4. Formal confirmation of all other funding approvals required to deliver the project.
5. All required statutory consents including all relevant planning conditions must be satisfied. Failure to do so will result immediate return of funds to SCR

The conditions above should be fully satisfied by 21/10/20. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

6. Submission of evidence of Board approval for the scheme.
7. Formal confirmation of commitment to address any cost overruns (without recourse for further LGF support) without unduly compromising project outputs and outcomes.

The following conditions must be included in the contract

8. On completion of physical works, 70% (£1,960,000) of this LGF grant will be placed out of scope for any clawback. The remaining 30% LGF grant (£840,000) will remain in scope until 151 gross fte jobs have been created at the site. The SCR Programme and Performance Unit 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 2027, the minimum threshold of 151 gross fte jobs have not being created, the applicant will return £5,563 for each job below the threshold.

Record of Recommendation, Endorsement and Approval

Project Name

Appraisal Panel Recommendation		Board Endorsement		MCA Approval	
Date of Meeting		Date of Meeting		Date of Meeting	
Head of Paid Service or Delegate		Endorsing Officer (Board Chair)		Approving Officer (Chair)	
Signature		Signature		Signature	
Date		Date		Date	
S73 Officer or Delegate		Statutory Finance Officer Approval Name: Signature: Date:			
Signature					
Date					
Monitoring Officer or Delegate					
Signature					
Date					