

HOUSING AND INFRASTRUCTURE BOARD

22nd October 2020

GETTING BUILDING FUND CAPITAL PROGRAMME APPROVAL RECOMMENDATIONS

Purpose of Report

The paper seeks a recommendation for MCA approval of three schemes with a total value of £8.18m Getting Building Fund (GBF).

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 Board consider and recommend for approval at the MCA:

1. Sheffield Heart of the City Breathing Spaces proposal for £4m grant to Sheffield City Council subject to the conditions set out in the Appraisal Panel Summary Table.
2. Rotherham Town Centre Masterplan proposal for £2.18m grant to Rotherham Metropolitan Borough Council subject to conditions set out in the Appraisal Panel Summary Table.
3. Century BIC Phase 2 proposal for £2m grant to Rotherham Metropolitan Borough Council subject to the conditions set out in the Appraisal Panel Summary Table.

1. Introduction

- 1.1** On 30th June 2020 the MCA was awarded £33.6m GBF to invest in 'shovel-ready' projects that will provide stimulus to local economies. The funds need to be defrayed by 31st March 2022 which allows an 18 month delivery window.

At the present time the guidance received from Government states that Sheffield City Region will be expected to deliver the agreed projects and any significant changes to the projects will be discussed and agreed with the Government in advance. All investment decisions must be undertaken in line with locally agreed audit and scrutiny arrangements.

This paper requests a recommendation to approve at MCA subject to any conditions to be set out in the Appraisal Panel Summary Table for three schemes with a total value of £8,180,000.

2. Proposal and justification

Sheffield Heart of the City Breathing Spaces Project

2.1 The Project

The scheme is to enhance the city centre by creating three new spaces including a pocket park, a vibrant small square on Carver Street and expansion of the Peace Gardens between the Town Hall and the proposed new hotel on Pinstone Street. Total costs are £12m with £4m GBF grant alongside Sheffield City Council investing £6m and a further £2m is applied for through Transforming Cities Fund (TCF) funding.

The new spaces adjoin developments in the £480m Heart of the City2 (HoC2) project which aims to increase attractiveness to occupiers and visitors.

2.2 The Benefits and Outcomes

The project is integral to the aims and objectives for the wider HoC2 scheme an assessment of the Benefit Cost Ratio (BCR) that could be associated with the full £42 million of public funding required for the wider scheme has been undertaken.

This BCR suggests that the employment associated with the wider scheme would generate £328m in gross GVA over ten years and £127m in net additional benefits. This suggests a NPV of £105m which, for £42 million of public funding, implies a BCR of 2.6:1. Therefore £2.60 of net additional benefits would be generated for every £1 of public funding contributed.

This would represent value for money, in line with the benchmarks set by the DCLG 2016 Appraisal Guide.

Conditions include achieving planning permission for the new pocket park and development on Carver Street. The project is also linked with a TCF proposal which aims to secure funding for Rockingham and Pinstone Street. Non delivery of the TCF scheme is likely to reduce value for money associated with HoC2, but will not compromise the case for this GBF funding.

The Board is asked to recommend the project for approval to the MCA.

Rotherham Town Centre Masterplan

2.3 The Project

The scheme aims to undertake public realm improvements and site clearance in Rotherham Town Centre as part of the delivery of the Masterplan. The project involves public realm improvements to Bridgegate, Effingham Street, College Street and Howard Street, as well as the replacement of all existing street furniture and lighting. The project will also acquire and demolish the Higher Education (HE) hub and Riverside precinct to prepare land for future commercial developments, public realm and community space. The vision in the Masterplan is to enable Rotherham's communities to reclaim their town centre as a space for families and to create a focus on flexible residential, culture and curated retail to create a blueprint for a town centre that meets the needs of its communities and visitors alike.

The project requests £2.18m from GBF towards a total scheme cost of £4.05m.

2.4 The Benefits and Outcomes

Given the nature of the projects being brought forward (principally demolition and public realm works), there are limited direct employment and GVA impacts that will be generated by the proposed project. However, without this project going ahead, future schemes, including the Rotherham Markets Complex redevelopment and the Forge Island development, would not be able to be brought forward as quickly as desired. The projects proposed in this application are fundamental in allowing the delivery of future schemes and it can be assumed that the completed schemes will generate significant employment and GVA benefits.

Aside from the economic benefits that might be generated in unlocking future schemes, there are a number of further economic benefits that will be generated through the projects included in this application:

- 20 safeguarded construction jobs
- 6,165sqm of new public realm (through the Town Centre Public Realm Scheme)
- 0.22ha brownfield land remediated

Based on the evidence above and the potential for the completed schemes which would be unlocked through the proposed projects in this application to generate significant economic benefits for Rotherham Town Centre, overall the project will represent value for money.

Whilst planning permission has been granted for the Riverside precinct site, negotiations are ongoing for both the Riverside and HE Hub site. Any funding agreement should include provisions to ensure grant cannot be drawn down on these elements until acquisition is in place.

The Board is asked to recommend the project for approval to the MCA.

Century BIC Phase 2

2.5 The Project

The Century Business Centre Phase II will create around 17,000 sq. ft. of new floor space for office and clean manufacturing “move on” space within B1 use class on an existing business park. The project aims to create high quality, publicly owned and operated employment space which will complement the existing space available for growing businesses.

SCR funds will be used to fund all elements of the development; excluding prelims and site surveys that have already been paid for from the approved RMBC budget within the Council’s Capital Programme.

The project requests £2m from GBF alongside a Local Authority contribution of £1.6m.

2.6 The Benefits and Outcomes

The project is estimated to generate net additional GVA of approximately £21.8m over 10-year period for the SCR economy. This equates to a return of £11.66 for every £1 of SCR MCA funding.

The project delivers 71 net additional jobs (81 gross additional) at a cost per job of £28,138. On this basis the project represents value for money.

The project applies for public money through a state aid route on the basis that the public funding should cover any proposed viability gap. RMBC have proposed a viability gap of £2m which is the basis of the GBF offer.

The Board is asked to recommend the project for approval to the MCA.

3. Consideration of alternative approaches

- 3.1** Other options have been considered during the development of the business cases. Consideration has been given to whether £2m TCF can be granted for the Heart of the City Breathing Spaces scheme alongside the GBF but at this stage it is not possible to fully assess the TCF element of the scheme, so the TCF application will be considered separately.

4. Implications

4.1 Financial

The report proposes the projects presented for approval today are recommended for approval subject to the conditions set out in the Appraisal Panel Summary Table. To be eligible for grant, expenditure will have to have been defrayed by 31 March 2022.

4.2 Legal

The Century BIC project represents state aid and is covered through Article 56 of the General Block Exemption Regulation (GBER). The legal implications of the project have been fully considered the Monitoring Officer and included in any recommendations agreed by the Appraisal Panel.

4.3 Risk Management

Risk management is a key requirement for each of the submissions and is incorporated into the Full Business Case (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 and explained above. Risks and issues management is reported quarterly to the SCR Executive as part of contract monitoring.

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 cases for GBF 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: Heart of the City Breathing Spaces Appraisal Panel Summary
Appendix B: Rotherham Town Centre Masterplan Appraisal Panel Summary
Appendix C: Century BIC Phase 2 Appraisal Panel Summary

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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