

Appraisal Panel Summary

Scheme Details

Project Name	Century BIC Phase II		
Grant Recipient	Rotherham Metropolitan Borough Council		
SCR Executive Board	Infrastructure	SCR Funding	£2m
% SCR Allocation	56%	Total Scheme Cost	£3.6m

Appraisal Summary

Project Description
<p>Delivery of Century Business Centre Phase II - a second phase of the popular Century Business Park. This phase will create around 17,000 sq. ft. of new floor space for office and clean manufacturing “move on” space within B1 use class. This high quality, publicly owned and operated employment space will be made available to business within the local area, as well as to the wider Borough and City Region. Building on the first phase of the Century Business Park this project will allow current occupants and other businesses to move to larger premises as their business grows, alongside providing additional managed space suitable for new businesses as the Council looks to assist the economic recovery caused by the Covid pandemic.</p> <p>With land acquisition and construction works for Phase I £4m+ having taken place, considerable investment has already been made in the area. The site already benefits from excellent road infrastructure with capacity designed to be capable of accommodating the anticipated increase in vehicle movements associated with further plots coming forward. Landscaping and public realm works created a high-quality environment for the businesses based there which will be further enhanced as part of this scheme.</p> <p>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 Councils Capital Programme.</p>
Strategic Case
<p>The project is strongly aligned to the current Strategic Economic Plan (2015-2025) for growing the economy through a larger private sector. Specifically, it will provide SCR businesses with the support to reach their growth potential by providing ‘grow-on’ space for expanding businesses; thereby freeing up smaller premises for business starts. It will also secure investment in infrastructure to support economic growth.</p> <p>There is an alignment to the Places priorities in the SCR Renewal Action Plan, as the project will expand on an existing business park and is a shovel-ready infrastructure investment scheme. It is less clear how the project will align with the people and employers priorities of the RAP.</p> <p>The project will broadly support SMEs in realising their growth ambitions, by providing the infrastructure needed to support business start-up, business expansion and employment growth. It is therefore well aligned with the Business Growth Board, whilst contributing to the Skills and Employment and Infrastructure Boards.</p> <p>Due to its location, the project is also aligned with Barnsley Council’s economic vision and ambitions for regeneration and job creation in the Dearne Valley, in addition to those of Rotherham Council as the scheme promoter.</p>
Value for Money
<p>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.</p>

The project delivers 71 net additional jobs (81 gross additional) at a cost per job of £28,138. This provides acceptable value for money.

Vehicle movements to the site are anticipated to increase by 100 per day; however, the highway network has been assessed as capable of accommodating this additional traffic without significant detriment to the highway operation. Construction will have to adhere to the Council's Core Strategy CS28 'Sustainable Design'. The project is not expected to have any negative social impacts.

Risk

Key risks to the Economic Case are the realisation of benefits and the level of certainty as to the project costs. Benefits have been calculated using a recognised method of converting floorspace type/area into FTE's using HCA density guidelines, which is considered acceptable. There is the possibility that the project could displace FTE's from the existing Phase 1; however, this has been taken account of in the assessment of value for money by assuming displacement is 25%. There is also the possibility that COVID-19 may reduce employers' appetite to take on new employees and larger space; however, the applicant reports that the Council's business centre occupancy rate has only a slight decrease of 3%, highlighting the strong demand for these centres.

The applicant has specified cost certainty at only 60%. This is low for a project at FBC stage and likely reflects that the project is not yet at procurement stage. A contingency budget of 7% has been allocated in the project costs; however, given the level of cost certainty, this is on the low side. Furthermore, the applicant has not committed to covering cost overruns and has indicated within the business case that they would potentially look to reduce the scope of the project. Therefore, there is a risk that this could lead to a reduction in the estimated benefits the project delivers.

In para 4.6 of the FBC, RMBC state that without any other available funding, cost increases would be covered by RMBC via additional borrowing. The prudent assumptions made in the development appraisal on interest rates (prevailing rate at 18.9.2020 is 2.59% compared to 4.19% assumed in the development appraisal) means there is a degree of flexibility to absorb cost over-runs without impacting on the Council's target profitability and breakeven point.

Overall, the levels of risk seem acceptable. Risks have been identified which could be a result of COVID, such as cost overruns and delays to delivery. Robust costings and detailed up front investigations and plans has helped to mitigate these risks to an extent.

Delivery

A Project Team is established which is led by an appointed Project Manager. The Project Manager is responsible for day-to-day management of the project, working under PRINCE II guidelines. The Project Manager is currently in place working with the Investment & Economic Initiatives Team, in the Rotherham Investment & Development Office.

The scheme has laid out future milestones which appear realistic. It is encouraging that significant work has already been undertaken to advance the project to this stage.

Legal

The project has sought legal advice which has proposed that there is state aid, but that this can be covered by GBER. RMBC is proposing to use Article 56 to undertake the project. This restricts public grant to the difference between investment costs and operating profit.

Whilst an initial development appraisal has been carried out on the centre, RMBC have been asked to check and refine this so that it presents an accurate and up to date picture of the overall viability of the development. Grant funding should be restricted in a grant offer letter to the difference if this is less than the request for £2m.

Recommendation and Conditions

Recommendation	Full award of up to £2m subject to conditions
Payment Basis	Payment on defrayal
Conditions of Award (including clawback clauses)	
<i>The following conditions must be satisfied before contract execution.</i>	
<ol style="list-style-type: none">1. Detailed milestones which will be monitored against, and if not met, may result in funding being withdrawn or clawed back.2. RMBC to provide a development appraisal which demonstrated the difference between investment costs and operating profit to support compliance with State Aid. Maximum grant will be restricted to this difference, up to a maximum of £2m. The business case will need to be updated to reflect this change.	
<i>The following conditions must be satisfied before drawdown of funding.</i>	
<ol style="list-style-type: none">3. Following the procurement of a contractor, RMBC to confirm the final tender price is consistent with the FBC Financial Case4. 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 social and economic benefits and that these can be captured, monitored and reported.	

Record of Recommendation, Endorsement and Approval					
Century BIC Phase II					
Appraisal Panel Recommendation		Board Endorsement		MCA Approval	
Date of Meeting		Date of Meeting		Date of Meeting	
Head of Paid Service or Delegate	Ruth Adams Deputy CEX	Endorsing Officer (Board Chair)		Approving Officer (Chair)	
Signature		Signature		Signature	
Date		Date		Date	
S73 Officer or Delegate	Simon Tompkins Finance Manager	<div>Statutory Finance Officer Approval</div> <div>Name:</div> <div>Signature:</div> <div>Date:</div>			
Signature					
Date					
Monitoring Officer or Delegate	Steve Davenport SCR CA Solicitor				
Signature					
Date					