

16th November 2020

## CAPITAL PROGRAMME APPROVALS

### Purpose of Report

This paper seeks:

1. Approval of three schemes with a total value of £8.18m Getting Building Fund (GBF) and,
2. Approval of one Transforming Cities Fund (TCF) Outline Business Case with a total value of £5,458,141 and early release of up to £546k development funding,
3. Approval of five change requests for existing Local Growth Fund (LGF) projects;
4. Approval for the acceptance of a grant totalling £40.16m for the A630 Parkway Widening Scheme and the onward award of that grant to Rotherham MBC; and,
5. 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.

### 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. The acceptance of a grant from the Department for Transport totalling £40.16m for the A630 Parkway Widening Scheme, and the onward award of that grant to Rotherham MBC
2. Progression of Heart of the City Breathing Spaces to full approval and award of £4m grant to Sheffield City Council subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix A**
3. Progression of Rotherham Town Centre Masterplan to full approval and award of £2.18m grant to Rotherham Metropolitan Borough Council subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix B**
4. Progression of Century BIC II to full approval and award of £2m grant to Rotherham Metropolitan Borough Council subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix C**
5. Progression of iPort Bridge to Full Business Case and award of up to £546k business case development costs to South Yorkshire Passenger Transport Executive subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix D**
6. Project change request from “Digital Engineering Skills Development Network” to agree an extension to works completion from September 2020 to September 2021, reprofile of £1.2m grant from 20/21 to 21/22 and reprofile of outputs and outcomes in accordance with the revised timescales
7. Project change request from “M1 J37 Phase 2” to agree a reprofile of up to £4.07m grant from 20/21 to 21/22 and reprofile of outputs and outcomes in accordance with the revised timescales.

9. Project change request from "M1 J36 Phase 1 (Hoyland)" to agree an extension to works completion from 20/21 to 21/22, reprofile of up to £544k grant from 20/21 to 21/22 and reprofile of outputs and outcomes in accordance with the revised timescales
10. Project change request from "Greasbrough Road Corridor" to agree an extension to works completion from April 2021 to September 2021 and reprofile of £1.05m from 20/21 to 21/22 and reprofile of outputs and outcomes in accordance with the revised timescales
11. Project change request from "First Group Customer Contact" to agree an extension to works completion from March 2021 to March 2022, reprofile of £406K grant from 20/21 to 21/22 and reprofile of outputs and outcomes in accordance with the revised timescales
12. 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** 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.

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 approval of three schemes subject to any conditions to be set out in the Appraisal Panel Summary Table with a total value of £8.18m.

- 1.2** In March 2020 the Department for Transport ('DfT') approved a grant award of £166.3m for the MCA's TCF aspirations. This grant was allocated from April 2019 to March 2023 resourcing a programme of transformational public transport, active travel and rail initiatives.

In March 2020 the MCA approved the early release of scheme development costs:

- release up to 2% of the total scheme cost (as included in the bid/SOBC) to facilitate the development of the OBC.
- release costs (based on a costed fee plan) following approval of the OBC to enable the schemes to progress to FBC

This paper requests approval of progression of one scheme to Full Business Case (FBC) and early release of up to £546k development costs subject to any conditions to be set out in the Appraisal Panel Summary Table, with a total scheme value of £5,456,141

- 1.3** 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.

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. In line with the agreed Assurance Framework there are 5 change requests proposed through this report which require MCA approval. These are detailed in sections 2.14 to 2.17 below.

- 1.4** On the 16<sup>th</sup> October the Department for Transport formally wrote to the MCA offering a grant award totalling £40.16m for the A630 Parkway Widening Scheme. This grant would be afforded under Section 31 flexibilities with no defined time limitations.

The MCA have previously approved the submission to the DfT of this scheme which formed part of the MCA's first Growth Deal award, but which is funded from the DfT's local large major funding stream rather than under the auspices of LGF.

This scheme has been directly appraised by the Department for Transport outside of the MCA's assurance framework reflecting the source of funding. It is proposed that the MCA accepts this grant and on-awards the money to Rotherham MBC as the scheme promoter.

## **2. Proposal and justification**

### **2.1 Heart of the City Breathing Spaces Project – GBF Fund**

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

### **2.2 The Project – This investment is for a £4m grant**

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.

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

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.

### **2.3 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.

## **2.4 Rotherham Town Centre Masterplan – GBF Fund**

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

## **2.5 The Project** - This investment is for £2.18m from GBF towards a total scheme cost of £4.05m

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 scheme aims to undertake public realm improvements and site clearance in Rotherham Town Centre as part of the delivery of the Masterplan

This scheme includes projects that are within the adopted Masterplan;

HE Hub and Riverside Precinct Acquisition & Demolition

The project will acquire and demolish the Higher Education (HE) hub and Riverside precinct to prepare land for future commercial developments, public realm and community space

Public Realm Improvements

The project involves public realm improvements to:

- Bridgegate,
- Effingham Street,
- College Street,
- Howard Street and,
- the replacement of all existing street furniture and lighting.

Works will improve accessibility around the town centre and address existing DDA compliance issues.

## **2.6 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.

## **2.7 Century BIC II – GBF Fund**

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

## **2.8 The Project** - This investment is requesting £2m towards a total scheme cost of £3.6m

The project aims to create high quality, publicly owned and operated employment space which will complement the existing space available for growing businesses. The GBF 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 scheme 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.

## **2.9 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.

## **2.10 iPort Bridge - TCF Fund**

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

## **2.11 The Project** - This investment is requesting progression to full business case and release of up to £546k development costs.

The iPort is one of the UK's largest multimodal logistic hubs, located southeast of Doncaster, near junction 3 of the M18 motorway. This site is already a large employment site for the region and is partially developed, to the north. When the site is fully occupied, the iPort will have created in the region of 5,000 new jobs. The current occupiers of the site include Amazon and Lidl

The proposal is for a new bridge and highway link between West End Lane in New Rossington and iPort Avenue. The scheme would facilitate up to 8 buses per hour (55/56 bus service) being routed through the iPort via a bus gate along a camera enforced bus lane. This would make public transport a viable option for people working and visiting the iPort. The proposal also includes a segregated pedestrian and cycle bridge connection, providing improved active travel access between the iPort and the surrounding residential areas.

The TCF funds would pay for the design and associated infrastructure costs in relation to the iPort bridge scheme. This includes:

- A new bus, pedestrian and cycle highway and bridge link (approx. 0.5km);
- A new junction onto iPort Avenue;
- A segregated cycle / footway;
- A camera enforced bus lane;
- Relocation of one bus stop;
- Three new bus stops;
- Bus lane signals;
- Signalised crossings on West End Lane.

## **2.12 The Benefits and Outcomes**

The benefits of improved bus operations arising from the proposed bridge; and from improved connectivity for pedestrians and cyclists has been appraised.

The approach adopted is well-aligned with WebTAG guidance and data values and uses the DfT AMAT tool appropriately but there are some areas where the forecast benefits may be seen as conservative. It is recommended that in the FBC additional benefits highlighted above are considered, including the additional two-minute time saving on bus services serving the south of iPort; and additional benefits from cycling and walking trips transferring from car use.

Costings appear to be accurate to a level that would be expected at OBC stage. Appropriate allowance has been made for both risk and optimism bias.

The overall BCR, as calculated, represents high value for money. Sensitivity testing to understand the impact of lower and higher bus demand on BCR still shows high value for money in both cases. For completeness, we have asked the sponsor for additional sensitivity testing on walking and cycling demand is undertaken within AMAT, in line with the MCA TCF COVID-19 Supplementary Guidance Note 2020.

## **2.13 Digital Engineering Skills Development Network – LGF Change Request**

Sheffield College has been granted £3.9m to create and refurbish area to be used as an engineering manufacturers skills network. The project is a collaboration of engineering manufacturers to establish a transformational skills network. The grant is used for refurbishment/new space and equipment (SC and Liberty) and equipment only (CTL Seal).

### **Change proposed and reasons:**

Prior to covid-19 the project performance was confidently on target with the scheme promoter consistently demonstrating robust management and swift mitigation of any risks. In April 2020 the MCA Executive were made aware of the options being considered given the impact of covid-19 and the scheme promoter was advised of the current inflexibility of the programme end date. The project continues to be developed at risk with a request for a decision on whether the reconfiguration of works can now be accommodated. The project was due to complete the main element of the works by Sep20 to align with students returning, however due to the level of uncertainty during the procurement period (Mar20) the college struggled to appoint a contractor with certainty that works could complete in the same timeframe. Sheffield College have phased the project to sufficiently mitigate the risks and enable continuation of activity throughout covid-19, though at a reduced rate. This has resulted in a proportion of the works being pushed back to the 2021 summer holidays.

## **2.14 M1 Junction 37 Phase 2 – LGF Change Request**

The project comprises of funding to facilitate the delivery of new and improved off site highways infrastructure works and towards the onsite delivery of the road through new mixed-use employment and housing site off J37 of the M1, that will facilitate the delivery of 43ha of land for employment purposes, creating circa 3,510 new jobs when fully occupied.

### **Change proposed and reasons:**

Overall the impact of the COVID-19 pandemic on the delivery of the programme has had minimal impact, however the associated fallout in terms of practical day to day responsive working practices, temporary furloughing of staff contractors and consultants has impacted on the developer ability to prepare and submit robust planning application with sufficient time to address consultee queries to enable the local authority planning board to consult, review and approve.

The trigger for the drawdown of land options by the developer from the third party land owners required to deliver the mitigations is linked to approval of planning. Programming in timescales for any objections to planning approvals and potential judicial review means that land transactions timescales are unclear and may complete close to or just beyond the 2021 LGF defrayal date. In addition, given the fluid situation with the Covid-19 pandemic potential of further outbreaks in Autumn / Winter that could result in more local lockdowns, social distancing measures and uncertainty of the impact this could have on construction, despite still aiming to achieve 100% LGF spend this financial year the council feel it is wise to forecast a reasonable worst case scenario of 80% forecast spend across the BMBC programme and a request for 20% programme reprofile into 2021/2022.

## **2.15 M1 Junction 36 Phase 1 (Hoyland) – LGF Change Request**

M1 Junction 36 Corridor (Phase 1 Hoyland & Phase 2 Goldthorpe) aims to open up 2 Key clusters of employment land total up a maximum of up to 295ha gross creating up to 10,000 new jobs.

### **Change proposed and reasons:**

BMBC are forecasting a reasonable worst-case scenario in light of the COVID pandemic which may have an effect on Autumn/Winter work, with 20% of this year's funding profiled for spend in 2021/22.

## **2.16 Greasbrough Road Corridor Improvement – LGF Change Request**

The scheme comprises of one junction improvement - replacement of the existing mini-roundabout at the junction of B6089 Potter Hill, B6089 Main St and Coach Road, Greasbrough with a signalised priority junction including right turning lanes, left filter lanes and staged pedestrian crossings.

### **Change proposed and reasons:**

Recent quotations received for a utility service diversion indicate a 3 month lead in period and a 9 month works programme. A change to the drainage proposal requires Yorkshire Water approval and further design development. This has caused the completion date and expenditure to slip six months to the end of September 2021.

## 2.17 First Customer Contact Ltd – LGF Change Request

This scheme is for the establishment of a Customer Sales and Contact Centre together with refurbishment works amounting to capital value of £3.3m.

### Change proposed and reasons:

The required change is primarily due to the continued severe economic impacts caused by the coronavirus pandemic, and the sharp reduction of rail customers that has been evident in recent months. Despite challenging economic conditions, First Customer Contact are proceeding with their investment in the Sheffield Contact Centre and have invested in a further long-term lease on expanding the property portfolio, although the number of jobs being created is now expected to reduce in line with the reduction in passenger demand. A proportion of these jobs are now also expected to be created after 31st March 2021, with rail customer volumes not projected to recover fully until late 2021.

## 2.18 A630 Parkway Widening Grant Acceptance and Grant Award

The Parkway Widening scheme intends to reduce congestion on the major arterial route between Junction 33 of the M1 and Sheffield city centre through the expansion of the existing dual carriageway to a three-lane route. The MCA have previously approved the submission of the business case to the DfT.

This scheme was part of the MCA's initial Growth Deal but is funded from the DfT's local large major scheme rather than the LGF. Reflecting this, the project has been appraised and ultimately approved outside of the MCA's devolved assurance processes.

In total this scheme is expected to cost c. £46.39m. To-date the DfT have contributed £2.1m to scheme development, with a further award of £40.16m now offered to the MCA for the delivery of the approved scheme. The balance of funding will be contributed by Rotherham MBC as the scheme promoter.

The proposed grant will be afforded to the MCA under the flexible Section 31 framework with little conditionality. The DfT have further confirmed that there are no time limitations on the funding. The grant letter does, however, make clear that any cost overspend above the grant allocation would be for the scheme promoter to resolve.

To expedite the speedy release of this funding from the DfT and the commencement of works, it is recommended that the MCA authorises the acceptance of the grant and the on-award of the grant to Rotherham MBC.

It is recommended that the MCA delegates the terms of the grant award to the Chief Executive in consultation with the Section 73 Officer.

### Consideration of alternative approaches

- 3.1 **Do nothing: GBF** – 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.
- 3.2 **Do nothing: LGF Change Requests** - The MCA may wish to consider delaying a decision on the existing proposed slippage in order to check whether there is any further slippage on other projects which needs to be considered later in the financial year. However, all 20/21 LGF projects were asked whether they need to slip money at this stage and the ones presented in this paper are the full extent of the existing slippage. This option has therefore been discounted as many of the projects presented need the certainty of an agreed budget in order to continue (or begin) their activity. If the scheme

change requests are not approved, then the schemes would become undeliverable and cause significant risk to the scheme promoters.

- 3.3 Do nothing: A630 Parkway Widening Grant Acceptance and Grant Award** – The MCA could choose to reject the acceptance of £40.16m from the DfT for this scheme. Rejection of this funding would remove the MCA's ability to resolve a long-standing congestion problem that impacts upon the communities around Catcliffe and commuters.

## **4. Implications**

### **4.1 Financial**

The projects presented for approval today are profiled to drawdown £8.18m from the GBF allocation of £33.6m.

The funding for the LGF projects has been previously approved and the national target for LGF in the financial year 2020/2021 is £43.2m. By allowing these projects to slip expenditure, still allows the financial target to be met given no further room for manoeuvre. This means that any further slippage across any projects would increase the likelihood of not meeting the annual spend target with the consequence of funding being lost to the region. There is currently no allocated budget for funding activity in 2021/22, however careful use of LGF funding has allowed a small funding reserve to build up which is less constrained by Government requirements and could therefore be directed to completing these existing projects during 2021/22.

This report further proposes the acceptance of a £40.16m grant from the DfT and the on-award of that funding to Rotherham MBC. This transaction sees the MCA as a conduit for the funding and reflects the substance of the arrangement.

### **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.

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 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 MCA 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.

### **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 all 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.

## 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  
Appendix D: iPort Bridge 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