

3<sup>rd</sup> June 2019

## LGF Investment Approvals

### Purpose of Report

This paper requests approval for seven schemes with a total value over all years of £12.05m and seeks delegated authority be given to the Head of Paid Service in consultation with the S73 and Monitoring Officer to enter into legal agreements 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

This paper will be available under the Combined Authority Publication Scheme however, appendices E – G are exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

### Recommendations

The SCR MCA consider and approve:

1. Progression of Waverley Local Centre to full approval and award of up to £7m grant to Waverley Square Ltd subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix A**
2. Progression of Specialist VFX Training Equipment to full approval and award of up to £0.91m grant to DN College Group subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix B**
3. Progression of Falstaff Phase 3 to full approval and award of up to £1.52m grant to Sheffield Housing Company subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix C**
4. Progression of UK Atomic energy project to full approval and award of up to £2.2m grant to UK Atomic Energy Authority subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix D**
5. Progression of Company Ref. 0067 to full approval and award of up to £0.124m grant to Company Ref. 0067 subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix E**
6. Progression of Company Ref. 0095 to full approval and award of up to £0.05m grant to Company Ref. 0095 subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix F**
7. Progression of Company 0096 to full approval and award of up to £0.249m grant to Company 0096 subject to the conditions set out in the Appraisal Panel Summary Table attached at **Appendix G**
8. Delegated Authority to the Head of Paid of Service, in conjunction with the Section 73 and the Monitoring Officer, to enter into the contractual arrangements required as a result of the above approvals (1-7).

## 1. Introduction

- 1.1 This paper requests approval for seven schemes with a total value over all years of £12.05m and seeks delegated authority be given to the Head of Paid Service in

consultation with the S73 and Monitoring Officer to enter into legal agreements for the schemes.

- 1.2 The LEP Board and MCA have approved revised governance arrangements and associated constitution with delegated approval authority for projects below £2m which came into effect on 1<sup>st</sup> April 2019, however it has not yet been possible to convene the first meetings of the new Executive boards. Rather than delay projects which are ready to proceed to full approval and delivery stage this paper presents approvals of projects both above and below the £2m delegated. This paper includes projects that would have been considered at four of the five new boards. It is expected that this will be the last time Leaders are asked to consider projects at the MCA for projects below the £2m LGF threshold.

## 2. Proposal and justification

### 2.1 Infrastructure

#### **Waverley Local Centre – See appendix A**

Waverley Square Ltd have requested £7m LGF grant towards a £42.7m scheme. This scheme aims to deliver a district centre at Waverley; a mixed-use development set in the heart of the Advanced Manufacturing Innovation District (AMID). The District Centre will directly link the Advanced Manufacturing Park and Waverley new community through the provision of 150,000 sqft of commercial, retail and leisure facilities. The scheme's bid to SCR seeks LGF grant support to bridge a viability gap.

- The scheme will deliver 367 net additional jobs which equates to an estimated net public sector (LGF) cost per job of £19,066
- The net present value of the GVA impact over ten years is estimated to be £77.6m. This represents a return of £11 for every £1 of LGF investment.

The investment is therefore considered acceptable value for money for the LGF investment. **Appendix A** provides a summary of the scheme appraisal and the suggested conditions of award.

### 2.2 Skills

#### **Specialist VFX Training Equipment – See Appendix B**

DN College Group have requested £0.91m LGF grant to support a £1.55m scheme to purchase and install specialist Visual Effects (abbreviated VFX) equipment at the 360 Digital Media international film and TV Hub at the High Melton site in Doncaster.

The equipment will allow the delivery of L4 and 5 qualifications in VFX to

- directly support the £45m investment made by 360 Digital Media by ensuring suitably qualified and experienced residents to work in the industry.
- This investment will sit alongside the £4.1m BIF investment already agreed by SCR in the 360 Digital Media international film and TV Hub.

Over a period of ten years this project is estimated to support 1,504 gross additional learners with an estimated 634 of the net additional learners moving in to employment. This indicates a potential cost equivalent of £1,429 per job to SCR and the project is estimated to generate benefits of £12,985,408 GVA.

The investment is therefore considered acceptable value for money for the LGF investment. - **Appendix C** provides a summary of the scheme appraisal and the suggested conditions of award.

### 2.3 Housing

#### **Falstaff Phase 3 - See Appendix C**

Sheffield Housing Company have requested £1.52m LGF grant towards a £17.16m scheme. The scheme's bid to SCR seeks LGF grant support fund the initial construction infrastructure costs to bridge the viability gap and facilitate the delivery of new homes. This scheme delivers

- 106 new build 2, 3 and 4-bedroom homes for market sale including
- 6 shared ownership homes

This project has a BCR of 3 and an NPV of £3,004,629 and therefore delivers good value for money. This project will be funded from the £10m SCR Housing Fund approved in 2016/17.

The investment is therefore considered acceptable value for money for the LGF investment. - **Appendix C** provides a summary of the scheme appraisal and the suggested conditions of award.

## **2.4 Business Investment Fund (BIF)**

UK Atomic Energy Authority – See **Appendix D**

UK atomic energy have requested £2.2m LGF grant to support a £22m scheme to

- establish a unique 2,800 sq m fusion power research facility. The scheme delivers: 40 Gross FTE's, the majority of which will be highly skilled.

The scheme is expected to deliver 50 net additional jobs which equates to an estimated net public sector (LGF) cost per job of £44,051. The net present value of the GVA impact over ten years is estimated to be £8.6m which represents a return of £4.04 for every £1 of LGF investment.

This project originated through the BIF programme but as the applicant is a government agency (rather than a Business) this application has been appraised using the full LGF business case process.

The investment is therefore considered acceptable value for money for the LGF investment. - **Appendix D** provides a summary of the scheme appraisal and the suggested conditions of award.

**Company Ref. 0067– See Appendix E**

Company Ref. 0067 are seeking a BIF grant of £123,707 to support a £883,693 project to invest in a bespoke robotics system. The Company, which is based in Sheffield, provides services to the retail sector is seeking to make productivity improvements through the automation of manual processes, increasing capacity at the current site which is reaching its physical limits and utilising space in a more economical way. If the project goes ahead the Company will close the London office and relocate roles to Sheffield. The investment will generate:

- two new jobs at the site and provide the catalyst for relocating the London office and
- relocating 40 Finance, HR, IT and admin jobs to the SCR and safeguarding the existing 45 staff already in Sheffield
- The cost per job is £2,945 and the average salary per job is estimated to be £30,000.

The investment is therefore considered acceptable value for money for the LGF investment. - **Appendix E** provides a summary of the scheme appraisal and the suggested conditions of award.

This project has been considered by the BIF panel and is recommended for approval subject to conditions.

**Company Ref. 0095– See Appendix F**

Company Ref. 0095 is based in Doncaster and provides specialist services to vehicle fleet owners. The Company is seeking a BIF grant of £50,000 to support a £263,000 project to continue the expansion of production to end the Company's dependence on external suppliers. Additionally, the site from which the Company operates is capacity constrained providing insufficient room to hold fleet vehicles and work on site, therefore

the company is intending to expand the compound area, thus increasing capacity and productivity significantly. The project will create

- 8 FTE jobs at a cost per job of £6,250.
- The average salary for the 8 new roles is £20,750.

The investment is therefore considered acceptable value for money for the LGF investment. - **Appendix F** provides a summary of the scheme appraisal and the suggested conditions of award.

This project has been considered by the BIF panel and is recommended for approval subject to conditions.

Company Ref. 0096– **See Appendix G**

Company Ref. 0096 is a Chesterfield based large independent distributor operating in the leisure retail market. The Company is seeking a BIF grant of £249,000 to support a £1,231,790 project to support building larger customised premises allowing the company to improve performance through increasing stock, improving operations times and supporting greater sales. The premises would include storage space, a showroom and office facility. The project will create

- 20 FTE jobs
- a cost per job of £12,450.
- Average salary would be £18,400

The investment is therefore considered acceptable value for money for the LGF investment. - **Appendix G** provides a summary of the scheme appraisal and the suggested conditions of award.

This project has been considered by the BIF panel and is recommended for approval subject to conditions.

### **3. Consideration of alternative approaches**

- 3.1** The Waverley local centre scheme was due to be presented to the Housing and Infrastructure Executive Board (HIEB) for endorsement on 28<sup>th</sup> March and, subject to the Boards endorsement, for a decision by the MCA on 3<sup>rd</sup> June. However, the HIEB meeting was cancelled due to lack of quoracy. The option to delay a decision on this all schemes has been considered to allow time for the new Governance structure to be fully established. As a result of procedural delays progress on the scheme would be impeded causing significant risk to delivery timescales and the agreed contract price.
- 3.2** During the appraisal process all bids were considered for alternative sources of finance and acceptable levels of grant/loan mix. As a result of these considerations the recommendations made have in some cases differed from the original strategic business case requests.

### **4. Implications**

#### **4.1 Financial**

By approving these projects to progress to delivery stage the remaining headroom for projects in the programme will reduce to £12.9m in year and £36.9m in total (excluding the retained major project), there is therefore current over programming of up to £22m in total and £13.3m in year.

#### **4.2 Legal**

The legal implications of each 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 suggested conditions in the appraisal panel summary sheets.

#### **4.4 Equality, Diversity and Social Inclusion**

The principles of equality, diversity and social inclusion are built into the application process and continue to be considered and addressed by all applications.

### **5. Communications**

- 5.1** The approval of the business cases presents an opportunity for positive communications; officers from the SCR Executive Team will work with the relevant local authority officers on joint communications activity.

### **6. Appendices/Annexes**

- 6.1** Appraisal Panel Summaries A – Waverley Local Centre, B - Specialist VFX Training Equipment, C Falstaff, D UK AEA, E Company 0067, F Company 0095, G Company 0096.

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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

Other sources and references: Full Business case documentation and application forms