

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet
2.	Date:	4th July 2012
3.	Title:	RGF Round 3 bid: Sheffield City Region Enterprise Zone – Infrastructure works
4.	Programme Area:	Environment and Development Services

5. Summary

This report seeks approval for Rotherham MBC to be a partner in a Regional Growth Fund (RGF) bid; with Henry Boot, Harworth Estates and Sheffield Business Park, to seek funding for infrastructure works within the recently launched SCR Enterprise Zone (EZ). It is also seeking approval for RMBC to act as the accountable body for the RGF money if it is secured.

6. Recommendations

That Cabinet:-

- 1) Note the report**
- 2) Approve RMBC being a partner in the RGF bid**
- 3) Approve RMBC acting as accountable body for the £13.2m of RGF loans/grants being sought through the project.**

7. Proposals and Details

RMBC in partnership with Harworth Estates Ltd, developers of the Waverley site; Sheffield Business Park Phase 2 Ltd and Henry Boot Development Ltd, developers of the Markham Vale site, have submitted a bid into the Regional Growth Fund (RGF) Round 3; for money to implement a series of infrastructure improvements across the City Region's Enterprise Zone (EZ). These improvements will accelerate the development of key employment sites and maximise the window of opportunity offered by the EZ incentives to create new jobs.

The bid comprises three strands brought together into an overarching programme. The proposals being:-

- 1) RMBC in conjunction with Sheffield Business Park deliver key enabling infrastructure to facilitate development at Sheffield Business Park (SBP) Phase 2 and improvements to the strategic highway network links to the motorway from the AMP and the Business Park. An RGF loan will support land preparation works including the cutting and filling of a 20ha site to create development platforms, structural landscaping, and the provision of initial site access and services, eventually delivering 83,610 sq m of new, high quality, business floorspace. In relation to strategic highway works, RGF grant will support improvements to key junctions on the primary road network linking the Sheffield/Rotherham EZ locations with the national motorway network; allowing access for heavy and high loads. The RGF funding for the highway works will be supported by money from RMBC and the private sector.
- 2) Investment in key enabling infrastructure to facilitate development at Waverley. An RGF loan to Harworth Estates will contribute to key enabling infrastructure including a new onsite road junction and additional ground preparation and remediation works that will be undertaken as part of wider site preparation. The Waverley strategic site is being transformed from a 280ha disused and reclaimed industrial brownfield former UK Coal site into a new business and residential community ultimately of around 186,000 sq m of commercial floorspace, 4,000 homes, community facilities and parkland. The RGF funded works will kick start a response to the emerging demand for expansion space from indigenous high growth business and opportunities for inward investment, accelerating delivery and growth.
- 3) The Markham Vale RGF funding will provide highway and broadband infrastructure to open up 33ha of industrial land for development.

8. Finance

The total cost of the Project/Programme is £108.98M, of which £13.2M is being sought from RGF. The remainder of the funding will come from other public funds (£2.8M) and the majority from the private sector developers (£93M). The £2.8m of public money includes a £300k contribution, split between Rotherham and Sheffield, towards the cost of the highway works.

RGF will be a mixture of grants and loans. The RMBC highway works and the development at Markham Vale are being sought as grants. The works on Sheffield Business Park and the AMP are to be loans, with repayment being made as the development plots are sold.

The breakdown of the RGF requirements are.

Location	Developer	Amount of RGF	Type of RGF
Highway works	RMBC	£770,000	Grant
Sheffield Business Park	Sheffield Business Park Ltd	£1,804,000	Loan
Advanced Manufacturing Park	Harworth Estates	£4,120,000	Loan
Markham Vale	Henry Boot	£6,250,000	Grant
Programme Management	n/a	£259,000	Grant

The money will initially come to RMBC as accountable body, who will then distribute it to the other partners. The loan repayments from the developers will be paid back to RMBC. If the bid is successful then we will begin negotiations with BIS, regarding the loan repayments being reinvested within Rotherham or the City Region for the further development of the local economy, rather than being returned to central government

In relation to grants, payments will be made against eligible costs. RMBC, in its capacity as accountable body, will be responsible for making RGF payments retrospectively against defrayed expenditure as contracts progress.

Project deliverers will be responsible for providing regular progress reports to Rotherham MBC providing financial details and progress of works. On completion of works, a final audited statement of expenditure for each project will be required.

Rotherham MBC, in collaboration with project partners, will be responsible for procuring an external 'Green Book' evaluation of the Programme by March 2017 (2 years after RGF completion).

The programme also includes a programme management and monitoring fee of £259,000 which would be payable to RMBC for performing the accountable body role.

A £300k public sector contribution is required for the highway works around the AMP and Sheffield Business Park. The breakdown between Rotherham and Sheffield will be calculated based on the proportion of the work in each of the districts, after which the funding will be sought; initially from the LTP pot.

9. Risks and Uncertainties

Initially there is a risk that the RGF bid will be unsuccessful. Both previous rounds have been overbid and this is likely to occur again, especially as there are no further RGF Rounds currently planned

If successful the risk moves to RMBC being the accountable body for the RGF funding. This means that any failure to deliver the project or the outputs/outcomes; funding ineligible expenditure or not paying back the loan part of the funding, will leave RMBC responsible for repayment of the grant to BIS.

There are however a number of mitigating factors that can reduce/manage the risk

- The amount of direct grant to RMBC is relatively small at £770k and the highway works should be straightforward to deliver
- Legal agreements will be set up with the other partners making them responsible for any clawback on RMBC resulting from their activities.
- Loans will be secured against assets, and subject to agreed interest rates, interest roll up and repayment from land disposals and development works as these take place on an agreed basis

Finally there is a risk that the management fee of £259,000 will be insufficient to cover the full cost of RMBC undertaking the accountable body function; as the contracting proposal is new and innovative, therefore it is difficult to predict the work involved. Further work needs to be undertaken to scope out the role. It is anticipated that costs will be mitigated by utilising standard form partner contracts and loan agreements

Tight timescales meant that the bid had to be submitted before a paper could be taken to Members to secure approval for RMBC involvement. Should Cabinet not approve this report changes will be made to the make up of the bid and the partnership before a decision is made by BIS, which is expected to be in autumn 2012.

10. Policy and Performance Agenda Implications

The quicker development of the Enterprise Zone, which will follow on the back of these works, will contribute to the following strategic priorities under the Achieving Theme of the Community Strategy:-

- Promote business start ups, growth and inward investment
- Improve access and remove barriers to employment

11. Background Papers and Consultation

Consultation on the overall bid has taken place with Sheffield Business Park, Henry Boot and Harworth Estates. Sheffield City Council will be consulted on the highways part of the bid, some of which are in Sheffield.

The RMBC External Funding Team has been consulted on the feasibility of the council acting as accountable body for the RGF monies.

A copy of the full RGF application form is available on request.

RMBC Finance and Legal Services have been consulted on the report.

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