



## Executive Director/Director Non-Key Executive Decision Report (Form 2a)

**Author/Lead Officer of Report:** Lucia Lorente-Arnau, Principal Development Officer

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**Report to:** *Laraine Manley (Executive Director of Place)*

**Date of Decision:** *Thursday, 15<sup>th</sup> October 2020*

**Subject:** *Grey to Green Phase 2 – European Regional Development Fund (ERDF) Variation to Funding Agreement to deliver improvements to Angel St.*

Which Cabinet Member Portfolio does this relate to?  
Cllr Mazher Iqbal (Cabinet Member for Business and Investment) and Cllr Bob Johnson (Cabinet Member for Transport and Development)

Which Scrutiny and Policy Development Committee does this relate to? *(Insert name of Committee)*

Has an Equality Impact Assessment (EIA) been undertaken? Yes  No

If YES, what EIA reference number has it been given? 258

Does the report contain confidential or exempt information? Yes  No

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

*“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”*

**Purpose of Report:**

The purpose of the report is to

- a) to provide a brief update on the completion of the Grey to Green Phase 2 (G2G2) project in Castlegate, Exchange Place and Snig Hill; and
- b) to seek approval for the delivery of the G2G2 Project on Angel St with the additional allocation of funding from ERDF (through DHCLG); and
- c) to approve acceptance of the further allocation of grant funding identified in this report.

**Recommendations:**

That Executive Director of Place

- a) approve the extension of the G2G2 project to Angel St as outlined on this report and its associated expenditure, commissioning and procurement; and
- b) in consultation with the Director of Resources / Head of Strategic Finance approve acceptance the additional ERDF funding to deliver the proposed works with a corresponding City Council budget increase to the project.

**Background Papers:**

- **Angel St Concept Design**
- **ERDF Castlegate Variation Letter**
- **Report from page 4 of this document**

<b>Lead Officer to complete:-</b>	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: <b>Mark Wassell</b>
	Legal: <b>David Cutting</b>
	Equalities: <b>Annemarie Johnston</b>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	

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**Lead Officer Name:**  
*Lucia Lorente-Arnau*

**Job Title:**  
*Principal Development Officer & Client for G2G2 project*

**Date:** 13 October 2020

## **1. PROPOSAL**

1.1 SEE ATTACHED REPORT FROM PAGE 9 OF THIS DOCUMENT

## **2. HOW DOES THIS DECISION CONTRIBUTE?**

2.1 The Grey to Green project is a 'whole place', low carbon initiative utilising green/ blue infrastructure and other adaptations to provide the City with economic as well as environmental benefits and climate change resilience. The extension to Angel St will carry on these principles. Delivery of this project will directly contribute to the City's Corporate Plan Strategic Outcomes in terms of:

- 'A Strong Economy'; by increasing the attractiveness of the City Centre as a place to work, invest and live, promote the City Centre's unique place in the Sheffield City Region by supporting and growing high-value businesses while continuing to grow business rates;
- 'A Competitive City'; by contributing to the achievement of a strong and competitive economy and a vibrant City Centre;
- 'A Great Place to Live'; through delivering desirable homes and neighbourhoods, infrastructure and built environment;
- 'Better Health and Wellbeing'; through better connected transport to ensure increased travel choices including sustainable modes such as public transport, walking and cycling and ensuring those travel choices are accessible and safe to use in an environment which has improved air quality;
- 'Thriving Neighbourhoods' by helping people to work and socialise in attractive, interesting and engaging surroundings.

## **3. HAS THERE BEEN ANY CONSULTATION?**

3.1 Formal consultation with occupiers and stakeholders on Angel St is planned to take place in November 2020 as the funding is secured and internal approvals advanced. This will include consultation as part of highway changes and TROs, which will be reported to the Cabinet Member for Transport and Development.

3.2 There have been however early discussions with a key occupier, Kommune, to align aspirations between their aspirations for outside space and the project proposals.

## 4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

### 4.1 Equality of Opportunity Implications

4.1.1 An Equality Impact Assessment has been carried out for the scheme. The conclusion was that the works are fundamentally equality neutral affecting all local people equally regardless of age, sex, race, faith, disability etc. However, some aspects will be positive, e.g. for the young, elderly and disabled as the measures improve accessibility. No negative equality impacts have been identified.

### 4.2 Financial and Commercial Implications

#### 4.2.1 Terms and Conditions

The previous MHCLG/ERDF Funding Agreement enables contract variations to be added to the Grey to Green Project (P2) with the same grant terms and conditions being applied to any variation

Key features of the MHCLG /ERDF grant (£603k) terms and conditions (not exclusive) are summarised below. The Grant Manager will need to read, understand and comply with all the grant's terms and conditions.

- The grant must be accepted by Friday, 16<sup>th</sup> October 2020;
- An outline work programme can be found on the attached report;
- Grant will only be paid in respect of Eligible Expenditure;
- Eligible Expenditure to be defrayed on/after the Start Date;
- Carry out Project Activities, achieve Targets and Key Milestone within time limits set;
- Match Funding must be committed and be compliant with the Eligibility Rules;
- Notify funder if there are any material issues in achieving match funding;
- SCC to fund project expenditure which is not eligible expenditure;
- Compliance with grant claim procedures and reporting requirements;
- Funder will retain 10% of the grant until the project is completed and audited;
- Shortfalls in eligible expenditure in year compared to profile do not

guarantee carry forward into the following year;

- An over-spend in the amount of eligible expenditure compared to profile does not obligate grant payment in the following year;
- No use of asset for any purpose other than approved use across its useful economic life;
- No disposal of any interest in any asset without prior consent;
- All changes must be approved before implementation;
- Compliance with the Structural and Investment Funds Regulations;
- Undertake independent assessment of the compatibility of the Project with State Aid Law and confirm compliance with State Aid Law;
- Maintain appropriate records of compliance with the State Aid Law;
- Comply with Procurement Law and ensure Delivery Partners comply too;

4.2.2. An Event of Default is any of the following (not exclusive and the Grant Manager will need to read and comply with all these terms and conditions):

- Grant Recipient fails to comply with the Conditions;
- Project Activities not commenced by the date which is 3 months after the Start Date;
- Expenditure is not claimed in line with the expenditure profile;
- Completion of Project Activities not achieved by the Agreed Activity End Date;
- Change is made to the Project without prior written approval;
- Approved use of asset has ceased without prior written consent;
- Material breach (not exclusive): A breach of the warranties; Disposal of Asset without prior written consent; Failure to materially comply with the Conditions; the activities carried out are different from the Application;
- The grant is subject to clawback, suspension or reduction if the terms and conditions are not complied with and can be reduced

for underperformance;

- Receipt of any other public sector financial assistance;
- Any event which might adversely affect the completion of the Project Activities;
- Any event which might adversely affect the delivery of the Project by the Agreed Activity End Date;
- Comply with requirements for an audit trail under the Structural and Investment Funds Regulations;
- The Grant is outside the scope of VAT but if any VAT becomes chargeable all payments shall be deemed to be inclusive of all VAT.

#### 4.2.3 Retention of Documents

- Comply with funder requirements/keep records for the required duration of all: Eligible Expenditure, quotes, tenders/procurement practices, financial contributions to the Project, income generated by the Project. All documents relating to the project and its implementation and financing are retained for a two year period from 31 December following the submission of the accounts to the EU Commission in which the final expenditure for the completed project is included. (Funder to notify the grant recipient of the start date of the two year period);
- Ensure all documents are retained as necessary in order to comply with State Aid law, the Structural and Investment Funds Regulations and this Funding Agreement (see National European Development Fund Document Retention Guidance);
- Documents to be kept either in the form of the originals or certified true copies of the originals or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only. The National European Development Fund Document Retention Guidance provides guidance;
- Documents in electronic form must meet accepted security standards for audit purposes. The equipment and software used to store the documents shall be retained and kept functional for a two year period from 31 December following the submission of the accounts in which the final expenditure for the Completed Project is included.

#### 4.3 Legal Implications

- 4.3.1 The original ERDF Funding Agreement – which was the subject of a previous report outlining its terms and conditions (referred to above) - stated that the Commission of the European Union ('European Commission') has adopted the Operational Programme for England, setting out its contribution to the Union strategy for smart, sustainable and inclusive growth and the achievement of economic, social and territorial cohesion.
- 4.3.2 Under the terms of that Agreement the Secretary of State acted as the 'managing authority' for the Operational Programme pursuant to Article 123(1) of Regulation 1303 and offered the Grant to the Council on the terms and conditions of that Agreement. The current extended grant provision is pursuant to and compliant with that Agreement.
- 4.3.3 Variation or extension of the terms and conditions to the original ERDF G2G2 Agreement are envisaged under clause 2.3 of that agreement where it states that "reference to 'this Funding Agreement' includes any variations made from time to time pursuant to these terms" which enables the Secretary of State to extend the funding amounts to the Council. The variation amends Schedule 1, 1A Contribution Rates adding revised funding profiles and funding sources to cover the proposed extension of funding.
- 4.3.4 Any grants accepted by the Council can only be received following the approval of the Director of Resources & Head of Strategic Finance (Art 6.2.1 & Art. C.2.1.5 'Grant Funding') and then managed by an Executive Director (or their delegate) under Article 6.2.2 of the Financial Procedure Rules.
- 4.3.5 The Localism Act 2011 s.1 provides local authorities with a "general power of competence" which enables them to do anything that an individual can do so long as the proposed action is not specifically prohibited. A purpose of the Act is to enable local authorities to work in innovative ways to develop services that meet local need. The proposed Programme can be delivered through the Council using its general power of competence.
- 4.3.6 Any procurement undertaken must and will comply with the Council's CSOs and procurement legislation.

#### 4.4 Other Implications

- 4.4.1 *Community Safety Implications:* Angel St is characterised by declining footfall and poor environment. It is somewhat an isolated part of the city centre dominated by road and make the area look unfriendly.

This project will help to transform Angel St both to investors and to members of the public. This should lead to increased footfall and dwell-



time and in turn help improve the perception and therefore safety that people feel.

## 5. ALTERNATIVE OPTIONS CONSIDERED

### 5.1 ALTERNATIVE OPTIONS CONSIDERED

#### Overall Scheme

A more traditional reclamation and removal of redundant carriageway could be undertaken through the Streets Ahead programme on Angel St. This approach however would simply replace like with like and at a similar maintenance cost and would not deliver the transformative benefits which have been outlined above.

**Option 1 Do nothing:** The project team do not consider this to be a viable option. It would lead to further decline of the area, depressing property prices and sustainability of businesses which in turn would affect business rates and investment.

**Option 2 Private and voluntary sector to lead:** Although this would reduce the initial cost to the Council, there is little evidence of willingness of the private sector being prepared to spontaneously and speculatively invest on a sufficient scale to effect permanent change on a highway and public realm scheme. The voluntary and charitable sector is not able to raise sufficient resources without the support of the public sector.

**Option 3 (preferred)** Extending the G2G scheme through to Angel St through predominately ERDF funding will give SCC control over the timescales of the major interventions and transformation proposed on Angel St. It will also improve accessibility and safety as well as the local environment in order to encourage new investment and jobs while providing the setting for future investment.

## 6. REASONS FOR RECOMMENDATIONS

That Executive Director Laraine Manley approves the extension of the G2G2 project to Angel St as outlined on this report and

SCC accepts the additional ERDF funding to deliver it with a corresponding budget increase to the project.

The evaluated approach to the scheme's development and design using ERDF and SCC funding will transform Angel St, improving accessibility and safety as well as the local environment to encourage new investment, jobs and environmental benefits. It is therefore recommended that this approach is approved so that the scheme can be delivered in the necessary timescales.

## **SUMMARY OF PROGRESS ON CURRENT DELIVERY OF GREY TO GREEN PHASE 2 PROJECT IN CASTLEGATE AND PROPOSED EXTENSION TO ANGEL ST**

### **1. Grey to Green 2 – Castlegate, Exchange Place and Snig Hill (currently on site)**

1.1 The G2G2 project, to improve to Castlegate, Exchange Place and Snig Hill was approved by Cabinet on 21 November 2018 and it started on site in May 2019. It is expected to issue a takeover certificate dated 25<sup>th</sup> September 2020, which will mark its substantial completion, except some minor snagging and a small amount of planting to be done in October.

2.2 The project is funded by the SCR, ERDF, Canal & River Trust and SCC. You can see the breakdown in table 3.3.3

### **2 Grey to Green Phase 2 - Angel St (proposed extension)**

#### **2.1 Rationale and funding opportunity**

Angel St is the missing link between the Grey to Green project and the proposed multi-million pound High Street Fund project on Commercial St and Fargate. When the Council was approached in late 2019 by HMCLG with a potential increase in ERDF funding for the Grey to Green Phase 2 project, it was decided that Angel St should be where the investment would be made.

The Grey to Green project is a 'whole place', low carbon initiative utilising green/blue infrastructure and other adaptations to provide the City with economic as well as environmental benefits and climate change resilience. The extension to Angel St will carry on these principles.

#### **2.2 Key Interventions envisaged on Angel St.**

The key interventions to be funded additionally to those included in the original ERDF Funding Agreement are:

- 1 Reduction of road width from 2 to a single carriageway on Angel St;
- 2 Construction of segregated cycling lane (two way) to connect Grey to Green to City Centre cycling route and to Upper & Lower Don Valley;
- 3 Implementation of Sustainable Urban Drainage (SUDs) and planting;
- 4 Retention of existing 4 trees and planting of additional 2 trees;
- 5 Improvements outside the Kommune (Co-op listed building) to enable the construction of a sheltered area (from general traffic and buses) and seating area;
- 6 New street furniture, City Centre quality.

## 2.3 Expected Project Costs and sources of funding

2.3.1 The expected cost of the works to Angel St £768,952.

2.3.2 The total cost is broken down as follows:

Construction Work Estimate	£530,738
Surveys	£20,340
Fees	£133,250
Contingency	£84,624
<b>TOTAL</b>	<b>£768,952</b>

2.3.1 The sources of funding to meet the above costs are from SCC and ERDF.

2.3.2 The table below identifies the total costs for the Castlegate and Angel St total costs and sources of funding:

	Main Contract (excluding Angel St. and contingency) from August forecast	Angel St	TOTAL
nmcn contract cost (1161)	£4,243,240	£603,001	£4,846,241
fees and related (1192+1193+1196)	£970,000	£145,611	£1,115,611
surveys (1148)	£83,323		£83,323
direct costs (1194)	£301,101	£20,340	£321,441
Contingency (1199)	£15,000		£15,000
<b>Total Project Costs</b>	<b>£5,612,664</b>	<b>£768,952</b>	<b>£6,381,616</b>
<b>INCOME</b>			
NHB applied for start up	£77,580		£77,580
SCRIF	£3,320,000		£3,320,000
ERDF	£1,329,524	£96,430	£1,425,954
Kollider	£50,000		£50,000
Canal & River Trust	£43,035		£43,035
S106 *	£792,525	£410,102	£1,202,627
NHB not yet applied	£0	£262,420	£262,420
<b>TOTAL</b>	<b>£5,612,664</b>	<b>£768,952</b>	<b>£6,381,616</b>

### 2.3.3 SCR

SCR will not form part of Angel St funding package as all SCR's funding was claimed by March 2020. Equally, CRT funding was also claimed by then.

### 2.3.6 ERDF

The additional ERDF funding allocation of £603k is done not through a new Funding Agreement but as an approved Change Request to the existing contract and Funding Agreement for the G2G2 project already delivering improvements to Castlegate, Exchange Place and Snig Hill.

So the funding of £603,000 (in two parts, £440,000 and £163,000) will be added to the already approved ERDF Contribution of £836,269 making the total

maximum ERDF contribution of £1,439,269 At the moment, we are expecting to draw down £1,425,954 because of the draw down mechanism between two ERDF programme priorities, P4 and P5.

ERDF are awaiting for the offer of the additional ERDF funding to be accepted by SCC by signing the offer letter. This needs to be done by Friday, 17<sup>th</sup> October.

### 2.3.7 SCC

The SCC funding for Angel St is committed SCC funds to the Castlegate G2G2 project which have not been spent.

## 2.4 Work Programme

2.4.1 The G2G team did some preliminary RIBA 1 and RIBA 2 work in late 2019/ early 2020 and the cost manager costed the scheme in December 2019.

2.4.1 Additionally, and in order to be able to meet the delivery timescales, we have commissioned the necessary surveys needed to deliver it with funding already allocated to the G2G2 Castlegate project. The concept design (RIBA 2 stage) has been completed with a view to consulting with the Angel St occupiers and stakeholders in November 2020. See Concept Design attached. The team has already held discussion with the owners of the Kommune to align aspirations for their outside space.

2.4.2 Detailed design (RIBA 3) is expected to be completed by end of November. It will be at this point that we will be able to commission RIBA 4 Technical Design (i.e. drawings for construction) to be completed by February 2021.

2.4.3 Procurement is expected to take place in February and March 2021

2.4.4 Construction is expected to start in April 2021 for 6 months.

2.4.5 The project will be costed by the Cost Manager at the end of each design stage and we have the ability to 'value engineer' the scheme to the funding available.

## 2.5 Procurement

2.5.1 The current approved project was procured through the YOR Civils NEC 3 Option framework.

2.5.2 We have agreed with Phil Moorcroft (Commercial Services) that the Angel St works will also be procured via the YOR Civils framework in order to bring as much competition as possible and minimise any risk of procurement compliance with ERDF.

### **3.6 SCC Approval Process**

- 3.6.1 EGPG will discuss the proposed extension of the Grey to Green project to Angel St on 13<sup>th</sup> October and hopefully, approve the process by the deadline of Friday, 17<sup>th</sup> October. This is when the letter to MHCLG accepting the additional ERDF needs to be submitted;
- 3.6.2 An Executive Director's Report has also been prepared for Laraine Manley to sign off the extension to Angel St and acceptance of ERDF additional funding. This also needs to have been signed by Friday, 17<sup>th</sup> October.
- 3.6.3 Just to clarify that the additional funding is not subject to an amended or new Funding Agreement from ERDF. This is an increase of funds for the same project that was approved originally, including Angel St in its scope now.
- 3.6.4 An authorised Finance officer will sign the ERDF letter accepting the additional funds by Friday 17<sup>th</sup> October;
- 3.6.5 The extension will go to November CPG and December Cabinet.