

**SHEFFIELD CITY COUNCIL****Executive Leader Report**
19th August 2014

Report of: Simon Green

Report to: Leader

Date: 19th August 2014

Subject: **Acceptance of European Regional Development Fund for Phase 1 Riverside Business District “Grey to Green Corridor”**

Author of Report: Simon Ogden

Key Decision: YES / NO*

Reason Key Decision: Expenditure over £500,000*

Summary:

1. The report seeks authority to secure funding of £1,426,000 towards the first phase of the Grey to Green Corridor project from the European Regional Development Fund (ERDF), subject to the availability of sufficient match funding. The match will be made up of £2,139,000 from the Sheffield City Region Investment Fund (SCRIF) or an alternative package also set out in the report.
 2. The funding is required for Phase 1 of the Grey to Green Corridor (0.512 km) project which aims to eventually transform 1.3 km of redundant road surface and infrastructure in the Castlegate and West Bar area from a barrier and maintenance liability into an attractive new linear public space incorporating perennial meadows, sustainable drainage, rain gardens, walking and cycling routes which will dramatically improve the setting of a number of key businesses, development sites and civic buildings.
 3. This report concerns the acceptance of ERDF for Phase 1 of the project and the financial, legal and programming issues involved.
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Reasons for Recommendations:

This is a final opportunity to access ERDF funding from the current programme for delivering a high priority scheme.

RECOMMENDATIONS

- 1) Subject to receipt of an acceptable contract in line with the content of this report, authorises the Director of RDS, in consultation with the Interim Director of Legal and Governance and Interim Director of Finance to enter into a funding agreement with ERDF Delivery Team for Phase 1 for £1.426m for the project

 - 2) Note that the Council will only incur eligible costs and draw down ERDF funding when the match funding has been secured.
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Background Papers: Sheffield City Centre Master Plan 2013

Category of Report: **OPEN**

If CLOSED add 'Not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).'

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Paul Schofield
Legal Implications
YES/ Cleared by: Deborah Eaton
Equality of Opportunity Implications
YES/NO Cleared by: Anne Marie Johnston
Tackling Health Inequalities Implications
YES/NO
Human Rights Implications
YES/NO
Environmental and Sustainability implications
YES/NO
Economic Impact
YES/NO
Community Safety Implications
YES/NO
Human Resources Implications
YES/NO
Property Implications
YES/NO
Area(s) Affected
Central ward
Relevant Cabinet Portfolio Lead
Councillor Leigh Bramall
Relevant Scrutiny Committee
Economic and Environmental Well-Being
Is the item a matter which is reserved for approval by the City Council?
YES/NO
Press Release
YES/NO

REPORT TO THE LEADER

Sheffield's Riverside Business District – Transforming a key economic corridor in the City Centre from “Grey to Green”

1.0 SUMMARY

- 1.1 This project proposes to transform 1.3 km of redundant road surface and infrastructure in the Castlegate / Riverside area from a barrier to economic regeneration into an attractive new linear public space incorporating perennial meadows, sustainable drainage, rain gardens and walking cycling routes. This will improve the setting of a number of development sites in the vicinity (See Annex B). It will be high-profile and innovative but low maintenance, linking together a number of priority regeneration areas and sites and will attract national attention.

2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

- 2.1 It will improve the links from the core of the City Centre ('Heart of the City'), to the Riverside Business District and to the northern City Centre quarters, namely Kelham Island, Wicker/ Nursery St and Castlegate/ Victoria Quays (please see Annex A for location plan) to maximise investment and pedestrian movements, connecting to and maximising the use of the emerging Steel Route.
- 2.2 It will create a network of high quality public spaces which will establish Sheffield's Central Riverside as a distinctive and high quality location for new businesses, and will change investors' and existing occupiers' poor perceptions about the area and thereby improve investment and bring new jobs to the City.
- 2.3 It will help to create a wider context for the proposed Castle Hill Park on the former Markets site; improve the setting and accessibility of the existing cluster of seven hotels in the area; provide an appropriate civic setting for the Crown and Family Courts.
- 2.4 It will exploit the benefits of the construction of the Inner Relief Road (completed in 2007) to assemble and bring forward new sites for quality employment use, creating much needed investment particularly in office and professional and knowledge intensive business services.
- 2.5 It will support Sheffield's bid for the location of the High Speed 2 Station in the city centre (the Council's preferred option is at Victoria Station) which is in close proximity to the proposed works.
- 2.6 It will develop an innovative and aspirational model for the recycling of redundant highway infrastructure – Sheffield's own take on Manhattan's

“High Line Park” and Paris’ ‘Promenade Plante’ based on Sheffield’s acknowledged expertise in the field and which can be reproduced locally by Streets Ahead and nationally by Amey as a new technique.

- 2.7 It will provide a 1.3 km (0.512 Km in Phase 1) corridor of porous surfaces providing a sustainable solution to surface water drainage reducing run off to the River within the ‘flood zone’ and helping to mitigate flood risk from surface water
- 2.8 It will increase tree street cover and shade to mitigate increasing heat island effect of climate change.

3.0 OUTCOME AND SUSTAINABILITY

- 3.1 This project will help a key objective of the City, as set out in the City Centre Master Plan, to transform the Castlegate / Riverside area into a desirable location for new investment, maximising the opportunities offered by the inner ring road (and minimising travel distances) and the availability of large vacant or semi vacant sites to bring new jobs and wealth to the City.
- 3.2 It will create a significant section of attractive and safe walking and cycling routes into and around the City Centre.
- 3.3 It will complement the proposed HS2 station which would add further advantage to this location for new businesses. However should the city centre option be rejected, this project will provide a highly sustainable location in terms of the highways network and direct links to the M1.
- 3.4 It also offers an opportunity to bring greenery as well as providing a 0.512 km corridor of porous surfaces reducing run off to the River within the ‘flood zone’ and helping to mitigate flood risk from surface water. This is particularly important to deal with the expected impact of climate change.

4.0 PROPOSALS

Background

- 4.1 For the past 15 years, Sheffield City Centre has experienced a significant transformation, spreading out from the ‘Heart of the City’ and the other key projects that originated from the 2000 Sheffield One Masterplan, which were in part funded by Objective 1. Dramatic improvement of the physical environment, linked to key development sites and partnerships have played a key role in establishing a new Central Business District, Cultural Heart and regeneration of the Moor

Physical Works

- 4.2 The “Grey to Green” project uses a similar approach, albeit adapted to an era of scarce resource and greater sustainability. It has grown out of proposals in The City Centre Masterplan 2013 (Draft) and is a key step towards the vision of where the City wants to be over the next 10-15 years. It proposes the transformation of the corridor linking Riverside Business District and Castlegate to the rest of the City Centre (see Annex A for location) with a strong emphasis on climate change resilience and low maintenance costs. Some visuals for the project are included in Annex C and D.
- 4.3 The project has received strong endorsement from both businesses and wider public (see Annex E1, E2 and E3 for letters of support). It also forms part of the package of measures in the City Centre’s Sheffield City Region Investment Fund (SCRIF) submission as well as a current ERDF submission.
- 4.4 Grow Wild UK’ is a four year campaign funded by the Big Lottery to bring people together to grow UK native wild flowers. On 28th February Sheffield University submitted an Expression of interest for a small part of the ‘Grey to Green’ project (Love Square) a privately owned site occupying a pivotal location in the corridor at the junction of West Bar and Bridge St – the gateway to Riverside Exchange. This has been successful in reaching the shortlist of six and the University has been asked to submit a full application. The winning project will be decided by a public TV vote on the Country File programme, providing good publicity for Sheffield and the wider ‘Grey to Green’ project. Smaller grants will be offered to the runners up.
- 4.5 Major Risks and Mitigation
- ERDF Defrayal - all eligible work has to be completed by September 2015 to be able to draw down the ERDF funds. This is achievable (see timeline below), however we are seeking to extend this to 27 November 2015.
 - Technical problems once construction starts such as utility diversions or bad weather causing severe delays. The design is flexible so that it can be amended without having an impact on the overall scheme design or outputs.
 - A full risk workshop will address the above and a comprehensive list of risks will be drawn up along with mitigation and contingencies.

4.6

Timeline (For ERDF) with SCC Gateway Approvals

- January 2014 – ERDF Outline Application Form agreed
- April to mid July 14 – Appraisal of full Business Plan; Design to Stage D (drawings and costs); clearance of financial implications.
- Mid July 14 to early August 14 SCC Leader to sign Executive Leader Report; ERDF Decision and acceptance of funding contract
- 17 July 14 Submission of the 'Grey to Green' Business Case to the Competitive City Board (**SCC Gateways 1 and 3**)
- 22 July submission to SPCIG Board (**Gateway 2**)
- July to end Sept 14 – completion of detailed design. (New Homes Bonus Funding has been agreed for this, awaiting final sign off). SCRIF may be able to repay this funding as part of the SCRIF packages (awaiting confirmation). This is a critical stage to achieve ERDF timescales.
- August 14 – submission of SCRIF Full Business Case
- 29th August CPG: CAF and procurement strategy approved (**Gateway 4**)
- September to December 14 – Procurement stage
- **15 October: Cabinet Approval**
- By December 14 – Approval of SCRIF Business Case by City Region (or alternative match package) and award of contract for ERDF
- 23rd Dec 2014: CPG - Construction Contract awarded (**Gateway 5**)
- January – Feb 2015 Contractor Mobilisation
- March To end of September 15 – Construction (seeking to extend completion date to end of November 2015)
- 31st Dec 2015: Financial closure

5.0 FINANCIAL IMPLICATIONS

5.1 The **overall estimated cost** for this project is **£3.565m** to be funded from

<i>Source</i>	<i>Amount £m</i>
ERDF	1.426
SCRIF including SLTF	2.139
Total	3.565

The European Regional Development Fund (ERDF) funding is based on an intervention rate of approx. 40%. Apart from the offer from the ERDF, none of the other funding is secured. The outline SCRIF Business case has also been approved.

5.2 In accepting the ERDF funding, the Council will therefore be committing to providing match funding in line with its application to ERDF (including any declared outputs). The outcome of the SCRIF and SLTF bids is not expected by December at the latest. If these bids are unsuccessful, the Council proposes to provide the match funding from the following sources which will require some re-prioritisation of expenditure:

- New Homes Bonus
- Section 106 Agreements, in relation to City Centre developments
- Local Transport Plan programme

5.3 A further sum of £225,000 has been approved from the New Homes Bonus Fund for the detailed design, however this expenditure is deemed to be eligible for SCRIF funding so should be reclaimed in due course, subject to SCRIF approval.

5.4 In any of the events below, the Council will become liable to increase its own contribution to the project. This may also be true for the SCRIF and LSTF funding but will not be known until that grant offer is made:

- The project is not complete by the ERDF eligible expenditure deadline of 30th September, any unspent project cost would fall 100% on the Council;
- If the Council incurs ineligible expenditure, acts in a non-compliant way, overspends on the construction budget (beyond the allowed contingency), the resulting claw back and penalties will be payable by the Council
- The Council fails to deliver the projected outputs

5.5 European Regional Development Fund (ERDF)

This is the very last 'call' for applications for underspend in the current 2007 – 2013 programme. (The next programme, 2014 – 2020 has no capital allocation for this type of project.) So this represents the last chance to bring a significant ERDF capital grant to the City Centre programme. The Council was invited to submit an 'outline expression of

interest' for ERDF funding for this project at the end of December 2013. This was approved and a Full Business Plan was submitted on 31st March 2014.

5.6 In order to meet the tight timescales for delivery, the ERDF bid only addresses only Phase 1 - the central section (i.e. West Bar) of the Grey to Green corridor. The rest will be 100% funded through SCRIF/SLTF subject to approval of Full Business Case.

5.7 Officers have been informed by the ERDF team that the Grey to Green project was approved by ERDF Project Board on Tuesday, 17 June 2014. A formal letter and conditions has now been received. Legal and External Funding Teams have confirmed that the conditions are fairly standard. There are specific clauses which require the project to be delivered to the approved spending plan and 10% of the funding will be withheld until the final monitoring report has been approved and all audit issues resolved. This paves the way for the Council signing the ERDF funding agreement.

5.8 Sheffield City Region Investment Funding (SCRIF)

This project forms part of a wider Sheffield City Centre Programme which has been accepted to proceed to submission of Full Business Plan within SCRIF with a spend profile of £7.6m in 2015/16. The "Grey to Green" project is part of the Year 1 City Centre programme. It is explicitly mentioned in the Sheffield City Region's "Strategic Economic Plan for Regional Growth Fund" document and will form an early win for the programme which is under pressure from national government to produce schemes which can start in 2015. One of the factors in the SCRIF appraisal is the ability of projects to bring match funding to the programme which the proposed ERDF application does.

5.9 Sustainable Local Transport Fund

The project has also been included in Sheffield's latest programme for the Local Sustainable Transport Plan 2015-16. Approval of this programme is expected before the end of July.

5.10 Design Costs

Design and development costs of the project (which are required for the SCRIF programme anyway), need to be incurred in advance of the SCRIF and LSTF grant awards. Normally any pre-award expenditure is ineligible but the City region office have confirmed that the detailed design costs associated with a successful SCRIF Project are eligible expenditure so should be recoverable in principle from SCRIF. However if this proves not to be the case, the Council will have to provide its own

funding.

5.11 Future revenue implications

The Streets Ahead contractor and the Council's Client Team have been involved in development of the 'Grey to Green' project and are very supportive as it offers wider savings opportunities for the programme. The initial calculation of the commuted sum to Amey is an increase of £25,000.

5.12

Timescale Issues

The programme for construction to meet ERDF Financial close-down in September 2015 is extremely tight. An allowance of three weeks has been made in the programme for bad weather delay as well as a contingency of £467,000 for unforeseen items, acceleration and inflation.

6.0

LEGAL IMPLICATIONS

The Council has a general power under the Localism Act 2011 to act in any way that it sees fit, provided that the activity falls within the law and is in the best interests of their local area. This power would supplement the specific powers in the Highway Act 1980 to improve the highway, to plant trees, shrubs and lay grass to vary the relative widths of the carriageways and footpaths and to carry out drainage works.

6.1

Once the ERDF funding agreement has been entered into, there is no right for the Council to terminate the agreement in the event of anticipated match-funding being unavailable. This could trigger an event of default which would enable the DCLG to claw back any funding already paid. However, if the Council has not drawn down any funds, there is nothing to claw back and therefore there would be no sums on which interest would be payable. In any event, the alternative match funding outlined above mitigates the risk of the Council triggering this event of default.

6.2

The works elements of the project must be procured following the Council's standing orders and all relevant EU procurement directives. The procurement process will therefore have to be open, transparent, fair and non-discriminatory. The contract awarded to the successful tenderer/s must ensure compliance with all applicable legislative requirements and provide for effective service delivery, value for money and ensure the delivery of the project outcomes.

7.0 **COMMUNITY SAFETY IMPLICATIONS**

7.1

Parts of the Castlegate and Riverside area are characterised by declining footfall, which will be exacerbated as the full impact of the closure of Castle Market are felt. On others such as Snig Hill/Bridge St footfall has increased dramatically but still in a poor environment. It is somewhat AN isolated part of the city centre dominated by roads that have very little

traffic but still make the area look unfriendly.

- 7.2 This project will help to transform the areas image 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.

8.0 EQUALITY IMPLICATIONS

- 8.1 The scheme will have a positive impact for all sections of the community by creating a more pedestrian friendly environment. In particular older people and people with disabilities will benefit from removal of kerbs, provide wider footpaths and ensuring appropriate materials are incorporated to help blind people navigate.
- 8.2 A potential pedestrian / cyclist conflict on the proposed shared footpath / cycle lane has highlighted. However it was acknowledged that this raises strategic issues about the Council's broader approach towards encouraging cycling and the appropriate balance to be struck between such conflicts. There is ongoing work disabled access officers to ensure needs are properly addressed.

9.0 ALTERNATIVE OPTIONS CONSIDERED

- 9.1 A more traditional reclamation and renewal of redundant carriageways could be undertaken and this group of highways is due for renewal in 2017 under the current Streets Ahead programme. However this would simply replace like with like and at a similar maintenance cost and would not deliver the transformative benefits outlined above.
- 9.2 Do nothing. For the reasons mentioned in Section 7 above, this is not a viable option. It would lead to further decline in the area, depressing property prices, sustainability of businesses which in turn would affect the Council's National Non Domestic Rate income. Finally because of higher risk of flooding, marginal it may be, translated into both lack of an appetite for new investment and higher insurance premiums. The Council's own property in this area would suffer directly.

10.0 REASONS FOR RECOMMENDATIONS

- 10.1 This is a final opportunity to access ERDF funding for delivering a high priority scheme. However the ERDF timetable is very tight. and outstanding work, such as detailed design and financial and legal implications has had to be undertaken concurrently with the approval process. Authority is needed to enter into a contract to be able to access the European funding but will not be drawn down until the above work has been completed and signed off.

11.0 RECOMMENDATIONS

- 11.1 Subject to receipt of an acceptable contract in line with the content of this report, authorises the Director of RDS, in consultation with the Interim Director of Legal and Governance and Interim Director of Finance to

enter into a funding agreement with ERDF Delivery Team for Phase 1 for ££1,426,000 for the project

- 11.2 Note that the Council will only incur eligible costs and draw down ERDF funding when the match funding has been secured.

ANNEXES

- 11.3 Annex A – Sheffield City Centre Plan
Annex B – ‘Grey to Green Boundaries, March 2014
Annex C and D – Visuals
Annexes E1, E2 and E3 – Letters of support

Simon Ogden
Head of City Regeneration
19th August 2014