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Report of: *Mick Crofts, Executive Director of Place*

Report to: *Cabinet*

Date of Decision: *17th March 2021*

Subject: *Future High Streets Fund – Fargate and High Street*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
- Expenditure and/or savings over £500,000		<input checked="" type="checkbox"/>		
- Affects 2 or more Wards		<input type="checkbox"/>		
Which Cabinet Member Portfolio does this relate to? <i>Business and Investment</i>				
Which Scrutiny and Policy Development Committee does this relate to? <i>Economic and Environmental Wellbeing Scrutiny and Policy Development Committee</i>				
Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? 918				
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
Commercial terms relating to acquisition of property are contained in Part 2 of the report.				
Part 2 of this report is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).				

Purpose of Report:

The purpose of this report is to update Cabinet on the Future High Streets Fund (FHSF) following the announcement that Sheffield Fargate and High Street was successful in securing £15.817m funding from MHCLG, and to provide further information around the project and seek approval around next steps including allocation of match funding and acquisition of property.

Recommendations:

Cabinet is recommended to:

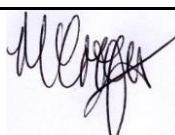
- i. Note that the Council have been successful in being awarded £15,817,001 from the Ministry of Housing, Communities and Local Government's (MHCLG) Future High Streets Fund (FHSF) and in principle agree to the Council accepting the funding subject to the grant terms being received and agreed by the delegated officers.*
- ii. Delegates authority to the Executive Director of Place in consultation with the Cabinet Member for Business and Investment, the Executive Director of Resources, the Director of Legal & Governance and the Director for City Centre Development to accept the MHCLG FHSF funding and enter into a grant agreement.*
- iii. Note that some of the funding has already been received by the Council.*
- iv. Approves the allocation of £5m from the Councils 'Corporate Investment Fund' as match funding, and approves the application to the Sheffield City Region Mayoral Combined Authority for the funds to be sourced from the Gainshare Fund.*
- v. Approves the acquisition of property as outlined in Part 2 of this report.*
- vi. Approves the addition of the expenditure associated with this acquisition of this property to the capital programme subject to receiving satisfactory funding terms and conditions from MHCLG.*
- vii. Notes the previous delegation from Cabinet on 18 March 2020 which delegated authority to the Chief Property Officer and Director of Legal and Governance, in consultation with the Cabinet Member for Finance, Resources and Governance and Deputy Leader, Cabinet Member for Business and Investment, the Executive Director of Resources and the Director for City Centre Development to negotiate and enter into any necessary agreements to purchase property, to facilitate the key interventions proposed subject to securing funds from FHSF.*
- viii. Notes that further capital interventions outlined in this report will be brought through the capital approvals process and presented to Cabinet for inclusion on the capital programme.*

Background Papers:

Form 2a Director Non-Key Executive Decision Report, 23rd January 2020, Acceptance of a government grant offer from MHCLG of £127,000 to work up a full business case to seek capital funding from the Future High Streets Fund.

Form 4 Officer Executive Decision Record (Non Key), 23rd January 2020

Form 2 Cabinet Report, 18th March 2020, Future High Streets Fund – Fargate and High Street

Lead Officer to complete:-		
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: <i>Mark Wassell [5.3.2021]</i>
		Legal: <i>Gemma Day / David Sellars [5.3.2021]</i>
		Equalities: <i>Annemarie Johnston [5.3.2021]</i>
<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>		
2	EMT member who approved submission:	 <i>Mick Crofts 08.03.2021</i>
3	Cabinet Member consulted:	<i>Cllrs Mazher Iqbal, Terry Fox and Bob Johnson</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Matt Hayman</i>	Job Title: <i>Principal Development Officer</i>
	Date: <i>[5.3.2021]</i>	

1. PROPOSAL

1.1 Background

The Future High Street Fund (FHSF) was launched by the Ministry for Housing, Communities and Local Government (MHCLG) in December 2018. It was set up as a £675m fund to reinvigorate struggling high streets and town centres. The fund aims to renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability.

1.2 In July 2019, MHCLG announced that Fargate and High Street had been shortlisted, and awarded a resource grant along with 50 other areas across England to proceed to the next stage and bid for up to £25m with the completion of a detailed business case. In August 2019 MHCLG announced a further 51 towns would proceed to the second stage with additional funding from the £3.6 billion Towns Fund. This brought the total funding for FHSF to £1 billion.

1.3 Following extensive consultation with stakeholders throughout 2019, the full business case for Fargate and High Street was submitted to MHCLG in June 2020 seeking £15.817m of FHSF as part of a total public sector investment of £20.817m.

1.4 Impact of Covid 19

Prior to submission local authorities were asked to review their proposals to address the impact of Covid-19. The conclusion reached by Officers was that the proposals for Fargate and High Street are designed to address long-term issues and pre-existing challenges of decline, which will be exacerbated by the effects of Covid-19. The works proposed will take place over a period of 12-18 months and are likely to coincide with a period in which high street businesses will continue to experience low footfall, particularly in the retail, cultural and food and beverage sectors.

1.5 While this is a risk, it also presents an opportunity to take decisive action now. The principles underpinning our scheme are deemed to be all the more relevant given the medium to long-term stresses facing these sectors. Creating uses that attract and strengthen footfall will now be even more important as part of an economic recovery and in adjusting to new economic realities.

1.6 Success for Sheffield Fargate/High Street

On the 26th December 2020 the Government announced that Sheffield Fargate and High Street was 1 of only 15 areas across England that will receive the full amount requested. A further 57 areas are to receive a much reduced level of funding than each requested. It is understood that in addition to the vision, the match funding proposed for Sheffield was key in securing the full amount from MHCLG.

1.7 The award has been confirmed in writing and a formal grant offer letter accompanied by a memorandum of understanding is awaited. However, MHCLG have indicated the funds will be paid annually via a section 31 grant. A 3 year programme ending on 31st March 2024 has been set by Government.

1.8 The Strategic Case for Fargate and High Street

As reported to Cabinet in March 2020, Sheffield's historic high street is central to the city's emotional identity and economic history. Fargate and High Street account for one tenth of city centre retail space, with 103 retail and leisure units. Twelve months ago vacancy rates stood at just under 25%, above national trends, and vacancy numbers have increased with recent closures under the impact of Covid-19. Even prior to Covid-19 Fargate and High Street were deemed to be unsustainable in their current form. Sheffield's retail economy is undergoing fundamental restructuring and is/will be increasingly dependent on experience and quality of place.

1.9 The Strategic Case proposes the creation of an environment for success through improvements in essential infrastructure, and aspiration to take the city's cultural renaissance to new levels by providing the buildings and facilities to support a year-round programme of top-quality events via a new cultural hub, Event Central. Three key interventions are proposed, designed to future-proof the city centre, with the creation of an experience-centred environment that will attract visitors and increase dwell time.

1.10 First, the creation of an environment for success through **infrastructure improvements** (Appendix A). We will increase climate resilience through sustainable urban drainage and greening, while creating new spaces to sit, socialise and play in Fargate. With the installation of digital infrastructure and utilities to support international-standard events, and a controllable lighting scheme to improve visitor experience, highlight heritage and deter crime.

1.11 Second, is the acquisition of a key building currently vacant on the upper floors and used for short-term retail on the ground floor. It is proposed this property will become '**Event Central**' facilitating a year-round programme of events that will bring an estimated 44,800 extra visitors to the city centre annually. 'Event Central' will host space for exhibitions and events management; a café; co-working space; and flexible workspace and/or residential accommodation on the upper floors with a separate front door entrance. It seeks to demonstrate the viability of creative mixed-use to nearby landlords and property owners.

1.12 And thirdly, the '**Front Door Scheme**' is a key intervention working with landowners through grant assistance, to open-up new direct front door access to upper floors to enable their conversion for new uses. This intervention also includes the creation of a communal refuse system, in

recognition of the access constraints for many buildings on Fargate/High Street, and the need to improve on the current arrangements. It is proposed that underground chambers will be constructed as part of the public realm/infrastructure works on Fargate, providing discrete high capacity refuse drops for existing retailers, new workspaces, new homes, street cleansing and the general public.

- 1.13 The interventions are designed to generate investor confidence, attract and retain new visitors and residents, and build on Sheffield's unique offer as a creative, climate resilient and sustainable 'Outdoor City'. They are also important in addressing the economic, social and environmental impacts of Covid-19.
- 1.14 The interventions were costed in support of the full business case submission to Government. The total public sector investment is £20.817m.

2. HOW DOES THIS DECISION CONTRIBUTE ?

- 2.1 It will secure public and private investment in Fargate and High Street to deliver economic growth, jobs and housing by accessing, repurposing and retrofitting of vacant buildings for new residential, leisure, workspace and community uses alongside existing retail. The proposal will have a striking visual impact, improving more than 3 million ft² of public realm/highway by removing clutter, greening, and installing digital infrastructure (full fibre, 5G and wifi6 ready), utilities and lighting to serve a year-round events programme. These interventions have the potential to attract an additional 110,000 visitors to the City Centre, and create up to 505 jobs.
- 2.2 The proposed introduction of Sustainable Urban Drainage (SuDs) and scope for a cycle route as part of new high-quality public realm will contribute to climate resilience and the Councils zero carbon target of 2030. The project will compliment potential investment through the Transforming Cities Fund (TCF) which seeks to improve public transport journey times and encourage greater numbers of journeys to, from and through the City Centre by foot and bicycle.
- 2.3 The intervention seeks to ensure that Fargate and High Street compliment and align with regeneration work underway on the Heart of the City 2 development and support improved links to, and growth of digital/culture enterprise at Castlegate.
- 2.4 The improvements will compliment and align with Council led projects seeking to encourage greater cycling and walking through the 'Transforming Cities Fund' and enhance community safety through the Hostile Vehicle Mitigation measures in the City Centre.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The Council worked with the University of Sheffield throughout 2019 to

facilitate themed stakeholder workshops to discuss the future vision for Fargate and High Street. The feedback from these workshops was used to form the Strategic Case and final business case for submission to government.

- 3.2 A day long public information event was held on the 19th November 2019 and attended by over 200 people. A further exhibition was held at Moor Market on 25th November 2019. A survey was hosted on the Council's Citizen Space, seeking endorsement of the draft vision and strategic case. Feedback from these events and online survey was positive and supportive of the proposals.
- 3.3 Officers continue to meet with retailers, businesses, landowners and wider stakeholders to keep them updated. It is proposed that a more formal stakeholder group be formed, with a view to regular updates and feedback particularly throughout what is likely to be a congested period of construction across the City Centre including Fargate and High Street.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 There are no significant differential, positive or negative, equality implications arising from the recommendations in this report. The capital interventions, which include the acquisition of property are anticipated to be of universal positive benefit for all local people, with added benefit from the creation of a significant number of new full and part time jobs. The local socio economic and community cohesion impacts are anticipated to be particularly positive.

4.2 Financial and Commercial Implications

- 4.2.1 The estimated cost of the project is approximately £20.817m funded by a grant of £15.817m and CIF match funding of £5m. Finalised terms and conditions for the £15.817m grant are still awaited from MHCLG and both Legal and Finance will need to review and approve these before any formal acceptance of the grant. In conversations with MHCLG they have indicated that they are aiming for the grant conditions to be flexible, but this remains to be finalised
- 4.2.2 MHCLG are expected to make profiled annual Section 31 grant payments to the Council at the start of each financial year of the programme until 31st March 2024. These payments will be based on the estimated spend profile shown attached at Appendix B (programme and cost plan under review). It is expected that a mid-year review will be undertaken with MHCLG to address/mitigate any projected underspend, overspend or profiling issues.
- 4.2.3 The full business case submission to MHCLG identified Council match/co-funding which included £5m from the Council's 'Corporate

Investment Fund'. All match funding will need to be evidenced and available for use. This report seeks approval to allocate £5m CIF to the project (funded from the SCR MCA Gainshare Fund), as outlined in the spend profile attached at Appendix B.

- 4.2.4 Whilst allocation of CIF funding is sought through this report to enable project delivery to commence, Cabinet are asked to note that other funding is also being sought through SCR to underwrite/cover this substantial commitment. The FHSF project has been put forward for £5m funding from SCR MCA 'Gainshare, Emergency Recovery Funding' and a decision on this is awaited.

- 4.2.5 The purchase of the property as part of the scheme is now proposed to proceed in advance of receipt of funds from MHCLG and so will be a cash requirement for SCC.

4.3 Legal Implications

Commercial

- 4.3.1 The Council has been awarded £15,817,001 of funding by the MHCLG from the Future High Streets Fund.
- 4.3.2 The Council has a general power under Section 1 of the Localism Act 2011 to do anything that an individual may generally do provided it is not prohibited by other legislation and the power is exercised in accordance with the limitations specified in the Act which enables the Council to accept the funding.
- 4.3.3 The terms associated with the funding have not yet been provided to the Council, once these are received these should be passed to legal to review.
- 4.3.4 The Council must comply with all applicable legislation and regulations including the Public Contracts Regulations 2015, Subsidy Control and the Councils Contracts Standing Orders.

Property

- 4.3.5 The Council has a general power under Section 1 of the Localism Act 2011 to do anything that an individual may generally do provided it is not prohibited by other legislation and the power is exercised in accordance with the limitations specified in the Act which enables the Council to acquire property as and when identified.
- 4.3.6 More specifically section 120 of the Local Government Act 1972 enables the Council to acquire any land by agreement for the purposes of:-
- (a) any of (its) functions under this or any other enactment, or
 - (b) the benefit, improvement or development of (its) area

4.4 Other Implications

- 4.4.1 Property - Key interventions include the purchase, refurbishment and repurposing of a property to provide new event space, and flexible workspace. On 18th March 2020 Cabinet gave delegated authority to Officers to enter into negotiations and enter into option and/or contract agreements to purchase property subject to securing FHSF. This report seeks authority to acquire property based on the commercial terms set out at Part 2 of the report.
- 4.4.2 The business case submission to MHCLG included a robust financial case. This demonstrates future income from the building on completion of the refurbishment, which covers costs to the Council and has the potential to generate a surplus. Officers are investigating options for future operators that include the selection of an operator(s) and granting of a long lease either prior to (with a grant for refurbishment), or post refurbishment.
- 4.4.3 The property will be managed as part of the Council's Commercial Property portfolio. Any future leases to operators will be subject to further approval as required in line with the leaders scheme of delegation and the council's disposal framework.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 Do Nothing

Not accepting MHCLG funding of £15.8m would mean foregoing the opportunity to deliver significant capital interventions along Fargate and the High Street and the associated economic, environmental and social benefits. Not acquiring property could mean viable opportunities to deliver key interventions with FHSF are lost or become more complex to deliver.

6. REASONS FOR RECOMMENDATIONS

- 6.1 The Future High Streets Fund provides an opportunity to fund significant interventions to address current and future issues and challenges on Fargate and High Street.
- 6.2 Authority to acquire property on the terms outlined in part 2 of this report will ensure the delivery of the 'Events Central' intervention outlined above.

Appendices

Appendix A Environmental and Infrastructure Plans

Appendix B Estimated FHSF/CIF Funding Spend Profile

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