



Author/Lead Officer of Report: Neil Jones,
Regeneration and Property Services

Tel: 2735539

Report of: Kate Martin

Report to: Finance Sub-Committee

Date of Decision: 22nd March 2023

Subject: South Yorkshire Mayoral Combined Authority
Grant Funding Agreements

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

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

Has appropriate consultation taken place? Yes No

Has a Climate Impact Assessment (CIA) been undertaken? Yes No

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*“The (**report/appendix**) is not for publication because it contains exempt information under Paragraph (**insert relevant paragraph number**) of Schedule 12A of the Local Government Act 1972 (as amended).”*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 this report is to provide the context for a recommendation to be accountable body for two grant offers from the South Yorkshire Mayoral Combined Authority totalling approximately £7m. This funding will be used to support two major private sector led regeneration projects at Attercliffe Waterside and West Bar.

This report seeks the approval in principle to accept the funding subject to the final terms of proposed funding agreements broadly on the terms previously from SYMCA and as set out in this report. This is capital funding which is to be received by the Council before the end of March.

Part of the funding is to reimburse the Council for acquisitions made in Attercliffe which the Council has already completed in this financial year. The remainder will

be subsequently will be paid to the developers of the projects when they have completed the relevant works, which is likely to be by the end of March 2024.

The future expenditure will be subject to completion of agreements with the developers in compliance with the Council's budget processes, financial regulations and reported through the capital approvals process

Recommendations:

That Finance Sub-Committee –

1. Subject to the finalised grant agreements, being broadly on the terms set out in this report agree to be accountable body for the grant offers from the South Yorkshire Mayoral Combined Authority

Background Papers:

None

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: Alex Hill
	Legal: Haroon Iqbal
	Equalities:
<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	SLB member who approved submission: Kate Martin
3	Relevant Policy Committee: Finance Sub-Committee
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: Neil Jones
	Job Title: Partnership Team Manager, City Regeneration and Property
Date: 13 th March 2023	

PROPOSALS

This report seeks approval to be accountable body for two separate funding offers from the South Yorkshire Mayoral Combined Authority (SYMCA) which have been secured in order to support major, private sector led, regeneration projects at Attercliffe Waterside and West Bar. SYMCA want to pay the funding to the Council in this financial year and so there is an urgency to accept the grants this month.

1.0 Attercliffe Waterside

- 1.1 Attercliffe Waterside is a long standing, ambitious canal side regeneration project which unfortunately has taken many years to progress. The City Council own a large part of the 23 acre site with the remainder owned by the Canal and Rivers Trust and the Duke of Norfolk. Following several previous Cabinet reports regarding the project, an ICMD Report to Cabinet Members for Finance and Business and Investment was approved on 14/03/2019 authorising the disposal of the site by way of a joint sales agreement to bring the land forward for development.
- 1.2 Following marketing by external agents acting on behalf of the three owners, an offer was accepted in December 2019 from Citu who are also developing in Kelham Island. There are similarities between what Citu have achieved in Kelham and their proposals in Attercliffe as both involve changing some negative perceptions of how areas are seen by delivering high quality place making and mixed use development.
- 1.3 Negotiating the development agreement has proven to be extremely complex, not least due to having three landowners involved. Viability of the first phase of development is very challenging as housing values in Attercliffe are currently relatively low, the market for this transformational development unproven and the costs associated with contamination and refurbishment of historic buildings relatively high. The residential development value for the first phase is lower than the existing value as industrial. The existing use values had been assessed by an independent surveyor on behalf of the Council and the other two owners were unwilling to sell at less than those values.
- 1.4 In February 2021 SYMCA awarded the Council revenue funds to help bring forward the Attercliffe Waterside site via the SYMCA Brownfield Housing Fund and an Outline Business Case was submitted in July 2021 with a Full Business Case submitted in November 2021. That was approved by SYMCA in March 2022. This funding is made up of £2,283,927 to cover costs of the Council to acquire the other land from partners at existing use value in order to make the negotiation of the development agreement more straightforward and ensure that the project moves forward. It will also provide £1,710,000 to Citu to help address

abnormal costs that will overcome viability issues in the early phase of the scheme.

1.5 In September 2022 a report to the Executive Director City Futures and Director of Finance and Commercial Services authorised the use of capital from the Council's Brownfield Housing Fund to cashflow the acquisition of the Canal and Rivers Trust and the Duke of Norfolk properties. That funding is to be reimbursed from the SYMCA grant reported here, together with the first phase capital receipt payable to the Council from Citu. That report also formally approved entering into the development agreement.

1.6 The acquisitions were completed in November 2022 and February 2023. The development agreement with Citu is expected to be exchanged this month with a planning application for the first phase of submitted within the next few weeks. This will include 433 new homes and approximately 20,000 sq ft of commercial space including the refurbishment of Victorian former offices, shops and pubs on the Attercliffe frontage. These frontage buildings have been vacant for many years and have some character and heritage interest but are not listed. The three phases of the project covered by the development agreement will deliver approximately 1,000 new homes and the total land price payable by Citu will exceed the existing use values.

1.0 West Bar

2.1 The West Bar project is another large, longstanding regeneration scheme which the Council has been promoting since 2004. The 7.33 acre brownfield site is in a strategic location between Kelham, Burngreave and the city centre. The project aims to deliver a new mixed use district with Grade A offices designed to high environmental and wellbeing standards to address the current shortage of supply and provide much needed floorspace for new jobs; new institutionally owned build-to-rent apartments and high quality public realm. These new squares will provide a breathing space for the development itself and will also create a new attractive, safe and busy route to and from the core of the city centre. The scheme will also continue the Grey to Green landscaping and sustainable urban drainage along the frontage to the inner ring road and incorporates approximately 200 cycle parking spaces.

2.2 The Council has an existing development agreement in place with Urbo (West Bar) Ltd from February 2015 and Urbo has privately funded all design, planning, site assembly and reclamation work to date, including underwriting a CPO. The first phase has been funded by Legal & General and construction of 100,000sq ft of offices and 368 apartments is underway but further works are required to secure the successful future of the project. In particular, 1.5 acres of public realm, flood risk mitigation and public art needs to be delivered in the face of economic and viability pressures. The developer, funder and contractors committed to construction of the first phase buildings in Spring 2022 at much higher costs than had previously been tendered due to inflation. The costs of the

public realm are also far higher than anticipated and there is a serious risk that the quality may have to be drastically reduced.

2.3 Delivering the proposed high quality of the public realm will be vital to the success of the scheme, in the current and future phases, maintaining demand and securing occupiers for the new offices and homes and providing a key route to the city centre. Without some form of financial assistance there is a serious risk that Urbo would need to reduce the size and/or quality.

2.4 In October 2022 Urbo submitted an expression of interest to SYMCA's Brownfield Housing Fund for a grant of £3m towards the public realm costs but were unsuccessful as the SYMCA fund was oversubscribed. However, in mid-December SYMCA were awarded some additional funding from Government but with a very tight timescale for that to be defrayed before the end of March 2023.

2.5 In order for the funding to be spent by SYMCA in that timescale it will have to be paid to the Council and projects needed to be identified which are far enough advanced for the funding to be passed on in the next financial year. The previous expression of interest was therefore put forward and accepted by SYMCA. A Full Business Case was subsequently completed by Urbo and their consultants and formal SYMCA approval given this month.

2.6 The SYMCA funding will be used for:

- Site remediation and ground improvements.
- Underground drainage and attenuation systems.
- Hard landscaping.
- Soft landscaping including tree planting.
- Landscape Furniture (bollards, seating, refuse bins etc).
- External lighting
- Public Art (largely incorporated in landscaping).
- Signage and Wayfaring.
- Length of Newly Built Road (km) – 275lm
- Length of New Cycle Ways (km) – 1200lm
- Length of New Active Travel Route (km) – 600lm
- Public Realm Improved (sqm) – 14,192m²
- Number of New Cycle Parking –200 within the public realm – in addition to 280 cycle racks in Phase 1 A/B and 4C of the buildings.

3. HOW DOES THIS DECISION CONTRIBUTE?

3.1 Economic

3.1.1 Strong economy – both projects will bring brownfield land and vacant buildings back into use for development and creating new jobs. Both developments support the Council's desire to create a fairer, more sustainable local economy where everyone has the chance access to good jobs, training and economic opportunity.

3.1.2 Thriving neighbourhoods and communities – the outcomes from both projects will provide a large number of good quality new homes for sale and rent on vacant land in strategic regeneration areas. Both will bring benefits to adjoining neighbourhoods which suffer from deprivation and the wider community.

3.2 Environmental

3.2.1 Both developments will be built on brownfield land which has or is being reclaimed as part of the infrastructure works at the projects. The sites are well served by public transport and active travel is positively being promoted. Both sites are adjacent to and will complement parts of the new active travel routes which the Council is about to construct using Transforming Cities Fund which is also being provided by SYMCA.

3.2.2 The buildings to be constructed or refurbished are designed to high environmental standards.

3.3 Social

3.3.1 The projects are both located adjacent to communities which suffer the effects of longstanding deprivation. The sites have both been vacant for some time and have attracted a certain amount of anti-social behaviour which should be reduced as a result of the developments.

4. HAS THERE BEEN ANY CONSULTATION?

4.1 The funding is being provided to support private sector developments and there has been no specific consultation on the funding. The West Bar project has been the subject of various public consultation in advance of and during the planning processes. Attercliffe Waterside is at an earlier point in the planning process but consultation will be undertaken by the developer at appropriate stages

5. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

5.1 Equality of Opportunity Implications

5.1. Both projects are intended to promote inclusive economic growth and are adjacent to wards that have high levels of economic deprivation, therefore it is an explicit objective of the project that it will have positive equality implications.

5.2 Financial and Commercial Implications

5.2.1 At the time of writing this report the final version of the funding agreements between SYMCA and the Council has not been available to provide detailed comments. However, the Council has entered into several previous SYMCA funding agreements and these are in a standard format other than the schedules which set out timescales, outputs and outcomes which the funding is being provided to support. Verbal updates will be provided at the meeting of this Committee.

5.2.2. £2.284m of the funding will be retained by the council to fund costs of land acquisition at Attercliffe Waterside which have already been incurred.
The use of £1.170m to support the private developer viability gap at the Attercliffe Waterside site will be subject to the Council's capital approvals process
The use of £3m to support the private developer viability gap on public realm works as West Bar will be subject to the Council's capital approval process
Neither of the schemes will impact on the Council's own capital resources.

5.2.3 The grant(s) will be subject to conditions determined by SYMCA, copies of which has not been reviewed by Finance. A summary of standard SYMCA finance terms is supplied at Annex 1 for indicative purposes only. The summary implications are prepared on the basis of previous SYMCA-SCC grant agreements and are to provide an indication to the Committee on the potential financial implications of accepting the grant(s). This summary should not be relied upon as a finalised report on the terms and conditions of the grant(s). The Finance review of the grant(s) will not be finalised until a final version of any grant agreement(s) have been reviewed and full financial implications provided.

5.3 Legal Implications

5.3.1 This report approval to act as accountable body of the grant funding from SYMCA for the Council's two regeneration projects as detailed in the main body of the report. Acceptance of the grant funding will help the Council to complete the above projects. Section 1(1) of the Localism Act 2011 states that a local authority has power to do anything that individuals generally may do. This power of general competence allows local authorities to act in innovative ways and sub section 1(5) makes clear that the generality of section 1(1) is not limited by the existence of any other power of the authority which may over-lap the generality of the power.

5.3.2 The grant will be subject to conditions determined by SYMCA, legal has not had sight of any agreement which will need to be considered before signing off the agreement. The implementation of any of the actions set out in the report will be subject to further decision making in accordance with the constitution, and the legal implications will be considered fully at that time.

5.3.3 All procurement, in delivering the above projects, should comply with Council's Contract Standing Orders, Procurement Guidelines and any other relevant policies or procedures.

6. ALTERNATIVE OPTIONS CONSIDERED

6.1 The Council just could decide not to accept the funding but officers are unable to provide any reason or justification for that course of action.

7. REASONS FOR RECOMMENDATIONS

7.1 The preferred option is to accept the funding as this will to support the continuation of two major private sector led regeneration projects which are likely to either stall or be reduced in quality as a result.

7.2 If the grant towards Attercliffe Waterside was not accepted the costs of acquisition which the Council has incurred and paid through the Brownfield Housing Fund would not be reimbursed resulting in less Council funding being available to support other projects in future.

Kate Martin
Executive Director City Futures