

SHEFFIELD CITY COUNCIL

Economic and Environmental Wellbeing Scrutiny and Policy Development Committee

Meeting held 12 November 2019

PRESENT: Councillors Denise Fox (Chair), Ian Auckland (Deputy Chair), Dianne Hurst, Alan Hooper, Abdul Khayum, Bryan Lodge, Mohammed Mahroof, Ben Miskell, Moya O'Rourke, Sioned-Mair Richards, Chris Rosling-Josephs, Martin Smith, Paul Turpin and Colin Ross (Substitute Member)

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Neale Gibson and Barbara Masters, with Councillor Colin Ross attending as substitute for Councillor Masters.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 No items were identified where resolutions may be moved to exclude the public and press.

3. DECLARATIONS OF INTEREST

3.1 In relation to Agenda Item 7 (Heart of the City 2 Update) (Item 6 of these minutes), Councillor Ben Miskell declared a personal interest as Cabinet Advisor for Business and Investment.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting of the Committee held on 22nd October 2019, were approved as a correct record and, arising therefrom, further to comments raised by Councillor Ian Auckland, in relation to the Sheffield City Trust Update, the Policy and Improvement Officer (Alice Nicholson) stated that she would contact Ryan Keyworth (Director of Finance and Commercial Services) to find out if there was any further update, following the review due to be completed by the end of October 2019, and whether there had been any major deviations to the proposed recovery plan, and arrange for a briefing paper thereon to be submitted to a future meeting of the Committee.

5. PUBLIC QUESTIONS AND PETITIONS

5.1 There were no questions raised or petitions submitted by members of the public.

6. HEART OF THE CITY 2 UPDATE

6.1 The Committee received a presentation from Nalin Seneviratne (Director of City Centre Development), providing an update on Heart of the City 2. Mr Seneviratne reported on the progress with regard to the development of each block of the

scheme, the heritage position with regard to Block H, together with an update on the leasing and marketing arrangements. He concluded by referring to the current financial position, highlighting the approvals and expenditure with regard to each of the blocks.

6.2 Members of the Committee raised questions, and the following responses were provided:-

- There had been recent changes in terms of retail rents across the UK, with the rents now being based on the overall square footage of the premises, rather than the traditional shop front rental method (Zone A). Zone A retail rents in Sheffield had reduced over the last few years, from an average of £270 to £165 per square foot. Several retailers were now wanting to enter into total turnover cost deals in connection with their rent, which the Authority was seeing more of, with resultant risk being shared between landlord and tenant. The Authority was now also undertaking more detailed assessments of prospective retailers wanting turnover rents, including investigations into their business operations and online operations, and would only offer deals to those companies whose business models were considered to be sufficiently robust.
- The Authority held a risk register in connection with the scheme, which was regularly monitored and updated. The current risk to the retail sector, nationally, had been well documented, and by using the risk register, the Authority was constantly monitoring the market. The key mitigation measure was that the development was being progressed on a block by block basis and, if any risk was identified, and that could not be mitigated or accepted, in terms of any of the blocks, development could be stopped.
- Whilst it was acknowledged that shop units were being left vacant in parts of the City Centre following the relocation of some retailers, some of these retailers were simply relocating elsewhere in the City Centre, and not leaving the City. It was accepted that there were current challenges with Fargate, which were due partly to the constraints in terms of access to, and the nature of, the buildings. Fargate was currently going through a period of transformation, and it was hoped that future development plans would be aided by a successful bid from the Future High Street Fund. There were also plans for investment in Orchard Square, which would help to enhance the overall City Centre development plans. There had never been any plan, as part of Heart of the City 2, to take any retailers off Fargate. Current footfall levels at Meadowhall showed that there was still life in the retail sector, and highlighted the fact that location and offer were key elements.
- Whilst it was accepted that there was also an element of risk in terms of demand, in the office sector, the Authority was confident that the proposed office accommodation being let as part of the scheme would be successful. Block C on Pinstone Street was being developed on a speculative basis. However, companies were already making enquiries to take up that office space. The Authority was finding that companies were looking to provide

better office accommodation for their staff, both in terms of improving staff wellbeing and accommodating modern methods of working, and that several companies had expressed a wish to either locate, or relocate, to the City Centre.

- Whilst not being able to comment in any detail on the current position with regard to the Local Plan, Mr Seneviratne had been consulted on the City Centre element of the Local Plan, as well as on the City Centre Vision. It was not envisaged that the recently announced delay regarding the Local Plan would have any adverse effects on Heart of the City 2.
- Whilst it was acknowledged that the total committed cost of the scheme - £469 million, represented both a vast sum and a potential development risk, it was stressed that this sum did not represent normal capital programme expenditure but instead, involved the development of investment assets, with the creation of income-generating buildings. In terms of Block D, for example, HSBC were paying the Council rent, and the option was always there for the Authority to sell the building and obtain a capital receipt. As the scheme was being developed on a phased block by block basis, construction of the blocks, save for Block C, would only commence when the Authority had received assurances in terms of pre-lets, and any risks were reviewed on a block by block basis. As part of the risk review process, the financial standing of occupiers was being scrutinised. The issue of risk was taken very seriously, and taken fully into account, and the market was being constantly assessed so as to mitigate any such risk to the Authority.
- It was believed that the accommodation to be provided at West Bar was a different offer to that at Heart of the City 2, with differences on space, rental values and location being factors of choice.
- It was not the intention, as part of the scheme, to move any retailers out of their existing premises in the City Centre, but more about creating opportunities for those retailers to move to more fit for purpose accommodation. There had been an increase in expressions of interest from companies and retailers from other areas of the country, including London, partly due to the lower rents in Sheffield. Some companies or retailers were looking to relocate due to expansion or because their leases were coming to an end. Officers were currently supporting a company to look at how the former HSBC office accommodation at Silver Street Head could be repurposed. There was still a demand for smaller office accommodation, which had previously comprised, in some cases, converted residential accommodation, from which expanding companies were now looking for new opportunities with the options for the old office space converting back to residential accommodation.
- The marketing in respect of the hotels as part of the scheme had been targeted towards the lifestyle/boutique/4-star plus chains, and a number of big hotel chains had expressed an interest. It was proposed that the hotel in Block G was more a budget style. The intention was to retain the freehold of

the whole site, thereby retaining an element of control through the leases.

- The Authority had worked very closely with Arup, an engineering consultancy, in connection with the environmental credentials of the scheme. There was also a general sentiment shared by a number of businesses and their staff in terms of being environmentally-friendly. One example of this was that, as part of the development, HSBC were connected to the district heating scheme, with other occupiers of the development expressing an interest to do the same.
- There was the belief that once one or two prestigious retailers opened premises in the City it would give confidence to others to do the same. Interest had been received from other major retailers in respect of the other retail units in Block D, on Cambridge Street and Wellington Street.
- The Authority was currently in dialogue with the owners of the buildings south of Charles Street, on Pinstone Street and Union Street, and it was hoped that new development plans for this area would be submitted in the near future.
- The development of 3 St Paul's Place, which had been constructed as part of the original Heart of the City Project, had been the major factor in terms of driving up office occupation in this central part of the City Centre. As with the first phase of the Project, it was important that the Authority continued to have confidence in the future development of the City Centre, whilst also being mindful in terms of managing the risk.
- It was very difficult to predict if there would be any likely adverse effects on the development following Brexit and the upcoming General Election. Both these factors were on the risk register and, by progressing the development on a block by block basis, this gave the Authority the opportunity to halt the development of any Blocks if necessary.

6.3 RESOLVED: That the Committee:-

- (a) notes the information reported as part of the presentation, and the responses to the questions raised;
- (b) thanks Nalin Seneviratne for attending the meeting and responding to the questions raised; and
- (c) welcomes the progress being made in connection with Heart of the City 2.

7. DIVISION STREET TEMPORARY CLOSURE

7.1 The Committee received a paper from CycleSheffield on an assessment of the trial pedestrianisation of Division Street and Devonshire Street, on Saturday, 19th and Sunday, 20th October 2019. Dexter Johnstone and Andrew Rodgers (CycleSheffield) attended the meeting.

7.2 Dexter Johnstone referred to the paper, which set out information on the background to the trial, the objectives of the trial, observations noted throughout the weekend, including human, motor traffic and environmental issues, feedback following the trial and recommendations in terms of possible pedestrianisation of this and other streets in the City in the future. The Committee also viewed a short video of the proceedings of the weekend.

7.3 Members of the Committee raised questions, and the following responses were provided:-

- Similar pedestrianisation trials had been undertaken in other areas of the country, such as Waltham Forest, and had proved very successful in terms of the shared use of space. It was hoped that, if further trials could be held in Sheffield, or if some streets or parts of such streets, could become permanently pedestrianised, there would be a need for the implementation of soft landscaping. It was suggested that further trials be undertaken on other suitable streets in the City during the day so as not to disrupt commuters.
- The event had proved very successful, particularly based on the positive feedback received. Based on its success, CycleSheffield would like to see more pedestrianisation on the streets in the City.
- Suggestions had been made in terms of the possible pedestrianisation of parts of Ecclesall Road and South Road, but there were complications with these areas on the basis that they carry arterial traffic. These are two areas which could possibly be explored, and CycleSheffield would be happy to support any development in terms of the future pedestrianisation of these roads.
- CycleSheffield were very mindful of the risks of allowing cyclists to use the pedestrianised streets, but considered that any risk to pedestrians was very low.

7.4 RESOLVED: That the Committee:-

- (a) notes the contents of the paper now circulated, together with the information now reported and the responses to the questions raised;
- (b) thanks Dexter Johnstone and Andrew Rodgers for attending the meeting, and responding to the questions raised; and
- (c) notes the success of the trial pedestrianisation of Division Street and Devonshire Street, and welcomes the involvement of CycleSheffield in any further proposed pedestrianisation of streets in the City.

8. TRANSFORMING CITIES FUND - ENGAGEMENT AND DELIVERY CHALLENGES

8.1 The Committee received a report of the Director of City Growth, containing a

summary of the current position with regard to the Government's Transforming Cities Fund (TCF).

8.2 Tom Finnegan-Smith (Head of Strategic Transport and Infrastructure) introduced the report, which set out information on the Sheffield-related component of the bid, details of how the proposal priorities had been determined, and set out a suggested way forward for Members, stakeholders and the wider City, to engage with, and make the most of, this opportunity. Appended to the report was (a) the Transforming Cities Prospectus: Global Innovation Corridor – June 2018, produced by the Sheffield City Region (SCR), who were responsible for the submission of the bid and (b) a briefing paper on Transforming Cities Tranche 2, as at October 2019.

8.3 Members of the Committee raised questions, and the following responses were provided:-

- The bid was based on low, medium and high-scale projects, with some being much more difficult to implement. The priorities for Sheffield comprised projects relating to sustainable travel schemes from areas outside the City Centre, into the City Centre. Work was currently being undertaken to scope out the different projects and try and find out which communities would make best use of such infrastructure.
- It was very difficult at this stage to make any predictions in terms of the level of funding Sheffield was expected to receive. SCR had been in close discussion with the Department of Transport, and as part of such discussions, had sought advice on the range of funding being requested. Whilst it could not be confirmed, it was expected that Sheffield's share of the £215 million funding, which was currently the subject of the SCR bid to the Department of Transport, would be between £50 million and £85 million. Confirmation of this was expected from the Government by March 2020. Officers were not sure whether Sheffield's share would be at the low or high end, but were concentrating on putting forward an effective, strategic business case.
- Whilst the split between SCR's proposed projects represented 50% active travel-related and 50% public transport-related, Sheffield's split was 60% to 40%, which was based on projects identified through early feasibility work. Such projects, would be developed further over time.
- Whilst it would be ideal if support for all the proposed schemes was unanimous, including Member support, it was accepted that more detail on each of the proposed schemes may be needed. It was important, therefore, that the specific design standards in respect of the schemes were met, and hopefully also met the proposals in the Council's Transport Strategy.
- The reference to the cycle routes being prioritised based on likely uptake of cycling by "ordinary people" was based on the desire to attract more people who didn't usually cycle, in an attempt to reduce car usage.
- The timescale for completion of the schemes, as set by the Government, was

2023, which represented a very short timescale, particularly with regard to those major schemes for which Sheffield was seeking investment for. Such timescales therefore precluded any significant tram or train expansion plans. Whilst such plans were included in the Council's Transport Strategy, they represented significant financial investment. The Authority had commenced discussions with SCR on the proposed expansion of the tram and/or train network in the region, which would hopefully result in a report on such proposals being submitted to SCR in the near future.

- It was accepted that there were problems with current bus services in the City, and concerns thereon had been forwarded to SCR, who were currently undertaking a review of bus services in the region. In addition to the concerns raised with regard to the current state of bus services in the City, Councillor Bob Johnson (Cabinet Member for Transport and Development), at a recent Council meeting, had requested a review of such services. Bus services represented a key element of the Council's Transport Strategy, and it was deemed essential that the usage of buses and other forms of public transport, were increased. The vast majority of the current bus network was commercial, thereby limiting what influence the Council had. It was accepted that the public needed to have confidence in their bus services.
- Whilst one of the proposed schemes related to the improvement and provision of more sustainable travel options to Doncaster/Sheffield Airport, it was not envisaged that such proposals would result in an increase in the number of flights. The aim of the bid was to provide such sustainable travel options in order to reduce car usage.

8.4 RESOLVED: That the Committee:-

- (a) notes the contents of the report now submitted, together with the comments now made and the responses to the questions raised;
- (b) thanks Tom Finnegan-Smith for attending the meeting and responding to the questions raised; and
- (c) welcomes the bid being made to the Department of Transport, as well as the work being undertaken by officers, in liaison with the Sheffield City Region in connection with the bid.

9. WORK PROGRAMME 2019/20

9.1 The Committee received a report of the Policy and Improvement Officer (Alice Nicholson) containing the Work Programme for 2019/20.

9.2 Ms Nicholson reported that (a) City Centre Growth and Development had now been confirmed as an item on the agenda for the meeting to be held on 14th January 2020, (b) she would be contacting Ryan Keyworth (Director of Finance and Commercial Services) in connection with the Sheffield City Trust, in order to find out whether an update would be provided at a future meeting, (c) the Committee needed to consider what action it should take in with regard to the

review of bus services in the City, and (d) consideration would be given to including the issue of flood defences on the agenda for the meeting to be held on 14th January 2020.

9.3 RESOLVED: That the Committee notes the information now reported, and approves the Work Programme for 2019/20.

10. DATE OF NEXT MEETING

10.1 It was noted that the next meeting of the Committee would be held on Tuesday, 14th January 2020, at 4.30 pm, in the Town Hall.