



## Report to Policy Committee

**Author of Report:** Alan Seasman, Service Manager City Regeneration and Major Projects

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**Report of:** *Kate Martin, Executive Director City Futures*

**Report to:** *Transport Regeneration and Climate Change*

**Date of Decision:** *15th November 2023*

**Subject:** *The Gateway to Sheffield - Levelling Up Fund – Update*

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? (2424)				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" 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: -				

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**Purpose of Report:**

This report provides a progress update on the Round 1 Levelling Up Fund bid for The Gateway to Sheffield

**Recommendations:**

**The Transport, Regeneration and Climate committee is recommended to:**

- a) Note the progress made on the Gateway to Sheffield LUF project.
- b) Notes that an application will be made to SYMCA to secure Gainshare funding to deliver the full LUF programme as originally proposed.
- c) Approves the revised Governance arrangements.

**Background Papers:**

**TRC Report, 24<sup>th</sup> November 2022, Levelling Up Fund – Update**

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>Damian Watkinson</i>
		Legal: <i>David Sellars</i>
		Equalities & Consultation: Ed Sexton
		Climate: Alan Seasman
<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	<b>SLB member who approved submission:</b>	<i>Kate Martin, Executive Director City Futures</i>
3	<b>Committee Chair consulted:</b>	<i>Ben Miskell Chair of Transport Regeneration and Climate Change</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 Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	<b>Lead Officer Name:</b> <i>Alan Seasman</i>	<b>Job Title:</b> <i>Service Manager City Regeneration and Major Projects</i>
	<b>Date:</b> <i>15<sup>th</sup> November 2023</i>	

## **1. PROPOSAL**

### **1.1 Background to Levelling Up Fund**

1.1.1 A previous report to TRC committee in November 2022 provided the full background to the Levelling Up Fund and a summary of the Gateway to Sheffield LUF Bid.

1.1.2 Key dates relating to the award of the fund include:

- Bid submitted to Government in June 2021;
- October 2021 Levelling Up Fund Bid approved;
- November 2021 to November 2022: Public Consultation Programme and Co-Production. Preparation of the planning application submission;
- Contracts with Government agreed February 2022

This report will provide an update on this timetable.

### **1.2 Summary of The Gateway to Sheffield LUF Bid**

1.2.1 The three projects included in the Castlegate LUF are:

- The Castle site (previously the Castle Market area of the city)
- S1 Art Space
- Harmony Works

1.2.2 The Castle site is the centrepiece, the aim being to re-establish Castlegate as a vital part of the city centre. The site was previously occupied by the indoor Castle Market before it was demolished and has significant archaeological importance, as the remains of Sheffield's medieval castle still reside here.

1.2.3 The River Sheaf, large parts of which are currently covered over, are planned to be exposed or 'de-culverted' for the community to enjoy, and complemented by a new, green public space. This is the culmination of a 'grey to green' process that is transforming a derelict space into one of Sheffield's most exciting neighbourhoods, promoting the economic regeneration of Castlegate quarter and providing the setting for future investment.

### **1.3 Progress on The Gateway to Sheffield LUF Bid**

1.4.1. Since the award of LUF funds to the project at the end of February 2022, each element of the project has made differing degrees of progress.

#### **Castle Site and Development Plots**

- 1.4.2. In May 2023 a full planning application for the development of the Castle site has been approved and work commenced on procuring a contractor to undertake the works
- 1.4.3. Procurement has been undertaken using a two-stage process with the first stage covering the preliminary works and the preparation of the site. Stage 2 of the procurement process will firm up the actual costs through detailed design and may therefore result in some variability up or down in the tender price.
- 1.4.4. Although in two stages, both stages are procured at once and there must be sufficient certainty that both stage 1 and stage 2 are affordable within the envelope of available funds.
- 1.4.5. What is clear is that the full design for the Castle Site requires additional funds beyond those available in the Levelling Up Fund Programme in order to deliver the ambitions for the site. Without additional funds hard choices would be needed on which elements of the design should be delayed to a future date. The procurement process has also taken longer than expected as respondents needed more time to provide a response. Even with an extended time to respond only one realistic bid was received. This isn't however particularly unusual in the current construction climate.
- 1.4.6. Therefore, an application to SYMCA to use Gainshare funding has been/made to bridge the gap and ensure the full scheme can be delivered. It is anticipated that sufficient gainshare funding can be secured to provide the certainty of a suitable funding envelope to progress the appointment of a contractor. There is sufficient budget approval to award Phase 1 of the works. When full costs for stage 2 are confirmed an increase in budget will be brought forward for Finance Committee approval.
- 1.4.7. A strategic business case has been submitted to SYMCA for this and other projects seeking gainshare funding and is going through SYMCA approval processes. This will provide the certainty required to complete the appointment of the selected contractor.
- 1.4.8. Further detail of the ask from Gainshare will then be developed through the preparation of an outline and full business case informed by the involvement of the contractor in the final design of the works.
- 1.4.9. Whilst it was originally anticipated that the selection of a contractor would be complete earlier in the year, discussions on costs, funding and viability means that a contractor could not be selected through the procurement process until October. This has resulted in a delay to the programme which will not now start on site, until January 2024

1.4.10. Whilst this is disappointing, there have been changes by DLUHC to the administration of LUF which means that the slippage in the programme is less of a cause for concern. Many LUF across the country are facing similar challenges due to the current problems within the construction industry. The project has impacted by rising construction costs and inflation. However, the funding for the project is not at risk and we are in dialogue with the Department for Levelling Up, Housing and Communities over the revised timescales.

## **S1 Artspace**

1.4.11. Since the last report to TRC, S1 Artspace has left its premises at Park Hill and will now be based in Sheffield Hallam University's 'White Building' (Lab4Living) on Fitzalan Square.

1.4.12. The proposed project at Park Hill has proven to be undeliverable due to a number of external factors including increased costs of site acquisition, changes in the funding landscape, cost price inflation. However, the ambition and demand for a gallery, artist studios and associated facilities for S1 Artspace has not diminished, and the benefits of the project coming to fruition are still considerable for the city and the arts sector.

1.4.13. The team at S1 Artspace have been exploring options for a new location for the gallery and studios, they now have a preferred option, that has the floor space to deliver the LUF outputs, and are looking to purchase the building. The building is currently on the market and they would like to make an offer so they can progress with delivery of the scheme.

1.4.14. It is therefore proposed that a grant agreement is progressed to allow S1 to draw down funds to purchase the building.

1.4.15. The key criteria for an alternative site remain:

- Delivering the LUF outputs
- Provide cost savings
- Be accessible
- Contribute towards the regeneration and cultural offer for Sheffield

1.4.16. In addition, Sheffield Hallam and S1 are currently pursuing a new partnership in this next phase of development and delivery. The project retains its original vision and aims to deliver the required outputs for the LUF programme. That S1 and SHU have established an MOU regarding its partnership.

## **Harmony Works**

1.4.17. The Harmony Works team are making good progress with the work under their £250k Heritage Lottery Fund Development Grant. Further detailed structural surveys have taken place to be able to confirm and help reduce

risks with the structure of Canada House and firm up allowances in the cost plan.

- 1.4.18. The cost plan has been agreed and revised cost plans and risk registers will be submitted to NHLF as part of the delivery stage application..
- 1.4.19. Fundraising is continuing. The NHLF ask is around £4m and an additional bid to the Arts Council is expected to be made in 2024 when the next round of applications open.
- 1.4.20. Consultation on the proposals took place during the Castlegate Festival in September. Further consultation with the Castlegate Partnership is expected to take place in December.
- 1.4.21. As such this progress is sufficient to provide assurance that on confirmation of the match funding being secured, the LUF funding can be released. The LUF money is associated with acquisition of the building and therefore it is anticipated that the funding for this project can be spent within the timescales for the LUF programme. It is expected that following a circa 21 month build programme the building will open in September 2026

## **1.5. Changes to Governance arrangements**

- 1.5.1. To support the wider regeneration of Castlegate, along with delivery of the Levelling Up projects, a new board has been established, The Castlegate Area Board. The board is chaired by the local MP, Paul Blomfield, and membership includes representatives from local businesses, Councillors, partners and groups and is supported by Council Officers. The board does not replace the Castlegate Partnership and its membership includes representatives from the partnership to ensure a collaborative and coordinated approach.
- 1.5.2. The groups primary focus is to be a collaborative forum that will coordinate and develop the shared vision for the Castlegate Area to allow more informed decisions by its members. The role of the board will be to influence, promote and contribute to the development of plans and proposals for the future of the Castlegate Area and its various buildings and sites.

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

- 2.1 The information in the report ensures that the Council meets its obligations in delivering the required outputs for the Gateway to Sheffield Levelling Up Fund bid.

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

- 3.1 To inform the development of the project, a series of consultations have been commissioned by Sheffield City Council starting in November 2021 which culminated in a Public Engagement Programme on the Proposed concept design in November 2022.
- 3.2 The planning application submitted was also available for public comment.
- 3.3 In addition, the project has been developed in consultation with the Castlegate Partnership and has included a number of technical groups to discuss and develop the proposals for the Castle site.

## **4 RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

### **4.1 Equality Implications**

- 4.1.1 An Equalities Impact Assessment has been undertaken for the changes proposed in the recommendations.
- 4.1.2 The initial assessment has determined that this proposal should have a positive impact on the Castlegate and wider Sheffield City Region, including currently under-served communities by creating a stronger sense of place and community; increasing wider investment opportunities; improving the wider area and creating the conditions for greater job, retail and commercial opportunities to meet diverse community needs.

### **4.2 Financial and Commercial Implications**

- 4.2.1 The current estimated costs of delivering the Levelling Up Fund programme exceed the £20m funding awarded from Central Government. As discussed above a bid is underway to SYMCA for Gainshare funding to bridge this affordability gap estimated to be in the region of £3.5m.
- 4.2.2 The review process for the design of the park will continue to value engineer costs where necessary with a focus on delivering the outputs from the LUF bid to avoid clawback.
- 4.2.3 There will be ongoing revenue costs particularly associated with the maintenance of the public realm elements of the programme. While these are not yet quantifiable they have been identified as a potential pressure in the Business Planning Process.

### **4.3 Legal Implications**

- 4.3.1 There are no legal implications associated with this report.

### **4.4 Climate Implications**

- 4.4.1. Considerations of climate implications and an initial Climate Impact Assessment has been undertaken as appropriate for the progress update

for the Levelling Up Fund bids and specifically in relation to the recommendations of this report.

- 4.4.2. The initial Climate Impact Assessment has determined that these projects should have an overall neutral/positive impact on the climate. The projects in general aim to improve the public realm in specific areas and the use of existing buildings; encourage active travel and minimise public transport use; and limit the demand of energy. All projects aim to benefit the Zero Carbon 2030 City Target.
- 4.4.3. Endorsing the recommendations stated in this report should help to improve a sustainable and inclusive economy.

#### 4.5 Other Implications

- 4.5.1 None

### **5 ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 Do nothing This option would mean not pursuing additional funding to deliver the full Scheme for Castlegate. This has been discounted as the opportunity to secure further funding through Gainshare is available.
- 5.2 Do More. It is not necessary to do more as the chosen option delivers the outputs required
- 5.3 Chosen Option. To deliver the Gateway to Sheffield LUF bid with the support of additional Gainshare Funding

### **6 REASONS FOR THE RECOMMENDATIONS**

- a Note the progress made on the Gateway to Sheffield LUF project.

To ensure that the latest information is available and to provide an update on progress with the report.

- b Notes that an application will be made to SYMCA to secure Gainshare funding to deliver the full LUF programme as originally proposed.

For Information and to support the use of Gainshare to deliver the LUF programme as proposed

- C Approves the revised Governance arrangements.

To support good governance of the project