



## Levelling Up Fund Award for Shrewsbury

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<b>Cabinet Member (Portfolio Holder):</b>	Dean Carroll		

### 1. Synopsis

To recommend to Council to accept the successful bid award from DLUHC Levelling Up Fund Round 2 to accelerate enabling and infrastructure works for the Smithfield Riverside Redevelopment Programme and deliver the Transforming Movement and Public Spaces project in Shrewsbury.

### 2. Executive Summary

- 2.1. Further to recommendations approved in the report to Cabinet on 8 June 2022, titled 'Levelling up for Shropshire', officers submitted bids to the Department for Levelling Up, Housing and Communities (DLUHC), under the UK Levelling Up Fund Round 2 (LUF2), for Shrewsbury, Oswestry and Craven Arms, as well as a county-wide transport bid.
- 2.2. The Shrewsbury bid was successful with a LUF2 award of £18.701m to support two packages of work as follows:
  - 2.2.1. Smithfield Riverside Redevelopment Programme (Project 1): demolition, site remediation and associated enabling works, necessary to facilitate the future regeneration of the former Riverside shopping centre with high quality mixed-use development, including a diverse range of commercial office, leisure, hospitality, and food and beverage uses with associated public realm alongside the River Severn.
  - 2.2.2. Transforming Movement and Public Spaces in Shrewsbury (Project 2): public realm improvements adjacent to the town's rail station and Northern Corridor improving a key gateway into the town, improving resident and visitor safety, air quality and enjoyment of these areas through improved connectivity.

- 2.3. The Shropshire Plan's Healthy Economy strand highlights the importance of investment in key strategic locations and assets including Smithfield Riverside to drive economic activity. Investment from the LUF2 award can be directly linked and attributed to the Shropshire Plan.

### 3. Recommendations

That Cabinet agree to recommend to Council to:

- 3.1. Approve the acceptance of the Levelling Up Fund Grant award from the Department for Levelling Up, Housing and Communities (DLUHC), and instruct officers to progress the associated projects.
- 3.2. Approve financing of the Council's cash match funding requirement of £3.793m from borrowing with an associated annual revenue impact of £0.269m
- 3.3. Approve the inclusion of enabling and infrastructure works associated to the Levelling Up Fund Award, within the planning application(s) for the demolition of the Riverside Shopping Centre and the former Riverside medical practice, as recommendation 3.2 approved in the Council report titled 'Shrewsbury Town Centre Redevelopment Phase One' 16 February 2022.
- 3.4. Delegate to the Executive Director of Place in consultation with the Section 151 officer and the Portfolio Holder for Economic Growth, Regeneration and Planning to:
  - 3.4.1. proceed with compiling the full financial details and business case for the scheme for inclusion in a further report for consideration by Council.
  - 3.4.2. progress a procurement and delivery strategy for the projects summarised in items 2.2 above.

## Report

### 4. Risk Assessment and Opportunities Appraisal

- 4.1. Risk management is going to form a large basis of any reporting, deep dives and assurance provision. The risk management processes we have in place are extremely robust against any challenge and the project teams in place are thoroughly engaged in the process.
- 4.2. As part of the bid application, a Risk Register was required for each of the projects; these are in place and will be reviewed as part of the governance arrangements for the wider Shrewsbury Town Centre Redevelopment Programme for Project 1: Smithfield Riverside, and as part of the Shrewsbury Movement and Public Realm Strategy for Project 2: Transforming Movement and Public Spaces.
- 4.3. The DLUHC have also provided an Assurance Framework which includes a risk-based approach. We follow the same risk-based approach (Three Lines of Defence Model – Risk being Second line of defence) as they are articulating within their Assurance Framework. Any 'deep dives' will include provision of our risk registers. We will keep a close eye on implementation of controls and any slippages in the

dates to prevent any impact on our performance levels which could instigate a 'deep dive' scenario.

- 4.4. Our Opportunity Risk Management Strategy may be requested as part of the DLUHC requirements, and this has been subject to a recent scheduled review and has been updated and signed off accordingly.
- 4.5. A Memorandum of Understanding (MoU) has been received from DLUHC which sets out the obligations for the Council required under the LUF2 award; The terms and conditions within this MoU have been scrutinised, as well as any project development impacts, prior to acceptance by the S151 Officer on 27 March 2023. The signed MOU has been returned to DLUHC for counter signatory.
- 4.6. The DLUHC have also provided an Assurance Framework which includes a risk-based approach. We follow the same risk-based approach (Three Lines of Defence Model – Risk being Second line of defence) as they are articulating within their Assurance Framework. Any 'deep dives' will include provision of our risk registers. We will keep a close eye on implementation of controls and any slippages in the dates to prevent any impact on our performance levels which could instigate a 'deep dive' scenario.

## 5. Financial Implications

- 5.1. Members approved the submission of four LUF Round 2 bids in 'Levelling Up Shropshire' Cabinet report of 8 June 2022. The bids were submitted in August 2022 and the Council received notification of the success of the Smithfield Riverside Redevelopment Programme and Transforming Movement & Public Spaces in Shrewsbury projects bid in January 2023.
- 5.2. The successful bid awarded £18.701m LUF Round 2 grant funding to the projects against which the Council is required to contribute £5.043m of match funding (21% of total project costs) towards the two projects within this application, summarised as follows:
  - 5.2.1 £4.615m in relation to Smithfield Riverside Redevelopment Programme (Project 1), and
  - 5.2.2 £0.428m in relation to Transforming Movement & Public Spaces in Shrewsbury (Project 2).
- 5.3. These contributions will comprise of land and asset contributions totalling £1.250m and cash match contributions of £3.793m, totalling £5.043m. The table below analyses the match funding requirements associated with Project 1 and Project 2.

Match Funding Source	Project 1 £	Project 2 £	Total £
Land & Asset Contribution	£1,250,000		£1,250,000
Cash Contribution	£3,364,962	£427,957	£3,792,919
<b>Total</b>	<b>£4,614,962</b>	<b>£427,957</b>	<b>£5,042,919</b>

- 5.4 £1.715m of the cash match above for Project 1 has previously been approved in the Council report titled 'Shrewsbury Redevelopment Programme Phase One' (24 February 2022).
- 5.5 This LUF funded scheme was identified in the Capital Strategy 2023-24 to 2027-28 approved by Council in February 2023 as a priority. The Strategy currently assumes that the cash match funding contribution of £3.793m will be sourced through PWLB borrowing. Assuming an asset life of 25 years and an interest rate of 5%, the associated revenue budget impact for the cost of borrowing will be £0.269m annually upon completion of the projects. This revenue impact represents the worst-case scenario for funding of the scheme. Alternative funding sources will be explored to mitigate the total borrowing required and the consequent impact on the revenue budget.
- 5.6 The full financial details and business case for this successful scheme is currently being prepared and considered in further detail. This will include identifying and securing alternative funding sources, other than borrowing for the match funding requirement of the scheme, as well as recognising the priority risks including the current risk of inflationary pressures and material instability within construction projects which may result in the requirement to include considerable project contingencies within the individual project costings. Once this work is completed, a subsequent paper will be presented to Council seeking gateway approval for the scheme to proceed to the next stage and inclusion in the Council's approved Capital Programme in order to progress the scheme and, critically, prior to contractually committing to delivery of the scheme.

## 6 Climate Change Appraisal

- 6.1 The Council's Climate Strategy has three main objectives as a route map to zero carbon:
- **Mitigate** the causes of climate change through carbon reduction of our services
  - **Adapt** services and their delivery to respond to changes in the climate
  - **Promote** sustainable practices via all services.
- 6.1 The LUF award will contribute towards reducing carbon impacts and mitigating increased carbon outputs through sustainable and balanced growth in existing communities, reducing the need to travel for work, providing more sustainable options for travel as well as growth opportunities for new low carbon development. Capturing and quantifying the impact of carbon activity of the bids if successful, will be explored and undertaken through future monitoring. To support greater resilience to climate-induced extreme weather, design features will be considered in designing and developing projects.
- 6.2 Notably Project 1 will minimise waste to landfill with demolition material used within the site, facilitate zero / low carbon building of the Multi-Agency Hub (MAH) and actively incorporate sustainable urban drainage (SUDS).

## 7 Background

- 7.1 The Cabinet report titled Levelling Up for Shropshire, dated 8 June 2022, summarised the background to the Government's objectives for Levelling Up Fund Round 2 and its relevance to Shropshire. Focusing on capital investment in local

infrastructure, and building on prior programmes, such as the Local Growth Fund and Towns Fund, a Levelling Up White Paper (February 2022) was published announcing how the Government intends to spread opportunity more equally across the UK; subsequently, the Levelling Up and Regeneration Bill was published in May 2022.

- 7.2 The Levelling Up Fund aims to invest in projects that have a visible impact on people and their communities. These include high value local investment priorities, such as local transport schemes, urban regeneration projects and cultural assets. The Fund is jointly managed by HM Treasury (HMT), the Department for Levelling Up, Housing and Communities (DLUHC) and the Department for Transport (DfT). The Fund focuses on investment projects that require up to £20m of funding for each constituency area. Further information is available at:

<https://www.gov.uk/government/publications/levelling-up-fund-round-2-prospectus>

- 7.3 Further to the approved recommendations of the Cabinet report (8 June 2022), officers were instructed to submit four bids for Shrewsbury, Oswestry and Craven Arms, and a county-wide transport bid in the second round of the Levelling Up programme. Under the delegations to the Executive Director of Place, in consultation with the Section 151 officer and the Portfolio Holder for Economic Growth, Regeneration and Planning, these bids were submitted on 2 August 2022.
- 7.4 The two projects will result in significant economic impact for the Shropshire economy. This is in addition to wage and gross value added (GVA) convergence with West Midlands and UK averages, increased pride of place of Shrewsbury residents, increased private sector confidence and investment, future phases of Shrewsbury Masterplan accelerated and an increase in resident population of working age (via in-migration).
- 7.5 On 19 January 2023 the Department for Levelling Up, Housing and Communities notified the Council (Appendix B) that the Levelling Up Fund Round 2 bid for Shrewsbury was successful, comprising two projects, summarised as follows:

### **Transforming Movement and Public Spaces in Shrewsbury: Key Routes & Corridors Improvements.**

- 7.6 The project includes measures to enhance the public realm and bring forward the transformation of public spaces along key routes and connections, to create an attractive urban environment stimulating greater numbers of visitors/users, higher spend and activity.
- 7.7 One of the key goals and strategic aims of the Shrewsbury Big Town Plan is to better connect communities. This project is directly linked to the emerging Movement and Public Realm strategy commissioned on behalf of the Shrewsbury Big Town Plan (SBTP) Partnership. It will be viewed as an 'early win' for this strategy by demonstrating that these kind of active travel and public realm improvements can be externally funded and are seen as high value for money. The BCR for this project is 7.77:1 and demonstrates over £28 million of active travel impacts. Several key, linked routes are identified for improvement, with proposals for traffic management measures, including new pedestrian crossings and public spaces, enhancements to pedestrian and cycle links within and around the 'river loop' to create a connected town centre for people. These are detailed within Appendix A.

### **Shrewsbury Redevelopment Programme**

- 7.8 Smithfield Riverside is a transformative plan for the regeneration of an important site of circa 4 hectares in freehold ownership of Shropshire Council. Many of the buildings on the site are beyond economic repair/investment resulting in high levels of vacancy, are dated and in generally poor condition. The area is subsequently unattractive, unwelcoming, and underutilised.
- 7.9 The two projects identified within the LUF Round 2 award contribute to the aspirations of the wider redevelopment programme for Shrewsbury town centre, as summarised in the Council report titled 'Shrewsbury Redevelopment Programme' dated 24 February 2022
- 7.10 The projects will accelerate the transformation of a major opportunity site in the town centre and act as a catalyst for regeneration and growth of Shrewsbury as a whole. Smithfield Riverside will capitalise on its strategic advantages, including its waterfront setting and proximity to the railway station.
- 7.11 The projects propose to address significant programme of demolition and 'abnormal' levels of ground remediation works associated with the site's adjacency to the River Severn; thereby de-risking the site and improving its viability and suitability for vibrant mixed-use development in line with the Big Town Plan aspirations and the Economic Growth Strategy and Shropshire Plan.
- 7.12 The projects will facilitate longer-term redevelopment of the wider Riverside site for permanent leisure, commercial, retail and residential uses for economic benefit, while creating excitement, investor, occupier and commercial interest. The area will become a distinctive and vibrant mixed-use neighbourhood that will become a centrepiece of Shrewsbury's economic and residential growth. This is summarised within Appendix A.
- 7.13 The LUF bid submission (August 2022), proposed to include the enabling and infrastructure works, associated to the Levelling Up Fund Award, within the planning application(s) for the demolition of the Riverside Shopping Centre and the former Riverside medical practice, as recommendation 3.2 approved in the Council report titled 'Shrewsbury Town Centre Redevelopment Phase One' 16 February 2022.
- 7.14 A redacted copy of the full application is provided on the Shropshire Council website. <https://www.shropshire.gov.uk/shropshire-council/shrewsbury-levelling-up-funding-bid/>

## 8 Conclusions

- 8.1 Acceptance of this Levelling Up Fund Round 2 award will be a catalyst for transformation and regeneration providing significant investment in the town centre.
- 8.2 Delivery of the demolition and enablement works will bring forward significant elements of the Phase 1 Shrewsbury Town Centre Regeneration (STCR) programme and enable subsequent phases to be accelerated. The transforming movement and public realm project is an 'early win' for the emerging Movement and Public Realm Strategy. Together these two projects are significant contributors to Shropshire's Economic Growth Strategy 2022-27, and key to delivering targeted place-based investments in strategic locations.
- 8.3 The Shropshire Plan 2022-25 encourages positive lifestyle choices, supporting delivery of resilient communities, healthy people and prosperous communities. In

addition, Shropshire Council's June 2022 medium term financial strategy identifies the importance of increasing investment in place-based growth. The Healthy Economy strand highlights the importance of investment in key strategic locations and assets including Smithfield Riverside to drive economic activity. Investment from the LUF2 award can be directly linked and attributed to the Shropshire Plan.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Cabinet report title 'Levelling Up For Shropshire' dated 8 June 2022

Council report titled 'Shrewsbury Redevelopment Programme' dated 24 February 2022

Bid submission Levelling Up Fund Round 2 for Shrewsbury (submission reference LUF20312) <https://www.shropshire.gov.uk/shropshire-council/shrewsbury-levelling-up-funding-bid/>

**Local Member:**

**Appendices**

Appendix A: Maps and drawings of project locations.

Appendix B: Award letter 19 January 2023