



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

Thursday, 8 December 2022

Report of the Executive Director - Place

Regeneration Programme Pipeline – Chesterfield-Staveley Regeneration Route

(Cabinet Member for Infrastructure and Environment)

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is a key decision because it is likely to result in the Council incurring expenditure which is, or savings which are, significant having regard to the budget for the service or function concerned (this is currently defined as £500,000) and it is likely to be significant in terms of its effect on communities living or working in an area comprising two or more electoral areas in the County.

3. Purpose

3.1 To seek Cabinet approval to: submit the Outline Business Case for the Chesterfield-Staveley Regeneration Route (CSRR) to Government for consideration and access to grant funding; to approve the release of further resources to support the next stages of project preparation; and, to the commencement of work towards collaboration agreements with public and private-sector partners.

4. Information and Analysis

- 4.1 The CSRR constitutes the single, largest project within the Council's Regeneration Pipeline (part of the Growth Zone North Programme), creating a highway link of 6km that will parallel the A619 between Tapton and Staveley and open up to the east of Chesterfield along the 'Staveley Corridor' and support the delivery of up to 1,800 homes and 3,400 jobs.
- 4.2 The scheme has a provisional grant allocation through the Government's Large Local Majors (LLM) element of the Roads Investment Strategy (RIS) programme which is managed by the Department for Transport (DfT). Currently, the scheme is at preparatory stage – Outline Business Case (OBC) - and is targeted for construction between 2025 and 2027. Derbyshire County Council (DCC) is the scheme sponsor on behalf of DfT, working closely with Chesterfield Borough Council (CBC) who is a committed delivery partner.
- 4.3 Ahead of construction, the scheme requires planning consent - for which preparatory work is underway - and land assembly, for which Cabinet approvals will be sought in due course. All affected landowners are already engaged in the preparation process through matters such as access to land for surveys, but no negotiations have yet commenced over land acquisition.
- 4.4 The project has strong governance in place which reflects the partnership nature of delivery. In addition to focused working groups involving officers from DCC and CBC framed around key themes/issues, the governance arrangements are:
- The Project Control Board - meets weekly, is chaired by DCC and attended by all key professional officers from both the County and Borough councils, supported by external project management and contractor input.
 - The advisory Programme Board – meets monthly and comprises senior officers and DCC portfolio holders.
 - The Joint Growth Board – meets every two months and is attended by the Leaders, portfolio holders and senior officers of both the County and Chesterfield Borough councils to address the key relationship and delivery issues across an agreed programme of projects, including the CSRR.
- 4.5 It is considered that the current governance arrangements provide senior officers and portfolio holders with sufficient oversight of the various workstreams to ensure that the project remains on track for

successful delivery or to quickly identify and address issues during the lifespan of the project.

Current Position

- 4.6 Cabinet approval is required at key gateways across the delivery timetable; notably, the next key decision gateway is to agree formal submission of the OBC to Government which is the subject of this report.
- 4.7 The OBC is the second of the three business case approvals required in order to release the Large Local Majors grant funding from Government for the scheme. The preceding Strategic OBC was submitted and subsequently approved by Government during 2020. The OBC deals, in full, with the majority of the information required to demonstrate that the scheme is affordable and that it represents value for money against public investment; a hyperlink to the draft OBC is provided in Appendix 2 of this report. The Full Business Case, which will follow planning consent, land assembly and the appointment of a construction contractor, provides detail on scheme deliverability but is not expected to allow any alteration in the amount of grant being sought.
- 4.8 The OBC is set out using the five ‘dimensions’ of HM Treasury’s Green Book, and a summary of the key findings from each of these work packages is set out below:

Strategic Dimension

- 4.9 This sets out the strategic growth and economic context within which the scheme sits. It confirms the case for change and the outcomes to be achieved. This strategic case for the CSRR remains strong, despite uncertainty over the HS2 maintenance depot, as the project sits at the heart of the North Derbyshire Growth Zone and has a strong policy fit with the levelling up agenda and clear synergy with the Staveley Town Deal proposals and planned re-opening of the Barrow Hill rail line, in particular. It facilitates development of the whole Staveley Works Area (with up to 1,800 homes, 3,400 jobs) alongside delivering environmental and community benefits along the A619 such as reduced community severance, improved bus reliability and reduced emissions in Brimington’s Air Quality Management Area. Early indications from DfT are that the project does require further attention with regard to carbon reduction and climate change, including proposed mitigation packages.

Economic Dimension

- 4.10 This dimension deals with the ‘nominal’ economics of the actual scheme proposal as opposed to project funding. Given the wider regeneration benefits that will be delivered from the associated development (jobs

and homes) as described above, plus time savings to users of the existing and new highway, the project does generate a level of benefits (this is the benefit: cost ratio) which justifies the level of investment required. The calculated benefit: cost ratio (of 1.58) confirms the scheme, as currently proposed, represents 'medium' value for money. It is worth noting the BCR is at the lower end of the 'medium' categorisation and as such, it would not take a significant increase in the total cost of the scheme for the BCR value to fall below the 1.5 threshold for 'medium' at which point it would not necessarily be considered to provide value for money. However, the current BCR of 1.58 is expected to be acceptable to Government although 'high' value for money would be preferable it is recognised that cost escalation across all construction projects is making this difficult to achieve.

Commercial and Management Dimensions

- 4.11 These dimensions describe how the Council plans to approach to procurement for the preparation and construction of the project. This includes procurement and key work packages such as documents to support the planning process, land assembly, governance, risk management, and approach to realising project benefits. Financial risks – including the budget envelope to support overall delivery of the project- are included in this dimension, and cross referenced with the Finance Dimension. In essence, therefore, they set out for Government the same information which the Council expects to see in place for its portfolio of projects.

Financial Dimension

- 4.12 Along with the Economic Dimension, this section of the OBC is critical in that it deals with the 'real world' finances of project costs and how it is to be funded. The content, therefore, is a key area for consideration by Cabinet, ahead of submitting the OBC.
- 4.13 The core cost of the project is now estimated to be £145 million. This figure has had the benefit of input from a specialist construction contractor to help ensure as accurate a figure as possible for the purposes of business case completion. With an amount added for 'quantified risk', the total project cost sits at £166 million. This quantified risk assessment comprises a review of what might conceivably go wrong; for example, a failure to achieve planning consent on time, the likelihood of this, ways in which to prevent it happening but also the financial consequences if it does occur. Of the gross cost, 85% (£141 million) is proposed to be claimed as grant from the Large Local Majors fund, although it is important to stress that at the time of writing, Government has previously committed an allocation of £79 million based on initial costs estimates (part of discussions in 2020-21).

However, since this time, discussions with DfT have continued and Government has confirmed there is no upper limit to the amount of LLM funding that could be made available, subject to a satisfactory business case. The Council submitted a draft version of the OBC back in early September 2022 which highlighted a projected scheme cost of £166m – thereby seeking a 85% grant contribution of £141m on that basis.

- 4.14 In support of the Government grant, the Large Local Major programme expects a minimum ‘local’ contribution of 15%, of the total scheme cost, which for CSRR equates to £25 million. Active discussion with the landowners recently has indicated this level of local contribution can be achieved; therefore, the scheme would be fully funded via Government grant and landowner contribution (accurate at the time of writing). Exempt Appendix 2 provides more detail on the commercially-sensitive elements of this Finance Dimension, including the level of risk that is being managed/ held by the Council. Cabinet should note however, that until the developer financial contributions are received (which will be secured through legal obligations and Collaboration Agreements) the Council itself, is required to provide the necessary assurance to Government that all the required funding is in place. Cabinet’s authorisation is sought for work to commence at this point towards these agreements, with further authorisation to enter into them to be considered at a future meeting. Work on the collaboration and other legal agreements will also include clarifying and confirming the level of commitment to be provided by Chesterfield Borough Council to the project, as appropriate.
- 4.15 With regard to short-term funding of the project, at its meeting of 16 June 2022 Cabinet agreed to the virement of £2 million of capital receipts to it (Minute Number 118/22). It is recommended that this now be released to support further design, planning submission and ground investigation work, to continue whilst a Government response to the Outline Business Case is awaited. Cabinet will wish to note that this will be recoverable from the project’s grant funding in due course; however, this would potentially be subject to clawback risk if drawn down ahead of the construction stage and this did not go ahead.

Outline Business Case Submission

- 4.16 Notwithstanding the challenges facing this project due to its scale and complexity, Cabinet will wish to note that submitting the OBC does not represent a commitment to construct, and has the benefit (on approval) of confirming the available Government contribution. It is, therefore, recommended that its submission be authorised, with delegation granted to the Executive Director – Place, in consultation with the

Cabinet Portfolio Holder, Infrastructure and Environment and Section 151 Officer to undertake any final amendments.

Key Project Risks

4.17 From the analysis above, Cabinet's attention is drawn to the following as key project risks:

- Failure to secure sufficient grant funding; mitigated through formalising the submission of the Outline Business Case.
- Failure to secure sufficient private sector funding and appropriate public sector contributions (if required); mitigated through work towards collaboration agreements.
- Failure to maintain progress in accordance with the project's delivery programme; mitigated through the release of further funding for upcoming activity.

5. Consultation

5.1 No direct consultation has been undertaken relating to the recommendations of this report. The Regeneration Route was, though, the subject of informal consultation in early 2022, which confirmed 60% support for the project (previously reported to Cabinet as part of the Regeneration Programme Pipeline Update earlier in 2022) and will be followed up in more detail ahead of a planning submission during 2023.

6. Alternative Options Considered

- 6.1 Option 1: to not approve the submission of the OBC to Government. However, submission is an absolute requirement if grant funding is to be secured for the Chesterfield-Staveley Regeneration Route. The timing of the submission is not fixed, but until this takes place there can be no certainty over the available grant, so to delay would leave the Council in the position of continuing preparatory work at risk.
- 6.2 Option 2: to undertake further detailed work to assess if costs can be reduced. This work is on-going throughout project development and significant sums of additional revenue would need to be spent (e.g. on ground investigation) to fully understand if any areas of cost can be reduced. At the moment, approvals are not in place to incur additional costs over and above the current OBC work packages so it is not considered appropriate to commit additional revenue funding without an indication from DfT on approval of LLM grant.
- 6.3 Option 3: To submit the Outline Business Case but pause work until a response to this is received. This would reduce expenditure at risk, but

would reduce confidence within Government and with key local partners that the Council is committed to delivery.

7. Implications

- 7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

- 8.1 Previous reports to Cabinet as set out in the body of the report: Regeneration Programme Pipeline reports dated 10 March 2022 (restricted) and 16 June 2022 (Minute Nos. 80/22 and 118/22 refer).

9. Appendices

- 9.1 Appendix 1 – Implications.
- 9.2 Appendix 2 [restricted] – Hyperlink to completed Outline Business Case for Chesterfield-Staveley Regeneration Route and detailed Financial Dimension.
- 9.3 Appendix 3 [restricted] - Copies of letters of support from private and public sector partners: Harworth Group, Devonshire Group and Chesterfield Borough Council.

10. Recommendations

That Cabinet:

- a) Considers the issues set out in the report and in Appendices 1 and 2.
- b) Approves delegated authority to the Executive Director – Place, in consultation with the Cabinet Portfolio Holder, Infrastructure and Environment and Section 151 Officer to undertake final amendments to the draft Outline Business Case, prior to submission.
- c) Approves to submit the Outline Business Case for the Chesterfield-Staveley Regeneration Route (CSRR) to Government for access to grant funding.
- d) Approves the release of £2 million capital receipts, as allocated to the project in June 2022, to fund the next stages of project preparation work.
- e) Authorises officers to commence work on collaboration agreements with public and private sector partners over project funding and risk.

11. Reasons for Recommendations

- 11.1 To demonstrate to Government progress towards delivery of the Chesterfield-Staveley Regeneration Route and to assure the Council of the availability of grant funding for this.
- 11.2 To permit essential work to continue following the Outline Business Case submission and support timely delivery of the project overall.

12. Is it necessary to waive the call in period?

- 12.1 No.

Report Author: Jim Seymour

Contact details: Jim.Seymour@derbyshire.gov.uk

Implications

Financial

- 1.1 Feasibility works on the Chesterfield-Steveley Regeneration Route has been supported through the Regeneration Kick Start Fund (£0.092m allocation made in 2021-22. It has also drawn down £680,000 of capacity funding provided by Government on earlier approval of the Strategic Outline Business Case (OBC). At its meeting of 16 June 2022 Cabinet agreed to commit £1 million to undertake work and prepare relevant documentation to support the submission of the Outline Business Case. This work has now been concluded. Virement of £2 million of capital receipts to the project was approved at the same meeting so, should Cabinet approve OBC submission, sufficient funding is available to allow work to progress through to the anticipated date of the Government response to the OBC in late 2022 or early 2023. Cabinet's approval is sought through this report to the release of this funding. As noted in the body of the report, this will be recoverable from grant funding in due course but would be subject to clawback if the project did not proceed to construction. In this scenario, although elements could still be valid as capital costs against alternative projects, some or all would need to be met from revenue budgets.
- 1.2 Although submission of the OBC to Government does not commit the Council to pursue construction of the CSRR, Appendix 2 does detail the level of financial risk currently being held within the project proposals. In addition to securing the full level of necessary grant funding (£141million), the Council needs to ensure the 15% local match funding (£25million) is also in place to complete the budget envelope.

Legal

- 2.1 Further reports to Cabinet will be required in line with the programme of gateway decisions to seek approval for progressing key steps in project delivery, including public consultation, planning application submission, land assembly and Full Business Case submission, and to update Cabinet generally as to progress.
- 2.2 Collaboration agreements are required between the various delivery partners – public and private sector – to ensure expectations on the relevant level of financial contribution, risk management and commitment to cost management and timely delivery are fully understood and agreed. Work on the Heads of Terms which will support

the more detailed collaboration agreements is due to commence late November 2022.

Human Resources

- 3.1 The portfolio of regeneration projects has significant implications for the workload of staff within the Economy and Regeneration Service and for supporting legal, property, finance and highways functions in particular. External support is commissioned for individual projects within their confirmed budgets, but additional in-house capacity is being established (as was reported to Cabinet through the Regeneration Kick Start Fund approval referred to in 1.1 above).

Information Technology

- 4.1 None.

Equalities Impact

- 5.1 Work on preparing and updating an equalities impact assessment will continue throughout project development. Issues will be identified and mitigated as far as possible within the scheme proposals.

Corporate objectives and priorities for change

- 6.1 The regeneration portfolio addresses directly a number of objectives set out in the Council Plan.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

Property and Asset Management

- 7.1 No direct implications arise from the recommendations of this report.

Environmental Sustainability

- 7.2 Under the Council's Climate Change Strategy and Action Plan all infrastructure projects sponsored by the County Council will now be subject to a Climate Impact Assessment covering the whole-life carbon cycle and impacts upon resilience. For this project, it is under commission in parallel to an Environmental Statement.