

D2N2 Investment Board (IB) Cover Sheet

Item 9

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Meeting and Date	16 th June 2020		
Subject	Project for Approval – Castleward		
Author	Tom Goshawk	Total no of sheets	7

Papers are provided for:	Approval <input checked="" type="checkbox"/>	Discussion <input type="checkbox"/>	Information <input type="checkbox"/>
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Summary and Recommendation(s)
<p>This paper sets out a request of Local Growth Funding to support the Castleward Project. The project will deliver a new primary and nursery school on the existing Castleward Urban Village site and enable the delivery of 1,628 new residential units on this site and the adjacent former Derbyshire Royal Infirmary site.</p> <p>Following the review of the business case, the D2N2 Investment Board are recommended to approve the £1,500,000 grant to Derby City Council.</p>

D2N2 INVESTMENT BOARD

16th June 2020

1.0 Background

In February 2015 DCLG awarded D2N2 Grant Funding to deliver the approved schemes on the Local Growth Fund (LGF).

In March 2015 D2N2 and Derbyshire County Council issued the LGF Local Assurance Framework which sets out the procedures for managing and approving projects.

In April 2015 D2N2 appointed Derbyshire County Council as the Accountable body to administer the Local Assurance Framework.

2.0 Scheme Overview

The Castleward Urban Village is a 12 Hectare Brownfield Site in Derby City Centre which is an ongoing redevelopment and regeneration project to create a new sustainable community of Homes and Businesses close to Derby Railway Station. The site began delivery of new units in 2013 with the main developer Compendium living and has proven to be successful in the delivery so far of 164 units, the overall development will deliver 672 more homes upon its completion and a further 792 on the former DRI site.

To be able to create the sustainable urban development that Castleward aspires to be there is a planning obligation for a new school to be delivered, this will enable the full delivery of units on both the Castleward site and the adjacent Former Derby Royal Infirmary (DRI) site. Due to the cost of the school provision not being able to be met by Section 106 contributions from both sites there is a need for LGF intervention to match fund a section of the school's delivery. The City Council need to now progress the delivery of this two-form entry primary school as the number of units being developed currently has exceeded the amount of homes being delivered from the planning application.

The Castleward and DRI developments both play a vital part in the delivery of new homes in Derby City Centre which are required due to a lack of residential properties currently available on the market. The project forms part

of the Derby City Centre Masterplan for 2030 and is seen as a key project for the City Council in delivering their ambitions for the city. The LEPs investment of £1.5m to enable the delivery of 1,628 new homes directly aligns with the Emerging Local Industrial Strategy’s aim to support the growth of cities, improving the quality of place and economic prosperity of the region.

The funding for the project now is sourced from the following:

Funding Source	TOTAL
Local Growth Fund	£1,500,000
Section 106	£1,350,000
Derby City Council	£750,000
Homes England Housing Investment Fund	£4,500,000
TOTAL	£8,100,000

3.0 Approvals

Final Planning consent for the new school was agreed by Derby City Council on the 8th of May 2020.

The Homes England Match Funding for the project was approved on the 20th of November 2019.

The project was granted approval by Derby City Council’s Cabinet at the 11th of September 2019 meeting.

4.0 Procurement

Derby City Council used the SCAPE framework to select the main contractor for the school development. Morgan Sindall have been appointed as the contractor and will operate under a fixed price contract mechanism.

5.0 State Aid

Derby City Council have sought independent state aid advice from Freeths LLP, and they have confirmed that the project is state aid compliant under the exemption of Services in the General Economic Interest (SGEI).

6.0 Business Case

An Outline Business Case for the project was received and approved in August 2018.

The Business Case has been independently assessed by Hatch Regeneris who have deemed that the project represents Good VFM.

7.0 Delivery Programme

Mobilisation of the site – May 2020

Main Construction works begin – June 2020

Practical Completion of works – August 2021

School opens to students – September 2021

8.0 Outputs and Outcomes

The project will deliver the following outputs and outcomes:

- Enable the delivery of 1,628 new homes
- Creation of a new two form entry Primary and Nursery School.

9.0 Spending profile

2020/21- £1,500,000

10.0 Local Assurance Framework

Following a review of the Final Business Case, D2N2 officers confirm that the project complies with the Local Assurance Framework. Hatch Regeneris have conducted an independent review of the business case and have confirmed the project represents Good Value for Money

LEP Officers and the Accountable Body have worked with the project sponsors to understand the potential impacts of Covid-19 on the projects ability to deliver before the 31st of March 2021 Deadline. Officers are confident that the programme provided has mitigated any potential impacts of Covid and the project will be able to deliver to the timescales set out, therefore this provides reassurance for the Investment Board to approve this project.

The D2N2 Investment Board are recommended to approve the £1,500,000 grant to Derby City Council.

Sarah Wainwright, Accountable Body, Derbyshire County Council
Tom Goshawk, D2N2 LEP

Appendix 1

Local Assurance Framework

Final stage Approval Check List:

<p>1. A detailed 'Green Book' compliant business case has been completed detailing the project and its alignment to the 5 case model.</p>	<p>Derby City Council have provided a full Green Book Compliant Business Case which aligns with all 5 cases.</p>
<p>2. A VFM assessment must be completed. The VFM assessment will be independently assessed by D2N2 and must show an overall score of 'High'.</p>	<p>Hatch Regeneris have reviewed the Final Business Case and can confirm that the project has passed the Value for Money Assessment and represents good VFM.</p>
<p>3. Details confirming that all planning consents have been granted and that all pre start conditions have been met.</p>	<p>Planning Consent for the new primary school was granted on the 8th of May 2020.</p>
<p>4. Confirmation that any Section 106 or other agreements have been entered into.</p>	<p>The related Section 106 funding to this project has been agreed and will make up part of the match funding for the development.</p>
<p>5. Confirmation of the results of the procurement exercise detailing: -the tenders received (along with detailed costs) -the tender accepted (along with timescales/conditions)</p>	<p>Derby City Council used the SCAPE framework to select the main contractor for the school development. Morgan Sindall have been appointed as the contractor and will operate under a fixed price contract mechanism.</p>
<p>6. Details of the construction contract to be entered into by the promoter detailing: -start date -completion date</p>	<p>Derby City Council will enter a fixed price contract with the main contractor Morgan Sindall for the development of the school.</p>

Appendix 1

-liquidated damages/cost over runs	The main programme of works will begin in June 2020 and should be completed in August 2021 for a September 2021 opening.
7. Confirmation that the promoter will be responsible for any variations to the contract price and that once entered into, the contract will be completed in line with the details submitted.	The promoter will be responsible for any cost overruns in the construction phase and D2N2 hold no contractual risk over cost increases.
8. Confirmation that the project has been designed to RIBA stage 4 or its equivalent.	The project promoter has confirmed that the project has passed the full design phase.
9. Details of any outstanding points preventing/delaying the start-up of the construction contract.	Impacts of Covid 19 may potentially delay the progress of the construction process however no delays have been identified to the programme now.
10. Details of any changes for the project from the initial EOI and OBC submissions with reasoning behind these changes. Including an updated viability report as submitted in point 5 of the OBC.	The project has increased the amount of homes created associated with this investment from 200 new housing units enabled to 1,628 new homes enabled.
11. Confirmation that all funding is now in place with details of the sources of funding, please include letters from third party funders confirming any conditions and timescales.	All the match funding components have been committed by the project partners with the following commitments confirmed: - Homes England - £4.5m - Derby City Council - £750,000 - Section 106 Contributions - £1.3m

Appendix 1

<p>12. Confirmation that all land/legal agreements have been completed and are in the control of the promoter to deliver the entire project</p>	<p>All the land associated with the development of the new school is in the control of Derby City Council.</p>
<p>13. A phasing plan identifying the start and completion elements of the project along with costs associated with each phase and the outputs/outcomes that will be delivered on a quarterly basis.</p>	<p>Main Construction works begin – June 2020 Main Construction works finish – August 2021 School opens to students – September 2021 The Homes will be developed in the following years: - 2020/21 – 54 Homes - 2021/22 – 132 Homes - 2022/23 – 227 Homes - 2023/24 – 235 Homes - 2024-2031 – 980 Homes</p>
<p>14. An updated risk register identifying the key risks and the project manager responsible. The risk register needs to be scored and include a mitigation plan.</p>	<p>A full risk register for the project has been included within the projects final business case.</p>