



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**17 June 2021**

**Report of the Executive Director - Place**

**Regeneration Kick Start Fund – Management Arrangements**

**(Infrastructure and Environment)**

**1. Divisions Affected**

1.1 County-wide

**2. Key Decision**

2.1 No. Allocation of £2 million to the Regeneration Kick Start Fund was approved by Cabinet on 21 January 2021.

**3. Purpose**

3.1 To seek Cabinet approval to the management arrangements for the approved Regeneration Kick Start Fund, provide an overview of infrastructure schemes currently in preparation with potential for Government funding that may be supported by the Kick Start Fund, and to delegate authority for initial submissions to be made for two such projects.

**4. Information and Analysis**

**4.1 Background**

At its meeting of 21 January 2021, as part of the Revenue Budget Report 2021-22, Cabinet approved funding for a Regeneration Kick-

Start Fund of £2,000,000 (Minute No 18/21 refers). As described in the report, there is a need to pump prime, or 'kick start', capital projects that can bring forward good growth for Derbyshire, providing housing, jobs and skills. Where these projects involve bids for external grant funding, they will always require significant up-front investment to cover activity such as economic and transport modelling, preliminary design and cost estimating, planning consent and land assembly (in order to demonstrate deliverability for funders) all of which form essential elements of the business cases that get submitted to the grant funders. Typically, the costs associated with these early activities have to be funded from revenue, prior to any capital grant being confirmed.

- 4.2 The context for this 'kick start' initiative is a combination of the need to bring forward suitable projects not only for the Council's 'business as usual' programme, but also in response to ad hoc funding opportunities announced by Government, typically within the context of COVID economic recovery. In recent months, these funding announcements have included: Levelling Up Fund; Community Renewal Fund; Towns Fund; Restoring Your Railways; and Zero Emission Bus Regional Areas (ZEBRA).
- 4.3 It is often the case that the timescales for project delivery are tight to fit within the constraints of funding availability and that this can rule out the submission of projects which have not reached a certain level of 'readiness' ahead of the launch of a fund. This is exemplified by the Getting Building Fund (GBF), designed to ensure early delivery of regeneration projects as part of a national Covid-19 recovery strategy where the grant conditions required that all funding was spent within a 15-month period from funding confirmation. Due to the limited amount of revenue funding to support project readiness (e.g. detailed design work, planning consent, land assembly etc) the Council had no suitable projects in the pipeline that were capable of taking advantage of the GBF and being delivered within the requisite timescale.
- 4.4 Similarly, the Levelling Up Fund which was launched in March 2021, requires (except for a limited number of large projects) works to have commenced on site during 2021-22 and all grant funding to have been spent by March 2024. For any significant project requiring consents or land assembly, it will never be possible to take advantage of such funds unless work on these aspects is complete or, at the very least, already in hand prior to submission for grant funding. Even where it is possible to bring forward schemes which can be delivered quickly, these will tend to be those with the fewest constraints rather than those bringing the greatest benefits to residents, businesses or the wider economy.

4.5 The availability of the Regeneration Kick Start Fund will help to address this issue by ensuring the Council has funded and completed preparatory work for potential projects and is at an advantageous stage of project preparation, thus making it more likely to successfully access external funding. Ultimately, this approach will help ensure the Council's own resources go further.

4.6 **Developing the Process for Identifying Priorities**

The current Strategic Growth and Infrastructure Framework (SGIF) has been drawn together on behalf of the D2 (Derby and Derbyshire) Joint Committee for Economic Prosperity. This provides a comprehensive picture of potential projects around the County and has been developed in partnership with district and borough councils using established/accepted project assessment methodologies; it is proposed this Framework be used as the initial basis of assessing candidate projects for the Kick Start Fund, notwithstanding any emerging or priority considerations that may also need to be applied (e.g. new Government policy announcements). Cabinet will note, though, as set out in paragraph 4.2 above, that a number of funds have recently emerged which offer opportunities to address emerging priorities (such as low-carbon fuels) which may also be valid for the Fund.

4.7 Projects already identified that are worthy of consideration include:

- South Derby Growth Zone/Infinity Garden Village (SDGZ):

The enabling infrastructure for this major land-use development has a strong strategic and economic (value for money) case, and already enjoys the benefit of planning consent. It is of such a scale and complexity that it will be difficult to make a credible case within Government funding programmes unless further preparation is undertaken in advance.

Promoters of 'large' transport schemes such as SDGZ have the option of submitting to Government an Application Form to the Levelling Up Fund which, if accepted, will lead to an invitation to prepare a business case. The first round of Levelling Up funding has a submission deadline of 18 June 2021, and officers are working with colleagues from Derby City and South Derbyshire District councils on a potential application form submission by this date, although later submission may be required. Although submission of the Application Form will not impose any binding commitment, the project itself could have a number of longer term implications for the Council in terms of delivery and resourcing. To facilitate access to the potential £50m Levelling Up transport pot, preparation of a credible business case is essential and will require 'pump priming' funding, either from the Kick

Start Fund or elsewhere. Given the short timescales for submission, Cabinet is asked to delegate to the Executive Director – Place the authority to submit an Application Form for Levelling Up fund and to progress business case preparation.

- Derwent Valley Corridor:

This work programme involves a potential package of schemes, including transport and energy projects, Elvaston Castle and the re-purposing of other key buildings within the World Heritage Site. This programme is scalable but complex and could benefit from early work on some of its key components.

- Restoring Your Railway:

Government announced a major funding opportunity for local authorities, community and interest groups to submit expressions of interest around re-opening defunct passenger lines. Three potential projects have emerged that impact upon Derbyshire and are in the initial stages of consideration by Government:

- Barrow Hill Line
- Maid Marian Line
- Ivanhoe Line

Each of these is being led by other public bodies, but if the schemes are confirmed by Government as successful in moving into the next stage of approval - and to ensure the economic and social benefits to Derbyshire are maximised, they will require County Council investment in some form.

- Recovery and Renewal Priorities

Amongst the various workstreams reporting to the County's Economic Recovery Board, the Low Carbon Mobility Task Force has been focussed upon ways to accelerate the take-up of low-carbon fuels for larger vehicles. Potentially very helpful to this has been the launch of the ZEBRA fund, as referred to above in 4.2, and designed to support exactly this area of work. Like the Levelling Up fund, this has been launched with a short preparation period for the submission of Expressions of Interest, with a 25 June deadline. Again, submission of an expression of interest does not represent any firm commitment on the part of the County Council at this stage but it does represent an important statement to Government of our low carbon and future fuels ambitions. Given the short timescales for submission for the expression of interest, Cabinet is requested to authorise the Executive Director – Place to submit an expression of interest on the Council's behalf in order to keep options open for future business case submissions.

- Further Levelling Up Propositions

As well as the South Derby Growth Zone/Infinity Garden Village there is potential for a number of district or borough-led propositions to be made for Derbyshire. These will not necessarily require the support or resources from the County Council, but some may seek this or raise opportunities where the provision of some Kick Start funding would add value.

Each of the above will need some capacity funding to ensure they fully achieve their regeneration potential and are ready to access suitable sources of capital 'development' grants (see below).

#### 4.8 **Prospects for Grant or Other External Funding**

As described previously to Cabinet, the Regeneration Kick Start Fund will be deployed on the early stages of work on regeneration and infrastructure projects. It will not provide either the capital required for delivery nor a source of revenue to support ongoing costs. A key consideration in identifying suitable projects for Kick Start support will therefore be the likelihood of a project being able to attract grant funding or becoming a sustainable, commercial proposition.

#### 4.9 **Potential to Recover Invested Monies**

The current Regeneration Kick Start Fund is limited to £2m and whilst this is a substantial sum, it will not be sufficient to support an endless number of projects over the long term, therefore the ability to recover aspects of Kick Start funding (and return it to the original pot of money) as a projects progress through other funding stages is essential; in short, it will help create a 'revolving fund'. It is proposed that two potential sources of recovering funding be taken into account in project selection:

- The scope for incurred Kick Start costs to be recovered retrospectively from any future grant funding. It is anticipated that most capital-linked costs incurred in preparation will be recoverable in this way, but that revenue costs on early (feasibility) stages of work will not. Clearly, with recovery from this source alone the fund will continue to deplete over time.
- The scope for public sector revenue generation. Although this is not the core objective of the Kick Start Fund, if it can be used to support projects which do create revenue it has the potential to become truly 'revolving' and to enable regeneration projects over the longer term. Examples of where this opportunity may arise would be projects which involve the delivery of commercial premises in which the Council could take a role in management or ownership. Sources of opportunities could include Markham Vale and the One Public Estate programme - although Kick Start funding will not normally be

considered where there is capacity funding in place from another source.

4.8 The Council has successfully made use of an assessment framework for feasibility projects for other similar initiatives, notably the Derby and Derbyshire Business Rate Pooling programme. This included support for feasibility work, with priorities assessed against the Government's Green Book requirements and the framework can be utilised again in slightly modified form to assess priorities for Kick Start funding; the modification being to reflect the criteria above on the recoverability of the investment. The proposed project template and assessment method are included in the report as Appendix 2.

4.9 **Governance**

The Place Directorate operates a standing Strategy and Growth Panel which brings together senior representatives from within the Department and relevant corporate functions (including legal, property and finance). The Panel meets monthly to review progress on regeneration projects in feasibility or preparation stages and carries out 'due diligence' on any potential new projects ahead of recommendations to Cabinet on whether and how the Council should involve itself in them. The Panel is well placed to review proposals for the Kick Start Fund against the selection criteria set out above and to carry out gateway reviews between stages of work. The Panel will assemble recommendations, taking into account the above criteria, and make these to the Executive Director – Place who will allocate the fund to projects in liaison with the Director of Finance (in line with the agreed conditions of the original Cabinet report in January 2021).

4.10 **Ensuring Appropriate Alignment of Resources to Support Delivery**

The early stages of work on any potential project inevitably will involve the commissioning of work to explore engineering options, transport modelling and cost estimating for which the Council currently has limited capacity. Therefore, to ensure that any work sent to external consultants is necessary, properly scoped and meets the objectives of the Kick Start fund, an initial 'sift' and assessment of work packages will be required. The most expedient and efficient way of doing this assessment will be utilising in-house resources to essentially reduce the long list of SGIF projects down to a more manageable number by undertaking work around: production of briefs, assessment of proposals against the frameworks outlined above, preparation of funding packages, review of findings etc. The Economy and Regeneration Service has limited capacity to undertake this additional volume of work so it is proposed the Fund makes provision for two, fixed term project officers (detailed in Human Resources Considerations below) to carry

out those elements of work which are best undertaken in-house and to administer the work which is commissioned to consultants.

## **5. Consultation**

- 5.1 None associated with this decision. Individual regeneration projects will be the subject of public and internal consultation as appropriate during their preparation and prior to commencement on site.

## **6. Alternative Options Considered**

- 6.1 Alternatives to the allocation of the Regeneration Kick Start Fund would be:

### **Option 1**

For the Council to await scarce, external resources to become available before beginning preparatory work on potential major regeneration projects. This is not considered an appropriate option as pump priming funds are almost non-existent and this would result in the Council – and D2 – having very few projects ready to take advantage of capital grant funds. This would significantly hamper Derbyshire’s regeneration and growth ambitions, to the detriment of local communities and businesses.

### **Option 2**

For the Council to utilise other limited revenue funds and undertake pump priming work on projects outside of a confirmed evaluation framework. This could result in vast sums being expended on work packages that aren’t necessary, timely or meaningful. Again, this would significantly hamper Derbyshire’s regeneration and growth ambitions, to the detriment of local communities and businesses.

Cabinet has already approved the £2m Kick Start Fund to support project preparation so the best option is considered to be the adoption of a systematic approach to evaluation and prioritisation of projects (and related work packages) as set out in this report.

## **7. Implications**

- 7.1 Implications of this decision are set out in Appendix 1.

## **8. Background Papers**

- 8.1 The Regeneration Kick Start Fund was created through Revenue Budget Report 2021-22 approved by Cabinet on 21 January 2021.

## **9. Appendices**

### 9.1

Appendix 1: Implications

Appendix 2: Assessment Framework

## **10. Recommendation(s)**

That Cabinet:

- a) Approves the evaluation and assessment processes set out in the report for the allocation to projects of the Regeneration Kick Start Fund, noting that the Executive Director – Place will approve the final, proposed allocations in liaison with the Director of Finance & ICT.
- b) Notes the potential projects listed in the report, but with the acknowledgement that these may not be the ones approved on full assessment.
- c) Authorises the Executive Director – Place to submit an Application Form for the Levelling Up Fund for the South Derby Growth Zone and an Expression of Interest for the Zero Emission Bus Regional Area, noting that these do not represent any firm commitments on the Council at this stage.

## **11. Reasons for Recommendation(s)**

- 11.1 To put in place proportionate governance for the allocation of the Regeneration Kick Start Fund, ensure the best use of Council resources and allow progression of priority projects.

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

- 12.1 No.

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## Appendix 1

### Implications

#### **Financial**

- 1.1 The report sets out appropriate and proportionate arrangements for the allocation of funding already approved by Cabinet. Included in the budget proposals are the costs for two full time, fixed term (up to two years) project officer posts to support delivery of project assessment.

#### **Legal**

- 2.1 None.

#### **Human Resources**

- 3.1 As set out in the body of this report, it is recommended that the Kick Start fund be utilised in part to create two, fixed-term (potentially up to two-years) project officer roles. The posts are proposed to be fixed term on the basis that the Economy and Regeneration Service has a pending restructure and the substantive alignment of roles/responsibilities around project support will be considered as part of this work. Notwithstanding the restructure, however, the volume of work pending and the timescales for the likely launch of new capital funding schemes (March 2022 onwards) means there is a significant amount of work progress in the meantime and the ability for the Council to carry out the early feasibility work on projects will ensure opportunities to access this external funding will be maximised.
- 3.2 If approved in principle by Cabinet, the draft job person profiles (provisionally Grade 11) will be submitted and evaluated in accordance with the Council's job evaluation scheme and funded from the overall Kick Start budget. Recruitment to the posts would be undertaken in accordance with the Council's recruitment procedures.

#### **Information Technology**

- 4.1 None other than the provision of appropriate equipment for project officers.

#### **Equalities Impact**

- 5.1 None. Individual projects will be the subject of Equalities Impact Assessments as they are prepared.

## **Corporate objectives and priorities for change**

6.1 None

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

7.1 None arising directly from this report. Individual projects may involve the acquisition of property as they progress.