



Agenda Item No. 6(d)

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

8 July 2021

Report of the Executive Director - Place

**A61 Growth Corridor Strategy – Funding for Chesterfield Station
Masterplan (Hollis Lane Link Road Phase 1) (Highways Assets and
Transport)**

1. Divisions Affected

1.1 Spire

2. Key Decision

2.1 This is a key decision because it is likely to result in the Council incurring expenditure which is significant having regard to the budget for the service or function concerned.

3. Purpose

3.1 To note the Urgent Officer Decision to confirm an additional contribution of £0.992 million towards delivery of the Hollis Lane Link Road Phase 1 (with an equal contribution from Chesterfield Borough Council). This falls within the context of an increase in the required budget for the project of £1.983 million (from £8.808 million to £10.791 million) to accommodate an increase in the design and delivery costs. This also includes an additional contingency amount of £191,000 (i.e. an increase from £363,000 to £554,000), based upon a revised assessment of project risks.

4. Information and Analysis

4.1 Background

In recent years, Cabinet has received a number of reports relating to the A61 Growth Corridor programme of works which has benefitted from financial support totalling £8.5m via the Derby, Derbyshire, Nottingham and Nottinghamshire Local Enterprise Partnership (D2N2 LEP) in the form of Local Growth Fund (LGF) grant. This grant funding programme closed on 31 March 2021, with a number of Derbyshire projects having benefitted from targeted financial support. Although all available LGF monies have been spent within the required timescales, delivery of some of the projects is still in progress:

- Ashbourne Airfield Link Road and Roundabout (£1m)
- Woodville to Swadlincote Regeneration Route (£6.4m)
- A61 Growth Corridor
 - Standard Gauge for Sustainable Travel (£1.69m)
 - 21st Century Transport Corridor (£3.0m)
 - Hollis Lane Link Road Phase 1 (within the Chesterfield Station Masterplan) (£3.81m)

4.2 Each of the above projects have been complex, requiring planning consents, land assembly (often from multiple vendors), multiple legal agreements, design and construction. Working over the last year under the challenges of Covid-19 has impacted upon costs and delivery programmes, and Government has offered no relaxation of the requirement for all LGF grant to be drawn down by the end of the 2020-21 financial year. This has meant that, with the delivery of projects already committed, any shortfall in grant funding draw-down would have had to be met from other sources, or the projects cancelled and 'sunk' costs met from revenue budgets. Fortunately, as advised above, each of these projects has progressed sufficiently to allow all allocated LGF to have been drawn down in full, prior to 31 March 2021, thereby protecting the Council's investment and maximising access to external funding.

4.3 Hollis Lane Link Road Phase 1

The County Council and Chesterfield Borough Council (CBC) have been working together, alongside other partners such as Network Rail, for a number of years to bring forward the Chesterfield Station Masterplan, and particularly since the Government announced that HS2 services would call at Chesterfield Rail Station from 2033.

4.4 The Masterplan, showing wholesale regeneration and redevelopment of the station area, has been drafted by CBC and was the subject of

public consultation earlier in 2021; the results of this are currently being assessed by CBC. The regeneration ambitions require an appropriate balance of housing and employment development, new highways infrastructure, public realm at the railway station entrance gateway, car parking and a high standard of pedestrian and cycle connection to the town centre.

- 4.5 The delivery of enabling highways infrastructure within the Masterplan area will bring forward brownfield land that is currently largely unused or underused (e.g. for car parking). Local people will benefit from the creation of a significant number of new jobs through the delivery of employment growth areas and accelerating the completion of new housing to support growth, including delivery of more affordable homes.
- 4.6 The first phase of the Hollis Lane Link Road is to create a new southern access to the railway station car park and has been able to proceed ahead of Masterplan adoption as it delivers highway and connectivity benefits in its own right, without prejudicing other proposals. Its alignment is fixed by the adjacent A61 Inner Relief Road to the west and the Midland Mainline to the east, so would not be altered by any decisions taken over land to the north.
- 4.7 Cabinet last considered a report on the Hollis Lane Link Road Phase 1 at its meeting of 10 December 2020 (Minute No. 229/20 refers), where the total project budget was reported as £8.808 million. The activities covered by this budget include highway construction at Spa Lane, for which enabling works are already on site, and the acquisition and preparation of a second site (on Sheffield Road) onto which a displaced business is being relocated (the business currently occupying at Spa Lane, immediately adjacent the new link road and which, in due course, will allow the delivery of commercial plots).
- 4.8 The Sheffield Road site was acquired pro-actively by Chesterfield Borough Council, but its preparation for occupation has been particularly complex, given the need for legal agreements with its intended occupant and also with third parties, in order to ensure a means of access and utilities supplies and diversions. All these issues have needed to be resolved within the LGF timescales which has resulted in cost estimates having to be carried out in a 'pre-contract environment', with the contract itself only issued on completion of the required legal agreements.
- 4.9 Since the project was reported to Cabinet in December 2020, the Hollis Lane Project Team (County and Borough Council officers, plus specialist advisors) has carried out a thorough review of the project

costs, as a result of which it has been necessary to increase the budget. The specific areas identified are:

Project Component	Previous Budget	Revised Budget	Increase
Sheffield Road (Relocation Site)	£4,091,662	£5,289,108	£1,197,446
Hollis Lane Link Road (Construction)	£3,595,896	£3,659,106	£63,210
Design & Project Management Costs	£757,610	£972,880	£215,270
Governance, Legal Agreements & Advice (including disbursements such as stamp duty)	Previously split across above figures	£315,329	£315,329
Contingency	£362,590	£553,970	£191,280
Total	£8,807,758	£10,790,293	£1,982,535

- 4.10 This has been a significant increase in costs and an initial review has already taken place to understand how project costs could have been forecast earlier in the development process; this review is not yet complete and more work is planned over the coming months.
- 4.11 Under the terms of the Collaboration Agreement which the County Council and CBC have signed to ensure robust partnership working, this increase of £1.98m will be shared equally by the two authorities (i.e. a 50/50 split of additional costs). Cabinet should note that previously agreed contributions from CBC exceed those from the County Council.
- 4.12 As noted above, the absolute requirement to draw down all LGF monies by 31 March 2020 put pressure on the timescales for issuing the contract for preparation of the Sheffield Rd site (equivalent to £1.2m, the amount of LGF remaining to spent) and hence a need to increase the project budget. An Urgent Officer Decision was therefore taken on 22 March 2021 to allow virement of £0.992 million (50% of the cost increase) to the project budget, which Cabinet is now requested to note. The other 50% of the increased budget is provided by Chesterfield Borough Council under the terms of a Collaboration Agreement between the two Councils. This Urgent Officer Decision report contains details of the construction contract for the Sheffield Road site and is attached as an exempt appendix (Appendix 2).

5. Consultation

- 5.1 None associated with this decision. Public consultation on the Hollis Lane Link Road was carried out ahead of its submission for planning consent. Consultation on the wider Station Masterplan by Chesterfield Borough Council has just been completed but does not directly impact the Urgent Officer Decision or the proposals contained in this report.

6. Alternative Options Considered

- 6.1 Alternative options to increasing the budget considered were:

- a) Cease work on the project and cancel the scheme. This was not considered a viable option as circa £2.2m of eligible LGF monies had been spent already. If the project ceased, this would constitute a default against the Local Growth Fund grant and it is highly likely that all of these costs would have to be paid back in full to the D2N2 LEP. The majority of these abortive costs would need to be met from revenue budgets. There would also be additional costs associated with making good areas of land where site investigations and other works have been started.
- b) Reduce the deliverables on the project to match the available budget. This would materialise in reducing the amount of the new Link Road that could be delivered. This was not considered to be a suitable option as it is not in the spirit of the County Council's grant agreement with the LEP and could still lead to claw back of funding if the LEP considered that the milestones for the project had not been achieved. Also, it is likely this option would simply result in a request for additional funding from the promoting authorities at a future date to cover the items not delivered in Phase 1.
- c) To explore options for an alternative contractor. This was not considered viable because it would have meant the remaining £1.2m of the LEP funding would not be possible to spend by 31 March 2021 and therefore would be at risk of clawback, increasing the funding gap even further. In addition, the delay to the project timeline of another procurement process would put pressure on the build process, not necessarily result in a reduction in the price and would require additional client and project management time to progress, so reducing any ultimate saving on price.

7. Implications

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

8. Background Papers

8.1 The exempt Appendix (2) provides the Urgent Officer Decision containing details of the construction contract and negotiation for the Sheffield Road site.

9. Appendices

9.1 Appendix 1: Implications.

9.2 Appendix 2 (exempt): Urgent Officer Decision (containing details on construction contract and negotiation).

10. Recommendation(s)

That Cabinet:

10.1 Notes the Urgent Officer Decision to confirm a further £0.992 million contribution from Derbyshire County Council towards the Chesterfield Station Masterplan (Hollis Lane Link Road Phase 1) Project, which forms part of the A61 Growth Corridor Strategy.

11. Reasons for Recommendation(s)

11.1 The Urgent Officer Decision was required in order to avoid the consequences set out in the body of the report.

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

12.1 No.

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Appendix 1

Implications

Financial

- 1.1 The previous estimate for the Hollis Lane Link Road project was £8.808m, made up of the following proposed funding:

Funding Source	Contribution £m
D2N2 LEP Grant	3.808
Derbyshire County Council	1.300
Chesterfield Borough Council	3.700
Total Funding	8.808

- 1.2 This now becomes:

Funding Source	Contribution £m
D2N2 LEP Grant	3.808
Derbyshire County Council	2.292
Chesterfield Borough Council	4.692
Total Funding	10.792

- 1.3 The revised cost estimates are set out in Paragraph 4.8 above. The sources of the approved virement of the additional County Council contribution (£0.992m) are:

- ETE capital allocations of £930,000 (Local Transport Plan 2019)
- ETE capital allocations of £62,000 (Local Transport Plan 2020).

Legal

- 2.1 None

Human Resources

- 3.1 None

Information Technology

- 4.1 None

Equalities Impact

5.1 None.

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 The project involves the acquisition of property for the purposes of highway construction and for associated commercial development.