

## For publication

### Staveley Town Deal projects

|                           |  |
|---------------------------|--|
| <b>Meeting:</b>           | Cabinet                                    |
| <b>Date:</b>              | 22 February 2022                           |
| <b>Cabinet portfolio:</b> | Leader<br>Deputy Leader<br>Economic Growth |
| <b>Directorate:</b>       | Economic Growth                            |

#### 1.0 Purpose of the report

1.1 The report sets out the role proposed for the council as sponsor for three of the projects included within the Staveley Town Deal and the implications of this role, together with further detail on one of the three projects.

#### 2.0 Recommendations

2.1 This report recommends that Cabinet:

- i. Approves the role that the council is taking as the lead for three of the Staveley Town Deal projects.
- ii. Approves the Construction Skills Hub project, accepting the Towns Fund grant and giving authority to move to delivery.
- iii. Delegates authority to the Service Director for Economic Growth in consultation with the Deputy Leader to finalise lease arrangements with the landowner for the site upon which the Construction Skills Hub is to be situated.
- iv. Approves commencing procurement for a delivery partner for the Construction Skills Hub.
- v. Provisionally approves the Derbyshire Rail Industry Innovation Vehicle and Staveley 21 projects, subject to the full business cases for each being approved through the Staveley Town Deal governance.

- vi. Agrees to receive further reports on the Derbyshire Rail Industry Innovation Vehicle and Staveley 21 projects prior to delivery commencing.
- vii. Agrees to include all three projects within the Capital Programme to go before Full Council for approval.

### **3.0 Reason for recommendations**

- 3.1 The recommendations are made to ensure that Cabinet has clarity regarding the project sponsorship role that the council will undertake and is able to approve three projects within the Staveley Town Deal and enable delivery of each to commence.

### **4.0 Report details**

#### **Background – Staveley Town Deal**

- 4.1 In October 2019, Staveley was one of 101 locations invited to bid into the Towns Fund. In March 2021, the Town Investment Plan for Staveley was approved by Government, securing funding of £25.2m to deliver a range of projects that will have a transformational impact on Staveley, driving economic growth, offering quality skills and employment opportunities, and improving the Town Centre, green spaces and canal network around Staveley.
- 4.2 Previous reports have come to Cabinet to seek approval for the Staveley Town Investment Plan (December 2020), resources for programme management of the Deal (April 2021) and approval of an assurance framework (May 2021). These previous reports have all set out the role that the council is playing as the Accountable Body for the Town Deal Programme and the implications of that role.
- 4.3 The Town Investment Plan included 11 projects and whilst the total funding requested was slightly above that approved by government, the Staveley Town Deal Board agreed that all 11 projects should be developed as part of the next stage of the process. This requires a full business case for each of the projects which will be subject to local approval (from both the Town Deal Board and the council as the Accountable Body) and sign-off from central government. All projects are expected to have a full business case approved locally by 18<sup>th</sup> March in order to meet the government's deadline for submitting all projects within 12 months of the Deal receiving approval.

- 4.4 At present, the focus of Town Deal activity is therefore on project sponsors finalising and submitting business cases. Across the 11 projects there are 8 different sponsor organisations, a far greater diversity than is typically the case for other Town Deals. The council is the sponsor organisation for 3 of the projects and is playing a dual role of sponsor and Accountable Body in each case.

### **Chesterfield Borough Council led projects**

- 4.5 The three projects on which the council is leading are briefly described below.
- 4.6 Construction Skills Hub. The hub is an on-site construction training facility that will serve to develop a pipeline of skilled construction workers through a complete pathway of on-site training interventions. The facility will consist of a number of semi-covered workshops that will sit in a compound of 3150 sqm within an existing development site. The facility will provide a platform for construction related careers activity and practical training and work experience for over 5,000 learners over 10 years with access to employers across a wide range of construction related occupations. Provision will include joinery, brickwork, groundworks, roofing, electrical installation and will incorporate green technologies and modern methods of construction.
- 4.7 Derbyshire Rail Industry Innovation Vehicle (DRIIVe). This rail innovation and training centre will enhance an already thriving centre of railway maintenance and engineering at Barrow Hill and be a vital component in securing the further flourishing of rail related activity in the Staveley and Chesterfield area. DRIIVe will provide a suite of specialist rail research development laboratories, training and education facilities and commercial rail engineering workshop spaces to facilitate growth in training and jobs across the wider rail sector. Partners in the project, including Chesterfield College, the University of Derby and Newcastle University will ensure that training is available at every level, from entry level to PhD.
- 4.8 Staveley 21. A series of interventions to deliver the first phase of the emerging town centre masterplan. The project will include transformation of the market square, a new public sector hub, renewal of the High Street and improved connectivity to the canal, signage and digital provision. The project will drive a greater mix of uses to ensure an increase in footfall, provide spaces for events to drive vibrancy and support existing businesses

to recover and flourish. The emerging masterplan has been developed to consider the future communities of the area who will look to the town centre for services, facilities and reasons to visit, as well as responding directly to the views expressed by current residents.

- 4.9 Of the three projects above, the Construction Skills Hub has already received approval by the Staveley Town Deal board and been signed off by government, the first full Town Deal project to meet this milestone. The other two projects are both due to be considered by the Town Deal Board on March 18<sup>th</sup>.
- 4.10 In order to get to the point of the Staveley Town Deal Board considering projects for approval, there will already have been consideration of a draft business case by the council's Internal Programme Board, external assessment of the full business case by appointed specialists Thomas Lister and a recommendation made by the Internal Programme Board in light of the external assessment.
- 4.11 Resources to deliver each of the above projects have been built into the business cases, including provision for contingencies. Current officer teams are set to lead on each of the projects with specialist advice included within the cost plans that have been developed. Procurement will take place in line with council processes, with a strong emphasis on local labour requirements (in common with all 11 Town Deal projects).
- 4.12 More detail is provided in appendix one regarding the Construction Skills Hub, drawn from the approved business case. Whilst this project is the lowest financial value of the three being led by the council, it is an important and innovative approach to improving skills in the area and could reach a large number of learners over the project lifetime. With funding for the project secure, and taking account of the extensive process for assessing projects outlined in 4. 10, **it is recommended that Cabinet approve this project**, noting the role that the council will play as the lead sponsor, as set out in the following section.
- 4.13 For the other two projects – DRIIVE and Staveley 21 – business cases are still being finalised prior to submission to the Staveley Town Deal Board for approval. Once the full business cases have been prepared, and subject to a positive outcome in terms of approval at the Town Deal Board, **it is recommended that Cabinet receive further reports on both projects** in order to provide early visibility and allow for Cabinet scrutiny prior to delivery commencing. In the meantime, in order to provide assurance to

the Town Deal board of the council's commitment, **it is recommended that Cabinet provisionally approve both projects**, again noting the requirements on the council as the lead sponsor as set out below.

### **Project sponsorship responsibilities**

- 4.14 For most Town Deal projects, the council will act as the Accountable Body (a role described in detail in previous Cabinet reports) with other parties acting as the lead sponsor organisation, responsible for developing and delivering each project. However, for the three projects described in this report, the council will play both roles – as the Accountable Body and the lead project sponsor.
- 4.15 In cases where external organisations are the project sponsor, the council's role as the Accountable Body includes issuing a grant agreement, a contractual document that sets out the terms and conditions that the project sponsor is expected to fulfil in return for receiving the Town Deal funding that the council will hold and manage on behalf of central government.
- 4.16 For the three projects where the council plays both roles, it will not issue a grant agreement to itself. However, it will be expected to fulfil the same requirements and obligations as external sponsors, and lead officers for each project have been made aware of these through the process of project development. Many of the requirements in the grant agreement are those that already apply to all of the council's activities, for example compliance with data protection regulations and financial propriety. However, in its role as project sponsor for the three projects, it is worth highlighting that the council will:
- Assume responsibility for delivery of the outputs set out in the summary document submitted to the Department for Levelling Up, Housing and Communities.
  - Ensure the Towns Fund grant is only used for eligible expenditure in connection with delivery of the project and that procurement takes place in line with all relevant public procurement regulations.
  - Ensure any conditions applied by the Staveley Town Deal to the approval of the funding are met.
  - Take responsibility for any cost overruns.
  - Be responsible for ensuring the project delivery is carried out in line with all relevant planning, statutory and legal requirements, including health and safety.

- Maintain accurate records to ensure a robust audit trail, and fulfil all the reporting requirements set out in the Town Deal Monitoring and Evaluation plan.

4.17 The Assurance Framework previously approved by Cabinet includes measures to ensure an appropriate separation between the roles of the council as project sponsor and Accountable Body. These are already being implemented as the process of business case development continues, with steps being taken at both the Internal Programme Board and Staveley Town Deal Board to avoid any conflict between the two roles.

### **Construction Skills Hub next steps**

4.18 As noted above, more detail is provided in appendix one for the Construction Skills Hub as this project now has an approved full business case. In order to move ahead into project delivery, there are some important next steps for which Cabinet approval is sought.

4.19 Lease arrangements relating to the land on which the Hub will initially be sited are still to be finalised. The site will be on the Mastin Moor housing site being taken forward by the Devonshire Group, with the Hub situated here for the first 7 years of its life. The Devonshire Group is fully supportive of the project and now that Town Deal funding is approved there is a need to finalise the lease arrangements. In order to enable this **it is recommended that Cabinet approve delegation of authority to the Service Director for Economic Growth in consultation with the Deputy Leader to finalise the lease arrangements.**

4.20 With project funding now confirmed, it is important that a delivery partner to take on the operation of the Construction Skills Hub is secured. **It is therefore recommended that Cabinet approve commencing procurement for a delivery partner for the Construction Skills Hub.**

## **5.0 Alternative options**

5.1 The projects described in this report have been developed by the council and were included in the Staveley Town Investment Plan approved by Cabinet in December 2020. Alternative options would include:

- Removing one or more of the projects from the Town Investment Plan. This would mean that the opportunity to secure Town Deal funding would be lost and the outcomes of those projects would

either not be delivered or would have to await future funding opportunities. There would be reputational implications for the council in having put forward projects within the approved Town Investment Plan that it was then unable to deliver.

- Passing development of the projects to another organisation. It is not clear that any partner organisation would be well placed to take on any of the three projects, particularly given the capacity issues that have faced a number of partners in taking on their own Town Deal projects.
- Developing the projects but passing responsibility for delivery to one or more other organisations. Again, it is not clear that capacity would be available nor that the projects would necessarily align well with other partners. It would also be difficult to ask an organisation to take the delivery responsibilities for a project for which it has not been involved during the development.

5.2 The preferred option is therefore for the council to continue to develop and deliver the three projects in line with the Town Investment Plan and working through the Assurance Framework, both of which have been previously approved by Cabinet.

5.3 Appendix one includes more detail on the alternative options considered as part of the development of the Construction Skills Hub project.

## **6.0 Implications for consideration – Financial and value for money**

6.1 All Town Deal projects will include both an economic and financial case within the full business case that comes through the approval process outlined above. These cases set out both the value for money (economic case) and affordability (financial case) for each project. Further information on the financial and value for money considerations for the Construction Skills Hub project is set out in appendix one.

6.2 As outlined at 4.10, before funding is released, each project will have all elements of the business case (including financial and economic cases) assessed and tested through:

- Review of draft cases by the council's Internal Programme Board, attendees of which include the council's section 151 officer.
- External assessment by appointed specialists Thomas Lister, Edge and Amion (for the economic case). A full report of compliance with each element of the business case is provided for each project.

- Further review at the Internal Programme Board in light of the Thomas Lister assessment, from which a recommendation for approval (or rejection) is made to the Staveley Town Deal Board.
- Consideration for approval at the Staveley Town Deal Board, including partner representatives from a range of organisations, many with extensive experience of developing and considering business cases. Approval then requires a further sign-off from the council's section 151 officer.
- Review by government of the project summary and assurance process to date prior to any funding being released.

6.3 Whilst the above process can never guarantee a project will deliver good value for money and sound financial management, it does show the extensive process in place to test these elements and reduce the risks to both the Accountable Body and the project sponsor.

6.4 A summary of the funding involved in each project is set out below.

| <b>Project</b>          | <b>Towns Fund</b>                                   | <b>Status</b>                  | <b>Match funding</b>  |
|-------------------------|---|--------------------------------|---|
| Construction Skills Hub | £467,000<br>(£260,000 revenue and £207,000 capital) | Approved                       | Land value plus Education and Skills Funding Agency funding to be brought to the project by the provider. |
| DRIIVe                  | £3,735,000<br>(all capital)                         | Allocation subject to approval | Land value  |
| Staveley 21             | £4,856,000<br>(all capital)                         | Allocation subject to approval | Primarily land value; potential for business match for shop front scheme                                  |

6.5 Each project has been developed with contingencies built into the project costs. This has been particularly important given the current risks of cost inflation relating to materials and labour. Each business case also includes sensitivity analysis to consider the impact of cost increases and sets out mitigation of the consequences. The council's established procurement process will also be an important step in ensuring that value for money is maintained as projects move into delivery and the Town Deal team and



project leads have been working closely with procurement officers throughout the process.

- 6.6 In terms of operational costs and any ongoing revenue implications for the council, the model in place for the Construction Skills Hub means that a provider for the learning at the hub will be procured early in the process. This delivery partner will then be responsible for the operation of the Skills Hub and managing income and expenditure. Early market testing has demonstrated that there is an appetite from providers to become the delivery partner based on this model and the financial case developed for the project shows it is financially viable and self-supporting after the initial Towns Fund investment has been made.
- 6.7 The operational cost considerations for DRIVE and Staveley 21 are being finalised as part of the full business case development and will be set out in the subsequent report to Cabinet. In both cases, the financial case will consider the affordability of the proposals on the basis that there should be no call on future council revenue expenditure.
- 6.8 Once approval of the projects is confirmed by central government, payments will be made to the council on an annual basis as the Accountable Body (this will be the case for all 11 projects). For the 3 projects being led by the council, **it is recommended that the projects are added to the capital programme that will go to Full Council** for consideration as part of the budget setting process.

## **7.0 Implications for consideration - Legal**

- 7.1 As with the financial implications, the legal implications of each project are set out and assessed as part of the business case process described above. Following a compliant procurement exercise, contracts for delivery of the various elements of each project will be put in place and managed by the project lead. Representatives from the council's legal service are part of the Internal Programme Board and already closely involved in the three projects that form the subject of this report. The in-house service will be used in the first instance to contract with external delivery partners, though the Town Deal resources approved by Cabinet in April 2021 also make provision for external legal support should this be required for contracting.
- 7.2 As noted above, for the Construction Skills Hub there is a requirement to secure a site for the Hub for the first 7 years of its operation and

negotiations are well advanced with the Devonshire Group to locate it within the Mastin Moor housing development site. A lease agreement between the council and the Devonshire Group has been prepared and can now be finalised and signed following approval of the funding for the project, subject to Cabinet approval as recommended at 4.19 above.

- 7.3 Advice on subsidy control (formerly State Aid) has also been sought for each project; this will ensure that a key condition of Towns Fund approval can be discharged in line with the assurance framework.

## **8.0 Implications for consideration – Human resources**

- 8.1 Provision for project management has been made within the business cases for each project, including where specialist advice and contractors may be required to deliver the projects. The main resource for project leadership will come from existing council resources, primarily those within the Economic Growth directorate.
- 8.2 A number of other key teams are represented at the Internal Programme Board and have been involved in developing each of the projects. The wider resource implications moving into delivery will be kept under review through the project and programme management governance in place.

## **9.0 Implications for consideration – Council plan**

- 9.1 As set out in previous Cabinet papers, the Staveley Town Deal will contribute positively to a number of priorities within the Council Plan. In particular the Deal aligns well with the following Council Plan objectives:

- Chesterfield Borough – a great place to live, work and visit
- Vibrant town centres
- Build a stronger business base
- Develop an inclusive and environmentally sustainable approach to growth
- Improve our environment and enhance community safety for all our communities and future generations
- Help our communities to improve their health and wellbeing
- Reduce inequality and provide support to vulnerable people

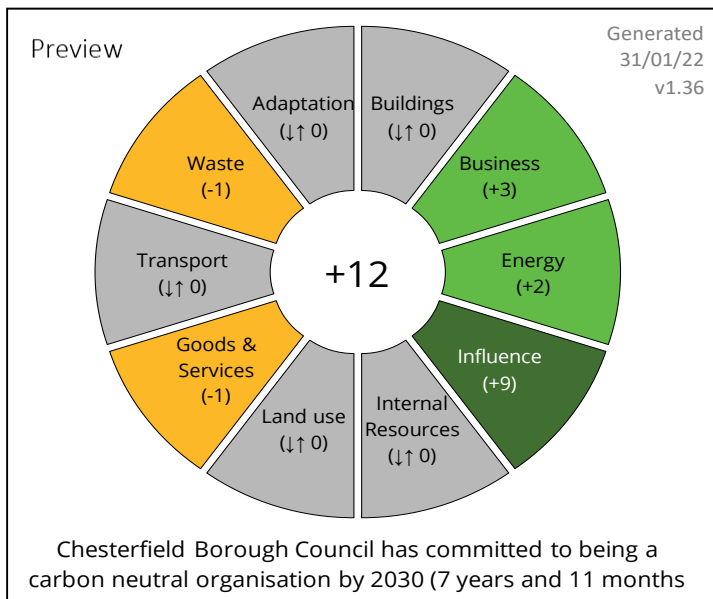
- 9.2 In turn, each of the three projects described in this report form an important part of the Staveley Town Deal and delivery of the Staveley Town Investment Plan and its objectives, as shown below.



9.3 Each of the projects will also contribute positively to the council’s Growth Strategy and Covid Recovery Plan. The Construction Skills Hub will also make a significant contribution to community wellbeing as it will target young people in the Staveley area to come and train at the site, thereby investing in young people’s skills and future and the wider transformation of the Staveley area.

## 10.0 Implications for consideration – Climate change

- 10.1 A climate change impact assessment has been completed for the Construction Skills Hub project with the results summarised below. Assessments will be carried out for DRIIVe and Staveley 21 prior to those projects coming to Cabinet once the business cases are complete.
- 10.2 The Construction Skills Hub has an overall climate impact score of +12, scoring particularly well in the business and influence categories to reflect the scope to raise awareness of positive action towards climate change through work with partners, careers engagement and training. It also reflects the ambitions of the project to focus on green technologies and modern methods of construction and our ability through the procurement process to specify actions and provision that will support these. It scores less well in areas of resource, transport and waste, recognising that the location of the facility and that this is a new facility and therefore there will be an increase in these areas. A summary of the impact is set out in the diagram below.



## 11.0 Implications for consideration – Equality and diversity

- 11.1 An equality impact assessment has been undertaken at the programme level for the Town Deal and a draft version of this was noted at Cabinet in May 2021.
- 11.2 The business case for the Construction Skills Hub includes the requirement for equality and diversity considerations to be built into the procurement of a delivery partner, ensuring that this project will support the councils' commitment to equality and diversity.

## 12.0 Implications for consideration – Risk management

- 12.1 Risk management is a key component of the business case development process for all of the Town Deal projects and the risk analysis for the three council led projects has and is being tested through the process in line with 4.10 above.
- 12.2 Project and programme management arrangements in place will ensure that risk is regularly reviewed for each project and that risk escalation, where necessary, takes place both within the council and within the Town Deal governance structure. In terms of the general risks associated with the council undertaking the lead sponsor role for the three projects, the main ones identified are set out in the table below. These relate back to the responsibilities for the council as project sponsor as set out above at 4.16.

| Description of the Risk  | Impact | Likelihood | Mitigating Action   | Impact | Likelihood |
|--|--------|------------|---|--------|------------|
| The projected outputs for one or more project are not delivered within the available time and/or budget. | Medium | Medium     | Ensure strong project and programme management; maintain open dialogue with government; consider alternative outputs at an early stage and use the change request process to seek approval if required  | Medium | Low        |
| The council fails to procure and/or account for eligible expenditure in line with Town Deal requirements | High   | Medium     | Ensure strong project and programme management; use existing and well tested council processes to ensure compliance; continue close working with relevant teams and officers able to provide advice; maintain the three lines of defence set out in the Assurance Framework | High   | Low        |
| The costs for one or more project increase beyond the available Town Deal funding                        | High   | Medium     | Utilise the alternative scenarios developed within each project business case to mitigate cost rises;   | Medium | Medium     |

|   |      |        |   |        |     |
|---|------|--------|---|--------|-----|
|   |      |        | review project and consider delivery of reduced outputs and/or seeking match funding  |        |     |
| The council is unable to fulfil reporting requirements and/or maintain an adequate audit trail        | High | Medium | Ensure strong and regular liaison between lead officers for each project and the Town Deal team so that reporting requirements are understood and supported; build on the positive audit findings to date to ensure that project delivery is well documented and auditable through sound governance | High   | Low |
| Delivery partners procured for one or more projects fail to deliver in line with project requirements | High | Medium | Ensure procurement exercises are thorough and robust with well tested specifications; put in place strong contract management with a focus on critical project elements and compliance with statutory requirements  | Medium | Low |

### Decision information

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|----------------------------|------|
| <b>Key decision number</b> | 1087 |
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|-----------------------|---|
| <b>Wards affected</b> | Lowgates & Woodthorpe, Middlecroft & Poolsbrook, Hollingwood & Inkersall, Barrow Hill & New Whittington |
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## Document information

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|---|--|
| <b>Report author</b>  |  |
| Michael Rich, Interim Director (Projects)<br>Emily Williams, Skills Delivery Officer  |  |
| <b>Background documents</b>   |  |
| These are unpublished works which have been relied on to a material extent when the report was prepared.  |  |
| Business case for Construction Skills Hub, November 21 (Nth consulting)<br>Assurance Framework for Staveley Town Deal<br>Climate Change Impact Assessment for Construction Skills Hub |  |
| <b>Appendices to the report</b>   |  |
| Appendix 1  | Project detail - Construction Skills Hub |