

For publication

DRIIVe Project

Meeting:	Cabinet
Date:	21 June 2022
Cabinet portfolio:	Economic Growth
Directorate:	Economic Growth
For publication	

1.0 Purpose of the report

- 1.1 The report sets out the detail of the DRIIVe (Derbyshire Rail Industry Innovation Vehicle) project, as one of the projects within the Staveley Town Deal Investment Plan. It sets out the proposed role for the council as project sponsor.
- 1.2 The report seeks approval from Cabinet to accept the Towns Fund Grant and to approve the proposed grant contribution from the Council to be made towards the project, and to proceed with the delivery of the project.

2.0 Recommendations

- 2.1 To approve the Council's ongoing role in the delivery of the DRIIVe project, accepting the Towns Fund Grant and giving authority to move to delivery.
- 2.2 To approve the grant contribution from the council, via the business rate retention scheme, to provide up to £790,000 match funding for the project.
- 2.3 To recommend to Full Council to include the match funding in the Capital Programme update that is due for consideration in July 2022.
- 2.4 To accept that the Council will cover any cost overruns associated with the physical delivery of the project, in line with grant funding conditions.

- 2.5 To delegate authority to the Service Director for Economic Growth in consultation with the Deputy Leader, Cabinet Member for Economic Growth and the councils Property, Procurement and Contracts Manager to finalise legal arrangements in respect of the existing lease and management agreement in respect of the commercial structure, management and operation of DRIIVe.

3.0 Reason for recommendations

- 3.1 The successful delivery of the DRIIVe project will support the growth of the rail sector and contribute to the future regeneration of the Borough through the development of specialist skills, research and development provision.
- 3.2 The recommendations are made to ensure that Cabinet is provided with clarity regarding the role the council will undertake in the delivery of the DRIIVe project to and enable delivery to commence.

4.0 Report Details

Background

- 4.1 On the 22nd February 2022, Cabinet granted approval for DRIIVe as one of three council led projects featured in the Staveley Town Deal Town Investment Plan (TIP), to be added to the council's Capital Programme. Cabinet also agreed to receive further reports on the DRIIVe project, on completion and approval by Staveley Town Deal Board of the Full Green Book Complaint Business Case prior to delivery commencing.
- 4.2 On the 18th March 2022 the full business case was submitted to Staveley Town Deal Board and funding of £3,735,000 for DRIIVe was granted approval. Prior to approval, a detailed external evaluation of the project was undertaken by Thomas Lister, specialist consultants, in line with the Town Deal project governance arrangements and Assurance Framework.

Background – DRIIVe

- 4.3 In 2019, Chesterfield Borough Council (CBC) commissioned a study investigating the feasibility and opportunities offered through the development of an Innovation Centre at the Barrow Hill site in Staveley in a project known as **DRIIVe** – the Derbyshire Rail Industry Innovation Vehicle.

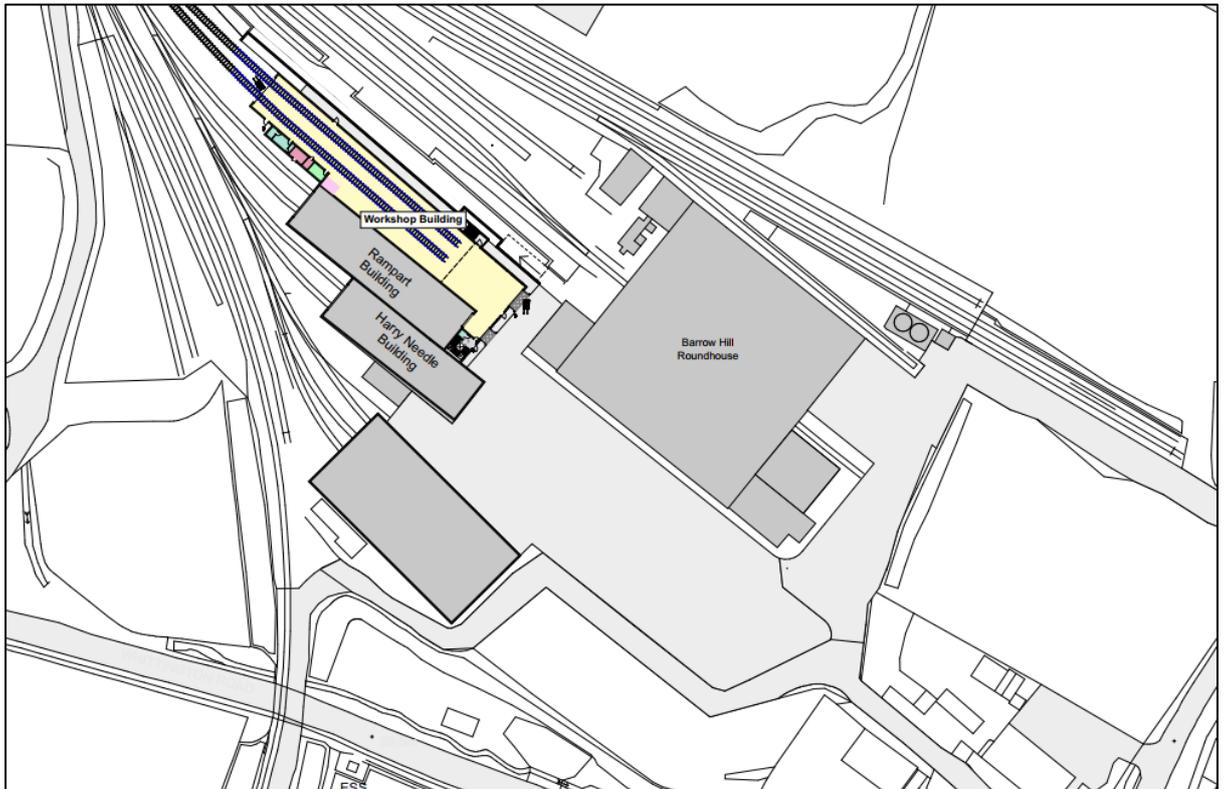
- 4.4 This identified significant need and demand for skills investment in the rail sector due to rail retirement, increased demand due to planned investment and changing skills needs. The work also identified increasing demand for innovation facilities and expertise in the sector as increasingly innovation is being built into tender processes and Research and Development (R&D) and innovation is becoming the differentiator when securing contracts.
- 4.5 The feasibility study proposed a suite of specialist rail workshops and laboratories including a dedicated R&D workshop and apprenticeship workshop, classrooms and flexible commercial office space. At this stage, it was envisaged that this would be funded through a combination of private and public investment. The commercial case being driven by income from rental of the spaces by partners and private tenants as well as an income share arrangement in relation to training of apprentices.
- 4.6 Following completion of the Feasibility Study, Chesterfield Borough Council worked with key project partners; Barrow Hill Engine Shed, Chesterfield College, University of Derby and NewRail to develop initial plans around the future governance and management of the project.
- 4.7 In September 2019, Staveley was announced as an eligible Town as part of the Government's Town Deal programme. During 2020, a Staveley Town Deal Board was formed and work began on developing a Town Investment Plan for Staveley (TIP). In March 2021, it was announced that Staveley had been awarded £25.2m of Town Deal funding to deliver the activity contained within the TIP. The DRIIVe project is identified as a priority project within the Investment Plan, with an allocation of £3.735m of the £25.2 million.
- 4.8 It was initially envisaged that the Town Deal funding would be supplemented with private sector investment (through a large European-based OEM (Original Equipment Manufacturer)) within the rail sector and further public sector investment. The project was originally developed with the private sector partner and included a HQ facility for them alongside university level specification research and development facilities with additional office, showcase and workshop space to service the OEM's own commercial requirements and provide a platform from which to develop their 'All Britain' Strategy.

- 4.9 In June 2021, the large European-based OEM were unable to move forward against previous funding commitments within the Town Deal Funding window. Whilst this significantly changed the funding position of the project, an options analysis undertaken in August 2021 brought forward building designs that were revised and simplified, making it possible to still deliver the 'spirit of the project' – skills, business, and innovation under one roof but without the headquarters element of the design. This meant that the costs associated with the build also reduced significantly from £10.3m to £4.5m. This simplified building was the basis of the submission to the Town Deal process.
- 4.10 The revised proposals for the project were approved by Staveley Town Deal Board in September 2021, at which stage work commenced to progress the full business case which sought to secure £3,735,000 Town Deal Funding for DRIIVe.

The Project

- 4.11 The revised proposals for DRIIVe support the delivery of a modern rail innovation and training centre. It is proposed that DRIIVe will be built on land that forms part of the Barrow Hill Engine Shed site, at the rear of the Roundhouse building (shown in Image 1 below). The freehold of the site is owned by Chesterfield Borough Council and leased on a long lease of 99 years by Barrow Hill Engine Shed Society (BHES). When complete, the DRIIVe building will provide 1423sqm of floor space consisting of classroom and workshop training space, specialist R&D facilities including a digital laboratory and commercial office and workshop space.

Image 1: DRIIVe location within site plan



4.12 DRIIVe supports the Council's priority to make Chesterfield a thriving borough and the Staveley Town Deal vision to Start, Stay and Grow. The project supports the overall aim of Chesterfield Growth Strategy (2019-2023) to 'secure the long-term growth of the borough, supporting new job creation and ensuring local people have the right skills to access future employment opportunities – having an inclusive approach to growth.' The project will also address the council's objective to deliver sustainable and inclusive growth and the objectives of the Staveley Town Deal Investment Plan to deliver Innovation and Enterprise and Inclusive Growth by:

- Marrying Innovation and Heritage to enhance a thriving centre of railway maintenance and engineering by delivering **1423sqm of floor space** which provides specialist training facilities, R&D laboratories, commercial office and rail engineering workshop space.
- Promoting the sustainability and economic viability of Barrow Hill Roundhouse and providing catalytic benefits to the social and economic regeneration of neighbouring communities that are listed

amongst the most deprived in the UK to deliver economic benefits of over £9m.

- Providing **1680 days of training per year** through a training facility that is accessible to a network of providers already serving the rail industry to meet an increased demand for specialist facilities aligned with requirements of the new Rail Apprenticeship standards, short funded courses and adult training. Thus, creating a truly collaborative training offer from level 2 to level 7 with increased access for residents to specialist provision previously not available in the local area.
- Creating **22 job opportunities** for local people and a hub from which to increase awareness of Rail related career opportunities and develop STEM skills required to access them through a **community outreach programme that will reach 1000 individuals per year**
- Making Chesterfield and Barrow Hill a **prominent location for rail technology** through the creation of a rail innovation hub focused on green technologies including energy optimisation, smart maintenance and digital.
- Providing a catalyst or growth by allowing the **rail related supply chain to have access to the very latest rail research and innovation** enabled by partnerships with the University of Derby and New Rail part of the University of Newcastle.

4.13 The project focusses on the delivery of the core objectives against 4 key project themes which are set out in table 1 below:

Table 1 – Project Themes and Objectives:

Overarching Theme	Project Objectives
Commercial Space for SME's	<ul style="list-style-type: none"> • To assist the local and regional rail sector-related supply chain to be focused, efficient, productive, and confident • To develop the Barrow Hill site to achieve its full potential in the delivery of rail sector-related commercial space aimed at SME's • Creating employment opportunities for local people particularly within Barrow Hill and Staveley
	<ul style="list-style-type: none"> • To increase specialist training and education capacity to respond to growth across the rail sector.

Training Provision	<ul style="list-style-type: none"> • To contribute to addressing the skills gaps in the rail sector. • To provide high quality training opportunities that can be offered to local people to maximise the benefits of a growing rail sector. • To complement other provision in the rail sector including National College of Advanced Transport and Infrastructure, National Training Academy for Rail, and the Advanced Manufacturing Research Centre.
Research and Development	<ul style="list-style-type: none"> • To facilitate and showcase Research, Development, and Innovation in the rail sector, establishing knowledge transfer across the sector. • To showcase the high level of skills, expertise and innovation taking place in Chesterfield and the wider region. • To boost productivity across the rail sector through Research & Development work and develop a future workforce to meet increasing employer demand across the sector for skilled jobs.
Community Outreach	<ul style="list-style-type: none"> • To support school and STEM engagement and inspire young people to enter the sector and consider careers in the rail sector

4.14 The project has been developed with a number of key stakeholders whose respective roles are noted below:

- Chesterfield Borough Council – Project lead and freehold owners of the site and will be responsible for the capital build of the project.
- Barrow Hill Engine Shed – Site Leaseholder and management agent for DRIIVe, being responsible for the day to day running of DRIIVe
- University of Derby – Delivery of University Research and Development activities
- NewRail – Research and Development lead for the project
- Network of Specialist training providers – Chesterfield College and the University of Derby have been significant partners who have supported the development of the training offer for DRIIVe. Both organisations offer core engineering provision from their Chesterfield campuses and will access DRIIVe to enhance this core provision with specialist rail elements, thereby increasing employment pathways for existing learners. The training delivery model has evolved to allow for a network of specialist providers who are already serving the rail sector and keen to expand their provision in Chesterfield. This supports the ambition of DRIIVe to deliver a ‘collaborative training offer’ and the delivery of provision not previously available in the area, thereby increasing access to training for residents that will help them

access future employment opportunities resulting from local economic growth.

- 4.15 The programme detailed in image 2 below, illustrates the high-level milestones for the successful delivery of the project and makes provision for the submission of planning application by October 2022 with view to starting on site in October 2023 and completing the DRIIVE facility by January 2025.
- 4.16 The overall total costs including land contribution for all elements of the project are forecast to be £5.13m. Funding sources to deliver the project have been identified as £3.735m Towns Deal Funding, £0.6m land contribution and up to £0.79m from the council.
- 4.17 The 2019 Feasibility Study and Business Case and subsequent review of these in May 2021, together with the options appraisal undertaken in August 2021, supported the development of a green book compliant business case which was submitted to Staveley Town Deal Board for approval in February 2022. In line with the Staveley Town Deal Assurance Framework, the business case was externally appraised and approved by Staveley Town Deal Board in March 2022.
- 4.18 The external appraisal recognised that DRIIVE is uniquely positioned between significant supply chain clusters in Derby and Doncaster, providing the ability to harness Chesterfield's Rail ambition and offer significant potential to attract rail supply chain businesses to the borough and create high quality jobs growth. The external appraisal found that DRIIVE responds to local need by helping to tackle the high levels of deprivation, health inequalities, unemployment, and low aspirations in the Staveley area by providing a rail sector specific hub that offers training, works experience and employment opportunities and research and development opportunities on the doorstep of the local Barrow Hill community.
- 4.19 The external assessment undertaken by Thomas Lister resulted in a positive recommendation to approve the DRIIVE project for funding (subject to conditions outlined in appendix A) and in particular noted a clear strategic case and good value for money. Based on the findings from the external appraisal and a clear recommendation from the council's Internal Programme Board, the project was approved by the Staveley Town Deal Board on 18th March 2022.

4.20 Reflecting the stage of the project development, the funding approval was subject to a number of conditions. These are summarised in appendix A, along with detail of progress against each condition.

Next Steps

4.21 The programme detailed in at Appendix B, illustrates high-level project milestones that need to be met to enable the successful delivery of the DRIIVE project in line with Town Deal deadlines. The Town Deal Funding programme ends in March 2026 with all Town Deal funding being required to be spent by December 2025. The project milestones provide timescales for:

- The procurement of a Design Team to carry out RIBA Stage 3 review, allowing for adequate time for submittal of planning application.
- Time has been allowed for the discharge of any planning conditions and the procurement of the contractor we would seek to appoint to build the Centre. The aim is a start on site in October 2023 and project completion by January 2025.

5.0 Alternative options

5.1 The full business case for DRIIVE was informed by a detailed options analysis that included a long-list of options (10 options) which were either taken forward or discarded based on whether the option met the project's key objectives or could be delivered within the funding and timescales available.

5.2 In total, five options were short-listed for further appraisal including the 'Do Nothing', a 'Preferred Option', and three further commercial-based 'Alternative Options'. The detailed appraisal considered the following options:

- Do Nothing** – the Barrow Hill site remains unused, with negligible economic impact from renting the space for railway depot uses. The Do-Nothing option will limit potential to develop and realise commercial opportunities that will bring forward jobs and skills development and the opportunity to support Chesterfield's wider rail ambitions.

- ii. **Preferred Option** - DRIIVe Rail Centre of Excellence – developing Barrow Hill into an R&D, commercial and training space focussed on the rail industry, providing community outreach STEM support.
- iii. **Alternative Option** - Commercial only – limit the development to commercial space for testing and maintenance. This is a lower cost option, easier to manage, financially stronger in terms of revenue surpluses, but does not deliver training or R&D benefits.
- iv. **Alternative Option** – Commercial and R&D components only. Removing the classroom space lowers total costs but lowers benefits.
- v. **Alternative Option** - Commercial and training – this option would involve developing the commercial and training aspects of the facility, but without the R&D element. This will lower total delivery cost but lower benefits through removing R&D associated benefits

6.0 Implications for consideration – Financial and value for money

6.1 The full business case for DRIIVe includes an economic and financial case. The economic case shows that DRIIVe provides a net present value of £9,046,046 and Benefit Cost Ratio (BCR) of 2.73. The external appraisal found that the economic case for DRIIVe is of good standard and that the project offers good value for money.

6.2 The financial case has been subject to external assessment in line with the Staveley Town Deal Board Assurance Framework and was found to demonstrate that the cost of delivery can be met by the Town Deal Grant allocated to the project, land contribution committed by partners and CBC contribution. However, there are a number of recommended conditions to be included as part of the Town Deal funding award (detailed in Appendix A). The conditions that have financial and value for money implications for consideration are:

- Confirmation from the project sponsor that the match funding of up to £790,000 is secured.
- Confirmation that Chesterfield Borough Council, as project sponsor, will cover any cost overruns associated with the physical delivery of the project or to seek agreement with the accountable body in relation to any value engineering that might be proposed.

- Confirmation from Barrow Hill Engine Shed Society that they will cover any revenue losses that may arise in the early years as a result of managing the operation of the facility.

6.3 The financial case within the full business case considered the overall cost of the project and also identified funding sources to deliver the project. The funding sources to deliver the project that were identified in the business case were £3.735 Towns Deal funding, £0.6m land contribution and a match contribution of up to £0.79m from the council, offered through the business rate retention fund. The overall costs of delivering the project are summarised in table 1 below and are based on the delivery of 1423sqm of commercial, training and workshop space giving overall project costs with land contribution of £5.13m. Cost estimates include a Fixtures fittings and equipment (F, F&E) allowance of £500,000 contingency of 5% and an inflation allowance of 9%.

Table 1: Cost Estimate Summary

Cost Element	Cost (£)
Building Works Estimate	£3,428,402
Project/Design/ Professional Fees	£450,000
Other project Costs estimate (Allowance for legal fees)	£100,000
Design Development Risk	£193,920
Tender Inflation Estimate	£366,509
Total Build cost	£4,538,831
Land Contribution	£600,000
Total Project Cost	£5,138,831

- 6.4 Optimum bias has been considered in detail within the economic case of the business case and has been applied to the project costs when considering value for money, based on the approach set out in HM Treasury supplementary guidance. The level applied is 19.2% to reflect cost uncertainties within the business case and the volatility of the current economic context of construction labour and materials. The financial case allows for a modest contingency allowance, but a significant inflation allowance has been considered when assessing the level of optimum bias.
- 6.5 It is proposed that the council provides a match contribution of up to £790,000, offered up front as a grant via the Business Rate Retention Fund (BRRF). The project is subject to further detailed design work where it is

anticipated that costs will be further reduced through value engineering, thereby reducing the council's contribution.

- 6.6 The grant contribution will be subject to a number of requirements including the delivery of Staveley Town Deal outputs and an annual support services charge of £19,700 that will enable project outcomes to be achieved. The services to be provided by the council will be captured in a Service Level Agreement (SLA) that will form part of the management agreement proposed in the full business case, between the council and Barrow Hill Engine Shed Society (BHES). Support services offered will include provision of project governance structures, project monitoring and evaluation and support from the economic development unit to ensure that social and economic regeneration benefits associated with the scheme are realised.
- 6.7 The proposed annual support services charge has been considered in the DRIIVe facility's operating expenditure and income. The DRIIVe Facility is expected to generate £133,200 in year 1 and is forecast to grow to £166,800 by year 5 of operation. The business case forecasts small losses in years one and two of operation, break even by year 3 of operation and for the generation of an annual surplus of £19,000 per annum from year 5 of operation. In line with the conditions of funding outlined in Appendix A, confirmation has been received from BHES to confirm that they will cover any revenue losses that may arise in the early years of operation. This financial obligation will be included within any variation to the lease.
- 6.8 In February 2022, Cabinet granted approval for DRIIVe as one of three Staveley Town Deal Projects featured in the Staveley Town Deal Town Investment Plan (TIP) to be added to the Council's Capital Programme. Provision was made in the programme for project costs of £3,735,000 and did not include the proposed match contribution of £790,000. **It is recommended that cabinet agrees to include the additional project costs in the Capital Programme update due to go before Full council in July 2022.**

Sensitivity and Scenario Testing of Facility operation

- 6.9 Sensitivity testing was carried out within financial case of the full business case. The forecast surplus provides some contingency against adverse movements in the income and costs, however, within the business case, sensitivities to income and costs were tested should the following occur:
- Energy cost double

- Rental income is 20% lower than forecast
- Other costs rise by 10%
- All of the above occur

The potential impact of each scenario is summarised in table 2 below:

Table 2: Sensitivity Analysis

Event	Annual Surplus (£)
Energy Costs Double	13,555
Rental income is 20% lower than forecast	502
Other Costs rise by 10%	13,480
All of the above	-11832

6.10 The business case sets out mitigation against these scenarios including under the worst-case scenario, reducing or removing community outreach activity, reducing staff costs or covering the costs from the parent group. Energy costs would be paid by users of the centre and BHESS as operators of the centre will be transparent in their communication regarding services charges to users.

6.11 Affordability to BHESS was considered within the full business case. Whilst operating, BHESS will take on financial obligations to manage the centre and cover any losses if they occur. As part of the development of the business case the most recent financial accounts for BHESS were reviewed to assess affordability for the project. The levels of net profit posted for 2018/19 and 2019/20 and existing net assets were at a level that provides some existing buffer against unexpected lowering of financial performance of the DRIIVE facility.

Financial risks and management

6.12 A risk register was developed as part of the full business case for DRIIVE and has been externally assessed in line with the Town Deal Assurance Framework. The main risks associated with the project are summarised in table 5 in section 12 of this report and include the main financial risks associated with the operation of the facility, in particular, in respect to operating costs, income and long-term sustainability of the centre

7.0 Implications for consideration – Legal

7.1 The legal implications for the project have been assessed and are set out in detail within the commercial case of the full business case that was

submitted and approved through the Staveley own Deal Assurance Framework. The commercial case presented in the business case has been informed by individual consultations and partner workshops with key stakeholders in December 2021 and January 2022 and also by dialogue with ADE Regeneration Consultants and Geldards LLP who have provided initial advice relating to the legal structures and subsidy control compliance.

- 7.2 The business case recommends that numerous formal legal agreements will need to be put in place to ensure the successful delivery and ongoing governance of the project; a summary of the proposed legal agreements are set out in table 3 below. However, as outlined in paragraphs 7.4 and 8.7, this will require input from in-house legal services, in conjunction with external legal support where required, who will review the recommendations and ascertain the level of legal agreements. The business case makes provision for this, outlining the internal capacity available and allowances within project costs (See table 1) for the external support required to draw up these agreements.

Table 3: Proposed legal agreements

An Overarching development agreement between Chesterfield Borough Council and Barrow Hill Engine Shed Society (BHESS).
Surrender of part of the existing lease and the grant of an amended new lease.
An Option Agreement - an agreement granting the Council the right to take an underlease of the DRIIVe building.
Site access licence – BHESS will grant a site access licence the Council to facilitate the construction of the DRIIVe building.
Design services contract – The Council will enter into a standard design services contract to commission the suite of design services required to take the project from the concept RIBA stage 3.
Employers’ agent contract– The Council will employ external specialists to oversee the main construction contract.
Works contract between the Council and third-party contractor - Procurement for the main construction of the building will be via a design and building contract for a fixed price

Management agreement – BHESS, Barrow Hill Limited and the Council will enter into a management agreement at the time the new lease is granted. This will set out the management obligations, which extend beyond the lease, that BHESS and Barrow Hill Limited will be obliged to deliver through the management of the facility.

- 7.3 In addition to these arrangements, further commercial agreements will be put in place in relation to any commercial leases that will be granted to occupiers of space at DRIIVE by BHESS. These agreements will form part of the overall management of the facility, once completed.
- 7.4 Representatives from the council’s legal service are part of the Internal Programme Board and therefore have been involved during the development of the full business case. Further work is being undertaken with the council’s legal services team to review the initial advice in relation to the proposed legal structures of the project and progress the legal agreements. In particular, it is considered that further work is required in respect of the proposals within the business case to surrender and renew the lease. A more detailed assessment of the options in respect of treatment of the lease will be undertaken to ensure financial prudence and tax efficiencies are achieved. **It is therefore recommended that Cabinet delegates authority to the Service Director for Economic Growth in consultation with the Deputy Leader, Cabinet Member for Economic Growth and the council’s Property, Procurement and Contracts Manager to finalise legal arrangements as outlined above in respect of the existing lease and management agreement in respect of the commercial structure, management and operation of DRIIVE.**

Procurement

- 7.5 All works and services contracts will be procured in accordance with the Council’s own procurement policies and in compliance with public procurement regulations. The proposed elements of procurement associated with the project are detailed in table 4 below:

Table 4: Summary of Procurement

Works or service to be procured	Procurement Route
External Project Management resource to oversee management	Framework compliant with Public Contract Regulations (2015)

<p>of the project to submission of planning including:</p> <ul style="list-style-type: none"> - Overseeing finalisation of legal agreements detailed in paragraph 7.1 - Procurement of Design Services - Project Management of Design Services to RIBA Stage 3 and submission of planning application. 	
<p>Design Services required to take the project from the concept RIBA stage 1 designs to RIBA 2 and 3 (to secure planning permission).</p>	<p>Framework compliant with Public Contract Regulations (2015)</p>
<p>External Legal Support To help put in place formal legal agreements (outlined in paragraph 7.1)</p>	<p>Framework compliant with Public Contract Regulations (2015)</p>
<p>Works Contract for Construction of the building</p>	<p>Open Tender via a design and build contract for a fixed price. The awarding of the design and build contract will be compliant with: Public Contract Regulations (2015); Chesterfield Borough Council's own procurement procedures and Towns Fund grant conditions. The Council will enter a pre-agreed [Standard JCT] (Joint Contracts Tribunal) works contract.</p>
<p>Employers Agent To oversee the main construction contract</p>	<p>Open tender compliant with Public Contract Regulations (2015) and Chesterfield Borough Council's own procurement procedures.</p>

7.6 Procurement routes will be analysed by the Project Board and any variation to the proposed procurement routes highlighted in table 4 will be in accordance with public procurement regulations and Chesterfield Borough Councils own procurement policies.

Subsidy Control

7.8 Subsidy control (Formerly State Aid) compliance has been considered in some detail as part of the full business case. Advice has been sought from Geldards LLP as part of the work to inform the commercial case within the full business case. Further information that shows how the project conforms with subsidy control compliance has been submitted for a stage 2 programme level assessment.

8.0 Implications for consideration - Human resources

8.1 Governance protocols for the delivery of the DRIIVE project and ongoing management and operation of DRIIVE are set out in detail in the management case of the full business case. The organogram in image 3 below highlights the proposed governance, organisational structure and ongoing management of the DRIIVE facility.

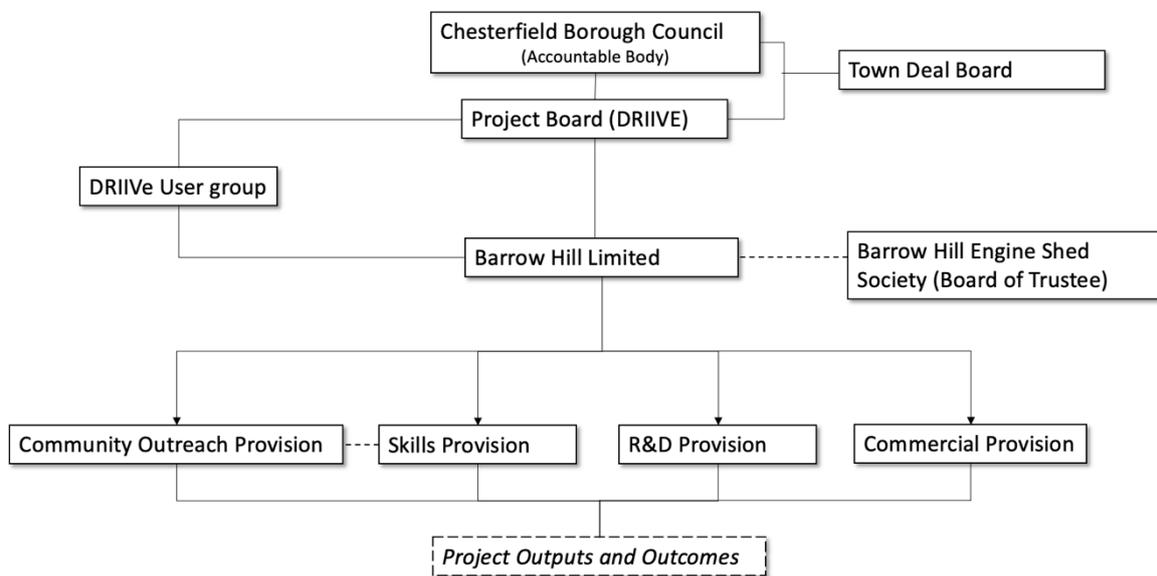
8.2 The delivery of the scheme will be undertaken by Chesterfield Borough Council with the Council acting as project sponsor and having overall responsibility of the project. Cabinet received and approved a report in February 2022 that set out in detail Chesterfield Borough Council's role as project sponsor for three Staveley Town Deal projects, including DRIIVE. Barrow Hill Limited will act as management agent for DRIIVE being responsible for the day to day running of the facility and accountable for the delivery of the project outputs.

8.3 The Council will be required to play a critical role during the design and construction phases of the project and then an ongoing monitoring role, when the facility opens. The resources required to deliver the project will come from existing resources, primarily those within Economic Growth.

8.4 The Skills Delivery Officer within the Economic Development Unit will be responsible for the monitoring and management of the project, working closely with the Joint Growth Unit who will oversee the delivery of the capital construction of the facility, including the commissioning of the design services, project management, legal services, employers' agent and the design and build contractor. Allowances have been made within the project budget for the commissioning of external costs where external support is required.

- 8.5 A Project Board, including Council representatives will be established and will monitor project performance, including delivery against project outputs.
- 8.6 The Council already has in place a Town Deal Manager who will work alongside the Section 151 Officer and the Staveley Internal Programme Board to undertake all activities relating to the Council’s role as accountable body for the grant. The Assurance Framework in place for the Town Deal sets out steps that will ensure an appropriate separation between the council’s role as project sponsor and its role as the accountable body.
- 8.7 As noted in paragraph 7.1 and 7.4, numerous formal legal agreements will need to be put in place to ensure the successful delivery and ongoing governance of the project. This will require continued input from in-house legal services in conjunction with external legal support where required. Allowances have been made within the project budget for costs associated with external legal support.

Image 3 - Governance Structure for the management of DRIIVE



9.0 Implications for consideration - Council plan

- 9.1 DRIIVE will deliver 1423sqm of Research and Development, training, commercial office and workshop space, creating 22 jobs and supporting a community outreach programme that will support up to 1000 individuals

per year, thereby making a positive contribution to a number of priorities within the Council Plan. In particular, it aligns well with the following Council Plan objectives:

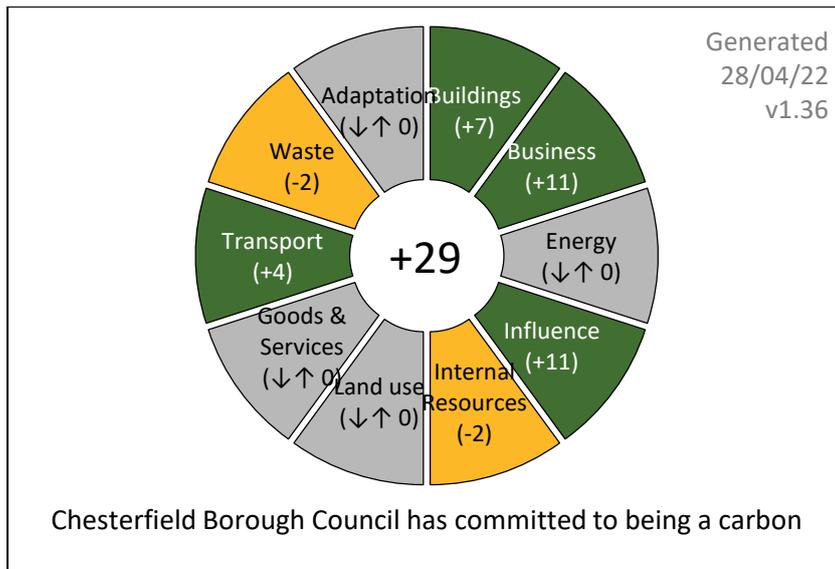
- Chesterfield Borough – a great place to live, work and visit
- Build a stronger business base
- Develop an inclusive and environmentally sustainable approach to growth
- Improve our environment and enhance community safety for all our communities and future generations
- Help our communities to improve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

9.2 The project also supports activities set out in the Chesterfield Growth Strategy and Economic Recovery Plan that seek to support the creation of more and better jobs and support the re-skilling of residents to be better able to compete in a changed economy. DRIIVE will also make a positive contribution to community wellbeing as it will target young people and adult re-skillers in Staveley to come and training at the site, thereby investing in skills development and the wider transformation of the Staveley area.

9.3 Sitting within the thematic pillar of Business and Skills, DRIIVE meets the objective within the Town Investment Plan to attract new jobs and investment by building on existing strengths and assets of Staveley.

10.0 Implications for consideration – Climate change

10.1 A climate change impact assessment has been completed for the DRIIVE project with the results summarised below:



10.2 DRIIVe has an overall climate impact score of +29, 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, training and in particular research and development activities that will focus on green technologies and Rail decarbonisation. The project also scores well in respect of buildings reflecting the BREEAM status target of Very Good and intended use of the building. It scores less well in areas of resource, 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.

11.0 Implications for consideration – Equality and diversity

11.1 A preliminary equality impact assessment has been undertaken in respect of the DRIIVe project and this is attached at Appendix C. DRIIVe will provide catalytic benefits to the social and economic regeneration of neighbouring communities that are listed amongst the most deprived in the UK, delivering increased commercial and training floorspace, training, careers education and job opportunities and deliver over £9m of economic benefits to the local area and therefore has been assessed as having a positive impact across all protected characteristic groups.

11.2 The community outreach programme is aimed at promoting careers in the rail sector and encouraging young people and older people looking to reskill to develop STEM Skills. Widening participation of underrepresented groups will be central to the community outreach programme and is therefore likely to have a positive impact across all of

the protected characteristic groups but in particular those of age, ethnicity, gender and disability and long-term conditions.

- 11.3 There is further opportunity to improve the equality and diversity outcomes through the construction phase of the project through procurement and through the council’s proactive approach to securing local skills, employment, and supply chain opportunities through the use of the ‘local labour planning condition’.

12.0 Implications for consideration – Risk management

- 12.1 Risk management is a key component of the business case development process for all Town Deal Projects. A risk register was developed as part of the full business case for DRIVE and has been externally assessed in line with the Town Deal Assurance Framework.
- 12.2 The management case within the full business case sets out in detail project and programme management arrangements to ensure that risk is regularly reviewed and that risk escalation, where necessary take place both within the council and the Town Deal governance structure. The main risks identified as part of the business case are summarised in the table below:

Table 5: Summary of Risk

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Cost Risk post RIBA Stage 3	H	M	A contractor will be procured to deliver to a fixed price from RIBA Stage 3 Designs. Use of strong established contractors will mitigate the risk on contractor not fulfilling the obligations of fixed price agreed. Inflation costs included in budget. – the financial risk to the council	H	L

			associated with this could be mitigated through the delivery of one of the alternative building options outlined in para 5.2. This would avoid the need to seek further subsidy but would result in a negative impact on project outputs.		
Planning Risk that planning permission is not secured within programme timeframes	H	L	<p>Early engagement with LPA undertaken and intended use considered suitable for the site. Adequate time has been allowed for various stages of planning.</p> <p>Ensure competent design team are appointed.</p>	M	L
Construction Programme Risk	H	M	<p>Detailed and robust tender specification.</p> <p>Early engagement with contractor to review programme timescales.</p> <p>Inclusion of time risk allowances in programme.</p>	H	L

			Penalties for non-delivery against the programme will exist for the contractor as part of the standard JCT (Joint Contract Tribunal) contract		
Contractual Risks – Tender and Procurement	H	M	Establish procurement strategy to identify most suitable route of procurement that are aligned with programme.	M	L
Delivery of Operational Outputs	H	L	<p>Robust governance arrangements in place both at programme and project level, including provision of Project Board and User Group.</p> <p>Completion of overarching development agreement and management agreement to ensure clear understanding and delivery of respective parties' obligations in respect of delivery and operation of the project.</p>	M	L

			The council will have step-in rights to take over the management of the centre if agreed operational outputs are not met (where underperformance is as a result of macro-economic conditions such as pandemic restrictions)		
Financial Risks – Increase in operating costs, heightened by current volatilities in energy and inflation costs	H	M	<p>Project design will reflect future energy needs and be designed to a lower overall energy consumption.</p> <p>A Project Board will be established review project performance and management of risk. Operating costs will be reported on and reviewed on a quarterly basis by the project board.</p> <p>Users of the facility will be responsible for their own energy costs.</p> <p>Costs savings will be sought in other</p>	H	M

			areas (community engagement/staffing)		
Financial Risks – failure to secure operational revenue required	H	M	<p>Early engagement with likely end users to confirm acceptable rates and contract terms.</p> <p>Support services of economic growth will be levered via fixed service charge from CBC's Economic Growth Directorate to ensure that DRIIVE is aligned with wider rail ambitions and strategy and benefits from increased engagement with the rail sector.</p> <p>A Project Board will be in place to review performance of the programme</p>	M	M
Financial Risks – Long-term sustainability of the centre. This will require replacement of fixtures, fittings and equipment and wider site infrastructure that DRIIVE would be dependent on.	H	H	The financial model includes cost lines for general maintenance and a £30,000 per annum sinking fund. BHESS and R&D partners will also seek to contribute capital spending to buy equipment as	H	M

			part of funding bids.		
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Decision information

Key decision number	1101
Wards affected	Lowgates & Woodthorpe, Middlecroft & Poolsbrook, Hollingwood & Inkersall, Barrow Hill & New Whittington

Document information

Report author	
Emily Williams, Skills Delivery Officer, Economic Growth	
Background documents	
<p>These are unpublished works which have been relied on to a material extent when the report was prepared. Some of the documents listed below are listed as exempt from publication or disclosure. This is because information in the documents is commercially confidential information. Items are exempt under paragraph 3 of Schedule 12A of Local Government (Access to Information) Act 1985.</p>	
<p>DRIVE (The Derbyshire Rail Industry Innovation Project) – Full Business Case: Exempt information Thomas Lister Due Diligence Assessment – Town Deals Fund: Exempt information Advice on subsidy control (Geldards LLP): Exempt information Commercial Structure Proposal for DRIVE Report (ADE Regeneration): Exempt information Climate Change Impact Assessment for DRIVE</p>	
Appendices to the report	
Appendix A	Summary of Grant Funding Conditions
Appendix B	DRIVE – High Level Programme
Appendix C	Preliminary EIA DRIVE