



Report Reference Number: E/20/8

To: Executive
Date: 6 August 2020
Status: Key Decision
Ward(s) Affected: Selby East, Barlby
Author: Julian Rudd, Head of Economic Development & Regeneration
Lead Executive Member: David Buckle, Lead Executive Member for Communities and Economic Development
Lead Officer: David Caulfield, Director of Economic Regeneration and Place

NOT FOR PUBLICATION: Appendices 2 and 4 of this report contains exempt information under Paragraph 3 of schedule 12A to the Local Government Act 1972 as amended*

Title: Selby Station Gateway Transforming Cities Fund Project

Summary:

The report provides an update on the Selby Station Gateway project, the current status of the Transforming Cities Fund award, governance measures and risk attached to the project. Approval to accept the funding award and to enter into a Partnership Agreement with North Yorkshire County Council to deliver the project is requested.

Recommendations:

That the Executive:

1. Delegates authority to the Director of Economic Regeneration and Place, in consultation with the Executive Member for Communities & Economic Development and S151 Officer, to sign the Partnership Agreement with North Yorkshire County Council to deliver the Transforming Cities Fund project, in line with the funding allocated from the Department for Transport.
2. Delegates authority to the Director of Economic Regeneration and Place, in consultation with the Executive Member for Communities & Economic Development, to sign any subsequent Deeds of Variation to the Partnership Agreement with North Yorkshire County Council, as the project passes through set Assurance points.
3. Agrees to progress the Selby TCF proposals to full business case, including undertaking appropriate investigations, negotiations, design work and further

public consultation before the Council agrees the final detailed designs and costs for the works to be included in the Full Business Case.

4. Notes the outline project programme, governance measures and risk attached to the Selby TCF project, as detailed in this report and appendices.

Reasons for recommendation:

To enable formal partnership arrangements to be implemented, enabling funding to be drawn down for the Selby Station Gateway project.

1. Introduction and background

- 1.1 The Department for Transport's (DfT) Transforming Cities Fund (TCF) provides an opportunity to enhance Selby Station and adjacent areas, in line with the Council Plan and Economic Development Framework, through investment in public realm and infrastructure to stimulate regeneration. It would represent the first phase of delivery of the Council's ambitions for the area as set out in the Selby Station Masterplan.
- 1.2 The aim of TCF is to 'drive up productivity through improved connections between urban centres and suburbs' with a focus on investment 'in infrastructure to improve public and sustainable transport connectivity'. Following an expressions of interest process in 2018, Leeds City Region (LCR) was shortlisted to develop packages of proposals. The draft strategic outline business case (SOBC) was made in June 2019 by West Yorkshire Combined Authority (WYCA) on behalf of the Leeds City Region authorities, including Selby District Council.
- 1.3 The Selby TCF proposals, a joint project between SDC and NYCC, aim to increase linkages between Selby station and the town centre, development sites and the wider Leeds City Region, and to encourage a shift to sustainable transport. They include: Station Gateway (station frontage, public realm, bus station improvements, parking relocation to east of the station and a new pedestrian access, pedestrian/cycle tunnel to Portholme Road); Olympia Park pedestrian/cycle bridge; and Ousegate active travel corridor and public realm enhancements.
- 1.4 Executive on 7 November 2019 endorsed the submission of Selby's proposals to WYCA for inclusion in the LCR bid to the DfT and:
 - noted the findings of the public consultation that was carried out about the Selby proposals in October 2019
 - supported the development of detailed designs and business cases for the proposals
 - supported continued discussions and negotiations with potentially affected landowners to seek a mutually agreed outcome. However, should such an outcome not be possible, the principle of compulsory purchase by this Council was supported, subject to approval of an appropriate business case and compliance with the legislative requirements; and
 - endorsed the match funding source and amount from the Council to deliver the TCF proposals.

- 1.5** The LCR bid, which was submitted on 28 November 2019¹, set out three funding scenarios, of low, core and high funding, and the potential schemes and outcomes that could be delivered under each option. Leeds City Region was awarded £317m in the March 2020 budget, with the DfT setting out it expected all schemes within the low scenario would be funded. Of that, an indicative £17.465m has been allocated to the Selby Station Gateway project, in line with the LCR bid (and the full funding request submitted by this Council to LCR). The DfT Grant Award letter detailed a number of expectations on the Combined Authority and its partners throughout the lifetime of the programme. These included:
- Annual reporting on delivery with an indicative list of WYCA's prioritised schemes by 20 April;
 - A requirement to commit to revised design and delivery standards for cycling and walking infrastructure;
 - Adherence to branding guidelines; and
 - Commitment to engage with DfT's national monitoring and evaluation framework for the fund.

Governance and partnership working

- 1.6** WYCA is the accountable body for the TCF programme and is therefore the body to whom the funding award is made. WYCA is responsible for reporting to DfT on project delivery, monitoring and evaluation. WYCA have designated a Project Manager to oversee the development of the North Yorkshire schemes and to support the officers from the North Yorkshire authorities in ensuring compliance with the WYCA assurance process. This officer is already working with the North Yorkshire authorities' officers.
- 1.7** On this basis, as projects progress through the WYCA assurance process, councils will be eligible to claim back development costs, and in time, spend incurred in delivering the projects. NYCC will be the North Yorkshire authorities' accountable body and will receive funding on behalf of the four authorities². For the elements that will be delivered by SDC, this funding will be claimed back from NYCC on a quarterly basis, with the Council's approved source of match funding (the commercial acquisitions budget within P4G) being used to manage any cash flow impacts. Appropriate approvals will be sought for any expenditure incurred to deliver the project that is not within an approved budget and is not reclaimable from NYCC.
- 1.8** A governance structure for the TCF programme is attached at Appendix 1 – this sets out the LCR approach to governance and shows how the Selby project feeds into this process. There is also a requirement to establish a TCF North Yorkshire Project Board, to meet as required, comprising members and officers from the four relevant North Yorkshire authorities. It is proposed that as accountable body for the North Yorkshire funding that the County Council should lead this board. In addition, a joint SDC and NYCC project team has

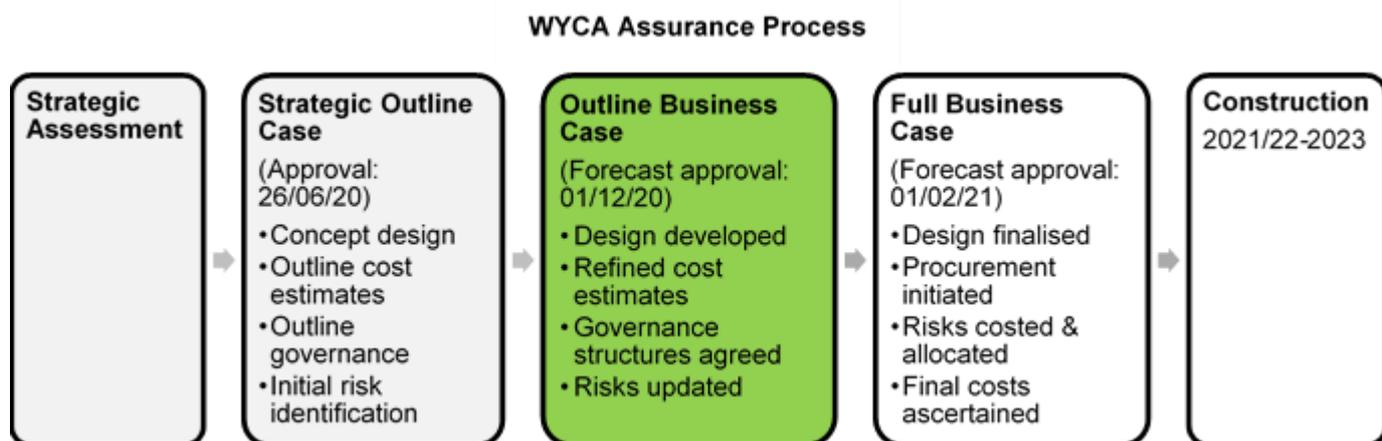
¹ www.westyorks-ca.gov.uk/media/3372/lcr-tcf-sobc-final.pdf

² Craven, Harrogate, Selby and North Yorkshire County Council

been established, as has an internal project team, with representatives from across this Council (including planning, legal, property, finance, procurement, and community). Stakeholders (i.e. Network Rail) will be included as and where appropriate. Quarterly progress reports to WYCA will be required, which is developing a consistent monitoring approach for all projects across the LCR.

Delivery

- 1.9** All TCF projects must go through WYCA's Assurance Process to ensure that projects continue to represent value for money and to ensure delivery within timescales. It should be noted that project costs will not be finalised until the Full Business Case has been approved. The detailed designs and costs to be included in the Full Business Case will be presented to Executive for approval in early 2021. **31 March 2023** is the deadline for completion of the project. Project elements that are on highway will be project managed by the county council; those that are off-highway will be led by SDC, with any required compulsory purchase activities being taken forward by the authority with the appropriate powers. The breakdown of scheme ownership is attached at Appendix 2.



- 1.10** It is generally accepted that funds awarded by DfT are finite and that no additional funding will be awarded in the event that a project overspends, or slips. Costs across the TCF programme will be managed by WYCA, and therefore, there is potential that overspends could be absorbed by the overall programme, should funding be available, and an appropriate case be made for financial support. However, this is entirely dependent on the circumstances of each case and should not be relied upon. As a consequence, it should be recognised that any risk in overspend is likely to be borne by either the district council or the county council, depending on which is the lead authority for the relevant scheme element, or shared. This responsibility and risk burden will be set out in detail in the relevant financial and legal agreements.
- 1.11** To mitigate against such overspends, additional funding for risk and contingency relating to the Selby proposals is being sought from WYCA, as detailed in section 3.2 below. In addition, the proposals will be amended / value engineered if costs are more than estimated, as detailed in 2.2 below. To further strengthen the financial position, officers continue to seek additional

sources of funding, such as the recent bid for £1m of MHCLG funding towards delivery of the Cowie Drive element of the TCF proposal.

- 1.12** Wherever possible, effective programme and project management will reduce the risk of project cost increases, and if necessary, project scopes may be reduced to ensure delivery within the available funding. In the event that any overspend did require additional funding, it would be dealt with on a case by case basis, and all alternative options investigated before a request for additional funding was made. There could be cost increases post-contract award due to unforeseen abnormalities and constraints once contractors start on site. This would be managed by the type of contract awarded (likely to be NEC3/4) and contingency would be allocated to account for this to minimise the Council's exposure to increased costs during construction.

Partnership and Funding Agreement

- 1.13** Due to the 'flow down' manner in which TCF is being managed, SDC's legal agreement will be with NYCC. In turn, NYCC and WYCA will have a legal agreement. The preferred arrangement is that SDC enters into a Partnership Agreement with NYCC, which includes an initial Funding Agreement. Deeds of Variation to this document will be issued as necessary as the Selby Station Gateway project proceeds through the assurance process. This will enable SDC to begin drawing down project development funding, and later on, the delivery funding.

2 Alternative Options Considered

- 2.1 Not to continue to develop the project and not to accept the indicative funding:** the council could decide not to accept the TCF funding award. This would go against agreed corporate priorities. It would not allow the Council to pursue regeneration of the area around the Selby station area. Nor would it allow the Council to take active measures to reduce carbon emission and increase use of sustainable transport.
- 2.2 Amend project scope to fit budget available:** at this stage costs remain estimates. It is considered too early to amend the scope of the project. The further development of the Business Case will enable full assessment of the optimal scope and benefits that could be delivered, which could include a reduced scheme if required to deliver within the agreed funding envelope.

3 Implications

3.1 Legal Implications

Please note, Appendices 2 and 4 to this report have been categorised as private/exempt due to the commercially sensitive nature of information they contain.

Legal input is required to ensure delivery of the Selby Station Gateway, including:

- o Review of the Partnership Agreement, Funding Agreement and Deeds of Variation
- o State Aid assessment

- o Legal searches
- o Site acquisition advice (including preparation of CPOs, if necessary)
- o Possible partnership agreements with other parties (e.g. Network Rail)

External legal advice will be required as part of the project’s development and will be funded from the TCF funding allocation as part of the agreed development costs for the project. SDC’s in house legal team will act as “intelligent client” for the SDC project team to optimise the use of the external legal resource.

The proposed Partnership Agreement and Funding Agreement between NYCC and SDC sets out terms based on a ‘flowing down’ of obligations from the WYCA funding agreement. This will ensure the risk and responsibility for schemes flows with the finance down to the lead organisation for delivery. Failure to comply with the terms of these Agreements and subsequent Deeds of Variation could result in TCF funding having to be returned, but robust project management processes and the full involvement of legal and finance colleagues in delivering the project will minimise this risk.

An amount of land acquisition is required to deliver the Selby TCF package. Officers are engaging with owners with a view to voluntary acquisition of affected sites and to discuss any other options that would deliver the TCF proposals. Options and alternatives will be considered to ensure the preferred way forward remains the optimum achievable option. Should use of compulsory purchase powers be necessary, specific approval would be sought from Executive.

3.2 Financial Implications

Project spend and costs incurred will be claimed from WYCA by NYCC, as the accountable body, quarterly in arrears. SDC’s element will then be transferred by NYCC. As the grant is over £50,000, S151 Officer approval of the quarterly claims will be required.

In addition to the construction project costs, costs incurred in developing the business case can be reclaimed. WYCA’s Combined Authority approved reimbursement of costs already incurred on 26/06/20. Again, at this stage the development budget is an estimate, but “any reasonable costs” in relation to the development of the business case will be considered eligible and a close dialogue is maintained with the WYCA project manager dedicated to the North Yorkshire TCF projects. Again, claims for this funding will be made quarterly in arrears, with spending being taken initially from the approved budget (Strategic Sites Master planning in P4G) and, where that budget is exceeded, the Council’s approved source of match funding for TCF, the Commercial Sites Acquisition Fund within P4G.

The detailed apportionment of funds between SDC and the County Council have not yet been finalised (and some costs are yet to be agreed, such as maintenance contributions), but broadly is as follows, with costs as submitted in the bid to DfT:

SDC	NYCC	Total estimated project costs*
£10,316,500	£9,076,500	£19,393,000

53%	47%	*Excludes risk, contingency and optimism bias
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At this stage costs are estimates that will be refined as scheme details are developed. Final costs will be known once construction tenders have been received, risk and contingency fully allocated and the Full Business Case has been approved.

It needs to be recognised that risk, contingency and optimism bias were not included in the project costs submitted to DfT by WYCA, despite advice that such costs were to be applied at LCR TCF programme level. These costs will be re-assessed as the Selby TCF Business Case is developed but could increase overall project costs by up to around £9m. It is hoped that this situation will be rectified by WYCA, with officers from all of the North Yorkshire authorities strongly pursuing such an outcome. If this is not the case, then project costs for the Selby scheme (and all other affected proposals in the LCR TCF low funding package) will have to be lowered (by reducing the extent of the schemes or finding cheaper ways to deliver them) or additional funding found. High levels of risk, contingency and optimism bias are normal at the start of a project and should reduce as more certainty is gained with the development of the Full Business Case.

3.3 Policy and Risk Implications

As with all projects, there are risks to be managed or mitigated. These will be considered, both at a project level and at programme level, by way of the governance structure set out in Appendix 1.

A full risk register has been developed. The key risks to be managed at this time include:

Risk	Approach
Cost overspend	Alternative funding sources to be considered, programme surplus to be requested, or schemes to be scaled down / value engineered.
Insufficient programme risk and contingency allocation	In some cases, the amount of risk and contingency falls short of industry standards. Further work is being done as the Outline Business Case is developed and by WYCA. Risk allocations will be refined as business case is further developed.
Programme slippage	Regular programme reviews and project health check assessments. Governance structure will ensure effective collaboration and reporting. Use of the WYCA project management system will supplement our own processes and alert us to delivery risks as soon as possible.
Partner authorities' delivery	Supportive management and collaborative approach. Regular project meetings and reviews as set out above. Support from new NYCC TCF Programme Manager and WYCA Project Manager.
Covid-19	Regular reviews of impact of Covid-19. Mitigated where

	possible through redeployment of resource, or reviews of project to effectively manage and minimise impact on delivery.
Site acquisitions	Maintain engagement with landowners and occupiers, supported by Legal and property advice to ensure approach follows best practice and considers all options available to the council. The Executive will be regularly updated on progress with such matters and will decide on any measures required to overcome obstacles.

In addition, WYCA has implemented a project health check exercise, which assesses each project against various scheme criteria, particularly around delivery and the schemes' alignment with fund objectives and deliverability. This work shows a good level of performance and strategic fit for the Selby scheme at this stage of development. This health check will be undertaken periodically through the programme, to ensure a responsive and realistic approach to programme management.

Objectives (score out of 5)				
Improving capacity on commuting trips, access to employment development centres	Reducing carbon emissions	Deliver benefits to bus users	Deliver benefits to walking & cycling	Connecting to deprived communities
4	3	3	5	4

Deliverability (score out of 5)							
Cost Certainty	Environmental Constraints	Stakeholder Acceptability	Engineering Complexity	Dependency on other Projects	Other Projects dependent on this	Established Procurement Pathway	Site Specific Constraints
2	3	4	2	2	4	3	2

3.4 Corporate Plan Implications

The TCF directly contributes to delivery of the Council Plan:

A great place to LIVE	<p>Develop a long-term programme of market town regeneration to support development of vibrant town centres and places in Selby, Tadcaster and Sherburn</p> <p>Develop and implement Key Town Masterplans and partnership plans for: Selby (focusing on the station area through the Transforming Cities Fund)</p>
A great place to ENJOY	<p>Protect and promote Green Infrastructure to support wider health and socio-economic benefits through the setting of robust minimum standards and promotion of sustainable transport to support climate change adaptation.</p> <p>Work with others to increase the use of active and</p>

	sustainable travel through the Transforming Cities Fund.
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3.5 Resource Implications

The Selby Station Gateway is a substantial project and therefore has resource implications. The project will take place over several years, as is normal for significant regeneration initiatives, and so requires an appropriate staff resource. The Council will continue to work in close partnership with NYCC to progress the TCF project and is jointly funding technical support through the County Council's partner consultants, WSP, in order to develop the Business Case. The Economic Development & Regeneration team is the Council's project lead and is providing significant project support. These costs are drawn from the SD0422 Strategic Sites Master planning fund within P4G that is allocated for this purpose, together with P4G funding that was agreed as match funding for the Selby TCF package by the Executive on 7 November 2019. Additional input will also be required from Legal, Finance, Procurement, Communications and the Planning teams throughout the project. As mentioned above at 3.2 it should be possible to reclaim these costs as part of the project development.

3.6 Other Implications

No known impacts.

3.7 Equalities Impact Assessment

Consideration has been given to the potential for any adverse equalities impacts arising from the recommendations of this report. An initial EIA screening has been completed and an EIA is not considered necessary. These proposals, in conjunction with Network Rail's *Access for All* and *Changing Places* works within Selby station, will significantly improve accessibility for all.

4 Conclusion

- 4.1** The Transforming Cities Fund represents an opportunity to deliver a significant element of the council's priorities for Selby town and will have benefits for the wider district by providing a much improved transport hub for connections to the Leeds City Region and other places. Acceptance of the development and capital funding allocation will enable the project to be developed and ultimately delivered by the March 2023 deadline.

Background Documents

[WYCA submission to DfT](#)

[WYCA Combined Authority Decision 25/06/20](#)

[Selby TCF proposals - public consultation October 2019](#)

Appendices

- 1** Governance structure
- 2** Scheme breakdown and costs (exempt)

- 3 Outline programme
- 4 Draft Partnership Agreement (exempt)

Contact Officer:

Julian Rudd - Head of Economic Development and Regeneration
jrudd@selby.gov.uk 01757 292118