



COUNCIL CABINET
21 June 2017

ITEM 10

Report of the Cabinet Member for Regeneration
& Economy

Our City Our River (OCOR) Masterplan - Project Munio Phases & further funding opportunities

SUMMARY

- 1.1 This report seeks a number of approvals which will enable further delivery of elements of the Our City, Our River (OCOR) Masterplan.
- 1.4 The OCOR Masterplan Project has been successful with the proposal for ERDF funding to deliver the Munio Project, which will deliver further flood alleviation measures to help protect Derby. This report now seeks approval to tender and award the necessary contracts to deliver this project. The authority to accept the ERDF grant for the Munio Project was delegated to the Strategic Director of Communities and Place and the Director of Finance, following consultation with the Deputy Leader was agreed by Cabinet at the meeting 7 September 2016.
- 1.5 OCOR still has a significant funding gap; of the approx. £95m forecast total cost, £52.5m has so far been secured to deliver the 3 packages. This figure includes this latest allocation from ERDF for the Munio project but almost £43m remains to be secured to complete the entire scheme. There is an opportunity to bid for an additional £1.5m to deliver Munio Phase 2 later this year.
- 1.6 Further funding and wider finance opportunities are actively being identified to address the OCOR shortfall and calls for submissions and proposals can involve a short and challenging submission timeframe.

RECOMMENDATION

- 2.1 To approve the tender and award of such contracts and ancillary documentation to allow for the delivery of Project Munio in line with grant funding conditions.
- 2.2 To delegate authority to the Strategic Director of Communities and Place, following consultation with the Cabinet Member for Regeneration and Economy and as appropriate, the Director of Finance and Director of Governance to enter into such contracts and ancillary documentation to allow the delivery of Project Munio, in line with the ERDF approved application and the ambitions set out in the Our City Our River (OCOR) Masterplan for Derby, subject to acceptance of the ERDF grant conditions.

- 2.2 To delegate authority to Strategic Director of Communities and Place following consultation with the Director of Finance and the Cabinet Member for Regeneration & Economy to approve the OCOR Project submitting future funding bids as the opportunities arise, including the second call for ERDF bids later this year and to Highways England. Should future bids be successful, Cabinet approval will be sought for the acceptance of funding in line with the Council's current financial procedure rules.

REASONS FOR RECOMMENDATION

- 3.1 To comply with the Council's Financial Procedure rules for bidding for External Funding and Procurement Policy and Procedures for tendering and awarding contracts.
- 3.2 The delegation of approvals to submit funding proposals will allow OCOR to keep pace with the tasks and funding opportunities as they arise.
- 3.3 The ERDF funding programme has an ambitious timeframe for delivery; due mainly to the impact of the UK plans to exit the European Union (Brexit). Any expenditure post the defined Brexit date will become the responsibility of the UK government, hence, the project will be actively encouraged to deliver on time and to budget. The ability to commence the procurement process to deliver the Munio Project is deemed essential to help mitigate any potential risks as identified in Appendix 1 of this report.



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Report of the Strategic Director of Communities
and Place

SUPPORTING INFORMATION

- 4.1 The Our City Our River (OCOR) Masterplan was approved by Cabinet in July 2012 to guide the provision of flood defences and associated regeneration along a new alignment set back from the river to allow more space for flood water. The OCOR project Business Case, which was developed jointly by the Environment Agency Projects team and the Council, was approved by Cabinet on 6 November 2013, and submitted to the EA's Large Projects Review Group, LPRG, who went onto approve the project in 2014.
- 4.2 The EA business case for OCOR forecast total costs of approx. £95m. The delivery programme was defined into 3 geographical packages. The EA approval facilitated the first allocation of funding to enable the delivery of the OCOR Master plan to commence with the delivery of the Package 1 area which lies upstream of the city centre.
- 4.3 With the Council taking the lead role for the delivery of the OCOR Masterplan; the hybrid Planning Application for the entire 3 packages of the OCOR project was approved in December 2015 and construction of the Package 1 elements are now well underway
- 4.4 Once Package 1 is completed, the current residual funding pot is not sufficient to cover the remaining measures required in Packages 2 and 3. The £6.5m Munio project includes the installation of the Exeter Bridge/Derwent Street Flood Gate and resilience works to the Riverside Chambers and the River Gardens and Pride Park, which are a small number of the interventions required in Packages 2 & 3 There are also environmental enhancement proposals for various locations along the River Derwent Corridor of which Munio will be delivering a small proportion.
- 4.5 There is an opportunity for Derby to bid for a further tranche of the ERDF funding later this year. OCOR has eligible match funding available and has identified that the alleviation measures required at Mill Fleam in the City Centre would be suitable for an application for funding under the ERDF ESIF programme for Munio - Phase 2. The proposed works at Mill Fleam will provide essential flood alleviation measures to properties and businesses which are at risk in the centre of Derby.

OTHER OPTIONS CONSIDERED

- 5.1 The Council continues to explore third party/private sector funding sources and other government grant sources to close the funding gap for the overall OCOR project. However, there are fewer funding opportunities available to the Council in respect of OCOR; therefore the opportunity to secure funding is welcome and will allow the OCOR project to commence delivery of some elements of the remaining scheme.

This report has been approved by the following officers:

Legal Officer Financial officer Procurement Officer Estates Officer Service Director(s)	Emily Feenan – Principal Lawyer – Legal Services Amanda Fletcher, Head of Finance - Communities and Place Linda Spiby, Head of Procurement and Contracting Jayne Sowerby- Warrington - Head of Strategic Asset Management and Estates David Bartram, Acting Director of Streetpride
Other(s)	Dave Powner, OCOR Project Manager

For more information contact: Background papers: List of appendices:	Sarah Banks 07812300591 sarah.banks@derby.gov.uk None Appendix 1 - Implications
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IMPLICATIONS

Financial and Value for Money

- 1.1 The capital costs of Munio project will be funded from a mixture of the ERDF grant and the eligible UK Domestic grant funding; Flood Defence Grant in Aid (FDGiA), Growth funding from Defra and Local Growth Fund (LGF) from the D2N2 LEP already secured by the OCOR Masterplan project and are in the current capital programme. These costs will be matched on a 50:50 – 50% grant intervention rate basis. The ERDF funding comes with strict compliance conditions which will be managed by a dedicated officer. Non-compliance of the conditions will result in non-payment of some or all of the ERDF funds, the risk of which will be carried by the wider OCOR project and therefore the Council.
- 1.2 The revenue costs of the Munio project will be funded from a mixture of the ERDF grant and the revenue funding which is currently identified for the OCOR Masterplan from the OCOR revenue reserve. These revenue costs will also be matched on a 50:50 – 50% intervention rate basis. The funding forecast for the OCOR Masterplan project shows that there are sufficient revenue funds identified to deliver Munio.
- 1.3 The procurement and awarding of contracts for Munio will require the project to adhere to the appropriate policies and regulations. This will ensure value for money is achieved and the ability to claim the grant expenditure awarded to the project from the ERDF programme.

Legal

- 2.1 Legal Officers will advise on the interpretation and application of relevant grant conditions and, where necessary, the application of Public Contracts Regulations 2015 and EU state aid legislation.

Personnel

- 3.1 None arising from this report

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- 4.1 None arising from this report

Equalities Impact

- 5.1 None arising from this report

Health and Safety

- 6.1 Appropriate safety protocols, indemnities and safety equipment will be considered as part of the Munio project.

Environmental Sustainability

- 7.1 The OCOR Masterplan project includes the delivery of environmentally sustainable options where applicable and possible.

Property and Asset Management

- 8.1 Any equipment purchased or flood risk assets created would be added to the departmental asset register.

Risk Management and Safeguarding

- 9.1 As with all other projects in receipt of ERDF (EU) funding; should the actual delivery costs exceed the forecast costs, as the grant funding is a capped amount, any overspend costs would need to be met by the Council.
- 9.2 Cabinet is also asked to note that the ERDF grant received is on a percentage rate which cannot be altered (50% of total expenditure); therefore should the Munio project costs be less than the forecast costs, this will result in less actual grant monies being received than forecast and also therefore less costs would be incurred by the Council.
- 9.3 Should the Munio project fail to fully comply with EU contract and funding legislation, grant funding may need to be repaid. The procurement processes and contract monitoring and administration will therefore need to adhere to the respective guidance and controls.
- 9.4 Delays to the procurement and awarding of the Munio project contracts will impact the successful delivery of the project and the ability to maximise on the precious grant funding awarded.
- 9.5 All identified risks will be mitigated through the contracts awarded and will be monitored in the OCOR Masterplan and Munio project risk registers.

Corporate objectives and priorities for change

- 10.1 The Munio supports 'A Different Council' Our Council Plan 2016-19 meeting the priority outcomes:
- Improving Housing, supporting job creation and regeneration
 - Making the most of our assets
 - Promoting health and well-being