



COUNCIL CABINET
6 October 2021

ITEM 9

Report sponsor: Rachel North, Strategic
Director of Communities and Place
Report author: Catherine Williams, Head of
Regeneration and Major Projects

Supporting the delivery of the Eastern Gateway project.

Purpose

- 1.1 This report outlines the grant support to be provided to the “Eastern Gateway” project – a project to be delivered by the owners of the Derbion Centre to create a new public boulevard, urban green space and commercial space in a priority city centre location. This is a key regeneration priority for the city, transforming the entrance to the Eagle Market and leveraging private sector investment. It will strengthen the city’s sense of identity and significantly improve this key gateway to the city centre.
- 1.2 Earlier this year, the Council received confirmation of a £15m Future High Streets Fund (FHSF) award to support a programme to transform the high street, support economic growth and increase the vibrancy of the city centre. A Memorandum of Understanding is in place for the funding and the Council is the accountable body for the Future High Streets Fund monies. The Eastern Gateway is one of three projects within the programme which also includes the Market Hall and Connecting Works projects. This report seeks delegated approvals to prepare and enter into a conditional grant agreement with the owners of the Derbion Centre.
- 1.3 The project requires total public sector investment of up to £5.097m from the Council, which is to be funded through a direct grant of up to £5.097m from the Future High Streets Fund programme and will be added to the Council’s capital programme, subject to Programme Management Office (PMO) Board approval. The grant will lever private sector match funding investment of up to £6m.

Recommendations

- 2.1 To approve the project delivery arrangements for the Eastern Gateway project, including the grant agreement and capital programme implications, as set out in the confidential report.

Reason

- 3.1 To ensure delivery of the Eastern Gateway project and fulfil the requirements of the FHSF award and associated business case.
- 3.2 A key component to the recovery of the city centre is the rationalisation of retail space and creation of a high-quality environment. Supporting this project will transform this

key gateway, opening it up and significantly improving the environment to better connect the area with the rest of the city centre.

- 3.3 The addition of budget to the Council's Capital Programme requires approval by Council Cabinet to comply with the Council's Contract and Financial Procedure Rules.

Supporting information

Project Description

- 4.1 The Council has been successful in securing Future High Streets Fund (FHSF) to deliver transformational change on the high street, drive economic growth, increase vibrancy, and support the recovery of the city centre. The Derby FHSF programme consists of the following projects:
- Market Hall Transformation
 - Eastern Gateway
 - Connecting Works

In February 2021, Cabinet approved the FHSF programme and allocations to projects. The Ministry of Housing, Communities and Local Government (MHCLG) has confirmed the FHSF award of £15,034,398 FHSF grant to the Derby Programme and a Memorandum of Understanding is in place.

- 4.2 This report focuses on the Eastern Gateway project, summarising the rationale for the project, project delivery arrangements and approvals required to progress the project.
- 4.3 The Eastern Gateway site is located directly opposite the bus station on the corner of the Morledge and East Street and currently occupied by the Eagle Market (part of the Derbion Shopping Centre).
- 4.4 The project will reconfigure the site, creating a new public boulevard and urban green space, providing a new access to the Derbion Shopping Centre and transforming the gateway from the bus station to the city centre. The project will be a catalyst to improve the overall area, attracting an increase in footfall and aligns with the objectives of the Future High Street Fund programme by driving growth, improving the visitor experience and contributing to the future sustainability of the city centre.
- 4.5 The planned improvements to this prominent site will contribute to the delivery of the City Centre Masterplan 2030, through stronger, more coherent, connections between key destinations in the city centre. The project is aligned to the wider regeneration of the city centre, creating a sense of place and significantly improving environmental quality.

Project Benefits

- 4.6 The project will unlock £6m of private sector investment in the city centre, tackling the oversupply of retail space and quality of the environment at this key gateway to the city centre. The project is expected to deliver 126 new jobs and create 2,300sqm of new public space.

Project Delivery

- 4.7 The owners of Derbion Shopping Centre will lead on the delivery of the Eastern Gateway project including design and construction activities. They will incur project costs and then claim grant back under a grant agreement with the Council, for eligible costs set out in the confidential report.
- 4.8 The Council will support project delivery through provision of a grant towards the public infrastructure works within the project. The grant will be wholly funded by FHSF. Our project partner has outlined a programme demonstrating expenditure within the timeframe required by the FHSF, subject to a number of dependencies as set out in the confidential report.

Funding Structure

- 4.9 The total cost of the scheme is expected to be £11.097m of which £5.097m will be funded by FHSF. The remaining £6m will be funded from the private sector match funding investment. The FHSF grant will be drawn down against eligible design and construction costs as the project is delivered, under a grant agreement with our private sector partner.
- 4.10 The key terms of the grant agreement are set out in the confidential report.

Project Governance

- 4.11 PMO Board approval will be required prior to entering into the grant agreement. The Project Senior Responsible Officer (SRO) and Project Manager will bring a report to the Board that details the terms and conditions of the grant agreement, progress on achieving the conditions of the agreement, a project programme, grant spend profile and risk register for the Board's consideration. PMO Board approval will then inform the final delegated decision to enter into the grant agreement as requested in the recommendations of the confidential report.
- 4.12 The management of the Council's grant agreement with our project partner will be by a nominated SRO and a dedicated Project Manager from within the Council's Regeneration & Major Projects Service. The SRO will ensure that colleagues from across relevant Council services including Finance, Legal, Estates and Procurement are engaged when required and external legal advisors, commercial advisors and monitoring advisors are appointed as required. The cost of both external advisors and Council project management until March 2024 has been built into the project costs, to be funded through the FHSF.
- 4.13 A steering group comprising the Council and our project partner has been established to provide oversight of the project development and delivery, ensure that collaborative working is embedded within the partnership and the requirements of FHSF are met.

Programme Milestones

4.14 The key project milestones are:

Milestone	Target date
PMO Approval of grant terms	Oct 2021
Enter into conditional grant agreement	Oct 2021
Submission of planning application	Nov 2021
Planning decision	Feb 2022
Grant agreement unconditional	Summer 2022
Construction starts on site	Autumn 2022
Construction complete	March 2024

Note, these milestones may be subject to change and will be finally set out within the grant agreement

Project Risks

4.15 A detailed risk register was prepared as part of the FHSF Full Business Case including the Eastern Gateway project. A summary of the key project risks is outlined within the confidential version of this report.

Public/stakeholder engagement

- 5.1 The development of the FHSF bid and finalisation of the programme involved engagement with key city centre stakeholders through the established Derby Economic Recovery Strategy (DERS) network. Regular progress reports on the project will continue to be provided to the DERS.
- 5.2 There will be ongoing stakeholder and public engagement through the planning application process.

Other options

- 6.1 The Council's commercial property advisers have considered a number of alternative delivery models and the staged grant agreement has been identified as the preferred option. Other options have been considered and are outlined in the confidential report.

Financial and value for money issues

- 7.1 The financial implications in respect of this proposal are set out in the confidential report.

Legal implications

- 8.1 The legal implications associated with specific elements of the project are outlined within the confidential report.

Climate implications

- 9.1 The Eastern Gateway project will create new urban green space within the city centre. This project will introduce a more natural, green environment to a poor quality, hard landscaped site in city centre. This intervention will support measures to tackle air pollution and support the growth of new ecosystems, increasing biodiversity. Opportunities to incorporate low carbon measures into the design of the Eastern Gateway project will be explored with Wilmslow which could include sustainable drainage systems and tree planting.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Emily Feenan	24 September 2021
Finance	Amanda Fletcher	24 September 2021
Service Director(s)	David Fletcher	24 September 2021
Report sponsor	Rachel North	24 September 2021
Other(s)	Catherine Williams	24 September 2021

Background papers:
List of appendices: