

To the Chair and Members of Cabinet

APPROVAL TO ENTER INTO FUNDING AGREEMENT WITH SHEFFIELD CITY REGION TO BE ABLE TO DRAW DOWN SCRIF APPROVED FUNDING FOR THE DELIVERY OF HATFIELD LINK ROAD.

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Joe Blackham – Portfolio Holder for Regeneration and Transportation	Hatfield, Stainforth & Moorends, Thorne	yes

EXECUTIVE SUMMARY

1. The DN7 Hatfield Link Road scheme, will link the M18 Junction 5 Roundabout, with Waggon Way next to Hatfield Colliery. The scheme is of high priority within the Sheffield City Region Investment Fund (SCRIF), enabling capital funding to be drawn down upon d on satisfying outstanding business case conditions and statutory processes.
2. The Full Business Case 1B was approved on the 15th May 2015 by the Combined Authority which secured funding for the project, however it left seven conditions to satisfy. A revised Full Business Case 1B was sent to the City Region and approved on the 7th June 2016, four out of the seven conditions were also released. It should also be noted that the SCRIF Full Business Case and funding approval comes without claw back conditions on outcome or output.
3. The three remaining conditions relate to the granting of planning permission which includes the agreement of the Section 106 contribution, Highways Contribution Agreement and the agreement in principle of the LSIF (Large Site Infrastructure Fund) loan from the HCA (Homes and Communities Agency), subject to ‘normal commercial conditions.’ (see extract from Combined Authority meeting within the Background Papers)
4. The Homes and Communities Agency (HCA) who administer the LSIF loan are seeking assurance from DMBC that they have entered into a formal funding process with the Sheffield City Region, in the form of a signed funding agreement, so that they can in turn release draw down of the £8.5m, to the developer.
5. The LSIF loan will enable the developer to build the necessary infrastructure into the site, in order to construct early housing units. The conditions associated with the loan means that it is critical that drawn down of the loan commences prior to the financial year end 2016/17. The LSIF funding relies on the SCRIF Funding Agreement being in place.
6. This report is therefore seeking Cabinet approval to:

- Progress to Funding Agreement (subject to agreement with Corporate Finance and Legal) with Sheffield City Region; and
- Accept the Funding Offer (subject to offer being officially made) for the delivery of Hatfield Link Road project.

EXEMPT REPORT

7. Appendix 1 to the report is not for publication as it contains commercially sensitive information and is exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended (information relating to the financial or business affairs of any particular person, including the authority holding that information).
8. Background Paper: Stage 1B Business Case is not for publication as it contains commercially sensitive information and is exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended (information relating to the financial or business affairs of any particular person, including the authority holding that information).

RECOMMENDATIONS

9. It is recommended that Cabinet supports:-
 - Progress the scheme to delivery stage including agreement to funding profile as outline in revised funding profile table 2 section 5.9, noting the requirement to resolve outstanding issues in the risk register.
 - The progression to Funding Agreement stage and the subsequent acceptance of 11.1m SCRIF funding (subject to the negotiation of acceptable terms and conditions with the grant sponsor).
 - Delegation in respect of negotiating and agreeing the terms and conditions of the SCRIF Funding Agreement and resolving the issues identified in the risk register within existing financial constraints to the Director of Regeneration & Environment, in consultation with the Mayor and Chief Financial Officer & Assistant Director – Finance

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

10. Completion of the DN7 Unity Link Road will give greatly improved access to the motorway network for the areas of Stainforth and Hatfield. It will provide the conduit for the development of the proposed 'Unity Connect and Unity Link' business parks with the added employment opportunities. It is anticipated that it will also provide a clearer more defined route to the proposed Marina development off Kirton Lane, further increasing the prosperity and leisure opportunities and promoting Doncaster as an attractive vibrant place to work and live.

BACKGROUND

11. Marcol Waystone previously Waystone, have been associated with developing the previously known 'DN7' now 'Unity' site, since before 2000. Over the last 7 months they have been progressing and dealing with the conditions of the outline planning permission granted in May 2016, to enable them to be granted Full Planning Consent. The development has the potential to unlock major employment and housing sites, triggering a potential £800M inward investment in the area.
12. The HCA (Homes and Community Agency) have been a major partner in the planning process through regular Steering Group meetings set up to deal with this development and owing to its size, complexity and the need for DMBC multi departmental involvement. The development itself is one of Westminster's top 20 national strategic development sites earmarked as key to unlocking housing growth
13. Due to both its status locally and importance nationally, the HCA have facilitated a funding opportunity through the LSIF in order that the developer can construct the internal infrastructure within the development.
14. There are however, restrictions on timescales for the loan as there are going to be changes to future funding streams in 2017/18, meaning the funding needs to be entered into by the end of this financial year 2016/17. It is therefore imperative, in order for the scheme to progress as planned, that this draw down is achieved.
15. The LSIF loan has been granted with certain conditions attached to it. These conditions are that firstly DMBC must enter into a funding agreement with the SCR (Sheffield City Region), the developer must sign up to the Section 106 contribution agreement and the developer needs to have agreed and signed the Highways Contribution agreement.
16. At present the Section 106 is due to be signed in the next few weeks which subsequently means consent will then be granted. The Highways agreement has agreed Heads of terms and the financial agreement will be entered into following approval of the Cabinet report recommendations. Details of the S106 agreements are set provided in the pink papers associated with the report as they contain commercially sensitive information.
17. Work has progressed through the use of the SCAPE Framework in order to produce a cost estimate for the works

Finance

18. The total project cost is estimated at £15,917m and is summarised within Table 1 below, DMBC are seeking a Funding Agreement for £11.155 m of SCRIF investment, £3.5m Private Sector Investment from the Developer and £1.262m of corporate resources.

Table 1 - Breakdown of Funding within SCRIF Business Case June 2016

	2014/15	2015/16	2016/17	2017/18	2018/19	Post 2019	TOTAL
SCRIF investment sought			£1,875,000	£7,670,000	£3,000,000	-£1,390,000	£11,155,000
Other public investment	£194,887	£165,539	£901,961				£1,262,387
Private sector investment			£610,000	£1,500,000		£1,390,000	£3,500,000
TOTAL	£194,887	£165,539	£3,386,961	£9,170,000	£3,000,000		£15,917,387

Table 2 – Revised Funding Breakdown

	2014/15	2015/16	2016/17	2017/18	2018/19	Post 2019	TOTAL
SCRIF investment sought			£875,000	£4,670,000	£7,000,000	-£1,390,000	£11,155,000
Other public investment	£194,887	£165,539	£901,961				£1,262,387
Private sector investment			£610,000	£1,500,000		£1,390,000	£3,500,000
TOTAL	£194,887	£165,539	£2,386,961	£6,170,000	£7,000,000		£15,917,387

Benefits

19. The Hatfield Link is needed to enable the DN7 regeneration project to commence. The only access into the DN7 site from the strategic network will be from the M18 junction. In effect the DN7 developments are land locked and dependent upon early delivery of the link.
20. The DN7 project comprises 200ha of mixed use development of a scale that will have significant regional benefits – specifically contributing over 7,000 jobs and 3,100 housing units to the objectives of the SCR Strategic Economic Plan.
21. The high jobs number for SCRIF investment generate an exceptional return on public sector investment
 - A cost of £1,812 per job created
 - £794m net GVA
 - A GVA BCR of 56:1

- A transport BCR of 10:1
22. The DN7 project provides an opportunity to improve the resilience of the logistics and manufacturing sectors by providing accommodation for higher value businesses in growing sub-sectors associated with advanced manufacturing and logistics.
 23. The provision of modern office accommodation with good transport links may also support the development of emerging opportunities in the professional services sector – although widespread take up in this sector may be more limited.

OPTIONS CONSIDERED

No SCRIF investment

24. The link road is the only access into the DN7 project area from the strategic highway network. The local road network alone would not be able to cope with the traffic generated by the DN7 development proposals. As SCRIF is deemed to be the last potentially available source of funding, not securing SCRIF would result in non-delivery of the link road and consequentially failure of the wider DN7 project. The private sector have confirmed that having already committed over £8m to the DN7 project they are not in a position to fully fund the link road due to the lack of commercially attractive bank loan opportunities. It would be possible for the DN7 developers to implement a significantly reduced scheme to deliver infill housing at a much reduced scale. This however would not enable any job or economic opportunities, which is the main rationale for SCRIF funding.

Reduced SCRIF investment

25. A reduced SCRIF offer may enable the link road to be phased by construction from the M18 up to the south side of the railway line. However this would not provide local connectivity into existing employment sites (around the colliery) or into Stainforth. As such this would be seen as a cul-de-sac from the M18 serving only one private sector developer with no connection to the local network which would provide a public benefit. This would raise two fundamental issues which would need consideration. Firstly it is not within the Highways England remit to encourage 'cul-de-sac' developments from the motorway network. Connections to the motorway should only be provided where they connect into the local network. Secondly a cul-de-sac serving one development could be considered as non-compliance with State Aid. A phased delivery would require substantial additional funding and add risk to the project.

Preferred SCRIF investment

26. As confirmed above the full link road scheme is required to meet policy requirements (Highways England and State Aid) and also for economic requirements (to enable developments). Any reduction in SCRIF will compromise or introduce risk to these two core requirements. There may be opportunities within the construction of the link road to allow developments to take place in parallel therefore realising some of the outcomes as early as

possible but this will only occur where it does not impact on the overall programme or cost for the link road.

REASONS FOR RECOMMENDED OPTION

27. The Project supports the long term regeneration and growth to this part of Doncaster, as well as providing investment and benefits to the local economy, the citizens of Doncaster and the wider City Region.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

Outcomes	Implications
<p>All people in Doncaster benefit from a thriving resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our Veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>The SCRIF Funding and investment will safeguard existing jobs and help create new jobs in the Town Centre through the sustainability of existing business and the attraction of new business.</p>
<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	<p>Services will be supported through the income produced and savings from the investment which will support the longer term financial sustainability of the Council.</p>
<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	<p>Through the generation of long term sustainable income this will help reduce pressure on budgets and therefore reduce the pressure for increase in areas such as Council Tax.</p>
<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>Through the generation of long term sustainable income this will help reduce pressure on budgets and therefore reduce the pressure for increase in areas such as Council Tax.</p>
<p>Council services are modern and value for money.</p>	<p>The SCRIF Funding is in place to support such projects and provide the best value for money across the region.</p>
<p>We will provide strong leadership and governance, working in partnership.</p>	<p>As part of the programme for the scheme there has been and will</p>

	continue to be engagement with partners / stakeholders as potential occupiers and discussions will be held where needs are identified.
--	--

RISKS AND ASSUMPTIONS

28. A number of risks are outstanding and some have now been resolved. More details on these risks are provided in the pink papers associated with the report as they contain commercially sensitive information

LEGAL IMPLICATIONS

29. The Council has a basket of powers available to it in order to pursue these projects, including the Localism Act 2011 which provides the Council with the so called general power of competence which allows a Local Authority to do anything which an individual may generally do.
30. Further legal advice will be required as the project progresses, particularly in relation to Construction Law, Procurement and Planning and in relation to the contents of any Funding Agreements to be entered into to secure the SCRIF monies.

FINANCIAL IMPLICATIONS

31. The DN7 Hatfield Link Road project has already been included in the Council's capital programme. The majority of funding is currently provisional, relying on securing SCRIF contributions from the SCR and contributions from the developer. The project is subject to a number of risks that could prevent continuation to construction. These include affordability; Network Rail gain share costs; negotiation of SCRIF, developer and S106 agreements; and satisfaction of conditions for an HCA loan to the developer. Failure to progress could lead to abortive costs arising and inability to claim funding from the SCR for some costs already incurred. These risks must continue to be closely managed and further financial advice sought as the project progresses. More detailed implications are provided in the pink papers associated with the report as they contain commercially sensitive information.
32. Negotiation of the SCRIF Funding Agreement and the subsequent administration of the terms and conditions must be undertaken with reference to Financial Procedure Rules; particularly rule E External Arrangements, which sets out the Council's minimum requirements in relation to grant funding. Any negotiations must ensure that conditions of claw back are acceptable to the Council. The SCR have given prior indication that there will be no claw back in relation to this project.

HUMAN RESOURCES IMPLICATIONS

33. None

TECHNOLOGY IMPLICATIONS

34. None

EQUALITY IMPLICATIONS

35. Decision makers must consider the Council's duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have "due regard" to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a "protected characteristic" and those who do not share that protected characteristic.

CONSULTATION

36. Consultation is, and will continue to be, ongoing in respect of the Council's SCRIF projects to include the Mayor, Portfolio Holders, Chief Executive, Director of Regeneration and Environment, Director of Finance and Corporate Services, Assistant Director of Trading Services and Assets, Assets and Property, Town Centre and Markets Management, Stall Holders and all other interested stakeholders.

BACKGROUND PAPERS

Stage 1B Business Case is not for publication as it contains commercially sensitive information and is exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended (information relating to the financial or business affairs of any particular person, including the authority holding that information).

REPORT AUTHOR & CONTRIBUTORS

Neil Firth – (Major Projects Team)
Tel: 01302 – 735002
Email: neil.firth@doncaster.gov.uk

Peter Dale
Director of Regeneration & Environment