

CABINET	AGENDA ITEM No. 9
11 MARCH 2024	PUBLIC REPORT

Report of:	Adrian Chapman, Executive Director: Place & Economy	
Cabinet Member(s) responsible:	Councillor Peter Hiller, Cabinet Member for Housing, Growth and Regeneration	
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AUTHORITY TO ENTER INTO CONTRACTS AND GRANT FUNDING AGREEMENTS FOR LUF2 PETERBOROUGH STATION QUARTER

RECOMMENDATIONS	
FROM: Executive Director, Place & Economy	Deadline date: March 2024
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Authorises the Council to enter into Grant Funding Agreements (GFAs) with the Cambridge & Peterborough Combined Authority (CPCA), up to £47,850,000, in relation to the Peterborough Station Quarter (PSQ) project and Levelling Up Fund (LUF); and 2. Delegates authority to the Executive Director, Place & Economy, in consultation with the Director of Legal and Governance, to award and enter into contracts, arrangements and other legal documentation on behalf of the Council, which is necessary in connection with the PSQ LUF project. 3. Delegates authority to the Executive Director, Place and Economy to authorise the expenditure of the external funding received by the Council. 	

1. ORIGIN OF REPORT

1.1 The report is submitted to Cabinet as a referral from Corporate Leadership Team on 20 February 2024 as part of the governance process to authorise the recommendations set out in this report.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to enable continued progress on the Peterborough Station Quarter Levelling Up Fund scheme.

Authority is sought to enter into formal agreements and contracts, to achieve this progress.

2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.5.

To make decisions on actions relating to the awarding, assigning and termination of contracts over £500k, and waiving or granting exemptions to Contract Regulations where contracts are over £500k, with the exception any time-critical, operational, or routine decision, which may be determined by the relevant portfolio holder.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

- 4.1 Significant regeneration projects, such as this, work through a number of parallel processes which in practice are wrapped up into the development of a business case. Given a fixed amount of money available, business case development helps to inform choices about what can, and what cannot, be achieved. Developing businesses cases is an iterative process, we start with Strategic Outline Business Case (SOBC), which explores the high-level feasibility of a development concept. If the SOBC demonstrates an acceptable Benefit to Cost Ratio (BCR) – in other words, the value of the benefits exceeds the cost of the development – we move to Outline Business Case (OBC). This stage works up costs and benefits in more detail, and design work can progress beyond concept and towards block plans/parameters plans. Choices are made about priorities, as more detailed information becomes available about costs and benefits of each option. Provided the preferred option has an acceptable BCR, the final stage is to work up a Full Business Case (FBC). This sets out the final details of the proposed development, with full cost profile and comprehensive development timetable.
- 4.2 On 19 January 2023, the Department for Levelling Up, Housing and Communities (DLUHC) announced that the Peterborough Station Connectivity and Enhancements Project had been successful in its bid for funding from the Levelling Up Fund 2 (LUF), for £47,850,000. The bid was submitted on 2 August 2022 by the CPCA (Cambridgeshire and Peterborough Combined Authority) for a Transport Allowance and was supported by a Strategic Outline Business Case (SOBC).
- 4.3 PCC has since led a steering group, including CPCA, Network Rail (NR), London North Eastern Railway (LNER) and PCC. PCC commissioned (involving OVE Arup), a multi-disciplinary consultancy, to prepare the Outline Business Case (and Full Business Case), with Fore Consulting acting as the client project manager on behalf of the group (this commissioning of the multi-disciplinary consultancy and the GFA in relation to the OBC, was authorised by separate governance). This has worked very well.
- 4.4 An Outline Business Case (OBC) was submitted to DLUHC in December 2023, and is due to be formally considered by its panel in late February 2024. An update will be provided to Cabinet once feedback has been received. Provided the OBC is accepted – and we have no indication it will not be, since the concept below is costed, and has a strong Benefit Cost Ratio – the Full Business Case will be worked on.
- 4.5 The OBC describes the funding arrangements and responsibilities:

“As part of the development of the PSQ programme, a review was undertaken of the potential funding sources for the project. From this review, the Government’s LUF allocation was identified the prime focus for funding the main elements of the project, and a subsequent bid for Round 2 of LUF was developed, for a total contribution of £47.85 million. This funding bid was announced as successful in January 2023, hence LUF remains the primary funding source for the project, subject to a satisfactory business case being presented and accepted.”

CPCA is the accountable body for the LUF allocation, but this funding is passed directly to PCC by agreement. The letter confirming the LUF allocation to CPCA confirms that CPCA (and therefore PCC) will be responsible for any cost overruns or additional expenditure required for the successful delivery of the project. It is expected that, on acceptance of this OBC, DfT would normally fix its contribution at that time, subject to extraordinary circumstances and a revised value for money assessment.

Beyond OBC, PCC would accept responsibility for any cost overruns over and above the LUF contribution of £47.85 million. For the elements of the project that are to be led by other partners (Network Rail and LNER), PCC will seek to agree a mechanism to port the responsibility to the lead partner and/or retain a level of contingency for that element of the project to cover their liability under the funding agreement with DfT.

In addition to the LUF contribution, PCC is contributing £1.5 million from its Towns Fund allocation to the project. Peterborough was allocated £22.9 million from the Towns Fund in 2021 following the submission of their Town Investment Plan, which proposed a range of projects within the City centre, including £1.5 earmarked to enhance connectivity to Peterborough Station.

PCC manages this programme on behalf of DLUHC and the amount identified for the project is capped at that level unless formal agreement to an increase is received from the Towns Fund Board, which has responsibility for the governance of that programme.”

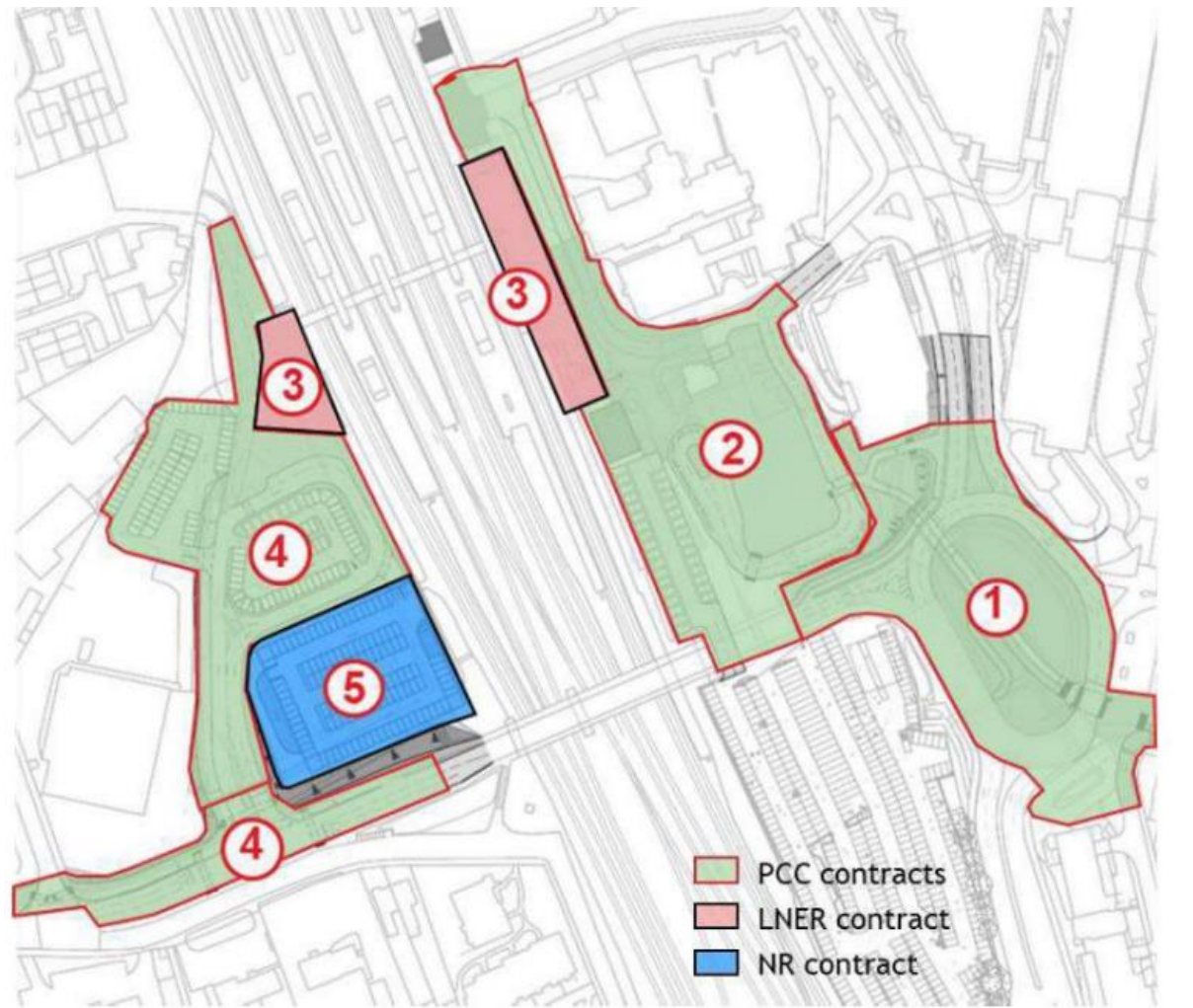
4.6 The OBC details 12 key elements to the PSQ project, and these are set out in the plan (below) which was taken from the OBC. There are some dependencies between some of the elements (such as station and car park development), while others are capable of being brought forward independently (such as the City Link).

1. Western Station Entrance
2. Western Access
3. Multi-Storey Car Park
4. Surface Car Parking
5. Surface Car Parking (existing)
6. Accessible Parking (5%)
7. City Link (Queensgate Roundabout)
8. Station Square
9. Taxi / Pick-up & Drop Off
10. Cycle Parking
11. Meanwhile Use
12. Refurbished Eastern Station Entrance



4.7 The steering group identified opportunities for consolidation of the 12 elements of the project, into a number of works packages. Each package of works will have a responsible partner – not all of the responsibility for delivery will fall to any one organisation. There are numerous benefits to this, not least because the land is in multiple ownerships, but also regulations, responsibilities and processes vary between the various partner organisations. The work packages are set out on the plan (overleaf).

4.8



The OBC sets out the proposed contractual arrangements as follows:

“Contracts 1, 2 and 4:

Led by PCC, delivery and supervision of the highways and active travel and public realm/station “floormat” elements will be delivered in house by Peterborough Highway Services (PHS), building upon the design work that will have been completed in the next stage of development work, in close partnership with LNER and Network Rail.”

Procuring the project directly through the Council’s existing Peterborough Highway Services contract enables PCC to appoint a contractor to construct these elements in an efficient manner.

Milestone Infrastructure are Peterborough City Councils highways partner. Milestone have successfully completed a number of major schemes for Peterborough City Council since 2013 and their demonstrable ability to deliver and positive performance has resulted in a 5-year contract extension commencing in October 2023.

Issuing the works directly to Milestone allows significant efficiencies in both time and money as a new and full procurement exercise is not required. The recommendation gives confidence in the quality of the work and will contribute to the revenue rebate agreed within the Peterborough Highways term service contract when specified income thresholds are achieved.

“Using PHS’ in-house delivery capability offers advantages over alternative procurement routes:

- 4.9
- *PHS is reliable and has a proven track record of delivering major schemes successfully;*
 - *Schemes can be procured far quicker than alternative procurement routes, which reduces procurement costs;*
 - *The integrated delivery model creates a single point of responsibility and encourages more effective collaboration between client, designer, and contractor to reduce costs and minimise maintenance;*
 - *A well-established supply chain is already in place which provides value for money;*
 - *Strong performance is highly incentivised as all schemes delivered within the PHS contract contribute to a suite of KPIs which impacts on the term of the contract; and*
 - *The contract duration and strong collaborative relationship encourages both parties to work towards long term gain rather than short term commercial gain.*

Contracts 3 and 5:

LNER or Network Rail are considered best placed to lead the design and construction of the rail station elements, with the procurement strategy being driven by the output specification, key objectives and appraisal of the design and associated risks.

...the Steering Group considers at this point that the preferred procurement method for the new MSCP would be a design and build contract, led by Network Rail, given their recent experience with similar car parks at nearby stations and along the ECML.”

This report is intended to formalise the approach set out in the OBC, in effect by recommending Cabinet to delegate responsibility to officers, to enter into Grant Funding Agreements with the CPCA to enable PCC to access the LUF money which is held by CPCA; to enter into other formal agreements with LNER and NR for responsibility for their packages to be ported across to them; and to enter into contract/s for the delivery of the PCC work packages.

5. CORPORATE PRIORITIES

- 5.1 The following outlines how the recommendation links to the Council’s Corporate Priorities:

The Economy & Inclusive Growth

Environment

A Carbon Impact Assessment has previously been completed. It states that: There will be no change to council or city-wide emissions through the design stage of the project. Emissions will rise through the construction phase due to increased travel, construction, and waste. City wide emissions are expected to decrease once the station is improved due to increased attractiveness of travel to Peterborough by train, thus reducing car usage. The project brief will include consideration by the contractors for emissions reduction.

Homes

The release of land on the western side of the Station will free up land for residential development. Jobs & Money To the east of the Station, the design will be developed, and concepts progressed that will offer commercial opportunities and workplaces and provide economic growth in the area.

Our Places & Communities

Places and Safety

The Station Quarter will be designed to create a safe environment where people want to live, invest, work and visit. This will be achieved through the new public realm, improved access routes, commercial offering, and the new housing with local access to such facilities.

Health and Wellbeing

The project will improve the active travel routes to and from the Station. The new western entrance will reduce car travel distances and hence reduce emission from vehicular travel.

6. CONSULTATION

- 6.1 Engagement with stakeholders, has taken place during the LUF2 bid and to date, with the following:
- CPCA
 - Network Rail
 - LNER
 - DtT (Department for Transport)
 - DLUHC
- 6.2 This recommendation has been considered by:
- Corporate Leadership Team (CLT) - 20 February 2024
 - Cabinet Policy Forum (CPF) – 26 February 2024

7. ANTICIPATED OUTCOMES OR IMPACT

- 7.1 Approval to enter into Grant Funding Agreements, to enter into other agreements, and to enter into delivery contracts, would enable the project to move to the next stage and enable the Council to access the LUF2 funds against the LUF2 Grant, in accordance with the Monitoring and Evaluation criteria.
- 7.2 This will support the key outcomes as stated in the LUF2 bid as agreed with government including:
- A substantial reduction in vehicle trips through the city centre, and the location of one of the identified travel hubs
 - A well-connected network of public realm corridors, providing a safe and pleasant space for sustainable modes of transport
 - A vibrant and thriving city centre economy, accessible to all users
 - An urban environment where nature has a home, and urban greening is used to soften the visual impact of infrastructure

8. REASON FOR THE RECOMMENDATION

- 8.1 The recommendation is put forward to progress with the development of the Peterborough Station Quarter (PSQ) Redevelopment Scheme, following the approval of funding through LUF2.

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 To do nothing – This option was discounted on the basis that the LUF2 funding would be a missed opportunity for Peterborough.
- 9.2 Not enter into GFAs – This option was discounted as the CPCA requires grant funding agreements to be entered into in order to release the Levelling Up Funding 2.
- 9.3 To undertake delivery of the entire project – This was rejected because other stakeholders are better placed to operate their own processes in the most efficient way (such as station change, or working within the railway), and also because those other stakeholders will ultimately own and operate their assets (the station and MSCP). The first recommendation, to enter into grant funding agreements with the CPCA, offers safeguards and oversight for both the Council and the CPCA (allowing the LUF2 funding to be provided), and the second recommendation, to award and enter into contracts (with specialist contractors) will provide delivery of the work packages.

10. IMPLICATIONS

Financial Implications

- 10.1 It shall be noted that the Peterborough Station Quarter Redevelopment Scheme has an overall funding envelope as follows:

Funding Source	Value
LUF2	£47,850,000
Private match funding	£15,210,000
Towns Fund	£1,794,687
Total	£64,854,687

- 10.2 This report and request for contract placement relates to the receipt and spending of the LUF2 budget (which is managed by PCC) and the Towns Fund. The private match funding, although contributing to the PSQ project, will not be managed or administered by PCC.

- 10.3 The funding available from LUF2 of £47,850,000 is subject to business case approval at each stage. CPCA is the accountable body to DLUHC for the use of this funding, and in order for PCC to draw down the funds to meet project expenditure a Grant Funding Agreements are required to be in place between CPCA and PCC, giving PCC responsibility for financial control of the grant it receives and ensuring the terms of the LUF2 funding are complied with.

- 10.4 The LUF2 government assurance process is administered by the Department for Levelling Up Housing and Communities (DLUHC) and the Department for Transport (DfT). PCC submits quarterly monitoring returns covering Project Expenditure, Project Progress & Changes, and Risks. In addition to this, PCC is required to report every 6 months on their Outputs and Outcomes. This is a robust process to facilitate reducing all risk including financial.

Legal Implications

- 10.5 Land Title checks are underway, having been commissioned by PCC property. This will enable the legal documentation to be formalised. Agreements will be required with landowners, where works on each other's land is required.
- 10.6 The proposal to port responsibility for work packages 3 and 5 to NR/LNER removes the need for PCC to either apply for station change, or to work on the railway – both of which are lengthy, bureaucratic processes. The owners and operators of the railway themselves are better placed to ensure they are compliant with their own regulations.
- 10.7 The Peterborough Highway Services Contract was procured under the Competitive Dialogue Procedure (regulation 18 of the Public Contracts Regulations 2006) and permits the Council to call-off further works which are within the scope of the Contract.
- 10.8 The Grant Funding Agreements between the CPCA and the Council will detail the terms upon which the LUF2 is being provided to the Council and the obligations which the Council will need to comply with to receive and retain the funding. The GFAs will also outline the circumstances in which the CPCA could withdraw or suspend funding or require repayment of any grant funding.

Equalities Implications

- 10.9 For the Station Facilities, the Equalities Act 2010 informs that compliance and connectivity through the Station is critical to the success of the project and this must be considered.

An access audit will be carried out on the design proposals to ensure compliance with Equality Act 2010, "Access for All" and allow for a meeting with Disability Peterborough to discuss the proposals and possible presentation to Network Rail's Built Environment Accessibility Panel (BEAP). Improvements will be in scope for disability users.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 None

12. APPENDICES

12.1 None