



Cabinet

21st November 2018

Item
10(i)

Report of	Assistant Director of Policy & Corporate	Author	Holly Brett ☎ 508830
Title	Colchester Northern Gateway Sports Park- Appointment of Contractor		
Wards affected	Mile End, Highwoods, Rural North		

1. Executive Summary

- 1.1 This report outlines the decision to be taken in the confidential part of this agenda regarding the appointment of the contractor to deliver the main building contract for the Northern Gateway Sports Hub following the OJEU compliant tender process.
- 1.2 This report also provides an update for Cabinet on the full financial and funding position of the project and asks members to agree the decisions required in respect of the additional cost and borrowing in respect of this project.

2. Recommended Decision

- 2.1 To note the decision on confidential part B of this paper to appoint the contractor to deliver the main sports park contract.
- 2.2 To note the review of the scheme costs, revised funding decision and financial details of the scheme and associated decisions as set out in this report and the confidential part B of this agenda.
- 2.3. To approve the revised scheme cost and recommend to Full Council the inclusion at this level in the capital programme.
- 2.4. Agree to release of the Section 106 funds received as set out in this report and that the remaining expected sums will be used for this project.
- 2.5. Agree to the long term borrowing of this project of £2.827m and that this sum is included within the Treasury Management Strategy and Prudential Indicators.
- 2.6. Note the potential revenue implications of this scheme arising from the borrowing and cashflow position and agree that these are reflected in the 2019/20 budget and Medium Term Financial Forecast.

3. Reason for Recommended Decision

- 3.1 This is an important milestone in the delivery of the Northern Gateway Sports Hub and is a major step in creating a destination of regional significance for sport. The appointment of contractor and acceptance of the revised budget requirement and funding package will enable the 76 acre sports hub project to progress and allow the buildings, civils and infrastructure elements of the project to commence.

- 3.2 The advance pitch works contract for the grass pitches was let ahead of the main contract to ensure they were completed and allowed enough growing time. These have now been completed three weeks ahead of schedule.
- 3.3 This contract will see the buildings, the civils, the cycle track and all remaining works to the site completed, as well as improvements to the highway.
- 3.4 To appoint a contractor who can deliver a high quality scheme within the defined programme.
- 3.5 As the scheme has progressed through the design stages and has achieved planning consent the budget requirement has increased, and the funding package has changed, these are set out in the financial section of this report.

4. Alternative Options

- 4.1 Not to appoint a contractor; however, this would mean the project could not be delivered within the required timeframe and the project would have to be re-tendered, meaning a delay of at least 6 months. By not appointing a contractor at this time the wider Northern Gateway project including moving the Rugby Club from Mill Road would be delayed and a number of other external funding opportunities and linked projects, including substantial forecast capital receipts could be put at risk.
- 4.2 Not to accept the revised budget requirement and funding package; however, this would also mean that the project as in its current form could not be delivered within the current programme. In addition a new scheme and a new funding strategy would have to be devised.

5. Background Information

- 5.1 Northern Gateway Sports Hub will see a 76-acre site developed by the Council to deliver high quality facilities for a wide range of sports users to enjoy such as rugby, cycling, badminton. A new sports centre and rugby club house will also be built at the site to facilitate the existing rugby club users from Mill Road and the Council will operate the sports centre. There will be opportunity for informal recreation as well as organised sports with grassed areas for informal play, walking, cycling and horse riding trails and a cycling learn to ride centre.
- 5.2 During the consultation, design and development stages of this project there has been considerable excitement that Colchester Borough Council is investing in a facility that will enhance Colchester's reputation for Sport and Leisure facilities across a wider regional catchment. A range of local, regional and national sporting organisations have been watching progress closely and are keen to be involved in making the project a success.
- 5.3 As well as relocating existing clubs in Rugby Union, Rugby League and Archery the Northern Gateway Sports Park gives a home in North Essex for Cricket supported by Essex County Cricket Club and a Regional home for cycling supported by British Cycling. Strong relationships have been developed with partners from these sporting bodies who are committed to support such a holistic approach to providing sports opportunities for residents in our borough for all levels of participation and attract visitors to the borough with a Sports Park of regional significance.
- 5.4 By CBC operating the Sports Park it can offer inclusivity and access to all. This is especially important against a background of growing levels of obesity and inactivity especially amongst children and the recognition that as a nation we need to increase levels of participation and activity across all members of our communities; it is exciting to see Colchester Borough Council's strategic vision being brought to life through the significant investment in Northern Gateway Sports Park.
- 5.5 The development is ambitious and a key part of the wider Northern Gateway growth location plans, but it continues to be challenging in programme terms due to the need to move the rugby club by Autumn 2019 to facilitate other planned developments and projects at the existing Mill Road site. By delivering the advance pitch works as early as possible, the risks associated with the growing seasons for the pitches have been reduced and a high-quality playing surface will be ensured. This means that the contractor for the main works can commence with the site infrastructure, buildings, civils and other works.
- 5.6 The intended programme of works means that the new facility will be opening in January 2020. This is a challenging programme but one that the professional team and contractor are committed to delivering.

Tender Process

- 5.7 Following advice from our consultants, Gleeds, the tender was advertised through the Suffolk Construction Framework, which is managed by Concertus. This gave us access to four main contractors who would be able to bid for a contract of this size

The confidential part B of this report sets out the tender returns received and the evaluation and analysis process and outcome

Tenders were issued on the 13th August 2018 and returned on the 26th October 2018. After an initial mobilisation period the contractor will start on site in January 2019

6. Equality, Diversity and Human Rights implications

6.1 None identified at this stage.

7. Strategic Plan References

7.1 Growth: Help make sure Colchester is a welcoming place for all residents and visitors.

Opportunity: Promote and enhance Colchester borough's heritage and visitor attractions to increase visitor numbers and to support job creation.

Promote initiatives to help residents live healthier lives.

Wellbeing: Help residents adopt healthier lifestyles by enabling the provision of excellent leisure facilities and beautiful green spaces, countryside and beaches.

8. Consultation

8.1 There has been full consultation on the sports hub project with residents, members and a range of national governing bodies for sport.

9. Publicity Considerations

9.1 The tender was publicised through the Suffolk Construction Framework portal.

9.2 Publicity will be undertaken once the contractor is appointed and work starts on site.

9.3 There has been strong interest in the project both locally and on a national level from sporting bodies.

9.4 A communications plan is developing to engage residents and stakeholders as we move forwards on the construction but also as we approach the opening of the scheme.

10. Financial implications

10.1 In August 2017, Cabinet approved the revised budget for the Sports Park project. This showed a total scheme cost of £24.1million which it was assumed would be funded through external funding, Council funding and, in principle, a level of Council borrowing. At this stage in the project certain estimates had to be made regarding the funding package.

10.2. As the scheme has progressed and achieved planning consent the budget requirement has increased and the budget required to deliver the scheme is now £25.38m. The reasons for the increase in required budget are:-

- Increased archaeological investigations and works required to site
- Fixtures, fittings and equipment (FF&E) that is required to enable CBC to operate the scheme
- Additional works required to the highway as a result of planning requirements
- Inclusion of stakeholder items that will increase participation and income

- Tender returns above the pre tender cost estimate for the main works

10.3 The review of funding for this project is set out in detail on the confidential appendix. In summary the total forecast funding now totals £22.553m, leaving a borrowing requirement of £2.827m as summarised in the following table:-

Summary	£'000	%	
Capital receipts (incl. Housing Company dividend/ equity repayment)	16,600	65%	See details in confidential report
Sporting body contributions	500	2%	See details in confidential report
Section 106 funding	1,515	6%	See para 10.5
Government Funding	1,938	8%	HIF grant awarded
Use of New Homes Bonus	2,000	8%	Agreed by Cabinet
<i>Sub-total</i>	22,553	89%	
Gap / Long Term Borrowing Requirement	2,827	11%	
Total Funding	25,380	100%	

10.4. The revised forecast includes:-

- Revised capital receipt projections based on latest land sales and forecast housing company dividend / equity repayment
- Proposed use of Section 106 money identified to support sport and leisure in the area (see below)
- New grant contributions have been achieved, for example grant funding from the Housing Infrastructure Fund (HIF), and some grant applications have been withdrawn due to changing priorities of sports bodies meaning that the overall position has changed.

10.5. It was agreed in August 2017 that Section 106 money being received for use on sports and recreational facilities in the Northern Gateway area would be used for the sports project. An estimate of £1m was therefore included in the funding plan. To date there is £805k that has been received and not allocated and a further £710k is expected. The total is therefore higher than previously assumed which in part reflects indexation of sums due. Appendix A sets out the position and specific agreements. It is propose that the amounts received and forecast are now agreed to be used for this scheme.

10.6 In summary, the Council has previously agreed this project at a cost of £24.1m and as set out within this report the cost is now estimated to be £25.38m. The review of funding for this scheme shows that in total £22.553m is now forecast. This includes some funding which is certain, such as the agreed use of £2m of New Homes Bonus and proposals include use of c£1.5m of Section 106 funds.

10.7. Cabinet had previously agreed to borrow to support the delivery of this project and based on the review of funding received and forecast the long term borrowing requirement is c£2.8m.

- 10.8 The Prudential Code regulations allow an individual authority to determine its own borrowing limit. This means local improvements can be funded from borrowing without Government consent - provided the debt can be afforded. In considering its programme for capital investment, the Council is required within the Code to have regard to three overarching principles of:
- **affordability**, e.g. implications for Council Tax
 - **prudence** and **sustainability**, e.g. implications for external borrowing
- 10.9 Based on current long term borrowing rate of 2.6% and the cost of 50 years of MRP (Minimum Revenue Provision – the contribution towards repayment of debt) the revenue cost of borrowing is estimated at c£130kpa from 2020/21. This equates to an equivalent of £2.04 on Council Tax (at Band D). This cost can be considered alongside the operating profit forecast to be delivered by 2022/23 shown in the separate report on this agenda.
- 10.10. The revenue implications of this borrowing will need to be considered as part of the 2019/20 Budget and Medium Term Financial Forecast (MTFF) and also in the updated Treasury Management Strategy and Prudential Indicators.
- 10.11. The confidential appendix sets out an estimate of potential cashflow costs. As a rule, the Council does not budget for specific issues such as this as the overall budget will consider combined cashflow issues across all areas. However, it should be highlighted that given the risks attached to the timing of funding there is a potential revenue impact of the proposals within this report. This is mitigated in part from the SELEP loan funding of £2m secured. In addition in the report agreed by Cabinet in respect of the housing development proposals and sale of assets to Amphora Housing Limited set out that the revenue gain from on-lending will offset the temporary borrowing costs.
- 10.12. In considering the proposals within this report the Cabinet should have regard to the assumptions and risks set out. Some of the key issues relate to the assumptions in respect of the funding for this project, in particular the forecast capital receipts. The report sets out the current position in respect of these receipts showing that there remains a risk attached to the timetable and delivery of these. As such, Cabinet need to ensure that these risks are monitored and that the MTFF reflects this variable. This report should also be read alongside the assumptions
- 10.13. This report should be alongside the detailed information set out in the confidential part B report setting out the detailed project costs, funding and borrowing arrangements required to deliver the Sports Park.

11. Health, Wellbeing and Community Safety Implications

- 11.1 The scheme offers substantial health and wellbeing options to the Borough of Colchester

12. Health and Safety Implications

- 12.1 None identified at this stage

13. Risk Management Implications

- 13.1 The risks of not implementing the decision outlined in this report are that the contractors are not appointed, work is not started, and the programme for the Sports Hub is not met. This would also have the consequence of causing delays to the wider Northern Gateway programme specifically to the south. The consequence of these risks would be that the project timeline is jeopardised and or delayed meaning the project may not be

deliverable and the rugby club are not able to move to the new facility in Autumn 2019 and therefore this would also negatively impact the house building programme on the Mill Road site.

- 13.2 The other element of risk management is the negotiation of contract amendments at tender stage. The team along with specialist advice from Pinsent Masons have negotiated variations from the standard JCT terms. This is usual when negotiating contracts and is due to the sharing of risk, recent case law, contractor appetite for risk and the perceived risk or complexity of the project

- 13.3 The financial risk management implications are set out in the confidential part B of this report financial section of this report

Proposed use of Section 106 funds.

Site	Additional Info	Clause description	Received £'000	Expected £'000	Total £'000
Wyvern Farm (Stanway)	£225,000 already received. Allocated to Northern Gateway Sports Project.	Open Space, Sport and Recreational Facilities (Borough) Contribution	264	220	484
Axial Way	To be used either for play space in vicinity of site, recreational facilities on Mill Road or sports and recreational facilities North of A12 or sports and recreational facilities South of A12.	Open Space Contribution	296		296
Severalls Hospital	For sports and recreational facilities within the vicinity of Severalls Site.	Sports (Off Site) Sum	245	490	735
Total			805	710	1,515