

<b>Key Decision Required:</b>	<b>Yes</b>	<b>In the Forward Plan:</b>	<b>Yes</b>
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## CABINET

28 JANUARY 2022

### JOINT REPORT OF THE BUSINESS & ECONOMIC GROWTH PORTFOLIO HOLDER AND THE CORPORATE FINANCE & GOVERNANCE PORTFOLIO HOLDER

#### **A.5 STARLINGS SITE AND MILTON ROAD, DOVERCOURT REDEVELOPMENTS** (Report by Lee Heley, Interim Corporate Director (Project Delivery))

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

This report requests that, given the significant inflation in construction costs in the last six months, that Cabinet approve a transfer of £272,383 from the Business Investment Fund to the Starlings project.

It is also requested that demolition of the Milton Road Car Park is postponed and an options paper is brought forward for the site during 2022/23. In the interim that at least £74,000 of the sum to demolish Milton Road Car Park is reassigned to the Starlings Project, to enable the scheme to proceed. Further, that up to £12,000 of budgeted demolition costs for Milton Road are used to commission a report to determine the carpark's current condition and structural stability and the maintenance requirements and costs.

##### **EXECUTIVE SUMMARY**

At its meeting in July 2019 Cabinet approved the strategy for the revitalisation of Dovercourt town centre, which set out a positive vision to guide development and identified twenty projects to attract residents and visitors, and to improve the image and quality of the centre (called the 'Dovercourt Masterplan Revisited'). The Cabinet also agreed at that meeting to the preparation of a detailed business case for the redevelopment of the Starlings Site and Milton Road Car Park. That business case came to Cabinet in September 2019 and Cabinet approved the acquisition and redevelopment of the Starlings site and the demolition of the Milton Road Car Park; and allocated £1.595m funding to the project from existing budgets. £86,000 of this fund was allocated to the demolition of Milton Road Car Park.

##### ***Starlings***

The works aim to bring back into productive use a vacant and derelict site, which currently blights the town and has a negative impact on Dovercourt High Street. The new Starlings Car Park provides 51 parking spaces with four disabled bays and a minimum of four charging points for Electric Vehicles, able to charge up to eight cars.

The project has significant benefits. It will create a more accessible public car park; provide the potential for a multi-use 'event space' in the town centre, as the carpark is designed at a level. This will improve footfall in the town and reduce opportunities for crime and disorder. This investment should create confidence in the market to encourage private sector investment within the town centre; and give the town's existing traders the confidence to

invest in their businesses and in their property. It will bring new amenity into the town centre with new toilets, and a high quality design scheme for the public realm.

Since Sept 2019, Phase 1 of the Starlings redevelopment was completed with the initial feasibility, survey and site investigation. A Portfolio Holder decision dated April 2020 provided authorisation to proceed with the land acquisition and detailed design and the land for the Starlings site was acquired in August 2020 at a cost of £528,000.

The main scheme was developed with detailed design by Richard Jackson Ltd in 2020/21 with a total of approximately £670,000 spent on the project to date. Competitive tenders were sought for the scheme in Autumn in 2021, and received. The project consultant's Richard Jackson Ltd has reviewed the tenders and made a recommendation.

The tenders have come back in line with the significant inflationary costs in materials and labour in the construction industry in the last six months. Following evaluation and assessment the lowest and recommended tender is for £827,724. There have also been additional costs identified for the scheme, including for the electrical vehicle charging scheme and proposals for a left turn option into the carpark. As a result, the total cost of the Starlings scheme is estimated to be **£1,971,000**, an additional **£376,383** above the budget of £1,595,000.

Cabinet now has options on how to proceed. One option is to stop all works at this point, accepting the sunk costs into the project. The project would have created a design with planning permission and a tender pack for the works. It could be left to a point in time when the project could seek external funding, for example from the Levelling Up Fund. However, this would mean significant project delay on one of the Council's top priorities, with external funding uncertain.

An alternative option is value engineering. It is possible to reduce the costs of the scheme by removing the left turn option out of the carpark, which was brought in later in the design phase, remains a high risk to programme and to the budget, and has not yet been approved by Essex Highways. This saves £30,000. It is recommended that the saving is taken.

This could include removing or delaying construction of the toilets, which would save about £70,000, changing the level so that the carpark was sloped rather than flat, removing the need for a retaining wall, which would reduce costs in the region of £100,000. However, these two changes significantly reduce the amenity of the scheme, given the age of the Milton Road Car Park toilets to be replaced, and that the purpose of creating a level car park is to enable it as an events space which has the opportunity to bring people into the centre of the town. If the carpark is not level, there may be delays to the programme with the need to return to planning on the scheme.

The scheme could remove all or a proportion of the agreed £208,000 contingency, given that this is a fixed price contract. However, there remain risks to the project programme and to the budget set out in the risks section, including for example site contamination. So it is recommended to hold the budget for contingency to enable sufficient funds to be set aside for the project to complete.

Project costs can be reduced by seeking additional funding. Central government offers grants for up to 75 percent of electric vehicles charging points, which could save between £15,000 and £26,500, depending on the outcome of the bid. This funding option is being

pursued, which if successful would reduce the amount of investment required by the council set out in this report.

There is also the opportunity to save costs by postponing the demolition of the Milton Road Carpark.

### ***Milton Road progress and proposal***

The Milton Road Car Park was proposed in the Dovercourt Masterplan to be redeveloped as nine three bedroomed town houses above a shared under-croft car park and 15 public car parking spaces on Bagshaw Road. The aim was for the council to demolish the carpark and then to dispose of the site for housing to a private sector developer, housing association, or for council-led development to deliver the scheme. £86,000 was set aside for the demolition of the carpark, with the housing scheme expected to be viable without additional investment, and potentially generate a land receipt for the Council.

The Council appointed valuation surveyor in 2017 ascribed a value of £120,000 to the Milton Road site. The Council commissioned a second valuation (in line with protocols for site disposal) with Blackman and Partners Surveyors in April 2020 who valued the site at £200,000 with outline planning for nine three-storey townhouses. However the valuation indicated that for a developer to make an acceptable profit on the development the land value would have to be zero or negative.

Officers developed options for the site. They engaged with eight private developers and five housing associations in the summer of 2020 to consider whether they were prepared to develop the scheme. An option for development was possible at an estimated cost of £455,000 to the Council, including demolition costs, the £200,000 foregone land value, and contributions to public realm, and planning and project delivery costs.

Consideration was then given to the partial demolition of the existing Car Park site and toilets and for the lower deck to be retained for additional parking. However Potter Raper estimated the costs would be £140,000 for this work, significantly over the budget set aside by Cabinet for total demolition of £86,000. Construction cost inflation has increased significantly in the last six months, with the construction elements of the Starlings project nearly 50 percent over budget, and so full demolition is expected now to be over the £86,000 budgeted.

Cabinet could seek to set aside additional funding for the demolition of the upper deck of Milton Road Carpark now, in addition to the investment in the Starling Project. This would increase the amenity of the site and reduce the cost of any future development at Milton Road. However, it would increase the cost of the project now by a further £128,000. Total demolition would be a similar investment, and would reduce the overall number of parking spaces ahead of the completion of the new Starling carpark.

Cabinet could bring forward options for the Milton Road carpark once the Starlings project is complete. This would enable the budget set aside for the demolition of Milton Road car park to be invested into the Starlings project to support it to progress now. Once the Starlings project is complete, any spend against the £208,000 Starlings contingency will be known, creating the context for the potential to progress Milton Road. In addition, the potential for external funding from the Levelling Up Fund should also be clear.

As a result it is recommended that the Milton Rd Car Park be retained in its current form and that at least £74,000 of the funding set aside for demolition is used to reduce the additional

cost of the Starlings scheme. Up to £12,000 of the £86,000 budgeted for Milton Road demolition should be used to commission a report to determine the carpark's current condition and structural stability and the short/medium term maintenance requirements and costs. A future report will be brought forward to cabinet regarding the options for Milton Road carpark in 2022/23

### ***Summary of current position***

In summary the Cabinet is requested to approve that at least £74,000 of the £86,000 allocated to the Milton Rd Car Park demolition be transferred to the Starlings project, the left turn option to be abandoned. For a further additional sum of £272,383 to enable the current Starlings redevelopment scheme to proceed at a total cost of £1,867,383 to enable the current tender from the lowest priced contractor to be accepted and appointed to proceed with the works. The Council should also allocate up to £12,000 of the £86,000 currently budget to Milton Road Car Park to obtain an up to date report to determine the condition and future costs and maintenance requirements of the Car Park to enable safe use in an interim period. A report on the future of the Milton Road Project to be brought to Cabinet during 2022/23.

### **RECOMMENDATION(S)**

**It is recommended that Cabinet:**

- a) place an additional sum of £272,383 in the Capital Programme from the Business Investment and Growth Fund towards the Starlings Project;**
- b) postpone demolition of Milton Road Car Park and bring forward options for the site later in 2022/23;**
- c) approve up to £12,000 from the funding allocated to demolish Milton Road Car Park to commission a report into the current condition of the Car Park and its immediate maintenance requirements and costs to safely operate;**
- d) approve the allocation of the remainder of the Milton Road Car Park demolition costs from the original 2019 September Budget to the Starlings project; and**
- e) note that the subject to a)-d) above, officers will proceed with procurement of the contractor.**

## **PART 2 – IMPLICATIONS OF THE DECISION**

### **DELIVERING PRIORITIES**

The redevelopment of the Starlings site and Milton Road Car Park respond directly to the Corporate Goals identified within the Council's Corporate Plan and to the objectives of the Council's Economic Development Strategy (EDS). The Starlings site and Milton Road projects also accord with the Council's Community Leadership Role and with the aims and objectives of the Council's Dovercourt Town Centre Masterplan, which was approved by Cabinet in July 2019.

Tendring Economic Strategy (2020 – 2024)

The Tendring Economic Strategy was updated in 2020. The Strategy uses evidence from Office of National Statistics to demonstrate that there have been some important changes in the district's economy in recent years which require a change in approach.

The Strategy sets out five objectives:

Objective 1: Supporting the Economy of Tendring's Places

Objective 2: Targeting Growth Sectors

Objective 3: Ensure Residents have the Skills and Information to Participate

Objective 4: Support Growth & Innovation in Tendring's Businesses

Objective 5: Delivering Housing to Support the District's Economic Objectives

### Back to Business (2021)

The Council's Back to Business Plan seeks to support the district's recovery from the Covid-19 pandemic.

The Plan seeks to target action that will secure improvements to the environment and the quality of life, and to provide support for the district's residents, businesses and the wider economy in order to support Tendring's recovery from the challenges of the pandemic.

The proposed development is identified as a priority project within the Back to Business Delivery Plan.

## **FINANCE, OTHER RESOURCES AND RISK**

### **Finance**

The original budget, forecast costs, and proposed savings are set out in the table below. This shows that the programme is over budget by £272,383, with a £208,000 contingency retained for the build phase, given the risks and issues that remain. This is a result of additional identified costs during the design phase, including bringing power to the site and CCTV, the tender prices returned for construction coming in £266,724 over budget, professional fees to manage the project, and savings on the land and legal costs against the budget. The build contract is a fixed price, which will reduce further cost inflation risks to the council from the project.

The additional funding to meet the shortfall in project costs of £272,000 will be sourced from the Business Investment and Growth Fund, given the economic benefits to Dovercourt town centre expected from the project.

Applications for 75 percent of the budget costs for electric vehicle charging will be submitted to government, which could save this budget between £15,750 and £26,500, if there were a successful outcome. These are not included in the table below.

<b>Cost Type *Excl VAT</b>	<b>Budget Cabinet Paper at Q3 2019</b>	<b>Forecast cost based on tender + actual land value</b>	<b>Variance</b>
Starlings Construction Costs			(£266,724)

	£561,000	£827,724	
Milton Rd Demolition	£86,000	£86,000	£0
Estimated Prof Fees & Surveys, Feasibility & PM	£115,000	£115,000	£0
Additional Estimated Costs - UKPN Power Supply - EV Chargers - Hoardings & Art Work - CCTV - Other Costs	£0	£128,750	(£128,750)
Land & Legal Costs	£625,000	£527,565	£97,435
Agency Costs	£0	£78,344	(£78,344)
Original Project Budget Contingency	£208,000	£208,000	£0
Sub total	£1,595,000	£1,971,000	£376,383
<b>Recommended cost reduction decisions</b>			
Postpone Milton Rd Demolition		-£74,000*	
Remove left turn option		-£30,000	
Total Est. Project Budget	£1,595,000	£1,867,383	£272,383

\* Up to £12,000 retained in to assess the safety of Milton Road Carpark for the medium term.

## Risks

The successful delivery of the project is subject to risks and known issues which could impact the programme timeline and the budget. Some of the key risks and issues are included below. The council's team overseeing the project will maintain close oversight to ensure progress, working with the project management consultants and contractor.

Risk or issue	Impact	Description / mitigation
Statutory Undertakers	Programme: High Budget: High	Delay in receipt of permissions for new services to site i.e. UKPN and Anglian Water. Insufficient services to meet design requirements. Application to make connection to existing sewer
Material Supply	Programme: High Budget: High	Increased costs of materials could result in longer lead-in times or need

		for design changes. Planning, budget and cost impact.
Car Park Left Turn Option	Programme: High Budget: High	Consultation with ECC to determine feasibility and provide cost estimate & submit Option as Planning amendment. Await ECC Assessment
Impact on property & Services	Programme: Med Budget: High	Council & Contractors Insurances & Project Management by Method Statement Control, Party-wall agreements and CDM Procedures. Detailed site investigation /trial holes.
Asbestos & Contaminants Remedial Works Risks	Programme: High Budget: High	Ensure Remedial Method Statement is agreed with Council Technical Officer
Inflation/Price Increases	Programme: Low Budget: High	Escalating cost increase of materials could result in need for design changes or increase in budget. Inflation costs higher than previously budgeted leading to increase in costs.
Existing site perimeter pavements	Programme: Med Budget: High	Ensure provision is made for the reconstruction of existing site perimeter pavements with specification agreed with ECC Highways.
Electric Car Charging	Programme: Med Budget: High	Ensure Car Charging Specification is completed and agreed equipment ordered and power supplies with separate metering
Utilities facilities to Site	Programme: Med Budget: Med	Ensure utilities facilities are supplied and installed on site for use of Car Park as open space.
Barriers	Programme: Med Budget: Med	Review with ECC
Railings	Programme: Med Budget: High	Agree and approve Railings specification design
Brickwork	Programme: Low Budget: Med	Agree and approve Brickwork specification mortar and joint finishing
Retaining Walls	Programme: High Budget: Med	Agree and review Retaining Wall designs to meet EEC AIP Standards
Signing & Lining Plans & Schedules	Programme: Low Budget: Med	Agree signing and lining Plans and Schedules to meet ECC Parking & Highway standards
Car Park Operation & Barriers	Programme: Med Budget: High	Determine with Head of Car Parks operation, open and closing arrangement of car park barrier and lighting times.
CCTV	Programme: Low Budget: High	Ensure CCTV is provided to cover Car Park Toilets & Northern Boundary with High St
Confined working In Town Centre	Programme: High Budget: Med	Ensure, suitable Path/ Road Closures are provided & reallocation of Parking

Environment with Mixed traffic & pedestrians risks		, Pedestrian & Traffic Barriers and Signing in accordance with CDM Procedures & Method Statements
Budget	Programme: Med Budget: High	Lack of Client budget available to undertake works as a result of inflation/material price increases and heated tender market.
Inclement Weather	Programme: Med Budget: Med	Poor weather conditions experienced clashing with construction phase leading to programme and cost impact.

## LEGAL

The Starlings site was acquired under Section 227 of the Town and Country Planning Act 1990 (as amended) for the purpose of the development, re-development or improvement likely to contribute to the achievement of any one or more of the following objects:

- (a) the promotion or improvement of the economic well-being of their area;
- (b) the promotion or improvement of the social well-being of their area;
- (c) the promotion or improvement of the environmental well-being of their area.

The Council is under a legal obligation to consider options on how the site can be used to demonstrate these objects and consideration of them has been set out in the body of the report.

In addition, following acquisition of the Starlings site, this land is held within the General Fund together with Milton Road Car Park. In coming to decisions in relation to management of General Fund assets, the Council must act in accordance with its statutory duties and responsibilities. Under case law following Section 120 of Local Government Act 1972, the Council is obliged to ensure that the management of its assets are for the benefit of the district.

Councils are empowered to promote and build greater economic growth through regeneration projects using subsidiary powers under Section 111 of the Local Government Act 1972 and General Power of Competence under Section 1 of the Localism Act 2011.

## OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed recommendation in this report with respect of: Crime and Disorder; Equality and Diversity; Health Inequalities; Area or Ward Affected; Consultation and Public Engagement, and any significant issues are set out below:

Evidence suggests that there is a direct link between economic prosperity and social inequality. The Starlings Project seeks to improve the economic performance and vitality of the town by creating a more appealing environment through targeted interventions focussed on vacant and rundown sites, and by securing improvements in the quality of the public realm. The acquisition and redevelopment of the Starlings site are identified as being critical components to securing the successful transformation and renaissance of Dovercourt Town Centre.



### Area or Ward Affected

The Starlings site is located within the District's Harwich and Kingsway Ward.

### Consultation and Public Engagement

In refreshing the Dovercourt Town Centre Masterplan the Council's professional team (Urban Initiatives Studio) undertook two consultation events. These sought to secure the views, thoughts, aspirations and comments of:

- The Council's Cabinet;
- Ward Councillors;
- The Harwich and Dovercourt Coastal Communities Team;
- The Harwich and Dovercourt Tourism Group;
- Essex County Council (Localities and Highways Teams);
- The Council's Corporate Team; and
- Relevant Heads of Service.

### Equality and Diversity

The proposed development responds to the government's levelling up agenda and seeks to provide a car park and events area which is accessible and sympathetic to needs of the community. This will increase opportunities for local entrepreneurship, and grow and retain economic activity and job creation in the local area. We do not expect this development to have a negative impact on groups with protective characteristics.

### Environment and Carbon Neutrality

In all aspects the proposed development will respond to the requirements of the Building Regulations 2010. The design will seek to limit its impact on the climate via the use of green technologies by the inclusion of Electric Vehicle charging points.

The scheme seeks to improve the public realm and will include the ability to provide an events area. Improved public realm of the area and road safety will also improve the environmental conditions.

## **PART 3 – SUPPORTING INFORMATION**

### **BACKGROUND**

Dovercourt has suffered from the generic decline in the popularity of English seaside towns and as a consequence of this and other local factors (such as the transformation of working practices at Harwich International Port), and the decline of other industry, the town's economy has contracted. The condition of the built environment and the quality of the public realm has seen a commensurate decline. Dovercourt High Street has lost its pre-war (WW2) zest and vitality, and this is demonstrated by the number of derelict residential and commercial premises that are located in close proximity to the town centre.

By the beginning of 2018 it had become increasingly apparent that market conditions in Dovercourt were such that its social and economic stability was becoming progressively fragile and that these conditions would negatively impact the town's medium and longer term

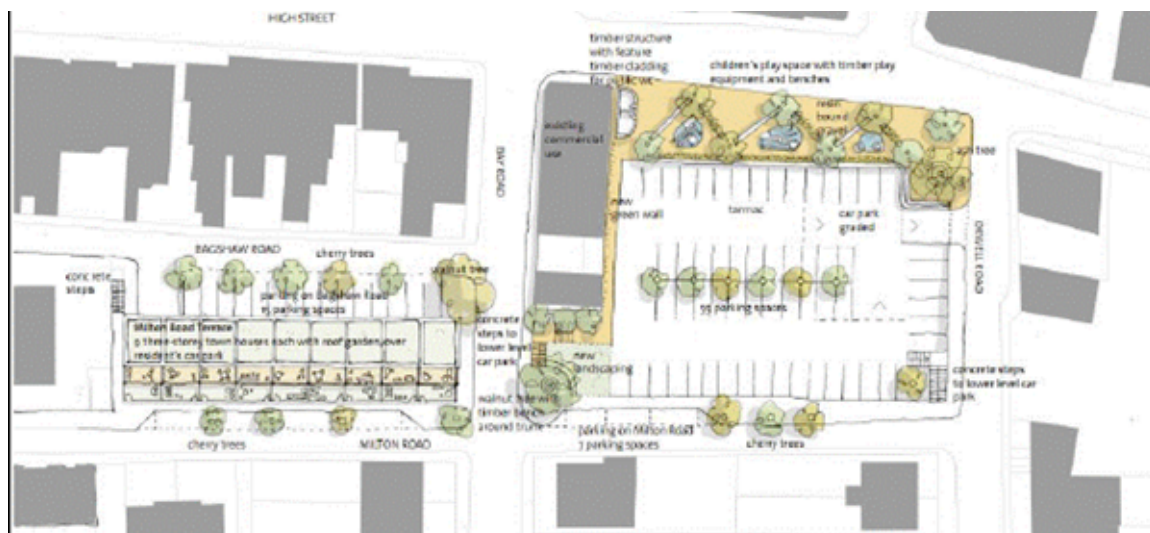
sustainability. As a consequence the Council resolved to prepare a masterplan for the town centre in which the opportunities to halt the towns terminal decline would be researched, and project proposals identified that together would help rediscover Dovercourt's former glory, and secure a renaissance in the town's social vibrancy and economic prosperity.

At its meeting in July 2019 Cabinet approved the strategy for the revitalisation of Dovercourt town centre, which set out a positive vision to guide development and identified twenty projects to attract residents and visitors, and to improve the image and quality of the centre (called the 'Dovercourt Masterplan Revisited'). The acquisition and redevelopment of the Starlings site and the demolition and redevelopment of the Milton Road Car Park feature as priority projects (Projects 1 and 2) within the Dovercourt Twenty. These projects seek to secure positive social, economic and environmental outcomes for Dovercourt by:

- a) Bringing back into productive use a vacant and derelict site, which currently blights the town and has a negative impact on Dovercourt High Street
- b) Supporting wider 'place shaping' objectives through the delivery of new housing;
- c) Creating a more accessible public car park, and improving footfall in the town;
- d) Creating new public realm and amenity space, providing the opportunity for greater animation thereby creating a more vibrant town centre;
- e) Providing the potential for a multi-use 'event space' in the town centre, through the creative use of the proposed new surface car park;
- f) Reducing the opportunities for crime and disorder through improved urban design;
- g) Creating confidence in the market, and encouraging private sector investment;
- h) Giving the towns existing traders the confidence to invest in their businesses and in their property; and
- i) Providing a high quality meeting place in the town centre improving the opportunities for positive social engagement.

The Cabinet also agreed at that meeting to the preparation of a detailed business case for the redevelopment of the Starlings Site and Milton Road Car Park. That business case came to Cabinet in September 2019 and Cabinet approved the acquisition and redevelopment of the Starlings site and the demolition of the Milton Road Car Park; and allocated £1.595m funding to the project from existing budgets. £86,000 of this fund was allocated to the demolition of Milton Road Car Park.

**Outline Site Layout (Starlings Site and Milton Road Car Park)**



## Starlings

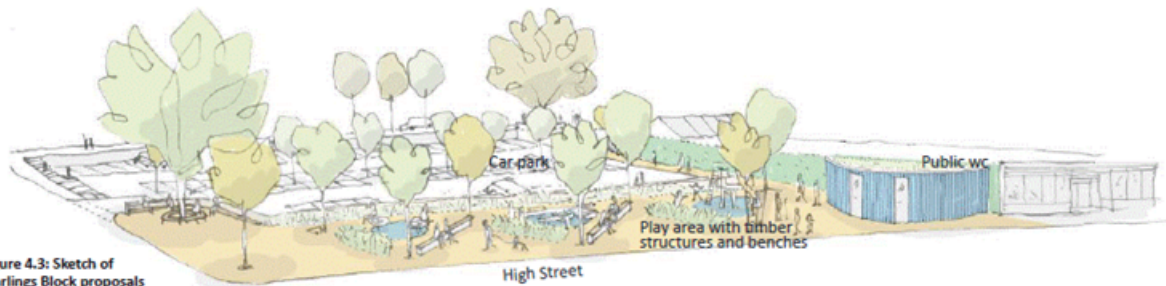


Figure 4.3: Sketch of Starlings Block proposals

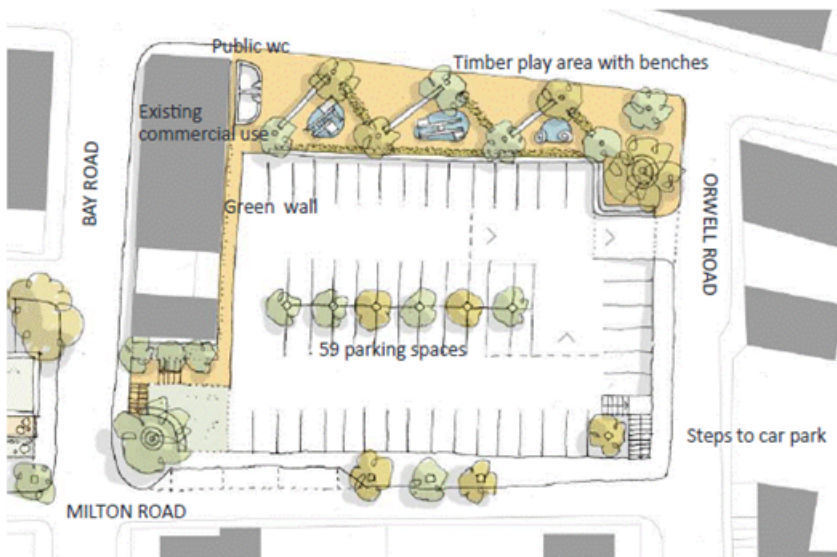


Figure 4.4: Plan of Starlings Block site proposal

### HOW IS IT DELIVERED?

Requires land assembly by the council and delivery as a capital project.

**REGENERATIVE IMPACT:**  
VERY HIGH

## Outline Proposals for the Starlings Site

The works aim to bring back into productive use a vacant and derelict site, which currently blights the town and has a negative impact on Dovercourt High Street. The new Starlings Car Park provides 51 parking spaces with four disabled bays and a minimum of four charging points for Electric Vehicles, able to charge up to eight cars.

The project has significant benefits. It will create a more accessible public car park; provide the potential for a multi-use 'event space' in the town centre, as the carpark is designed at a level. This will improve footfall in the town and reduce opportunities for crime and disorder. This investment should create confidence in the market to encourage private sector investment within the town centre; and give the town's existing traders the confidence to invest in their businesses and in their property. It will bring new amenity into the town centre with new toilets, and a high quality design scheme for the public realm.

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The tenders have come back in line with the significant inflationary costs in materials and labour in the construction industry in the last six months. Following evaluation and assessment the lowest and recommended tender is for £827,724. There have also been additional costs identified for the scheme, including for the electrical vehicle charging scheme and proposals for a left turn option into the carpark. As a result, the total cost of the Starlings scheme is estimated to be **£1,971,000**, an additional **£376,383** above the budget of £1,595,000.

Cabinet now has options on how to proceed. One option is to stop all works at this point, accepting the sunk costs into the project. The project would have created a design with planning permission and a tender pack for the works. It could be left to a point in time when the project could seek external funding, for example from the Levelling Up Fund. However, this would mean significant project delay on one of the Council's top priorities, with external funding uncertain.

An alternative option is value engineering. It is possible to reduce the costs of the scheme by removing the left turn option out of the carpark, which was brought in later in the design phase, remains a high risks to programme and to the budget, and has not yet been approved by Essex Highways. This saves £30,000. It is recommended that the saving is taken.

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The scheme could remove all or a proportion of the agreed £208,000 contingency, given that this is a fixed price contract. However there remain risks to the project programme and to the budget set out in the risks section, including for example site contamination. So it is recommended to hold the budget for contingency to enable sufficient funds to be set aside for the project to complete.

Project costs can be reduced by seeking additional funding. Central government offers grants for up to 75 percent of electric vehicles charging points, which could save between £15,000 and £26,500, depending on the outcome of the bid. This funding option will be pursued, which if successful would reduce the amount of investment required by the council set out in this report.

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a similar investment, and would reduce the overall number of parking spaces ahead of the completion of the new Starling carpark.

Cabinet could bring forward options for the Milton Road carpark once the Starlings project is complete. This would enable the budget set aside for the demolition of Milton Road car park to be invested into the Starlings project to support it to progress now. Once the Starlings project is complete, any spend against the £208,000 Starlings contingency will be known, creating the context for the potential to progress Milton Road. In addition, the potential for external funding from the Levelling Up Fund should also be clear.

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## **BACKGROUND PAPERS FOR THE DECISION**

July 2019 Cabinet Report  
September 2019 Cabinet Report

## **APPENDICES**

None