CABINET

26 JULY 2024

REPORT OF THE PORTFOLIO HOLDER FOR ECONOMIC GROWTH, REGENERATION AND TOURISM

A.5 <u>UPDATE ON OFFICER INVESTIGATIONS OF MILTON ROAD AND VICTORIA</u> STREET, DOVERCOURT SITES

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To note progress of the Officer investigations into the opportunity to bring forward the Milton Road element of the Dovercourt scheme from the Capital Regeneration Project funding, and to agree the demolition of Milton Road car park and 20 Victoria Street, and to agree drawdown of Capital Regeneration grant funding complemented by £250,000 as set out in this report to progress this work.

EXECUTIVE SUMMARY

Capital Regeneration Project Funding

- On 23 June 2023 Cabinet considered a report titled 'Clacton Civic Quarter Levelling Up Fund (LUF) Bid, Dovercourt Town Centre Improvement Corridor Capital Regeneration Project (CRP) Bid'. This report recommended approval of the Heads of Terms for two funding agreements to be developed between Tendring District Council (TDC) and Essex County Council (ECC). Further information on the funding agreements can be found in previous Cabinet reports (see previous relevant decisions below).
- On 6 October 2023 Cabinet considered a report titled 'Levelling Up Fund and Capital Regeneration Projects - Progressing the Projects to Planning Permission'. This report recommended drawing down a further £1,898,421 from the remaining match funding of £2,041,460, to cover professional fees for all stages of the project.
- On 19 April 2024 Cabinet considered a report titled 'Financial Performance Report 2023/24 - General Update at the end of December 2023' and agreed to determine the mix of funding from the Council's own approved contribution and the money made available by the Government to support both the LUF Scheme in Clacton and the CRP Scheme in Dovercourt, within financial parameters previously agreed and until the next significant project milestones are reported to Cabinet.

Dovercourt Town Centre Improvement Corridor Change Request and Homes in Dovercourt scheme

 On 7 February 2024 the Council submitted a change request to government in relation to the delivery of the Dovercourt Town Centre Improvement Corridor CRP scheme.
 This change request was to allow the Council to relocate the housing element of the scheme. At time of bid submission, the housing element was planned to be sited at the location of Milton Road car park, however the change request suggested the relocation of the housing element to the two derelict sites at Victoria Street, Dovercourt, and the demolition of the existing structure at Milton Road car park, with the subsequent reinstatement of ground level car parking. Cabinet agreed the acquisition of these sites on 17 June 2022, and the Council completed the acquisition on 8 February 2024. On 7 May 2024, Government advised the Council that the change request had been approved.

- Following the approval of the change request, on 24 May 2024, Cabinet requested that
 officers investigate the opportunity to bring forward the Milton Road element of the
 Dovercourt scheme and report the outcome back to Cabinet in the context of the wider
 scheme.
- The change request brings with it additional pressure on the project budget as the scheme now includes the regeneration / development of two sites rather than one under the original proposals. It is also worth highlighting that there is likely to be additional financial pressure due to the two brown field sites at Victoria Street including the former site of the Victoria Hotel, whose ground condition has not yet been assessed. Experience of the Orwell Place carpark development is that there is the potential for extensive ground contamination in Dovercourt. And further it requires works to take place on three sites rather than one, with works still required to replace the two-level Milton Road carpark with a flat carpark.
- As a result it is prudent to assign additional funding to the project to bolster the
 contingency and create a 'risk pot' that can be drawn down, if required, to tackle
 unforeseen issues with the development, including but not limited to ground conditions
 and cost inflation.
- With the above in mind, as set out within Item A.9 elsewhere on the agenda, it is
 proposed to set aside £0.250m to complement the existing CRP funding and support
 the emerging changes to the project.
- On 7 June 2024 it was agreed via Officer Decision to progress operational issues relating to clearance of the sites at Milton Road and Victoria Street, including site clearance of rubbish and overgrowth, making safe the sites for access, carrying out initial surveys (topographic and utilities) at the Victoria Street sites, and party wall matters.
- This report sets out the benefits to bringing forward the Milton Road and 20 Victoria Street demolitions, along with the anticipated costings, and requests a drawdown of the awarded Ministry of Housing, Communities and Local Government (MHCLG, formerly DLUHC) grant funding, to progress the demolition by an external contractor procured following the Council's procurement procedure rules, which will be complemented by the creation of the proposed 'risk pot' mentioned above.
- The Milton Road Carpark, which comprises 35 spaces on a ground and upper floor, is beyond its useful life and has been closed since the opening of the Orwell Road Carpark and events space opposite in September 2023.
- However, demand remains for additional parking in Dovercourt, in particular on market days (Friday), and when Orwell Place is used as an events space, which is up to 14

times a year. The design of the future carpark at Milton Road is currently underway, with consultation taking place in July and August 2024 on designs.

- The building at 20 Victoria Street is derelict, fire damaged, and beyond repair and so
 for the project to progress with the development of new properties, it is required to be
 demolished.
- The proposed demolition of the existing structures can be completed without planning permission, which can therefore be undertaken ahead of the rest of the project that is in the design stage. Following the determination of planning permission for the full project in early 2025, the tender for the main construction works will be let, followed by award and then construction.
- Bringing forward the demolition to Summer / Autumn 2024 has the following potential benefits:
 - Cost certainty now rather than potential inflationary pressures later
 - Releases any unused risk allowance to be included in the overall development budget
 - Reputational advantage of undertaking works committed which will increase site safety and security for the public and neighbours
 - Better informed subsequent design, as any unknown risks via demolition will have been resolved prior to the start of the main works and so it de-risks the project's delivery
- However, as with all construction projects there are risks, most notably that the tender price comes in ahead of cost estimations, which could require a review of the overall project, leading to a potential requirement for redesign or value engineering, and so an impact on the overall project timeline.

RECOMMENDATION(S)

It is recommended that Cabinet:

- a) agrees, subject to the full level of required funding being allocated, to the demolition of Milton Road, Dovercourt car park;
- b) agrees, subject to the full level of required funding being allocated, to the demolition of the dangerous structure at 20 Victoria Street, Dovercourt;
- although subject to the decision set out within Item A.9 elsewhere on the agenda, allocate the additional identified sum of £250,000 to increase the overall budget to £3,798,751;
- d) subject to a) to c) above, agrees to draw down a budget of £0.450m from within the overall sum of £3,798,751 to progress demolition and associated works; and
- e) subject to (a) to (d) an external contractor will be commissioned to undertake the demolition works in accordance with the Councils Procurement Procedure Rules.

REASON(S) FOR THE RECOMMENDATION(S)

Carrying out the demolition of the existing car park on the Milton Road site, as well as removing the fire damaged structure at 20 Victoria Street, will ensure the sites are ready for development in time for commencement of the main works, and allow the sites to be made safe. Demolition

will also allow the lower level of Milton Road car park to be brought back into use while detailed design and planning submissions are developed.

These enabling works will also de-risk the site in terms of safety for the public, as well as financially for the programme, since the cost inflation risk will be reduced by delivering this aspect of the works early.

The proposals will also allow the lower level of Milton Road car park to be brought back into use sooner, which will provide additional parking for Dovercourt Town Centre, and support for events at Orwell Place.

The proposed allocation of the additional £250,000 from Council funds as proposed within Item A.9 elsewhere on the agenda, will enable the creation of a budget / risk pot, given the additional uncertainties associated with the Victoria Road sites and the re-provision of parking spaces at Milton Road.

ALTERNATIVE OPTIONS CONSIDERED

To carry out all construction activities at the same time. Milton Road car park and 20 Victoria Street would then be demolished as part of the wider construction programme. The benefit of this approach is that the tender price for all works would come in together, so the Council could take a decision in the round depending on tender prices on whether to proceed or not, or what to value engineer. However, there is more risk overall in this approach because the cost of the demolition element would not be established before the Council goes out to tender. Demolishing the structures now creates certainty on that element of cost. It also brings forward works, so reducing inflation risks to costs, and brings forward the benefits of demolition, in the look of the site.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The Council adopted its current Corporate Plan in November 2023. The Capital Regeneration Projects (CRP) meet the following themes in the plan: 'Pride in our area and services to residents; Raising aspirations and creating opportunities'; and 'Working with partners to improve quality of life'.

The Council's new Corporate Priorities include raising aspirations and creating opportunities. Under this objective there is a specific objective to implement the Levelling Up Fund and Capital Regeneration Partnership Projects.

On 12 March 2024 the Cabinet agreed its Highlight Priorities for 2024/25, which included Priority B2: implement Levelling Up Fund, Capital Regeneration Partnership Projects and High Street Accelerator Schemes, taking these through design and planning.

OUTCOME OF CONSULTATION AND ENGAGEMENT

During the public consultation exercise for ECC's Public Realm scheme, which forms part of the Dovercourt Town Centre Improvement Corridor CRP scheme, the Council received feedback from residents regarding the location of the housing at Milton Road and the loss of parking as a result of the proposed scheme. To respond to this feedback, the Council submitted the change request to Government outlined above in this report and has now been advised this request was successful.

Further information on the consultation and engagement linked to the CRP projects can be found in previous Cabinet reports (see links to previous decisions below).

LEGAL REQUIREMENTS (including legislation & constitutional powers)			
Is the recommendation a Key Decision (see the criteria stated here)	yes	If Yes, indicate which by which criteria it is a Key Decision	 □ Significant effect on two or more wards ■ Involves £100,000 expenditure/income □ Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	Update on Officer investigations of Milton Road and Victoria Street, Dovercourt sites were added to the Forward Plan on 29/05/2024.

Milton Road Car Park is held within the Council's General Fund. 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.

Section 2 of the Local authorities Land Act 1963 provides a general power of local authorities to develop land

(1) Subject to the provisions of this Act, a local authority may, for the benefit or improvement of their area, erect any building and construct or carry out works on land.

Milton Road will remain designated as a Parking Place (a.k.a. a Car Park) under Section 32 of Road Traffic Regulation Act 1984, the works identified to Milton Road are for the benefit of the area and to improve the Car Park.

The acquisitions of the sites at Victoria Street were funded from within the HRA for the purposes of the provision of housing accommodation. The Council's legal powers for Housing Revenue Account funded acquisitions are under the Housing Act 1985 sections 9 and 17, which includes acquiring sites for the erection of houses, therefore demolition of the unsuitable buildings are required in the first instance.

The commissioning of the contractors to undertake the demolition works, in not being carried out by in-house resources, will be undertaken in accordance with the Council's Procurement Procedure Rules as set out in Part 5 of the Constitution.

yes

The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:

The Monitoring Officer has personally reviewed and contributed to governance aspects within the report, including the recommendations and legal requirements section and has nothing further to add.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Dovercourt CRP

The total bid for the Dovercourt Town Centre Improvement Corridor was £6,652,251. The costs for Project Two: Homes in Dovercourt, are as follows:

Total request to Levelling Up Fund: £3,332,251

Match Funding Contribution provided by TDC at bid stage: £216,500

Total project costs at bid stage: £3,548,751

This report along with an associated item set out within item A.9 elsewhere on the agenda proposes a further allocation of £250,000 of funding towards a risk pot to support the programme, which would bring the total project budget to £3,798,751. Of this total budget, the Council will draw down £450,000 towards the enabling works including demolition of number 20 Victoria Street and Milton Road Carpark and associated works which are reflected in the current estimated overall costs of the project. The Council is therefore bringing forward spend on demolition that was already forecast in the cost profile, and supporting that with a further risk contingency element.

Site Clearance and Demolition

A budget for demolition has already been included within the total project costs but due to the development of the project now being across two sites, as mentioned earlier in this report, costs may increase. It is also acknowledged that subject to the on-going development of the project there may be opportunities to accommodate such costs within the original budgeted sum.

The project team has reviewed market data and cost benchmarks in determining the estimate projects costs for the works within the programme to ensure that sufficient budget is allocated, as set out elsewhere.

With the above in mind, it is felt prudent to set aside further funding at this stage of the project to support the success of its delivery. The proposal to allocate an additional sum of £0.250m would therefore complement the money available within the original CRP Grant / total budgeted scheme costs.

Prioritising the demolition activities and incurring these costs sooner has the potential to allow actual costs to be obtained more quickly, resulting in a more accurate picture of funds available for the construction phase of the work at the point that goes out to tender.

Funding

Within item A.9 set out elsewhere on the agenda, the additional sum of £0.250m highlighted above has been included. The recommendations above therefore remain subject to this funding being approved later on in the agenda.

yes

The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:

It is worth repeating a point elsewhere in the report in respect of the potential opportunities to accommodate the additional costs of working across two sites rather than one within the original budget. However to support the success of the project, setting aside additional funding at this stage is both a pragmatic and prudent position to adopt and if favourable opportunities do arise in the future then they would be included subsequent reports as necessary.

It is also important to acknowledge that the Council owns both sites so has the underlying responsibilities that comes with such ownership. It could therefore be argued that the need to undertake the proposed work exists regardless of the development of the wider CRP scheme, but maximising the benefit of utilising the associated CRP grant funding, complemented by the Council's own resources, provides a timely and value for money approach.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;

The two projects led by the Council will develop or renew council assets. The Victoria sites will develop 9-12 social homes, and the Milton Road element will renew an outdated multi-storey car park. This will support on going service delivery to residents and visitors to the district. The delivery of the project brings in substantial external matched funding to achieve these ends, reducing the burden on local council tax and ratepayers.

B) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and

There is a programme and project manager overseeing delivery of these schemes who actively manage risk at a project and a programme level, with monthly reporting to the programme board of the top ten risks and mitigations. The financial risks are highlighted clearly.

C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

These are capital projects seeking to – in part - renew council assets to improve the quality of the service. Costs are managed closely and lessons from previous capital delivery schemes are reflected in the delivery of these projects.

MILESTONES AND DELIVERY

The key milestones to take the respective TDC led projects through to submission of planning applications are as follows:

Development Brief Finalised: End-Oct 2023 Development Brief Approved: Mid-Nov. 2023

Procurement of Pre-construction Information: Mid-Nov. 2023 – June 2024

Procurement of Key Design team members -Late April. 2024

Procurement of relevant designers, advisors and consultants – April-May 2024 Procurement and delivery of demolition (subject to decision) - August-October 2024

Detailed Planning Application lodged – October 2024

Production of cost plan, construction phase plan, production of construction tender documentation—Nov. 2024

ASSOCIATED RISKS AND MITIGATION

Delivering projects of this size and scale presents a risk to the Council in terms of resourcing project delivery alongside business as usual, the work needed to support the council become financially sustainable in the long term, and other levelling up projects. The burden falls heavily on the core functions of the Council which are designed to support all that work, such as the legal, financial, and procurement services. The Council is scaling up capacity in these areas with a report on this agenda proposing increases to capacity.

The risk of overspend exists in capital projects, given the uncertainty in design and delivery at this early stage. This is especially the case on brownfield sites with unknown ground conditions. As a result, we have allocated additional funding to a 'risk pot', so that we have set aside funding early should it be required.

The risk to the demolition is that tendered prices are substantially higher than estimates, leading to a requirement to look again the budget for the overall programme, and potentially revise the scope of the project.

The key wider risks to the programme have been set out in the May 2024 Cabinet report (See previous decision below).

EQUALITY IMPLICATIONS

EQIAs were developed for both bids and are intended to be living documents, which are updated throughout the scheme.

Key findings for both the LUF and CRP programmes of work have been set out in further detail in previous Cabinet reports. There are no specific equality consideration for the demolition aspects of the scheme, or allocation of the risk pot of funding.

SOCIAL VALUE CONSIDERATIONS

TDC has entered into a Service Level Agreement (SLA) with ECC to undertake its procurement process, with TDC contributing a fee to ECC to deliver key procurement activities and enables TDC access the wider knowledge of the ECC in-house team. TDC's SLA with ECC ensures the Council's procurement follows a compliant contracting process in accordance with legislation and policy and the commissioning of the Professional Team will be undertaken through this route.

The projects themselves also aim to deliver social value. Further information on the social value within both the Milton Road housing scheme, and the other projects being delivered within the CRP programme of work, can be found in the May 2024 Cabinet report.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

Further information on this is set out in the May 2024 Cabinet report.

It is the case that reusing existing buildings rather than demolishing and rebuilding uses less carbon, as there is embedded carbon in the production of the original building, the power required to demolish a building will use carbon too, as will the need to move substantial amounts of heavy debris. However, 20 Victoria Street is beyond economic repair, given the fire damage, and the car park structure at Milton Road is well beyond its lifespan.

If it is possible to reuse elements of the materials either on site or in other construction, for example as hard core, this will be taken.

OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder	Redeveloping the Victoria Street sites will create improved visual amenity in the area, and the development of housing at the sites will contribute to the reduction of crime through increased natural surveillance.
Health Inequalities	The completion of the Homes in Dovercourt scheme will result in the provision of housing in an area which has demand on the housing register. TDC's Draft Housing Strategy 2019-2024 shows that 415 households (26%) on the housing register have a physical or mental health condition made worse by their housing, which this provision would move to address.
Area or Ward affected	Dovercourt Town Centre Improvement Corridor: Harwich & Kingsway Ward.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Council's Corporate Plan is committed to developing vibrant town centres and public spaces to be proud of, building and managing its own homes and offering joined up public services for the benefit of or residents and businesses. To this end, the Council published the 'Love Clacton' Plan in 2020 and 'Dovercourt Revisited' in 2019 that outline proposals for town centre regeneration.

The Council submitted two applications in August 2022 to Round Two of the Levelling Up Fund: £19,958,224 for the Clacton Civic Quarter, and £6,652,251 for Dovercourt Town Centre, as the projects that best fit these Government funding opportunities from the Love Clacton and Dovercourt Revisited proposals.

Both bids were developed jointly with Essex County Council, who allocated resource to develop the bids, own land and buildings within three of the projects, and has committed £8m of matched funding to the delivery of both bids.

On 15 March 2023 it was announced that a £6.65m bid for projects in Dovercourt Town Centre was approved, under Government's Capital Regeneration Scheme.

Dovercourt CRP

• Government notified the Council in January 2023 that its Dovercourt Town Centre Improvement Corridor bid was unsuccessful for LUF, but on 15 March 2023 Government announced the bid was successful in a sister fund, 'Capital Regeneration Projects' (CRP).

The funding from Government comprises:

- 1. Kingsway improvements: A major investment into the appearance of Dovercourt Town Centre to improve the visitor experience and support local businesses.
- 2. Learning and library project: The Adult Community Learning skills centre will return to Dovercourt town within a refurbished library, increasing the opportunities for residents to benefit from courses locally.
- 3. Homes in Dovercourt: Demolish an out-of-date multi-storey carpark at Milton Road and build nine new, well-built social homes.
- On 17 March 2023 Cabinet considered a report titled 'Financial Performance Report In Year Performance against the Budget at the end of Quarter 3 2022/23 and Long Term Financial Forecast Update'. In addition to accepting Government funding for the Clacton Civic Quarter LUF scheme, through that report Cabinet allocated £250,000 of Tendring District Council's match funding allocation for the above bids to support the development of the scheme for Clacton.
- On 23 June 2023 Cabinet considered a report titled 'Clacton Civic Quarter Levelling Up Fund (LUF) Bid, Dovercourt Town Centre Improvement Corridor Capital Regeneration Project (CRP) Bid'. In addition to accepting Government funding for the Dovercourt scheme, through that report Cabinet allocated usage of the £250,000 which had been drawn down in the March 2023 report, towards early preparations for the CRP scheme and agreed proposals for delivery of the respective projects in partnership with Essex County Council.

In accordance with the previous Cabinet decisions above, the Council and the Government have now signed the respective MoUs for both the LUF and CRP schemes. These MoUs denote an agreement to proceed and that the allocation of funding to the Council has passed the Government's subsidy control tests.

- On 6 October 2023 Cabinet considered a report titled 'Levelling Up Fund and Capital Regeneration Projects Progressing the Projects to Planning Permission'. This report recommended drawing down a further £1,898,421 from the remaining match funding of £2,041,460, to cover professional fees for all stages of the project.
- Essex County Council has subsequently increased its match funding to Library Scheme in the CRP. The latest figures are reflected in the financial information in this report.
- On 7 February the Council submitted a change request to government in relation to delivery of the Dovercourt Town Centre Improvement Corridor CRP scheme. This change request is to allow the Council to relocate the housing element of the scheme. At time of bid submission, the housing element was planned to be sited at the location of Milton Road car park, however the change request suggested the relocation of the housing element, to the two derelict sites at Victoria Street, Dovercourt. Cabinet agreed the acquisition of these sites on 17 June 2022, and the Council completed the acquisition on February 8 2024.
- On 7 May 2024, Government advised the Council that their change request had been approved.

- In September 2019 Cabinet approved concept designs and project proposals for the Starlings site in Dovercourt Town Centre and the demolition of the two-storey decked carpark on Milton Road (the site to be used subsequently for residential development), and allocated funding to secure delivery.
- On 28 January 2022, Cabinet agreed to postpone the demolition of Milton Road Car Park and bring forward options for the site later in 2022/23. The Milton Road Car Park project was then included in the Council's round 2 bid to the Levelling Up Fund, which was then awarded in a sister fund, Capital Regeneration Projects.
- Following the approval of the change request, on 24 May 2024, Cabinet agreed to request officers to investigate the opportunity to bring forward the Milton Road element of the Dovercourt scheme from the Capital Regeneration Project funding and report the outcome back to Cabinet in the context of the wider scheme.
- On 7 June 2024 it was agreed via Officer Decision that operational issues relating to clearance of the sites at Milton Road and Victoria Street, including site clearance of rubbish and overgrowth, making safe the sites for access, carrying out initial surveys (topographic and utilities) at the Victoria Street sites, and party wall matters, could be progressed.

PREVIOUS RELEVANT DECISIONS

Delivery

Levelling Up Fund and Capital Regeneration Projects: Procurement of site surveys

Victoria Street sites purchase

Decision – acquisition of land

Decision – completion of purchase

Decision – clearance of sites at Milton Road and Victoria Street

Round two

<u>Decision - Procurement Exercise To Secure A Levelling Up Bid Consultant</u>

Decision - Levelling Up Fund: Procurement of Consultants

Round one

Decision - Levelling Up Fund - Clacton Town Centre (tendringdc.gov.uk)

<u>Decision - Cabinet Members' Items - Report of the Business and Economic Growth Portfolio Holder - A.2 - The 'Levelling Up Fund' - Proposed Bid for Clacton Town Centre (tendringdc.gov.uk)</u>

Issue details - Clacton Town Centre: Bid to the Levelling Up Fund (tendringdc.gov.uk)

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

<u>Agenda Report Pack for Cabinet – Tuesday, 12th March 2024 – contains Highlight Priorities for 2024/25</u>

Levelling Up Fund Round 2 Prospectus

Regeneris Report (tendringdc.gov.uk)

Cabinet Report 25 June 2021

Agenda Report Pack for Cabinet - Friday, 25th February, 2022 - contains Corporate Priorities for 2022/23

Cabinet Report 17 June 2022

Cabinet Report 23 June 2023

Cabinet Report 6 October 2023

Cabinet Report 15 December 2023

APPENDICES

None

REPORT CONTACT OFFICER(S)			
Name	Rebecca Bromley		
Job Title	Project Manager		
Email	rbromley@tendringdc.gov.uk		