

East Herts Council Report

Executive

Date of meeting: Tuesday 5 September 2023

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Castle Park Improvement Project –match funding contribution via optioned sale of final community centre

Ward(s) affected: Bishop's Stortford North; Bishop's Stortford Parsonage;

Summary – The Castle Park project within the Council’s capital programme is delivering improvements to the areas known as Swarder’s Field and Waytemore Castle Gardens. The partnership work with stakeholders including Bishop’s Stortford Council (BSTC) and the National Lottery Heritage Fund (NLHF) means that the project has been funded through a variety of organisations including East Herts District Council. Additional funds have previously been raised after cost increases relating to the Pandemic, Brexit and the war in Ukraine resulting in significant increase in materials and construction costs and then following an unforeseen building subsidence issue.

A solution was agreed to secure these additional funds by selling some assets (Community centres) to the partner organisation, Bishop’s Stortford Town Council as part of an Options Agreement. The last of three community centres is now due to be sold. Capital receipts are required from this sale to secure the final stages of the project after further additional costs relating to unexpected

archaeology, deterioration of a repurposed building roof and environmental pressures.

RECOMMENDATIONS FOR EXECUTIVE:

- a) Approval of the sale of St Michael's Mead community centre pending trigger by BSTC as defined by the Options Agreement**
- b) That £125,000 of the capital receipt from the sale of St Michael's Mead community centre contributes to the funding gap for the Castle Park project**
- c) That the option sum of £15,000 and £30,000 (deduction in liabilities) is deducted from the sale of this last remaining centre at time of purchase**

1.0 Proposal(s)

- 1.1 That St Michael's Mead community centre is sold as defined by the Options Agreement pending BSTC exercising their option to purchase
- 1.2 That £125,000 of the capital receipt from the sale of St Michael's Mead community centre is used to contribute to the funding gap for the Castle Park project
- 1.3 That the option sum of £15,000 and £30,000 (deduction in liabilities) is deducted from the sale of this last remaining centre at time of purchase ($£170,000 - £15,000 - £30,000 = £125,000$ sale price)

2.0 Background

2.1 Additional funds were previously raised to meet unforeseen cost increases relating to the Pandemic, Brexit and the war in Ukraine which resulted in significant increase in materials and construction costs and then following the need to resolve a building subsidence issue.

2.2 Significant value engineering was carried out to omit any elements of the overall project works that were not essential to achieve the deliverable elements required by NLHF as part of their grant conditions.

2.3 The previous cost pressures and an Options Agreement solution to raise funds to meet the funding gap were explored in a report: Castle Park Improvement Project, match funding contribution via proposed sale of community centres, Appendix 1.

2.4 An option agreement to sell three community centres to BSTC was approved; Bishop's Park, Havers and St Michael's Mead. It was agreed that the capital receipt from the sale of Bishop's Park community centre (£175,000 including £15,000 options sum to secure the agreement) was used to contribute to the funding gap for the Castle Park project.

2.5 The options sum of £15,000 was required from BSTC to secure the option agreement, to secure the project funding gap at that time and to compensate EHC should the sale of the remaining two centres not proceed.

2.6 Use of capital receipts from the sale of Havers Community was latterly agreed raising an additional £60,000 to cover the skate

park contractor going into receivership resulting in an increase in the tendered price to complete the works by a new contractor.

2.7 BSTC made equal contributions of £175,000 and £60,000 to match fund both of these amounts and then subsequently an additional contribution of £80,000 to balance out the overall contribution made by East Herts Council.

2.8 NLHF granted a £600,000 funding extension.

2.9 The Grant End Date (GED) is currently 31/12/23. A preference to extend this by 6 months to 31/06/24 to allow for spring planting/seeding, completion of activity programme and holding celebratory event has been informally agreed by NLHF. Practical Completion is currently scheduled for Jan 2024.

3.0 Reason(s)

3.1 It was not anticipated that further cost pressures would arise. However, the project has experienced spiralling costs of archaeology, in a not dissimilar way to the leisure centre project at Grange Paddocks along with some unforeseen building and environmental costs. The gap to fund is £200,000 without allowance for a continued contingency fund to safeguard minor adjustments through the remaining project. A working contingency must be retained and therefore it has been agreed with BSTC that they will provide £125,000 leaving EHDC to find £125,000 from the income achieved through selling the last community centre. The contingency amount of £50,000 (£25,000 from each authority) will be held in reserve and retained if it is not required.

3.2 The key pressures have been

- **archaeology** -over x50 human remains found which are now believed to be part of a formal burial ground and not a prison disposal as was initially considered. The archaeological contractor has minimised the removals as much as they can and persuaded the County archaeologists during the planning stage that there should be no digging below 27cm. However, far more than expected were found at this shallow level and the law requires that all remains, including partial remains below that level are removed. The need to bring a mains power supply in through the park unfortunately revealed even more remains in areas that they were not anticipated
- **building** - replacement of an existing roof that has deteriorated beyond repair during the period of the project
- **environmental** – voles and bats discovered where none were previously surveyed required further survey and relocation of voles, plus discovery of asbestos in an unexpected location

3.3 It is not anticipating that any further significant archaeological costs or building works will be required other than those already accounted and budgeted for. Essentially there is only a small area of excavation work below surface level with pipes to lay around the repurposed building but much of this has already been surveyed. There should therefore be no further opportunity to find more human remains.

3.4 The sale of the third community centre allows EHDC to meet the funding gap of the castle park project, offset borrowing costs and remove the liabilities of maintaining the building from the Council.

4.0 Options

4.1 The Council has no capital reserves to fund the gap. There is a contingency budget in the capital programme, but that is borrowing and as it is in the authorised but not committed section of the capital programme, the borrowing costs are not included in the budget so would have to be funded.

4.2 Following a risk analysis exercise carried out in partnership with BSTC to ensure that remaining contingencies are safeguarded, they have agreed to match fund the Council's contribution from the capital receipts relating to the third community centre.

- a)** The Town Council exercise their option to purchase community centre number 3. EHDC put £125k of the capital receipt towards the funding gap and BSTC match fund the remaining £125k as they have done previously.

- b)** NOT RECOMMENDED - The Town Council exercise their option to purchase community centre number 3 and we put £125k of the capital receipt towards the funding gap. We then borrow the remaining £125k over 10 years. The borrowing costs (£15,290) are funded by reducing the grounds maintenance revenue budget for parks and open spaces within Bishop's Stortford Civil Parish.

- c)** NOT RECOMMENDED - Further value engineering is carried out to make up the funding gap.

Considerations for this option include the following:

- omit pontoon by river intended to offer access to local canoe clubs etc - £20,000
- omit attractive element of hard landscape attached to refurbished community building - £5,000
- omit provision of electrical supply to Sworders Field - £700
- omit removal of old tennis courts (which was to provide new event space linked to monuments and bridge) - £23,000
- Omit new bike stands - £2,500
- Omit demolition of Elsie Barret building and creation of outdoor seating area for café - £35,000
- Omit creation of space to accommodate café and accessible Changing Places toilet - £122,500

5.0 Risks

5.1 Completion of the project is at risk unless the Council are able to make up a match funding contribution.

5.2 Funding the gap without support from the Town Council to match fund the capital receipt (Option b) would be difficult to achieve without creating reputational damage to the Council by contentiously reducing the grounds maintenance service offered in Bishop's Stortford.

5.3 Carrying out further value engineering (Option c) would be extremely damaging from a reputational angle and has not been agreed by NLHF. It would mean failing to complete the transformation of the building to accommodate an income generating café.

5.4 There is a risk that NLHF might withdraw any further funding on the basis that we have not delivered our commitments. Indications from ongoing discussions are that they are not in a position to offer any further grant increase and that their previous uplift of £600,000 was generous.

5.5 The savings from the proposed value engineering are approximate figures not including the mitigation work that would be required to accommodate them. It is not possible to accurately estimate this without commissioning further design work. There would be compensatory claims from our contractors.

6.0 Implications/Consultations

6.1

Community Safety

Yes/No

Data Protection

Yes/No

Equalities

Yes/No

Environmental Sustainability

Yes/No

Financial

Yes/No

Health and Safety

Yes/No

Human Resources

Yes/No

Human Rights

Yes/No

Legal

Yes/No

Specific Wards

Yes/No

7.0 Background papers, appendices and other relevant material

7.1 Appendix 1

Castle Park Improvement Project

Meeting of Executive, Tuesday 6th September, 2022 7.00 pm (Item 136.)

[12/07/2022 - Executive \(1\)](#)

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