

Report to Accountability Board	Forward Plan reference number: FP/AB/132
Date of Accountability Board Meeting:	23rd February 2018
Date of report:	18th January 2018
Title of report:	Growing Places Fund award to Colchester Northern Gateway
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1. Purpose of report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of a Growing Places Fund (GPF) Loan to the Colchester Northern Gateway Project (the Project).

2. Recommendations

- 2.1 The Board is asked to:

- 2.1.1 **Note** the risk relating to the remaining funding contributions to the Project
- 2.1.2 **Approve** the award of £2m GPF by way of a loan to enable the delivery of the Colchester Northern Gateway identified in the Business Case and which has been assessed as presenting high value for money and high certainty of achieving this, on the basis that it will be repaid by 31st March 2022.

3. Colchester Northern Gateway Project

- 3.1 Colchester Northern Gateway, part of the overall Colchester Northern Gateway vision, sets out to create a high quality, highly sustainable housing, employment and leisure development. The development has been identified as important within the Essex Economic Growth Strategy.
- 3.2 The Project includes;
- 3.2.1 The relocation of the existing Colchester Rugby club site to land north of the A12 which will unlock residential land for up to 560 homes;
- 3.2.2 On-site infrastructure improvements facilitating the development of the Sports and Leisure Hub on the A12 north greenfield land, which includes the relocated Rugby club facility;

- 3.2.3 Associated on-site and off-site highway improvements, in particular at A12 Junction 28, to facilitate cycle and pedestrian access to the site and improve connectivity between the residential and employment land to the south of the A12 and the sports facility to the north ; and
- 3.2.4 The delivery of new homes which can act as a catalyst to the remaining employment land adjacent, which together with the proposed heat network and ultrafast connectivity (funded separately), will enhance the marketability of the whole Gateway.
- 3.3 The GPF investment will be used to bridge the cash flow funding gap to enable the relocation of the Colchester Rugby Club to a new mixed sports facility situated to the north of the A12. As such, the GPF investment will unlock the land for the delivery of at least 560 new homes, including an older persons living and health complex.
- 3.4 Specifically, the GPF will be used to help over the funding of the following infrastructure works:
 - 3.4.1 Highway improvements on Junction 28 of the A12 to satisfy Highways England and Essex County Council safety requirements;
 - 3.4.2 Works to provide the new entrance into the new sports and Rugby club site; and
 - 3.4.3 Onsite enabling infrastructure works to include soil movement across the site, utilities and drainage
- 3.5 Without GPF investment in the Project, the relocation of the Rugby Club will not be carried out in a timely manner, meaning sites allocated for housing, elderly care, commercial and office building will not be available for development until other possible funding sources are found and would therefore be delayed.

4. Project Cost and Funding

- 4.1 The total project cost is estimated at £24.1m, with a GPF allocation of £2m; presenting 8.3% of the total Project cost.
- 4.2 The remaining funding contributions will include the use of capital receipts from the sale of Council assets, Grants and other funding contributions, New Home Bonus and Colchester Borough Council's temporary use of their reserves. The funding profile for these contributions is set out in Table 1.
- 4.3 In addition, the Project is expected to stimulate a further £53.5m private investment in private housing and £129.5m for the older people's accommodation.

Table 1 Colchester Northern Gateway Funding profile (£m)

Source	2017/18	2018/19	2019/20	Total
GPF	0.000	1.350	0.650	2.000
Capital Receipts (Council assets sites receipts)	0.443	1.576	14.381	16.400
Grants and Contributions	1.450	1.750	0.500	3.700
Colchester Borough Council New Homes Bonus	0.750	0.750	0.500	2.000
Colchester Borough Council (Internal borrowing/ temporary use of reserves)		13.755	(13.755)	0.000
TOTAL	2.643	19.181	2.276	24.100

- 4.4 The £2m New Homes Bonus contribution has been confirmed by Colchester Borough Council Cabinet. However, whilst the sources of the 'Grants and Contributions', which are expected to total £3.7m, have been identified, they have not yet all been secured.
- 4.5 The proposed 'Grants and Contributions' include funding from sporting bodies. To date, discussions have taken place with County and England Cricket Boards, the Rugby Football Union and British Cycling. However these organisations consider funding applications after the planning stage and as such, currently no funding contributions have been confirmed from these sources.
- 4.6 The Ministry of Housing, Communities and Local Government (formerly the Department for Communities and Local Government) have recently announced the award of £5.5m for the Colchester Northern Gateway through its Housing and Infrastructure Fund (HIF).
- 4.7 The HIF will be spent on further site enabling works, including the provision of vehicle, cyclist and pedestrian access to the site on the land to the south of the A12, as part of the wider Colchester Northern Gateway development.
- 4.8 The successful award of HIF to the Colchester Northern Gateway Project does not in itself bridge the £3.7m funding gap, but will help bring forward infrastructure in other parts of the site to help enable wider Northern Gateway development.
- 4.9 Value engineering work is also being completed to help reduce the Project costs and potential to increase capital receipts through the sale of assets at higher values than originally anticipated. Any reductions to the Project cost or increase in capital receipts will help to mitigate the risk presented by the funding gap.
- 4.10 Until the funding gap is bridged, this presents a Project risk which the Board is asked to consider as part of its funding decision.

- 4.11 If insufficient funding is secured to complete the Project in its entirety, the delivery of the Project outcomes in terms of housing and commercial space is put at risk. This in turn creates a risk to the repayment of the GPF loan and could reduce the amount of GPF available for investment through future rounds of GPF allocations.

5. Project GPF repayment

- 5.1 The GPF repayment schedule is shown in Table 2 below.
- 5.2 It is intended that the GPF loan will be repaid through land sales from the employment sites which will come forward later in the programme of the Northern Gateway development.
- 5.3 Colchester Borough Council is adopting an “infrastructure first” approach to the delivery of the wider land in its ownership at the Northern Gateway. Whilst the relocation of the Rugby Club, subsequent housing and older persons living and health complex developments are scheduled for the next three years, it is anticipated that these developments, alongside the infrastructure first approach, will also act as a catalyst to the future development of the rest of the employment land. As capital receipts flow in from the release of employment sites then the GPF will be repaid.
- 5.4 If the Capital Receipts from the employment land are not realised in line with the proposed repayment schedule to meet the requirements of the repayment schedule, the application to SELEP for GPF sets out the intention for the funding to be repaid through alternate land receipts or through re-financing by Colchester Borough Council.

Table 2 Colchester Northern Gateway GPF repayment schedule (£m)

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
GPF repayment				£2m		£2m

6. Colchester Northern Gateway Outcome of ITE review

- 6.1 The assessment of the Business Case confirms that the Project demonstrates high value for money with high certainty of value for money being achieved through GPF investment.
- 6.2 The economic appraisal has been conducted following a Gross Value Added (GVA) approach, based on the number of new jobs created through the project. A very high Benefit Cost Ratio (BCR) has been calculated for the project at 31:1.

6.3 The ITE has stated that there is a strong alignment of the Project with local and national strategic priorities the Colchester Northern Gateway proposal has a compelling strategic case.

6.4 The ITE review also confirms that a robust analytical exercise has taken place to assess the costs and benefits of the scheme.

7. Compliance with SELEP Assurance Framework

7.1 Table 3 below considers the SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework.

7.2 The assessment confirms the compliance of the project with SELEP's Assurance Framework.

Table 3 SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework

Requirement of the Assurance Framework to approve the project	Compliance	Evidence in the Business Case
A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan		The Project is aligned to SELEP's objectives to support the delivery of new jobs and houses.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account		<p>The expected project outputs and outcomes are set out in the Business Case, including the delivery of 237 jobs, along with indirect jobs.</p> <p>The economic appraisal has given consideration to displacement and leakage within the assessment.</p>
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)		A risk register, along with risk owners and mitigation measures, have been included as part of the Business Case. A contingency has been included in the project cost breakdown.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions		The Business Case demonstrates a very high BCR of 31:1, for the cost of GPF investment relative to the project benefits

8. Financial Implications (Accountable Body comments)

- 8.1 There is currently a funding gap on this project. It is unclear at what proportion of the £3.7m grants and contributions have been secured and at on what profile. It is imperative that the project sponsor provide this detail so the impact of the risk can be fully appraised. The Board should continue to be updated on the status of the grants and contributions until the gap is met.
- 8.2 It was agreed with Board that interest on loans would be charged at the prevailing PWLB rate less 2 percentage points at time of decision or at 0%, whichever is greater. At the time of writing the relevant PWLB rate is 0.91%, therefore it is highly likely that the loan will be made at 0%.
- 8.3 Currently there is sufficient funding available to make the investments as detailed above. However, this is based upon repayments being made in a timely manner by other projects. The Accountable Body is not able to fund any gaps in cash flow and other provision will need to be either from within the SELEP funds, by partner or delivery organisations or by delaying planned investments.

9. Legal Implications (Accountable Body comments)

- 9.1 The lead partner for this project is ECC, therefore a full legal agreement cannot be put in place as ECC also acts as Accountable Body. However, a dummy agreement will be constructed to ensure terms are clear to the relevant parts of the authority and a back-to-back agreement with Colchester Borough Council will be made.

10. Staffing and other resource implications (Accountable Body comments)

- 10.1 There are no staffing and other resource implications arising from this decision.

11. Equality and Diversity implication

- 11.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

- 11.3 In the course of the development of the project business case, the delivery of the Project and their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

12. List of Appendices

- 12.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).

13. List of Background Papers

- Business Case for Colchester Northern Gateway

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off	
Lorna Norris	14/02/18
(On behalf of Margaret Lee)	