

**Forward Plan reference number: FP/209/11/21**

<b>Report title:</b> Submission of business cases for funding for the delivery of Essex County Council projects as part of the Colchester Town Deal programme	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Councillor Lesley Wagland, Cabinet Member for Economic Renewal, Infrastructure and Planning	
<b>Date:</b> 18 January 2022	<b>For:</b> Decision
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<b>County Divisions affected:</b> Abbey, Parson Heath & East Gates, Drury, Wivenhoe & St Andrews, Stanway & Pyefleet, Mile End & Highwoods Electoral Divisions	

## 1. Everyone's Essex

- 1.1 Everyone's Essex, our new organisation strategy, sets out four strategic aims and 20 commitments. Within the commitments there are strategic aims for a strong inclusive and sustainable economy, for Essex to be a good place for children and families to grow, a high-quality environment and for health, wellbeing and independence for all ages. Everyone's Essex also makes a commitment to supporting people to switch to more sustainable travel options so that we can achieve our targets for achieving net zero carbon emissions.
- 1.2 Consistent with achieving these commitments, this paper sets out a proposal for Essex County Council (ECC) to support Colchester Borough Council (CBC) in the submission of business cases to central government for the delivery of the wider £18.2m Colchester Town Deal programme, of which £6.297m of funding will be released to ECC to deliver a variety of projects in Colchester. This includes the regeneration of the Gym building at the Adult Community Learning centre in Colchester to create a Digital Skills Hub (contributing to levelling up the economy by helping residents improve their digital skills and improving employability); transforming youth facilities (offering opportunities for excellence in education outcomes for all young people, including the most vulnerable children and young people) and improving physical connectivity through walking and cycling infrastructure projects and the expansion of the Essex Pedal Power initiative (delivering a step change in sustainable travel across the county, by growing active travel).
- 1.3 The Council has also set its ambition to be net carbon neutral by 2030 and the approval of the recommendations of this report will positively contribute to this target by endorsing the progress of projects that will consider alternative methods of construction and delivery that could minimise their overall carbon

consumption and footprint as well as support more sustainable ways of living and accessing local services.

## **2 Recommendations**

- 2.1 To agree to submit business cases to Colchester Borough Council, for onward submission to Central Government, to secure funding of £6.297m to contribute to the delivery of the six projects set out in Appendix 2.
- 2.2 To agree that, subject to confirmation of such funding, ECC enters into an agreement with Colchester Borough Council for the delivery of the projects set out in Appendix 2.
- 2.3 To agree that the Cabinet Member for Economic Renewal, Infrastructure and Planning is authorised to agree the terms of the agreement with Colchester Borough Council.

## **3 Background and Proposal**

- 3.1 In September 2019, the Ministry for Housing, Communities and Local Government (“MHCLG”) (now the Department for Levelling Up, Housing and Communities (“DLUHC”)), invited 101 places, including Colchester and Harlow, to develop proposals for a Town Deal, forming part of a £3.6 billion Towns Fund that looked to increase local economic growth with a focus on regeneration, improved transport, better broadband connectivity, skills and culture.
- 3.2 An independent Town Deal Board (named ‘We Are Colchester’) was set up by Colchester Borough Council (“CBC”) as the body responsible for co-ordinating decisions and monitoring progress of all Colchester Town Deal programmes and subsequent projects, in partnership with the DLUHC. The Board consists of representatives from CBC as the accountable body for the Colchester Town Deal, ECC, and other key external partners including central Government, Further/Higher Education providers, local businesses, health and community groups. ECC was represented by the Portfolio Holder for Economic Growth and is now represented by the Deputy Cabinet Member for the Economic Renewal, Infrastructure and Planning portfolio.
- 3.3 The Town Deal Board selected a suite of projects (including project concepts that ECC submitted for review and inclusion and will ultimately be leading on the delivery of) for its Town Investment Plan (TIP) that was submitted to Government by CBC on 31 October 2020. The TIP is the first phase of the Town Deal process. These were assessed by MHCLG to inform a ‘heads of term offer’ for the fund. The second phase of the process is for the Towns to develop agreed projects and business cases in detail which are assessed by government before funding is released for implementation of those Projects.
- 3.4 In March 2021, the Government confirmed that over £1 billion of Town Deal funding would be awarded to 45 towns across England, including £18.2m

being offered to Colchester. CBC signed a Heads of Terms document with DLUHC in June 2021 in relation to the funding. Following this, ECC has worked with CBC and through the Colchester Town Deal Board to develop business cases for each project included in the TIP that ECC will deliver.

- 3.5 The Town Deal programme is a significant opportunity to develop and implement a range of capital projects, which will bring long term benefits to Colchester, including residents and businesses. Responsibility to DLUHC for the delivery of the Projects is with CBC as the accountable body for the Town Deal. The proposals set out in this report will result in ECC being one of the delivery partners for the Town Deal programme, contractually committed to CBC to deliver specific elements of the programme.
- 3.6 In order to access the funding, ECC will be required to enter into an agreement with CBC pursuant to which ECC will be required to deliver the projects as set out in the business cases to an agreed schedule. Although the terms of this contractual arrangement have not yet been finalised, it is understood that ECC will be required to report monthly to CBC on delivery of the projects, including whether they will be delivered to schedule and accrued spend and annual forecasts. Failure to comply with the reporting requirements may result in payments of the Towns Fund to ECC being delayed or withheld and ECC still being committed to deliver the projects.
- 3.7 As the final terms of the proposed agreement are not known at this stage, it is proposed that the detailed terms of the proposed agreement are brought to the Cabinet Member for Economic Renewal, Infrastructure and Planning for agreement and approval.
- 3.8 Details of the wider Colchester Town Deal programme, as well as detailed information on each ECC-led project, are set out in Appendices 1 and 2 to this report. CBC need to submit business case summary documents for these projects to DLUHC in order to progress phase 2 of the Town Deal projects. ECC will be the delivery partner, and recipient of the funding, for the projects listed below. It should also be noted that ECC are required to pay CBC a contribution towards the overarching programme office costs per project and that the amounts below represent the funding contribution minus these programme costs. Appendix 2 contains full details of the total funding amounts awarded to each ECC-led project before and after this contribution deduction:
- the redevelopment of the Essex County Hospital site - £488,707;
  - expanding the Essex Pedal Power initiative and creating a “Liveable Neighbourhood” in Greenstead - £613,034;
  - enhancing the Colchester Townhouse and other local Youth Centre facilities within the geography of the Town Deal programme - £1,290,187;
  - creating a Digital Skills Hub at the ACL Wilson Marriage Centre - £879,672; and
  - improving the physical connectivity between the Town Centre, Greenstead and the University of Essex via walking and cycling enhancements - £2,883,369.

- 3.9 In respect of Essex County Hospital, the Town Deal funding would provide £488,707 of the estimated £740,000 required to deliver the project. The remainder of the funding has been secured through ECC's Capital Programme. This project will enable the delivery of very high-quality public realm throughout the scheme, most notably on the Lexden Road frontage, which will be publicly accessible, as well as enhance the recent nearby improvements to Crouch Street. Together with planned wider, longer-term investment in this vicinity, this funding enables the Hospital scheme to become a prominent feature of this gateway into the town centre, which in turn strengthens the overall sense of arrival into this historic part of the town.
- 3.10 The currently under-utilised gym building in ACL's Wilson Marriage centre will be redeveloped to provide space for residents to improve their digital skills, access IT equipment and improve job prospects as well as create a commercial and flexible asset that the local community can benefit from. Digital skills will include a range of courses from beginner through to level 3 – this supports residents of all abilities and provides opportunity for career entry and progression. The Town Deal would provide £879,672 towards the project and due to cost inflation, this budget will need to be managed effectively to ensure the development provides the right facilities to increase the number of learners and provide key skills to residents.
- 3.11 Utilising the Town Deal funding contribution of £1,290,187 and supported by local demographic data that highlights key levelling up issues as well as wider research into the economic and social benefits of investing in youth services, this funding will be used to significantly develop facilities and expand service provision for young people in Colchester, including the Townhouse in East Stockwell Street, and existing youth centre assets in Highwoods and Stanway, which are used by a diverse range of local organisations and groups as well as the ECC Youth Service itself. These new facilities will also support the delivery of further outreach services carried out by the Youth Service and partner organisations in more deprived communities such as Greenstead as well as other identified areas of particular need.
- 3.12 The overall Heart of Greenstead project contains many complex elements and CBC is receiving total funding of £6m from the Towns Fund (plus an additional £2.3m from the Estates Regeneration Fund announced in the Government's Autumn Budget Statement on 27 October 2021). ECC is leading on two key active travel projects as part of this estate-wide regeneration scheme. Firstly, the expansion of Essex Pedal Power to bring circa 700 bikes to residents on a bike-loan-to-give-away scheme. The Town Deal funding of £319,810 will enable the purchase of bikes, and further funding of at least £300,000 from Sport England Local Delivery Pilot is being sought to finance activation costs. Discussions between ECC, CBC and Sport England are currently underway in order to access this funding from an indicative allocation of up to £1.6m, which is a ringfenced budget that has already been allocated to Colchester Borough Council from the Local Delivery Pilot. This LDP funding element could increase subject to the broadening of the scope of the project in order to meet the Heart of Greenstead and LDP objectives. Additionally, the Liveable Neighbourhoods project will be an opportunity to develop a long-term vision for Greenstead and

is a key part of how the estate regeneration plans can promote active lifestyles and ultimately address the wider determinants of health inequalities in this community of high deprivation. Given that only £293,224 is available from the Town Deal for the Liveable Neighbourhood projects, it is proposed that this funding would be split approximately 50/50 between scoping a blueprint for implementation of the project, including community engagement and outline designs; and some “quick wins”, like traffic calming measures.

- 3.13 For the Walking and Cycling Route (Town Centre – Greenstead – University) Project, the Town Deal funding will further develop the east-west corridor (Lexden to High Street) under the designation of LCWIP4, providing a new upgraded corridor running from the town centre High Street, via East Hill, National Cycle route 51 on through the Hythe to the University of Essex Campus. Additionally, the proposal will provide connectivity to the Greenstead area and vital new infrastructure to link the proposed new Tendering Colchester Borders Garden Community (TCBGC). The route will also complement the Rapid Transit System being delivered under the Housing Infrastructure Fund. The Town Deal funding will provide £2,883,369 towards the LCWIP4 project. The overall LCWIP4 estimate is circa £4.6m and this project is being led by ECC and Essex Highways. In addition to the Town Deal funding, ECC has put in a bid for the next round of ATF funding (ATF3) for £1.317m; ECC is expecting to receive confirmation of the results of this bid by early 2022. The remaining balance will be secured through s106 funding (circa £260,000) and some ECC advanced scheme design funding utilised in the 2021/22 financial year. The ATF3 submission, submitted earlier this year, requested Government funds that will effectively fund the western end of the LCWIP 4 route along the High Street and East Hill. The Towns Fund contribution will then allow the whole route to be delivered. Should the ATF3 submission not be successful, the project is flexible / scalable enough to be phased and the Town Deal funding will be prioritised / reprofiled to improve and upgrade the most beneficial sections, while other funding sources are sought at a later date. LCWIP 4 will still be provided as a continuous route, but one which may not completely meet the latest LTN1/20 standards.
- 3.14 Each ECC-led Town Deal project business case demonstrates the strategic rationale, feasibility, viability and value for money of the respective project. Funding for individual projects will be subject to CBC successfully completing Phase 2 of the Towns Fund process. This includes detailed project development and business case assurance by CBC officers. The business cases will be submitted to CBC as the accountable body for them to verify the information through a series of internal assurance and governance processes before business case summary documents are then submitted to DLUHC on 24 March 2022.
- 3.15 Consultation and engagement are key requirements of the Town Deal and CBC have already led on several events that contributed to the development of the Town Investment Plan. This interaction with the local community and other significant stakeholders needs to be a continual process throughout the life of the programme in order to shape delivery alongside the integration of any other previous engagement work. More recently, ECC officers have also led other



localised engagement activities and desktop research to inform the development of the business cases. Engagement and active participation will also be a key feature in the monitoring and evaluation analysis that will need to be conducted for the programme.

- 3.16 It is a requirement of the Town Deal that these projects will be delivered by the end of the financial year 2025-2026. If the projects cannot be delivered within this time frame there is a risk that the funding will not be available, yet ECC may be committed to deliver these projects without the funding from the Towns Fund.

## **4 Links to our Strategic Ambitions**

- 4.1 This report links to the following aims in the Essex Vision:

- Enjoy life into old age
- Provide an equal foundation for every child
- Strengthen communities through participation
- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

- 4.2 The Council has set its ambition to be net carbon neutral by 2030 and the approval of the recommendations of this report will positively contribute to this target by endorsing the progress of projects that are well placed to consider alternative methods of construction and delivery that could minimise their overall carbon consumption and footprint. Additionally, projects referenced within the report will help deliver a step change in sustainable travel by providing infrastructure to support active travel.

- 4.3 This report links to the following strategic priorities in the new Organisational Strategy 'Everyone's Essex':

- A strong, inclusive and sustainable economy.
- A high-quality environment.
- Health, wellbeing and independence for all ages.
- A good place for children and families to grow.

## **5 Options**

- 5.1 **Option 1: Agree the submission of ECC-led project business cases to CBC as part of the Colchester Town Deal programme and agree in principle to ECC entering into a Service Level Agreement with CBC at the appropriate time (Recommended).**

5.1.1 The recommended option will allow for the submission of business cases to CBC for the application of funding from DLUHC. This funding will be used to deliver the projects set out in this report and improve the outcomes

of residents who already access or could access the new and enhanced service offer. As part of the delivery of these projects, consideration will be given to sustainable travel options to mitigate climate change impacts address and promote a high-quality environment which contributes to positive health and wellbeing.

5.1.2 There is a risk that cost inflation may impact on the delivery on these projects. However, contingencies have been factored into the business cases to ensure that a large enough buffer is in place to mitigate this. For some of the projects, additional funding will be required as referred to in this report.

## **5.2 Option 2: Do nothing (Not Recommended).**

5.2.1 The consequences of doing nothing would result in ECC not being in receipt of £6.297m of funding to deliver the projects referred to in this report. This would mean that the intended outcomes as set out in Appendix 2, including improved connectivity, increased physical activity and reduced health inequalities, better education and employment opportunities for adults and young people, would not be achieved and ECC would not be a delivery partner for these projects. This may also damage the Council reputationally given its involvement to date in the Town Fund, which in turn could affect relationships with CBC and other local partners.

## **6 Issues for consideration**

### **6.1 Financial implications**

6.1.1 Colchester Borough Council (CBC) has been successful in securing £18.2m of funding from the Towns Fund, including £6.297m for ECC led projects. The table below shows the amount of funding allocated to each ECC-led project, the amount and source of any match funding and the amount of contingency included within project costs:

Project	Project Expenditure £000	Central Programme Costs £000	Towns Fund Award £000	Match Funding £000	Total Project Cost £000	Contingency Included in Project Costs £000
Essex County Hospital	489	11	500	240 (ECC)	740	32
ACL Wilson Marriage Digital Skills Hub	880	20	900	100 (ECC in kind)	1,000	133
Transforming Youth Services	1,290	30	1,320	50 (ECC in kind)	1,370	100
Liveable Neighbourhoods	293	7	300	-	300	-
Essex Pedal Power	320	7	327	300 (Sports England LDP)	627	16
LCWIP4	2,883	67	2,950	1,317 (Active Travel Fund) * 263 (S106) 116 (ECC)	4,646	606
Total	6,155	142	6,297	2,386	8,683	886

*\* Active Travel Fund (ATF) bid was submitted in August 2021, with a decision expected in January 2022. Should the ATF bid be unsuccessful, the project can be phased with Town Deal funding used for the highest priority aspects of the scheme, whilst other funding sources are sought.*

ECC is required to develop business cases for each of the projects it is leading on and submit these to CBC for onward submission to DLUHC. CBC has received advance funding of £910,000 (5% of the total award), which can be used to fund the cost of additional technical expertise required to develop the business cases. The advance funding forms part of the £18.2m award. After reviewing and approving the business cases, DLUHC will release funding for the first financial year to CBC. Funding for future years will be released to CBC depending upon progress with the projects. ECC will need to enter into a Service Level Agreement with CBC for the transfer of funds relating to ECC-led projects. An SLA is currently being prepared for further discussions between the councils and will reflect those project features agreed between the partners and drawn from existing Project Initiation Documents and DLUHC monitoring and evaluation commitments. The SLA will also detail the process for ECC to draw-down the funding from CBC to cover the project delivery costs, including access to the advanced funding. This will enable CBC as the accountable body to monitor delivery, time and cost positions on an ongoing basis. It will also



detail procedural matters in respect of ECC accessing the funding held by CBC to cover ECC-led project expenditure.

6.1.2 Project costs include a contingency for cost increases and inflation as appropriate. Each project has undertaken a risk analysis, with actions to mitigate each risk identified. Delivery and monitoring and evaluation plans will need to be prepared. Should there be an increase in costs, project leads will need to identify where savings can be made to mitigate their impact. If cost increases cannot be mitigated any cost overruns will form an additional financial burden to ECC, unless alternative sources of funding can be identified.

6.1.3 The Essex County Hospital public realm work is currently included within the ECC Capital Programme and assumed to be funded by external borrowing. Town Deal funding will enable £488,707 to be removed from the Capital Programme, with an equivalent reduction in ECC borrowing.

## **6.2 Legal implications**

6.2.1 The final terms of the agreement with CBC are not known at this stage but these are likely to require ECC to be a delivery partner of CBC and to contractually commit to the delivery of the projects set out in this report. This may result in ECC needing to deliver on these projects within the budget referred to in this report or to fund any additional costs on top of this to enable the projects to be delivered. This report sets out where there are possible cost pressures from inflation or where additional funding from other sources may be required.

6.2.2 It is likely that ECC will need to commit to delivering these projects by a set delivery date and there may be cost consequences if these projects are not delivered on time.

6.2.3 The business cases for submission to CBC need to be carefully drafted to ensure that ECC are not committing to the delivery of projects that cannot be achieved within the funding from the Towns Fund or the timescales set out in this report.

6.2.4 ECC will need to follow the appropriate procurement procedures and governance process when delivering the projects set out in this report. Any such contracts should pick up any requirements of the agreement with CBC that need to be complied with.

6.2.5 Separate reports enabling ECC to enter into any associated contracts for the delivery of the projects listed in this report, if required, will need to be agreed in sufficient time for ECC to meet the agreed dates for delivery.

## **7 Equality and Diversity Considerations**

- 7.1 An Equality Impact Assessment for the Colchester Town Deal has been undertaken by the CBC Programme Office and has been used to support the development of the ECC EqIA, along with the corresponding Equality and Diversity sections of the project business cases (Appendix 3).
- 7.2 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc on the grounds of a protected characteristic unlawful.
  - 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.
- 7.3 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.4 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic. A fundamental driver of the ECC-led projects within the Town Deal programme is the aspiration to create greater opportunities for all and particularly support those who experience more disadvantaged circumstances through targeted interventions.

## **8 List of Appendices**

- 8.1 Appendix 1: Diagram showing all projects in the Town Deal Programme
- 8.2 Appendix 2: Overview of ECC-led Projects
- 8.3 Appendix 3: Equality Impact Assessment

## **9 List of Background Papers**

- 9.1 Colchester Town Investment Plan, which was submitted to Central Government in October 2020 and provides the strategic framework for the Colchester Town Deal programme.