

Cabinet Agenda

Monday, 21 May 2018 at 6.00 pm

Muriel Matters House, Breeds Place, Hastings, East Sussex, TN34 3UY

If you are attending the Town Hall for this meeting, please enter the building via the Community Contact Centre entrance.

For further information, please contact Deniz Musa on 01424 451486 or email dmusa@hastings.gov.uk

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Agenda Item 3



Report to: Cabinet

Date of Meeting: 21st May 2018

Report Title: Hastings Country Park Visitor Centre

Report By: Mike Hepworth, Assistant Director, Environment and Place

Purpose of Report

Update Cabinet on the project to build a new visitor centre in the Hastings Country Park, and seek authority to enter into a contract to build the centre, and seek approval for additional funding to match the additional EU funds being made available through Interreg.

Recommendation(s)

- 1. Delegate authority to the Director of Operational Services and Assistant Director Financial Services & Revenues in consultation with the Lead Member for Environment, Safety and Equalities to award the contract to build the visitor centre at Hastings Country Park to Hannent Construction Limited as principal contractor of the consortium, and any variations that may arise.**
- 2. To approve an increase in the Capital expenditure budget from £504,000 to £771,000. The Council's contribution increasing by £117, 000 as match funding for the additional £176,000 grant from Interreg NWE Up-Straw programme.**
- 3. To delegate authority to the Director of Operational Services and Assistant Director Financial Services & Revenues in consultation with the Lead Member for Environment, Safety and Equalities responsibility for any administrative requirements relating from the EU funding body.**

Reasons for Recommendations

Since the start of this challenging project in 2014 when the original budget and procurement process were approved, there have been 2 unsuccessful rounds of procurement facilitated by the East Sussex Procurement Hub, and we have successfully negotiated substantial additional EU grant funding.

As a result we have had to extend the project timeline. Cabinet approval is now required to increase the budget and authorise a different method of appointing contractors to build the centre.

Introduction

1. Provision of a new visitor centre at Hastings Country Park Nature Reserve has been a key commitment for the council since 2014. The council has always been clear that a new centre should be an innovative exemplar in sustainable and low carbon construction, as well as being reflective of the quality of the natural environment of Hastings Country Park Nature Reserve. Our new centre will be a straw bale construction, the first of its kind in the borough.
2. The Council has been working in partnership with Groundwork South to project manage and deliver our centre, and during the project we have;
 - a. Twice tendered unsuccessfully;
 - b. Successfully secured EU Interreg funding;
 - c. Negotiated a final cost submission from the consortium of specialist straw bale builders.
 - d. Negotiated additional EU Interreg grant aid to meet the cost of the build.
3. This paper outlines our journey to realise our ambition and seeks approval to enter into a contract with the principle contractor acting on behalf of the consortium. It also seeks approval to allocate additional funds to match the increased EU grant aid from Interreg.

Background

4. On 6th October 2014 Cabinet approved the location for a new Interpretative Centre, the process for the procurement of a contract to construct the centre, and capital expenditure of up to £250k towards the cost.
5. On 7th November 2016 Cabinet approved a partnership agreement with the Groundwork Trust the Council's participation in the EU Interreg Public Building – Up Straw programme.
6. A Visitor Centre Project Board was established in 2014 to provide a strategic lead on the delivery of the project. The Project Board had oversight and submission of Interreg grants, the procurement process to appoint a construction contractor. The Project Board further considered alternative delivery methods following the 2 unsuccessful procurement rounds. The project has been managed in accordance with the Council's corporate project management system through a Visitor Centre Project Group. The Project Group was supported by corporate colleagues from Legal, Planning, Finance, Regeneration, Estates and Audit.
7. Cave Cooperative Architects have provided technical support and advice throughout. For example in relation to the development of plans, submission of planning applications, production of the procurement construction specifications, the assessment of the various contractor's technical submissions, and finally with the detailed negotiations with the straw bale construction consortium.

8. Out of the original £250k budget we have used approximately £86,000 in architect's fees, project management and associated professional fees for the preparatory stages of the project. This sum has also covered the work involved with bidding to Interreg and successfully securing grant funding. A process that has been fruitful but has taken longer than was originally anticipated.
9. Planning permission was granted for our new centre in March 2015, and we undertook sufficient preparatory works on site in February 2018 to ensure that our planning permission remains extant.
10. In 2017 Groundwork South, the council and the School of Natural Building, the leading experts in straw building construction in the UK, and 5 European partners were awarded a grant under the Interreg North-West Europe Programme to build public buildings from straw. This allowed us a total build budget of £430,000 and assumed parity to exchange rates based on the trends at the time.
11. Disappointingly, the project has been tendered twice without success. The returns being significantly over budget at between £200 – 300k. Furthermore the contractors failed to address how they would tackle the specialist nature of straw bale construction.
12. In October 2017 the corporate project group gave detailed consideration to why the tenders had not been successful, and concluded that traditional building companies did not have the expertise to deal with the specialist nature of the construction. Traditional construction companies are unfamiliar with straw bale construction, priced this as a risk and inflated their tender prices.
13. It was also concluded that straw bale construction is a niche market with small scale artisan builders who have no experience in public procurement. The public procurement process was therefore not suited to attract small scale specialist straw bale builders.
14. Following discussions with the Leader of the Council and Portfolio Lead Member for Environment, Safety and Equality it was agreed that officers should explore the option of developing a consortium approach to the project by negotiating directly with straw bale specialists and a principle contractor.

Why a specialist consortium approach?

15. The specialist East Sussex Procurement Hub facilitated the 2 rounds of unsuccessful procurement, and this experience clearly demonstrated that simply progressing through a normal procurement and tendering process would not give us our preferred outcome of a public building built from straw bales at a realistic cost.
16. The leading straw bale construction company in the UK is Straw Works. They are the training and construction adjunct to our Interreg partner, the School of Natural Building. Following the failed tenders, Straw Works wrote to the council proposing that they form a consortium of straw bale builders to be considered a unique supplier meriting a direct appointment outside of the competitive tendering process.

17. Following detailed discussions within the visitor centre project group it was concluded that the Council's Financial Operation Procedures paragraph 21J allows for an exemption to tendering on the basis that, '*There is any other reason expressly approved by the Cabinet on consideration of a report from the Authorised officer.*'
18. This was a new approach to procurement and one that has taken significant time and effort to bring to a satisfactory conclusion. During 2018, officers worked with the consortium to negotiate and create a realistic construction budget. We received this in late April. In parallel, officers worked extensively with the lead partner and the Secretariat for the EU North Western Europe Interreg programme to negotiate additional grant aid to maximise our budget to meet the cost of the building.
19. During the period of negotiations the budget profile for the project has varied. The costs are presented in Table 1.

Time Pressures to Award a Contract and Commence Construction

20. During negotiations, the straw bale specialists explained that preliminary works need to be ordered and commenced as soon as possible for us to have a realistic chance of construction in 2018. This is due to the nature of the straw bale construction of the building and the need for the straw to be successfully rendered and made water tight, before the start of autumn and winter inclement weather.
21. The consortium have advised that there are four pieces of work that need to start urgently;
- a. **Preparing services** – Digging the required trenches and installing pipes and cables for all services (water, drainage, septic tank, electricity, telephone/internet).
 - b. **Laying foundations** – Preparing the ground and laying the foundations (recycled car tyre, foam glass and limecrete slab).
 - c. **Carpentry** – Prefabricating the carpentry structure for the roof and wooden frame that works alongside the load-bearing straw.
 - d. **Ordering windows and doors** – Placing orders for windows and doors to allow for a 12 week production time.
22. The urgency of these construction deadlines has necessitated organising this special Cabinet meeting to seek approval to proceed with the award of contract and start of the works as a matter of urgency.
23. Should Cabinet approve the recommendations, the Project Group will move swiftly to issue the contract and work with the consortium to implement the necessary preliminary works and oversee the works through to completion.

Funding grants and budgets

24. The final costs submission by the consortium to build our new centre is £685k. Our original Interreg grant of £226k together with the remaining HBC budget was

insufficient to meet the costs of the project following the consortium's final cost submission.

25. At the EU Interreg Up-Straw Steering Group meeting in March, HBC and Groundwork officers presented the final costs and successfully argued a case for additional EU grant to support the project. Interreg agreed to allocate an additional £293k. At the time of writing this report the Council have yet to receive written confirmation from interreg of the grant or any conditions. The position will be updated at the meeting.
26. This equates to £176k additional Interreg grant. To access the additional grant HBC is required to find 40% match funding, which amounts to £117k (a ratio of 60:40).
27. In summary; as of April 2018 the build costs have increased to £685k but we have been able to remove the exchange rate risk and secure an additional £176k EU grant.
28. The project budget is now greater and as such an increased contribution is required from HBC to match that from Interreg. Table 1 show the cost summary for the project.

Table 1 Project cost summary table

Hastings Country Park Visitor Centre - Construction budget at 30th April 2018	
Costs	
Spend to date April 2014 to May 2018	£86,000
Remaining costs – Construction and fees	£685,000
Budget for construction	
Spend to date (Architects fees etc)	£86,000
Remaining HBC budget available for construction	£166,000
Original Interreg budget for construction	£226,000
Additional Interreg budget offered April 2018	£176,000
HBC match required to secure additional Interreg funds	£117,000
Total HBC and Interreg budgets	£771,000

Notes:

- i. The costs are calculated at the current exchange rate of 1.14 euro to 1 GBP
- ii. Spend to date includes architects fees, engineers fees and project management. Project management includes the costs associated with bidding and securing Interreg European funding in addition to managing architect and engineer processes to bring the project to the construction stage.

Financial implications

29. The total expected costs are included in Table 1. Some £166k is being funded from the proceeds remaining from the previous sale of Little Warren Cottage. The additional £117k funded by PWLB loan over 30 years amounts to £7,281 p.a. (based on a PWLB maturity loan of 2.89%). The additional revenue cost to the Council will be covered by identifying offsetting savings in the 2019/20 budget.

The Cabinet is being asked to approve an increase in the Capital expenditure budget from £504,000 to £771,000. The Council's contribution increasing by £117,000 as match funding for the additional £176,000 grant from Interreg NWE Up-Straw programme.

Managing the new Centre

30. Groundwork South have been our partners helping deliver the project since 2014. We are now commencing discussions for them to manage the centre for a period of 10 years.
31. Any additional ongoing revenue costs associated with the centre are expected to be met by Groundwork South with minimal costs to the Council which will be contained within existing budgets.

Timetable of Next Steps

32. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Implement Cabinet resolutions	Contract issued	May 2018	Consortium
Mobilise contractor	Work commissioned	June 2018	Consortium

Wards Affected

All wards

Implications

Relevant project tools applied? Yes

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness
Crime and Fear of Crime (Section 17)
Risk Management yes
Environmental Issues yes
Economic/Financial Implications yes
Human Rights Act
Organisational Consequences
Local People's Views
Anti-Poverty

Additional Information

Insert a list of appendices and/or additional documents. Report writers are encouraged to use links to existing information, rather than appending large documents.

Officer to Contact

Officer Name Murray Davidson
Officer Email Address mdavidson@hastings.gov.uk
Officer Telephone Number 451107

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