

This Report will be made public on 5 November 2024



Report Number **C/24/46**

To: Cabinet
Date: 13th November 2024
Status: Non Key Decision
Lead Officer: Samuel Aligbe Chief Officer - Corporate Estate and Development.
Andy Blaszkowicz - Director Housing and Operations
Cabinet Member: Cllr Jeremy Speakman Cabinet Member for Assets and Operations

SUBJECT: Romney Marsh Coastal Destination Centre including Beach Chalet Project – Update

SUMMARY:

In December 2023 Cabinet (Report C/23/70) approved a proposal to deliver a visitor destination centre and 93 beach huts on the Council-owned Coast Drive car park in Greatstone, Romney Marsh. The report also approved a total budget of £1,593,000 to deliver the scheme.

The budget included Nuclear Decommissioning Authority (NDA)/Magnox grant of £300k, CIL contributions of £300k and UKSPF funding of a further £100k. The remaining £893k was capital budget approved by cabinet in June 2021 (Report C/21/13).

This budget was deemed sufficient to carry out the works for the project until UKPN advised that the electricity supply to the site was insufficient and would require a new substation.

This has resulted in the project cost plan showing a shortfall in budget of circa £102k due to the unexpected costs to supply and install the substation.

REASONS FOR RECOMMENDATIONS:

Investment into this project will create a coastal destination centre that will boost tourism and economic activity on the Marsh whilst providing an ongoing revenue stream for the council. The previously agreed budget needs additional funds to be identified to cover the shortfall caused by the requirement to provide the substation so that the project can be delivered.

RECOMMENDATIONS:

1. To receive and note report C/24/46.
2. To approve a virement of £140,000 from the identified sources within the approved capital programme to the Coast Drive project budget.
3. To note the urgency of the decision as the works contract to safeguard the NDA/Magnox grant of £300k needs to be awarded before the end of 2024.
4. To provide delegated authority to the Director for Housing and Operations to deliver the scheme within the amended budget.

1. BACKGROUND

- 1.1 In June 2021 Cabinet approved a proposal to create a Coastal Destination Centre including beach huts at Coast Drive Car Park in Greatstone, New Romney.
- 1.2 In December 2023 Cabinet approved the redesign of the project to mitigate issues relating to ecology and the significant ecology conservation designations relating to the site and surrounding area based on planning requirements and the advice of the ecological consultants.
- 1.3 In June 2024, the Planning and Licensing Committee made a resolution to grant planning permission subject to completion of the s106 agreement which is delegated to planning officers. The section 106 agreement sets out measures to mitigate any impact of the scheme on the various ecologically sensitive designation areas. The section 106 work is progressing and will be completed shortly.
- 1.4 During the redesign process applications for the electric connection were made to UKPN for 84Kva. UKPN confirmed that the capacity was not available in the grid and that the project would require a new substation. This process proved to be slow and arduous, and a detailed design and quotation from UKPN was required to enable FHDC to seek quotations from third party suppliers for the contestable works which comprise of the supply and installation of the actual substation.
- 1.5 In July 2024 a quote of £[REDACTED] was received from UKPN for a 315Kva substation, which was challenged as excessive and lacking in the detail required to allow third party consideration. In August 2024 a more detailed quotation was provided by them for £[REDACTED] with some works to be carried out by the project to facilitate the substation.
- 1.6 The project team then began to seek alternative quotations from third party suppliers to carry out the contestable works. On October 10th 2024 a quotation was received from a third-party supplier for the sum of £[REDACTED] for the UKPN quoted works. This included both the contestable and non-contestable works.
- 1.7 Although the project team is still seeking another quotation for a smaller supply to reduce the costs if possible (this will need agreement from UKPN), the quotation from the third party supplier has been used to produce the latest cost plan which shows a budget shortfall of £102k.

2. WORK TO DATE

- 2.1 The scheme was extensively redesigned to mitigate the issues relating to the impact on ecology and to ensure the Council had full control of all the land proposed for the scheme.
- 2.2 The Council's inhouse architect produced a viable design based on a technical specification put together by a consultant technical team. An Employer's Agent (EA) developed the Employer's Requirements (ERs) following the production of a cost plan to ensure the design was deliverable within the budget set out and later approved by Cabinet in 2023.

- 2.3 A planning application was submitted with extensive work on ecological matters undertaken by a specialist ecologist with knowledge of the significant conservation designations of the local area. The Planning and Licensing Committee resolved to delegate to planning officers planning consent subject to section 106 conditions in June 2024.
- 2.4 Due to time limitations linked to the NDA/Magnox grant funding conditions it was determined in Q1 of 2024 to procure a contractor while awaiting the determination of the planning application.
- 2.5 Prior to this an application to UKPN was made for a 84Kva power supply. UKPN eventually determined that the existing supply was not sufficient to supply the scheme requirements and a new substation was necessary. The UKPN budget for the substation was eventually provided at an estimated cost of £[REDACTED] in August 2024.
- 2.6 The winning tender of the procurement exercise was over budget (although officers were working with the contractor to value engineer the scheme) and the contractor was unwilling to accept the contractual terms set out within the tender, despite these been clearly set out from the outset of the process. Therefore, the tender was abandoned.
- 2.7 The project team then identified a significant saving on the beach huts of circa £[REDACTED] which confirmed the original budget of £1,593,000 was still viable. This was before the costs were provided by UKPN and a third party supplier for the substation resulting in the current budget shortfall.
- 2.8 Discussions with the NDA/Magnox have resulted in the current strategy to procure a contractor this calendar year (2024) and start on site at the end of the wintering bird season in late February 2025. This will allow sufficient time for spend before the end of the financial year to satisfy the NDA/Magnox grant conditions.
- 2.9 The specialist ecologist has been working on setting out the section 106 agreement to satisfy Natural England and in accordance with SARMS (Sustainable Access and Recreational Management Strategy) which was agreed by F&HDC in 2017. This work should be completed shortly.
- 2.10 The Section106 conditions will require warden duties on the site, recording and educating regarding the conservational significance of the location and the ecological designations.

3. BUDGET POSTION

- 3.1 The new cost plan produced following the substation quotation is suggesting a contract value of £[REDACTED] inclusive of substation works.
- 3.2 To date £149k has been committed with £100k spent.
- 3.3 With employer's risk contingency (c£70k) the cost plan is showing a required budget of £[REDACTED], a shortfall of £102k on the current approved budget of £1.593m.
- 3.4 Table 1 below shows the breakdown of the current approved budget for the scheme and table 2 shows the breakdown of the current cost plan.

Table 1

The existing budget breakdown as approved by Cabinet in December 2023

Funding Source	Amount
MAGNOX	£300,000
CIL	£300,000
UKSPF	£100,000
FHDC Capital (approved)	£893,000
Total	£1,593,000

Table 2

Current cost plan budget breakdown as of October 2024 (reflecting the substation costs)

Items Descriptions	Cost Plan Valuations	Reconciliation of Budget
Cost plan value of contractor tender		
Funds already committed (£100,410 already spent)		
Risk contingency sum		
Total anticipated outlay		
Less current budget		
Shortfall to budget (required additional funds)		

3.5 The project requires the additional amount to cover the cost of the unforeseen substation works. It would also be prudent at this stage (pre-tender) to allow a further small contingency for the project.

3.6 Funds have been identified in the current approved capital budget of £140k. This is made up of the following two elements:

- **Capital allocation for The Stade Rental Huts £100k**

The Stade Rental Hut project is indefinitely paused, and therefore the approved capital allocation for this scheme is available to be reallocated to fund the Coast Drive project.

- **Capital allocation for Electric Vehicle Charging Points £40k**

This project has been externally funded so this approved capital allocation is available to be reallocated to fund the Coast Drive project.

3.7 The report seeks authority to utilise the identified budgets above and vire these funds to the Coast Drive project.

3.8 The table below shows the new total budget for the scheme subject to approval.

Existing budget	██████████
Additional budget identified	██████████
Total revised budget	██████████

3.9 The additional budget requested is within the current approved capital programme and has been funded from capital receipts (£100k) and reserves (£40k). Therefore, no external borrowing is required so there are no broader implications arising from finance costs or MRP that will affect the income generated by the scheme.

3.10 Any surplus funds that are not required will be reallocated to other capital projects and reported to council through normal processes.

4. PROGRAMME

4.1 The previous project programme anticipated that the contractor tender action would be completed by 11th November 2024. This is now delayed due to the substation quotation delays. The tender will be published on the 4th of November 2024 to ensure tender returns in December 2024 with a very short window to award the contract before the end of the calendar year.

4.2 The start on site is not impacted as the works can only begin after the wintering birds period ends at the later part of February 2025. The contract works period will be for an anticipated 28 weeks running until the Autumn of 2025.

4.3 The table below sets out the programme.

Contractor tender	4 th November to 4 th December r2024
Tender float 1 week	11 th December 2024
Tender evaluation and reporting 1 week	18 th December 2024
Start on Site	27 th February 2025
Practical completion	14 th September 2025

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Lack of planning approval	High	Low	Planning granted subject to s106 agreement with Natural England (underway)
Not complying with terms of NDA/Magnox Funding	High	Low	NDA/Magnox consulted and agreed to current programme provided contract is awarded before end of the calendar year.
Construction market volatility	High	Medium	Care to design off site products with confirmed costs via the contractor tender process. Had some soft market testing with local contractors and also allowed inflationary adjustment to the current cost plan and suitable contingency.
Ecology limitations on construction period	High	Medium	Start on site planned for after migrating bird season. Seek offsite manufacture to reduce time on site, and programme works in accordance with the available ecological window.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (NM)

There are no legal implications arising directly for this report.

6.2 Finance Officer's Comments (JS)

The financial implications of the overall project were originally summarised in Cabinet report C/23/70. Finance comments are therefore limited to the additional funding requirement of £140k.

As noted in paragraph 3.9 of this report, the additional funding will be covered by capital receipts and reserves (climate change). As such, there is no change

to the anticipated revenue returns from the project to the Council given that the additional funding does not require any new borrowing. The £40k allocation from the climate change reserve for district EV charging points would be reallocated to Coast Drive in large part due to the substation required for the EV charging points that are to be installed in Coast Drive; this therefore meets Members' original planned use of the reserve.

6.3 Diversities and Equalities Implications (GE)

There are no diversity or equalities implications arising directly for this report.

6.4 Climate Change Implications (AC)

No direct climate change implications. As noted in the report, a Section 106 agreement is in place to protect the ecological assets of the area and teach visitors about its importance.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

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The following background documents have been relied upon in the preparation of this report:

None.

Appendices:

None.