

POLICY & FINANCE COMMITTEE

17 MARCH 2022

CASTLE GATEHOUSE PROJECT UPDATE

1.0 Purpose of Report

- 1.1 To update Members on the progress of the Castle Gatehouse project, including making Members aware of relevant dependencies.
- 1.2 To seek approval for the Outline Business Case for the Castle Gatehouse project to be progressed into a Summary Document and, subject to assurance, submitted to the Department of Levelling Up, Housing & Communities in order to draw down the funds.

2.0 Background Information

- 2.1 In March 2021, it was announced that Newark was successful in securing a £25m Town Deal to cover nine priority projects, of which the Castle Gatehouse project is one.
- 2.2 In June 2021, two consultants were engaged, Hatch to work with project sponsors to develop the business cases and Quod to be the independent assurers and work with the Council's s151 officer, advising of the value for money and deliverability of the projects.
- 2.3 The project will be funded partly by a Towns Fund grant, but has additional costs which are the subject of a current National Lottery Heritage Fund (NLHF) application, in addition to the Council's own financial commitments. An initial Stage 1 Development Phase application in 2019 saw the scope and ambition of the project increased to fulfil the potential of the Castle to be a valuable asset to the town. This application was halted due to lack of match funding and subsequently, due in part to a change in priorities of the NLHF following the COVID-19 pandemic, the second Delivery Phase stage of the application fell outside of the submission window and so the application had to be restarted. A new HLF application was submitted in November 2021 and a decision is expected in March 2022.

3.0 Outline Business Case

- 3.1 An Outline Business Case (OBC) has been developed by Hatch, according to the HMT Greenbook five case model, covering the Strategic, Financial, Commercial, Economic and Management cases.
- 3.2 The Castle Gatehouse redevelopment project is designed to meet the following objectives as identified in the OBC:
 - Drive town centre footfall;
 - Conserve and enhance public access;
 - Increase engagement with heritage;
 - Enhance the visitor experience at the castle;
 - Increase the financial sustainability of Newark Castle; and
 - Provide a range of social and health benefits.

3.3 The OBC shows an indicative positive Benefit Cost Ratio (BCR) meaning that the project would represent value for money. The BCR takes into account the wider benefits of the project including Town Centre benefits related to visitor spending and wider social value through the volunteering and community engagement opportunities that project would offer.

3.4 The OBC has been submitted to Quod, the Council's independent assurers, for review. They will make a recommendation to the Council's s151 officer to sign off the OBC if they are convinced that the business case has demonstrated that the project represents value for money and is deliverable. Although assurance by Quod is identified as a risk, early engagement with Quod through the development stage means that they are sighted on the direction that the OBC has taken and are in agreement in principle. In any event, the recommendation detailed below is subject to positive assurance from Quod and the Council's s151 Officer.

4.0 Heritage Lottery Fund Application

4.1 In May 2021, officers from National Lottery Heritage Fund (NLHF) informed NSDC that their original Stage 1 development phase application (undertaken in 2019) had timed out and a separate application would need to be submitted, from Stage 1 again.

4.2 This application was completed and submitted by the NLHF deadline on 29 November 2021. NSDC are awaiting a response to this, which is expected by the end of March 2022.

4.3 If this application is successful, the application would then progress to the development phase, which the HLF expects to be c12 months. This means that the award decision date is expected to be towards the end of September 2023, with permission to start delivery from the beginning of December 2023.

5.0 Project Adjustment Request

5.1 In November 2021, the QS engaged on the Castle Gatehouse project reported that increased construction costs due to inflation could prove fatal to the project. This phenomenon was especially the case for this particular project since it is not due to start construction until 2024 and since it is a heritage project, which requires specialist contractors and materials and therefore there is less scope for value engineering.

5.2 In December 2021, the Town Investment Programme Manager submitted a Project Adjustment Request (PAR) to government requesting the reallocation of funding that had originally been identified against a project that is no longer going ahead (relocation of the Police Station) to the Castle Gatehouse project and two other projects that are most affected by the rises in the cost of construction (Stodman Street, and SISCLOG). A response to the PAR request is still outstanding, although, after conversations with government colleagues, it is expected in March 2022 after DLUHC has completed a review of its overall processes with regard to PARs.

6.0 Next Steps

6.1 Officers will work with Quod consulting through their assurance process and resolve any outstanding queries, as necessary.

6.2 Following the recommendation of Quod consulting and the sign-off by the s151 officer, Hatch consultants will be instructed to progress the OBC to a Summary Document, which will then be submitted to DLUHC in order to draw down the funds.

7.0 Equalities Implications

7.1 The Castle Gatehouse project seeks to increase the accessibility of culture and heritage in Newark and proposes the creation of additional educational and interpretation facilities at a well-loved heritage site. Successful completion of this project therefore contributes to the Council's equalities agenda, as specified in the intended outcomes (see 3.3).

8.0 Digital Implications

8.1 There are no digital implications for this report and recommendation.

9.0 Financial Implications - FIN21-22/8721

9.1 As reported to Policy & Finance on 25 November 2021 the current estimated costs of the project are £4.753m.

9.2 The current allocation within the capital programme is £4.225m. Please see table below for the funding breakdown:

	Actuals Prior Years	2021-22	2022-23	2023-24	Total Budgets
Budgets/Actuals	200,450.14	25,000.00	2,993,863.00	1,006,286.86	4,225,600.00
Funding External					
Towns Fund	0.00	25,000.00	2,575,000.00	0.00	2,600,000.00
HLF	91,500.00	0.00	0.00	0.00	91,500.00
Third Party	5,142.69	0.00	0.00	0.00	5,142.69
Capital Receipts	72,362.81	0.00	0.00	0.00	72,362.81
<i>External to be identified</i>	<i>0.00</i>	<i>0.00</i>	<i>400,000.00</i>	<i>0.00</i>	<i>400,000.00</i> *
NSDC					
NSDC Reserves	31,444.64	0.00	18,863.00	6,286.86	56,594.50
NSDC Borrowing	0.00	0.00	0.00	1,000,000.00	1,000,000.00
Total Funding	200,450.14	25,000.00	2,993,863.00	1,006,286.86	4,225,600.00

**Included within the budget but funding not secured*

9.3 Actual secured budgets remaining equates to £3.625m (Total budget of £4.225m less the unsecured funding of £0.400m less spend to date of £0.200m).

9.4 As referred to within the body of the report, a request has been made to increase the Town Funds allocation from £2.600m to £3.000m, which if successful would bridge the unsecured funding gap of £0.400m providing us with a total secured budget of £4.225m.

9.5 Additionally approval was given at Policy & Finance on 25 November 21 for the NSDC contribution already included within the funding will be utilised as match funding as part of a bid to NLHF. No additional funding was required from NSDC as a result of this bid.

9.6 If the bid to NLHF is successful this will add a further £1.154m new monies to the pot giving us a total budget remaining of £5.179m (£4.025m + £1.154m) against currently estimated costs of £4.753m, leaving an envelope of £0.426m for planning works.

10.0 Community Plan – Alignment to Objectives

10.1 This project is in direct alignment to the objectives in the Community Plan, specifically, to “deliver economic growth”, “enhance and protect the district’s natural environment” and “improve the health and wellbeing of local residents”.

11.0 RECOMMENDATIONS that:

- (a) the progress and next steps of the Castle Gatehouse project be noted;**
- (b) the Committee approve, subject to assurance from the Council’s s151 Officer (informed by Quod Consulting), that the Outline Business Case be progressed to a Summary Document for submission to DLUHC for the drawdown of fund; and**
- (c) delegated authority be given to the Council’s s151 Officer to assure any Full Business Case developed upon the receipt of a fully funded Castle Gatehouse scheme.**

Reason for Recommendations

To allow the delivery of the Castle Gatehouse program and associated benefits and outputs for the wider community.

Background Papers

Newark Town Investment Plan 2020

Castle Gatehouse Green Book Outline Business Case 2022

For further information please contact Carys Coulton-Jones on Ext. 5773.

Matt Lamb

Director - Planning & Growth