

**Manchester City Council
Report for Resolution**

Report To: Executive – 24 March 2010

Subject: Sportcity – Remediation and Site Servicing Works

Report of: The Chief Executive
The Chief Executive, New East Manchester Ltd.

Summary

This report informs the Executive of proposals for a package of remediation and site servicing works at Sportcity in East Manchester. These works are designed to deliver circa 17 acres of site remediation and enhancements to create a development platform for future developments. The report seeks Executive approval of the scheme, requests that the Executive authorise an increase in the Capital Programme and asks that authority is delegated to the Chief Executive, the Chief Executive of New East Manchester Ltd (NEM) and the City Treasurer following consultation with the Chair of the Executive and the Executive member for Finance and Human Resources, to negotiate and agree terms with public sector funders.

Recommendations

The Executive is asked to:

1. Note the progress made in developing proposal and securing funding for the remediation and site servicing works and to approve the project;
2. Delegate to the Chief Executive, the Chief Executive of New East Manchester and the City Treasurer, in consultation with the Chair of the Executive and the Executive Member for Finance and Human Resources, authority to finalise the works package, negotiate and agree terms with public sector funders and to agree the detailed phasing of works which may be necessary to reflect the availability of public funding in any one year;
3. Authorise an increase in the Capital Programme of £18.349m to be funded from additional external resources; and
4. Delegate to the City Solicitor authority to complete all the necessary documentation, and take all other steps necessary to implement the above decisions.

Wards Affected:

Ancoats and Clayton
Bradford

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The remediation and site servicing works aim to provide a platform for significant commercial leisure and tourism related development at Sportcity which would make a contribution to the continued economic growth of Manchester and the wider city-region.
Reaching full potential in education and employment	The project will enable future development on this high profile site, acting as a catalyst for the wider investment that will follow. This builds on the portfolio of strategic investment that is being brought forward at Sportcity, the aim of which is to deliver a significant number of new training and employment opportunities for local residents.
Individual and collective self esteem – mutual respect	The remediation project will enable future development which will provide recreation and leisure opportunities for the wider community.
Neighbourhoods of Choice	The project will attract further investment building on east Manchester's established portfolio of world class sporting venues, which are accessible to local communities and will further enhance the area's profile and attractiveness.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None

Financial Consequences – Capital

The Sportcity Collaboration Agreement between Manchester City Council and the Homes and Communities Agency (formerly English Partnerships) provides for an initial £9.9 million of resources. These resources can be utilised to support a range of capital works within Sportcity as agreed by the City Council and the Homes and Communities Agency, such as site remediation and infrastructure costs.

The costs of the proposed remediation works at Sportcity and the associated professional fees are estimated at £19.023m. Initial costs to progress the design of

remediation strategy and carry out site investigation works forecast at £674k have been approved within the Capital Budget and will be funded by a contribution of £450,000 from the NWDA's existing commitment to NEM, the remainder to be funded from the HCA's existing commitment to Sportcity.

The total cost of the remediation and site servicing package works and professional fees is estimated at £18.349m. This will be funded from a range of funding provided by third party agencies including ERDF, NWDA and HCA. At this stage, £5m of ERDF funding has been secured, pending application approval, which will be matched with a funding package of up to £2.7m from the HCA's existing commitment to Sportcity. Discussions are advanced with the HCA and the NWDA about the remaining funding and its phasing.

The recommendations in this report, if approved, will increase the capital budget by £18.349m to be spent 2010/11. There is a requirement for any ERDF contribution and matched element to be spent by the end of December 2010. Any expenditure on the scheme will be subject to the City Council's Gateway approval process which will ensure that funding is not committed until the external resources have been secured.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

2008 – 2018 East Manchester Strategic Regeneration Framework (December 2007)

Report to the Executive for Resolution, Sportcity, (23rd July 2008)

1.0 Introduction

- 1.1 New East Manchester Ltd (NEM) and the City Council are working to bring forward a comprehensive approach to the future development of the Sportcity in east Manchester ensuring that it maximises its contribution to strengthening the destination role of east Manchester by building upon its sporting and leisure facilities; improving the site's integration with the wider area; and increasing employment opportunities for local residents.
- 1.2 As part of the overall strategy for Sportcity and the wider area, NEM and the City Council are bringing forward plans to remediate the land immediately adjacent to the City of Manchester stadium, occupying a prominent position on Alan Turing Way. This report sets out these proposals in further detail, seeks approval to the project and recommends the Executive approve an increase in the Capital Programme for the project, to be financed from capital grants.

2.0 Background

- 2.1 Sportcity is a regional priority for investment and following the Government's decision not to proceed with a regional casino the City Council and NEM have been working with partners including the Homes and Communities Agency (HCA) and the North West Regional Development Agency (NWDA) to develop alternative proposals for the Sportcity site which are capable of delivering significant economic benefits. The Council has been working in conjunction with funders and other stakeholders to secure development of the land around the stadium as a destination leisure and tourism attraction and this procurement process is ongoing.
- 2.2 Following the report to Executive in July 2008 the Council and NEM retained Arup to undertake a detailed analysis of the physical constraints to development at Sportcity. The analysis has confirmed that high levels of contamination resulting from the area's industrial heritage present significant abnormal development costs which require public sector investment to underpin the viability of any development to be undertaken by the private sector.

3.0 The Scope of Remediation Works

- 3.1 The Council and NEM have developed a package of remediation and site servicing works at Sportcity, covering constructions costs as well as associated fees across the area illustrated in the location plan attached at Annex A. These works will deliver 6.88 hectares (17 acres) of site remediation and enhancements to enable and underpin future developments, providing a development ready site for advancement by the private sector. Works will comprise:
- site preliminary works;
 - the treatment of contaminated soils and water;

- the diversion of utilities where it is not possible either to retain or protect them;
- the capping of mine shafts, and the grouting of all coal seam workings throughout the site;
- the decommissioning and removal of underground structures to a depth of 3 metres across the site;
- site investigations and professional fees; and
- the reinforcement of utilities to ensure that the supplied capacities are able to meet the foreseeable needs of the scheme.

3.2 The works detailed above represent a prioritised package of works which together will deliver a flexible development platform at the site that could accommodate a range of end uses.

4.0 Procurement

4.1 The proposed works are the subject of an OJEU Notice which was placed on 18 December 2009 for the letting of a single contract. Following an assessment of responses to the Pre Qualification Questionnaire six contractors have been invited to tender. Tender returns are due on 6th April 2010. The Building Contract will be let under NEC Conditions of Contract Option A on a 'Design and Build' basis. A planning application for the works was submitted on 8th February 2010.

4.2 The proposed programme for procuring the project is detailed below:

Milestone	Target date
Remediation and site servicing ITT issued	February 2010
Planning application submitted	Early February 2010
Tender return	April 2010
Contract award	May 2010
Start on site	June 2010
Contract completion	December 2010
Final ERDF drawdown	December 2010

5.0 Financial Summary

5.1 The funding package for the works is being assembled which are at present estimated to cost £19.023 million. These are provisional costs and will be further clarified as the project develops and site investigations are completed.

5.2 Initial design and site investigation works estimated to cost £674k have been approved within the Capital Budget; part funded by a contribution of £450k from NWDA's existing commitment to NEM and the remainder to be funded from the HCA's existing commitment to Sportcity.

5.3 An application has been submitted for 50% of the eligible costs to be met from ERDF funding in response to a call for proposals for site remediation and site

servicing works issued in summer 2009. Following approval of a Concept Application, NEM has been invited to submit a Development and Appraisal form for £5m of ERDF funding. This will be matched with a package of up to £2.7m from the HCA's existing commitment to Sportcity. Discussions are advanced with the HCA and the NWDA about the remaining funding and its phasing. The recommendations in this report, if approved, will increase the capital budget by £18.349m. Any expenditure on the scheme will be subject to the City Council's Gateway approval process which will ensure that funding is not committed until the external resources have been secured.

5.4 Given the constraints on public finances there is the possibility that the Council and NEM may have to bring forward a phased scheme which would reflect the funding secured for the works. This would require more than one Gateway approval to enable the works to be carried out in phases.

5.5 Consideration of the implications for VAT will be carried out involving City Solicitors, Corporate Property and the VAT section prior to the commencement of the proposal.

6.0 Governance and Legal Issues

6.1 A project team has been established to manage the remediation and site servicing works that is led by the Chief Executive of NEM. A Project Manager has been appointed to manage the project through to completion in accordance with the City Council's project management methodology. This team will coordinate the securing of approvals under delegated authority and the City Council's Gateway approval process as the project proceeds

7.0 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

7.2 The project aims to support the economic growth of Manchester and the sub-region by building on the City's portfolio of world class sporting venues and supporting Manchester's development as a premier destination for sporting activities, capable of attracting high profile national and international events.

(b) Reaching full potential in education and employment

7.3 The remediation works will provide the basis for the delivery of a major commercial development which will potentially include the development of a broad mix of leisure uses that add value to the current regional and national offer. The precise scale of commercial uses and the mix of leisure activity that is ultimately provided on site remains to be finalised but it will result in the provision of significant numbers of new employment opportunities in an accelerated timescale from that which would occur if the site were left in its present state.

(c) Individual and collective self esteem – mutual respect

- 7.4 The remediation project will enable future development which will provide opportunities for the wider community.

(d) Neighbourhoods of Choice

- 7.5 The project will attract further investment building on east Manchester's established portfolio of world class sporting venues, which are accessible to local communities and will further enhance the area's profile and attractiveness.

8. Key Polices and Considerations

(a) Equal Opportunities

- 8.1 The initial remediation and servicing of the site will unlock the potential development of this area for employment and leisure purposes. The final scheme developed on the site will generate new employment opportunities for local people, with any future scheme developed on the site complying fully with DDA requirements and regulations and contributing to removing existing barriers to employment. In seeking to ensure that all target groups are able to benefit from the outcomes of the remediation works, NEM and the City Council will work with all partner organisations to ensure that diversity and equality issues are fully understood and acted upon, and that appropriate monitoring tools are in place to assess the impact of the project on different communities.

(b) Risk Management

- 8.2 A risk workshop has been held and a number of risks identified and allocated to appropriate parties for management. Further workshops will be held to reflect the advancement within the design process and to fully identify risks for the construction phase of the works. In following a single stage Design and Build type of contract many of the construction related risks, in terms of unknowns and cost, will be passed to the successful contractor. There will remain with the Employer the risk of Client Introduced Change however this will be minimised by a robust change management process.

(c) Legal Considerations

- 8.3 In order to secure the necessary grant funding the City Council will enter into detailed grant agreements with the funding bodies. The City Solicitor's division will continue to support the project team in relation to these agreements. Advice has also been given in connection with compliance with the public procurement rules.

Annex A – Proposed Area for Remediation Works

