



Report To:	Council
Date:	11 December 2024
Subject:	Alford Windmill project variation
Purpose:	To progress a local project adjustment request for the sub project of Alford Windmill, which is part of the Lincolnshire Wolds: Culture & Heritage programme (Levelling Up Fund).
Key Decision:	No
Portfolio Holder:	Cllr Graham Marsh
Report Of:	Lydia Rusling – Assistant Director Economic Growth
Report Author:	Corinne Kennedy – Programme Manager
Ward(s) Affected:	Alford
Exempt Report:	Appendices to this report are exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 because it contains commercially sensitive information.

Summary

The Lincolnshire Wolds Culture and Heritage programme (Levelling Up Fund) is within the Council's capital programme and consists of 3 main elements – Alford Windmill, Alford Manor House and Spilsby Sessions House. This report sets out the rationale, context, requirement for and benefits of progressing a local Project Adjustment Request (PAR), along with next steps (including decision making), funding implications and future use. The PAR proposes the reallocation of remaining funds from Alford Windmill to Alford Manor House, both sub projects of the Lincolnshire Wolds Culture and Heritage programme. Utilising the PAR mechanism will enable the LUF programme to continue at pace and deliver revised outputs and outcomes to those defined in the Levelling Up Fund bid and as set out by Government in the Memorandum of Understanding and as contained within the Council's capital programme. Securing a local PAR through this decision-making process is necessary to ensure the sub projects are completed within the Government's prescribed longstop date of 31st March 2026, together with the delivery of the outputs and outcomes.

The proposal to reallocate funding has followed a formal decision by Alford Town Council not to receive the freehold of the site on completion of the works and extensive discussions with Lincolnshire County Council (LCC), as the current owner of the site and provider of the match funding of the Windmill structure.

A local PAR is beyond existing officer limits and in the scheme of delegation and the requirements under Grant Conditions is a Section 151 function. This report is intended to be the mechanism that informs that decision.

Recommendations

That Council approves:

1. The Council's capital programme is amended to move the remaining funding allocated to Alford Windmill to the eligible works at Alford Manor House.
2. Delegation to the Section 151 officer to submit the recommended Project Adjustment Request for sign off and advisement to HM Government.

Reasons for Recommendations

Strategically this intervention is required to deliver the grant funding conditions, outcomes and outputs within the Government's longstop date of 31 March 2026.

The funding will remain within Alford for the benefit of the local community.

Other Options Considered

Do nothing/continue with the scheme, as detailed in the bid: This would not address the strategic risks and could leave the sub project open to full failure by running out of time within the programme and expose ELDC to repaying to Government monies received to date.

By not utilising the 30% Freedoms and Flexibilities available within the grant conditions and pivoting the remaining funding available, may indicate to Government a lack of agility whilst also putting at risk funds that could have substantive impact in delivering outcomes and outputs on one of the existing sub projects. This option is therefore not recommended.

Delay the decision: This is deemed to be too high-risk in terms of programme and maintaining pace to ensure grant conditions are achieved.

This option is therefore not recommended.

1. Background

1.1. Through the Levelling Up Fund Round 2 (LUF) funding, the Council has secured £8.1m for the Lincolnshire Wolds: Culture and Heritage Programme. The programme is comprised of 3 sub projects:

- 1.1.1. Alford Windmill – £1,112,680
- 1.1.2. Alford Manor – £2,050,000
- 1.1.3. Spilsby Sessions House – £4,929,094

1.2. The bid to which the funding was awarded to ELDC by Government detailed that:

- 1.2.1. LCC would match fund works to ensure the Windmill structure, cap and sails were brought back into working order. The sum detailed in the bid was £512,000.
- 1.2.2. Once the entire site works were complete, LCC would transfer the freehold of the asset to Alford Town Council who would establish a new charity, The Alford Windmill Trust to reopen and operate the Windmill site as a major visitor attraction with a viable operating model.

1.3. Outputs and outcomes for the sub project detailed on the MoU are:

Project	Result Level	Description	Comments	Sum of Value
Alford Windmill	Impact	Improved pride in place	From MoU	
		Improved wellbeing of local residents	From MoU	
	Outcome	Increase in local employment opportunities	From MoU	
		Increase in the number of visitors to cultural venues	From MoU	
	Output	Increase in visitor number to town centre	From MoU	
		Cultural space improved	From MoU	
		Heritage building restored	From MoU	
		Hospitality space created	From MoU	
		Volunteering opportunities created	From MoU	
	Outputs	# of full-time (FTE) permanent jobs created directly through the projects	Q4 M&E Return April 2023/24	4
		Amount of new hospitality space created	Q4 M&E Return April 2023/24	57
		Amount of improved cultural space completed	Q4 M&E Return April 2023/24	27
			Number of volunteering opportunities supported	Q4 M&E Return April 2023/24
Grand Total				168

1.4. From receiving a warning letter from ELDC Heritage Manager on the 30th March 2023 (Appendix 1) LCC appointed their own Professional Team to undertake a building condition survey to establish a schedule of works and submit a Listed Building Application to obtain the relevant consent. LCC were granted Listed Building Consent – Alterations under application N/003/01226/23 on the 20 June 2023. This consent was to repair the Windmill including reinstating the cap, fan and sails, renewal of the curb and redecoration of the exterior.

1.5. In February 2024 after reviewing the Listed Building Consent and related documents, officers opened discussions with LCC to formalise the contractual relationship, issued a Request for Information and provided a detailed quotation for ELDC officers to prepare tender documents, commission essential surveys, produce, issue, and review tender documentation including the dealing with of queries and site visits for tenderers to inspect the works.

1.6. A formal quotation for services was sent to LCC on the 4th March 2024 and a purchase order was received appointing ELDC to supply the services on the 1st May 2024.

1.7. In parallel to the works package management being agreed, LCC were also undertaking legal works on a suite of travelling drafts of legal documents:

1.7.1. Funding Agreement between LCC & ELDC – this document is intended to be the mechanism that LCC would pay ELDC for the works to the Windmill structure. The intention would be that ELDC would be Agent and LCC would be the Client with the schedule of works being undertaken at the same time as the Alford Windmill site works to deliver the LUF outcomes and outputs but delivered through a separate JCT contract. The benefits to this process would be:

1.7.1.1. a single main contractor to deliver all works eliminating issues around main and sub-contractor duties.

1.7.1.2. the cost of Preliminaries to be equally divided between the contracts delivering efficiencies for both funding streams.

1.7.1.3. A single programme providing assurance to ELDC that the LUF works would be delivered within the longstop date of 31 March 2026.

1.7.2. Lease between LCC & ATC – this document was intended to be an interim facility to lease the site excluding the Windmill structure to ATC which would then facilitate a build agreement between ELDC & ATC to deliver the LUF works. The Windmill structure would remain in the management of LCC and then licence to conduct the works would be facilitated through the Funding Agreement.

1.7.3. Contract for Transfer of Freehold Land between LCC & ATC – this document would be the document that on receipt of Practical Completion of the entire works would transfer the freehold of the entire site including the Windmill structure to ATC.

It is important to note that LCC legal teams were insisting that ATC sign the Contract for Transfer of Freehold at the same time as the lease, this was a matter over which there was a continuing disagreement between the parties.

1.8. During May 2024 a discussion between LCC and ELDC concluded that the schedule of works provided by Whitworths (under the direct instruction by LCC) was over 18 months old and other works including but not limited to damage roof works needed to be inspected. LCC issued a purchase order to Whitworths and this piece of work was undertaken and concluded in August 2024.

1.9. During May 2024 ELDC officers sent out to the tender for the specialist cap and sail works, this tender was returned 18th June 2024 and it had been agreed with LCC and PSPS Procurement that the appointment could be made via a VEAT Notice.

1.10. On the 12th June 2024 ELDC officers provided a high-level programme and the budget cost by email to LCC (see Appendix 2).

1.11. During June 2024 ELDC officers sent out the tender for the Windmill superstructure (excluding any additional works), this tender was returned 18th July 2024.

1.12. In preparation to receive Capital funding for the Windmill structure project, an Executive Board Report was produced and placed on the Forward Plan on 19th July 2024.

1.13. Focus Consultants (Focus), the ELDC appointed Quantity Surveyors to the project. held discussions with the tendering contractors and completed a value for money process and issued the RIBA Stage 4 Cost Plan on the 2nd August 2024 (Appendix 3), this file was emailed to LCC officers on the same day. The fully costed plan showed a project cost of £1,221,031 including contingency and

design risk. This was a sum of £90,200 higher than the budget advised on the 12th June 2024 but included design and contractor risk.

- 1.14. ELDC officers presented the issued RIBA Stage 4 cost plan to LCC officers on the 5th August 2024, at the meeting it was requested by LCC for Focus to further breakdown risk contingencies, this piece of work was concluded on the 19th August 2024 (Appendix 4) and emailed to LCC officers on the 20th August 2024.
- 1.15. A letter from ATC was sent to LCC on the 20th September 2024 advising that ATC had taken a formal decision to no longer accept the whole of the future risk of the Alford Windmill site, in essence not to take the freehold of the site and offered a proposal to move discussion forward (Appendix 5).
- 1.16. A further meeting took place with officers at LCC on the 2nd October 2024 and it was agreed to provide them with a revised budget based on works identified by ELDC's Heritage Manager that only detailed enforcement action works Appendix 6. This information was provided to LCC on the same day.
- 1.17. On the 5th November 2024 ELDC officers wrote to LCC to advise them of the programme constraints.
- 1.18. An email was received by LCC on 20th November, confirming their commitment to working with ELDC to complete repairs on the mill, and support the Levelling up funding. They advised that the costs exceed the budget approved for the works of £460k. They requested a cost breakdown of the essential works showing the amounts for each of the following categories: (1) Works not included on listed building enforcement notice but could be included on repairs notice or 215; and (2) Works that are absolutely necessary to secure rigidity and would be included in listed building enforcement notice. ELDC provided a revised budget based on works identified by ELDC's Heritage Manager that only detailed enforcement action works (Appendix 6). This information was provided to LCC on 5th October. In addition, ELDC has contacted Whitworths for guidance on the specification to enable Suffolk Millwrights to provide any revised quotation.

2. Report

Current Programme and Constraints – Alford Windmill

- 2.1. The design programme for the LUF works has now concluded RIBA Stage 4 Technical Design and the pack is now ready for tender.
- 2.2. To ensure the project remains on programme, it is vital the RIBA Stage 4 tender pack is sent out no later than Friday 29th November 2024 with pricing being return by Friday 10th January 2025. Contracts need to be agreed and entered by no later than 31st January 2025 with site mobilisation completed by 21st February 2025. A 12-month build programme follows delivering completion by Friday 6th March 2026, allowing for snagging and Practical Completion to take place no later than 31 March 2026.
- 2.3. The cost exercises for the Windmill structure have now concluded and LCC emailed on 20th November, stating their budget approved for the works is £460k. This budget will not enable completion of the Windmill works to either address the warning from the Heritage Manager or

provide a working windmill – an important component to the business plan and future sustainability of the project.

- 2.4. Alford Town Council remain resolute that at present there is no intention for the Town Council to take on the freehold of the site however, they remain open to other possible solutions.
- 2.5. Without the working Windmill, the site has no main attraction. The Windmill is the anchor for the whole site and intrinsic to the business plan and the project's sustainability. In 2000, Alford Windmill was in full working order, producing flour and supported by a thriving café and shop. Major repair works are now needed to reopen and operate the Windmill as a major visitor attraction with a viable operating model.
- 2.6. The entire LUF match funding element for all 3 sites relied on LCC funding the works to the Windmill structure however, Funding Consultants were appointed and currently have round 1 applications submitted for both Alford Manor and Spilsby Sessions House totalling £1,011,000 with further applications to be made.
- 2.7. The original LUF funding award received was £1,112,679.75 of which £258,395 has been committed £136,239 has been defrayed to date. Of the remaining committed once a decision is made and instruction issued, a reconciliation needs to take place to formalise contract termination at RIBA Stage 4. Current day budget position – should the change be agreed by S.151 Officer, there is £854,284 to transfer to the Alford Manor sub project. This figure is likely to increase once reconciliation takes place.

Current Programme and Constraints – Alford Manor

- 2.8. Design works for Alford manor has concluded RIBA Stage 4 and is now out for pricing with the preferred contractor through the Neutral Vendor Framework Constellia.
- 2.9. Pricing is due back on the 14th December 2024 whereby an independent and rigorous price testing exercise will be undertaken to ensure value for money.
- 2.10. Any amends to the JCT standard form contract are currently in travelling draft form and will be concluded in readiness for the above pricing exercise to be included, meaning contracts should be agreed and entered by the end of 2024.
- 2.11. The current RIBA Stage 4 designed scheme as detailed in the LUF round 2 bid is currently underfunded by £769,147 (RIBA Stage 3 cost plan), this excludes current Bio-diversity Nett Gain Credit requirements which are now a statutory requirement of the planning process but not a requirement at bid stage. Each credit cost is currently in the region of £42,000 - £50,000 and Alford Manor have a pre-commencement planning condition to have sourced a single credit.
- 2.12. Funding Consultants appointed as part of the Professional Team currently have match funding applications submitted to the Wolfston Foundation £100,000, Historic Houses Foundation £30,000 and National Lottery Heritage Fund £250,000 for works associated with repairs to the main Manor House identified in the quinquennial maintenance report undertaken by the Alford Civic Trust.

Freedoms and Flexibilities

- 2.13. In a letter dated 5th July 2023 Appendix 7 the Government set out the constraints and process that provided S.151 Officer at an Authority delegated powers an accumulative metric of up to 30% Freedoms and Flexibilities to make changes. This is known as a Local PAR.
- 2.14. It is a requirement that an Authority inform Government that they plan to make changes to projects in advance of making the changes together with confirmation the S.151 officer is content that changes will still deliver value for money and that necessary local engagement has been conducted, including with their MP and Town Deal Board where the changes relate to Town Deal.
- 2.15. The thresholds are:
- 2.15.1. Up to 30% change (up or down) agreed to project outputs and outcomes with changes to the type of outputs not in scope as that would be considered a material change.
 - 2.15.2. Changes to projects spend timetable with up to 30% flexibility between financial years.
 - 2.15.3. Moving money between projects the change does not exceed 30% of the project value and the outputs, outcomes and spend timetable do not move by more than 30%.
- 2.16. The Lincolnshire Wolds: Culture and Heritage programme has the outputs and outcomes detailed in Appendix 8. This Appendix also details the following changes permitted within the 30% freedoms and flexibilities:
- 2.16.1. Cultural space improved 27sqm – this will be transferred from Alford Windmill to Alford Manor and be satisfied by the additional funding allocation being utilised on the completion of the workshop.
 - 2.16.2. Volunteering opportunities created/supported 80 – this will be transferred to Alford Manor and satisfied by their ongoing volunteer recruitment process. Alford Manor currently have 92 active volunteers that the project will continue to support.
 - 2.16.3. Hospitality space created 57 – this will be transferred to Alford Manor and satisfied by the creation of the new events space.
 - 2.16.4. Increase in number of visitors to cultural venues – this will be transferred to Alford Manor and satisfied by their ongoing and increased events programme.
 - 2.16.5. Increased local employment opportunities – this will be transferred to Alford Manor and satisfied by their ongoing and increased events programme.
 - 2.16.6. Increase in visitor numbers to town centre, improved pride in place & improved wellbeing – by safeguarding the funds within Alford these outputs and outcomes are not lost or reduced.
 - 2.16.7. Number of full-time permanent jobs created 4 – the total number of full-time permanent jobs created by the project is 16 and by reducing the output by 4 remains within the freedoms and flexibilities mechanism.
 - 2.16.8. The overall funding allocation is £8,100,000 The 30% freedoms and flexibilities mechanism permit up to £2,430,000 to be transferred. The remaining budget officers are recommending being transferred is in the region of £770,000.

2.16.9. The eligible works intended to be satisfied by the transfer of the funds from Alford Windmill to Alford Manor can be completed within Government's long stop date of 31st March 2026.

Government Approval

2.17. It is a requirement that an Authority inform Government that they plan to make changes to projects in advance of making the changes together with confirmation the S.151 officer is content that changes will still deliver value for money and that necessary local engagement has been conducted, including with their MP and Town Deal Board where the changes relate to Town Deal.

Decision Making

2.18. The delivery of the LUF projects already reside in the Capital Programme 24/25 and in the proposed budget for 25/26. There is Council approval for the delivery of these capital projects. Although the projects are listed separately on the Capital Programme, they are funded via the same source and are as such a single project - i.e. a package bid.

2.19. Local PAR using Freedoms and Flexibilities has been delegated by Government to the S.151 officer.

2.20. Consultation has taken place with the Portfolio Holder and Project Sponsor, and the Executive Board on 20 November 2024.

Risks

2.21. There would be a risk that MHCLG would consider the reduction of the output of Heritage Building Restored by 1 being over the 30% (that being 33.3%) freedoms and flexibilities and the requirement of a full PAR submitted to and agreed by MHCLG being required. This would delay any decision that in turn would delay the works progressing on site and being delivered together with the outputs and outcomes by the Government's longstop date of 31st March 2026.

2.22. There is a reputational risk to the Council however, officers feel this is mitigated due the recommendation that the funds are moved from one Alford project to another and by doing so safeguarding the project benefits for Alford. Spend to date has progressed the sub project to RIBA stage 4 and the Funding Consultants have identified additional funding opportunities. The work undertaken to date provides the site owners, LCC with the opportunity to explore alternative funding opportunities to develop and safeguard Alford Windmill.

3. Conclusion

3.1. For the reasons set out in this report, it is concluded that the use of the freedoms and flexibilities delegated by Government to the S.151 officer are utilised to move the remaining funding from the Alford Windmill to Alford Manor sub project is recommended.

3.2. There is a clear strategic case, linked to the delivery of the LUF projects, whilst enabling the Council to control the programme and deliver the amended outputs and outcomes by March 2026.

3.3. The funding to cover this adjustment is already within the Councils Capital Programme 24/25 and in the proposed budget for 25/26. There is Council approval for the delivery of the LUF capital projects.

3.4. It is considered that this decision is appropriate and would enable efficient programme delivery and enable officers to move forward at pace whilst removing a key strategic risk from the project.

Implications

South and East Lincolnshire Councils Partnership

None arising from this report.

Corporate Priorities

The utilisation of the freedoms and flexibilities delegated powers and subsequent redistribution of the remaining budget, outcomes and outputs will help enable the fulfilment of the Lincolnshire Wolds: Culture and Heritage Programme and gives the Council control of the sub projects and in turn removes a strategic risk from the approved LUF scheme and thus gives confidence to HM Government that the Council can deliver the adjusted outcomes and outputs. This is also important for the reputation of the Council and the wider partnership.

Staffing

None arising from this report.

Workforce Capacity Implications

None arising from this report.

Constitutional and Legal Implications

The Council is following MHCLG guidance for freedoms and flexibilities for the Levelling Up Fund, details of which are set out in the report.

Data Protection

None arising from this report.

Financial

The financial considerations are set out within the report and appendices. The projects are externally funded. Movement of these funds between projects would have no overall financial impact in ELDC's Capital Programme.

Risk Management

See 2.21 & 2.22 above.

Stakeholder / Consultation / Timescales

Executive Board Briefing held on 20 November 2024.

Reputation

See 2.22 above.

Contracts

Contracts for consultants extending beyond RIBA Stage 4 would be terminated and the same consultants would be re-engaged to deliver the additional works at Alford Manor. This only extends to 2 consultants and ELDC would not be subject to early termination or contract break costs.

Crime and Disorder

None arising from this report.

Equality and Diversity / Human Rights / Safeguarding

None arising from this report.

Health and Wellbeing

None arising from this report.

Climate Change and Environmental Implications

None arising from this report.

Acronyms

MHCLG Ministry for Housing, Communities & Local Government

LUF Levelling Up Fund

ATC Alford Town Council

AWM Alford Windmill Trust

MoU Memorandum of Understanding

PAR Project Adjustment Request

Appendices

APPENDICES	
Appendices are listed below and attached to the back of the report: -	
1	Warning letter
2	Budget Cost Plan
3	RIBA Stage 4 costed plan
4	RIBA Stage 4 costed plan – risk breakdown
5	Signed letter from ATC to LCC
6	RIBA Stage 4 costed plan – identified enforcements works
7	DLUHC Freedoms and Flexibilities letter
8	Outputs and outcomes

Background Papers

None arising from this report.

Chronological History of this Report

A report on this item has not been previously considered by a Council body.

Report Approval

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