

 <b>Council 5<sup>th</sup> August 2020</b>		<b>Agenda Item No.</b> Urgent Item 2
<b>Title</b>	Completion and submission of the Council's business case to the Future High Streets Fund.	
<b>For further information about this report please contact</b>	Dave Barber <a href="mailto:Dave.barber@warwickdc.gov.uk">Dave.barber@warwickdc.gov.uk</a> Guy Collier <a href="mailto:Guy.collier@warwickdc.gov.uk">Guy.collier@warwickdc.gov.uk</a>	
<b>Wards of the District directly affected</b>	Brunswick Clarendon Willes	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	Confidential Appendix – Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information)	
<b>Date and meeting when issue was last considered and relevant minute number</b>	18 <sup>th</sup> December 2019	
<b>Background Papers</b>	None	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	No

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive		Chris Elliot
Head of Service		Dave Barber
CMT		Chris Elliot, Andrew Jones, Bill Hunt
Section 151 Officer		Mike Snow
Monitoring Officer		Andrew Jones
Finance		Mike Snow
Portfolio Holder(s)		CLlr Hales
<b>Consultation &amp; Community Engagement</b>		
Stakeholders have been engaged throughout the preparation of bids to the Future High Streets Fund.		
<b>Final Decision?</b>	Yes	

## 1.0 **Summary**

- 1.1 The purpose of this report is to update Members on progress with the Future High Streets Fund (FHSF) full business case (FBC), and to seek approval to resource the co-funding and programme management required to support the delivery of the proposals. The report also seeks delegated authority to complete and submit the bid.

## 2. **Recommendations**

- 2.1 That Council comments on the intention of the Chief Executive to make the following decisions under delegation CE(4) following consultation with Group Leaders:
- (a) The Council's submission to the Future of the High Street Fund comprising the four elements set out in paragraph 3.6 below and in confidential Appendix 1.
  - (b) That, subject to the bid being successful, agree to provide resource to programme manage the delivery of these elements as set out in para 3.12
- 2.4 That within the bounds of recommendation 2.1 and 2.3 (subject to approval from Council), delegates authority to the Head of Development Services, and the Head of Finance in consultation with the Portfolio Holder for Finance and Business, to finalise the detail of the proposals and to submit the bid.
- 2.3 That, subject to the bid being successful, the Council co-funds the programme up to a maximum amount as set out in the financial appraisal in appendix 1 but that a further report be brought forward to agree the detail of the funding should the bid be successful.

## 3. **Reasons for the Recommendations**

Recommendation 2.2 and 2.2 are Executive decisions that the Council cannot take. Due to the need to make the submission by 14<sup>th</sup> August 2020 and there is no scheduled Executive the intention is for the Chief Executive to take these decisions under his delegated authority, in consultation with group Leaders, to take urgent decisions between meetings.

Councillors should be assured though that in this instance without the Council approving the funding as set out in recommendation 2.3 the Chief Executive would not be able to proceed with the other recommendations. Therefore while the decisions are significant members are retaining the ability to scrutinise this paper and raise concerns as well as holding control on the final decision.

The report has been brought as an urgent item to Council with the agreement of the Chairman because there is no scheduled Council meeting before the 14 August 2020 deadline for submission.

### **Recommendation 2.1: the elements of the Council's submission to FHSF**

- 3.1 The FHSF was launched in December 2018, to provide co-funding for capital projects that will bring transformative change to high streets and town centres. Proposals need to demonstrate how the funding will address market failure i.e. why the private sector cannot deliver a solution to local challenges.

- 3.2 Warwick District Council is part of the second wave (Wave 2) of local authorities who were invited to apply for funding, following the submission of an expression of interest (EOI) in March 2019. Around 100 local authorities in total have been invited to apply.
- 3.3 Officers have been engaging with stakeholders, potential partners, consultants and MCHLG to develop a transformative programme of projects for Leamington town centre. In line with the EOI, projects are based on the challenges and priorities identified in the Leamington Spa Town Centre Vision as set out in [Executive Report 3<sup>rd</sup> October 2019 item 9](#).
- 3.4 In summary the proposed programme seeks to:
- A. Activate structurally significant creative hubs, north and south of the river Leam.
  - B. Connect these creative hubs and the wider town centre.
- 3.5 In doing so the programme will drive the diversification of the town centre to a more mixed use economy, utilising Leamington's unique creative industries as a key driver.
- 3.6 The programme profile can be found in appendix 1. In summary, the programme comprises of:

**1. Leamington Town Hall Creative Hub**

The Gateway: Town Hall Creative Hub (THCH) will transform Leamington Spa's Grade II listed Town Hall into a major hub for creativity. It will provide a unique space where world class performers rub shoulders with digital SMEs, global companies, and recent graduates - creating opportunities to co-curate, learn and develop. The revitalised building will act as a beacon for the district's creative industries, enticing people to the area for meetings, networking events and symposiums in four newly refurbished inspirational spaces, alongside existing tenants. Specifically, the fund will seek to:

- Install infrastructure to significantly increase visibility and accessibility.
- Reconfigure the ground floor box office to create a welcoming and active open plan visitor anchor point.
- Refurbish other parts of the building to create c.1536 sq/m of high quality, creative flexible meeting space for the cluster, community groups and public bodies, including improvements to accessibility to the upper floors.

**2. Spencer Yard**

Supplementing the proposals being worked up by the Council's Creative Quarter deliver partners (CDP), the proposal seeks to add community and business value to the Spencer Yard and surrounding properties (URC, Old Dole Office and Nursery) by investing in infrastructure and providing gap funding to deliver a high quality space to support the growth of the creative cluster, with a reanimated public square at its heart. The investment will:

- Enable the delivery of c. 3000 sq/m grow on space for the creative cluster through regeneration of disused assets.
- Create a new events space and pedestrian linkage between the Parade and Old Town through an improved high quality public realm.

- Deliver required supporting ancillary facilities.

**3. Confidential Sites detailed in appendix 1** – Officers have engaged with a third party regarding additional sites in the Creative Quarter. At this time this cannot be disclosed in public but is detailed in confidence within appendix 1 to the report.

**4 Cycling connectivity**

Building on the K2L, Emscote Road, Station Forecourt, Victoria Park/ Commonwealth Park investments, this project will deliver 5.5km of cycling routes through the town centre to improve connectivity and sustainable transport options. In doing so it will help address air quality issues and improve connectivity. In this way, funding from MCHLG will create vital new connections to key public transport infrastructure and facilities and enabling access to the town centre by means other than the car. It will be supported through investment in traffic monitoring infrastructure to measure impact and improve highway management.

3.7 Key stakeholders have been updated on this programme profile, following earlier rounds of stakeholder engagement. It is hoped that letters of support will be provided by key Town Centre stakeholders, although Members should be aware of identified concerns:

- (i) Concern about the impact of the proposed cycling infrastructure on town centre traffic and businesses. At present, the proposals are indicative only and should the Council's submission be successful, we will be committed to delivering the overall objectives rather than a specific scheme. There will therefore be a need for detailed consultation with local businesses to ensure that proposed cycling routes do not have a negative impact, particularly on Town Centre retail businesses. Officers have indicated to stakeholders that further that consultation and engagement will take place to inform the detail of the connectivity projects.
- (ii) A view that the Town Hall should continue as a location for the provision of local/regional government. In response to this concern, it should be noted that the proposals for the Town Hall continue to provide space for Leamington Town Council, WDC member meetings and the MP.

3.8 Members should also note that the proposals for the Town Hall are based on the asset remaining in the Council's ownership. Any future proposals that may involve different ownership models have not been considered as part of the FHSF proposals

3.9 **Confidential** discussions are continuing on the confidential sites and it is a major transformational element of the programme. However, it is unlikely that third party will be able to provide a letter of support or intention for building for one site in time for the submission of the Full Business Case due to their internal approval processes. Including this specific site within the programme therefore presents two significant risks:

- (i) By including a major element that has deliverability risks, there may be an impact on the overall programme. MCHLG's current position on this is unknown, although they have previously indicated that they may accept proposals in part where multi-project proposals are submitted.
- (ii) The Council would be committed to delivering outputs linked to a site over which it currently has limited control. Linked to this, the funding set

out in Appendix 1 provides for a realistic scheme based on our current understand of the building. However, a detailed survey has not been undertaken and there are therefore risks that there could be unforeseen delivery costs which the Council would need to underwrite to demonstrate deliverability to the MHCLG

3.10 However these risks need to be balanced against the risks of not progressing this element of the proposals. This project is demonstrably transformational and is strongly aligned with the broad objectives of MHCLG for the Fund. Without it, the overall impact of the scheme will be weakened and may therefore jeopardise the potential for the Council's proposals to be successful and thereby the opportunity to transform this part of the Town Centre could be missed. For these reasons officers consider that on balance, this element of the proposals should be retained as part of the submission.

3.11 A financial profile for the overall programme is outlined in para 3.24.

### **Recommendations 2.1 and 2.2: Resourcing and Co-funding**

3.12 If the bid to the Future High Streets Fund is successful, the Council will receive a Section 31 grant – a one off grant that will sit within the General Fund. It is envisaged that the grant agreement with MHCLG will specify output/outcome targets to be achieved through the programme, but within this there will be scope to adjust the detail of the various elements of the schemes – subject to the outcomes being demonstrably achieved.

3.13 Delivery of the Future High Streets Fund programme will involve close working with partners at Warwickshire County Council, CDP and others. It is proposed that the Council acts as a central coordinating body, overseeing partner delivery and releasing funding as required and in line with agreed milestones/ outputs.

3.14 It is anticipated that, subject to a review of existing project officer capacity, a programme coordinator will need to be appointed. This is likely to be at an annual cost of around £56,700 (salary plus on costs) commencing in November 2021 (on completion of the current secondment to the Programme Manager Town Centre role) and ending in March 2024 (2.5 years). As FHSF is for capital only this cost will need to be met by the Council for the duration of the programme.

3.15 Each partner organisation will have a key point of contact at the Council to provide direct oversight and support. This role will be fulfilled by existing staff.

3.16 Both the Spencer Yard and Connectivity projects will also follow their own pre-existing governance arrangements.

3.17 In addition, in supporting projects and funding distribution, it is likely that the programme will require significant support from the Accountancy, FS Admin, Communications, Planning Policy, Development Management, Arts, Contract Services, Green Spaces and other. This will be a major cross Council programme. Support will be required on an ad hoc basis and the aforementioned teams will need to ensure that they have capacity to respond to the demands of the programme.

3.18 An organogram of the proposed delivery structure can be found in appendix 2.

- 3.19 In addition to these revenue costs, it is also proposed that the Council provides capital co-funding, particularly where the Council may be receiving an income from projects i.e. revenue from the Town Hall.
- 3.20 Providing co-funding will help strengthen the bid and reassure the funder as to the precise need for grant support. For example, should the Council achieve an income as a result of the FHSF Fund investment, MCHLG may ask why the Council would not be prepared to make an investment itself in order to make the project viable. The funder has not provided a hard and fast methodology for setting out the appropriate level of co-funding required. This means that there is some flexibility about how we could approach this. In particular, there is a balance to be struck between impact on the Council's finances (and associated financial risks) if higher levels co-funding is proposed, and impact on the appetite of MHCLG to fund proposals if lower levels of co-funding are proposed. The fund criteria are clear that MCHLG expects the FHSF investment to help leverage private sector investment. Paragraph 3.22 below indicates that this has been achieved. However, it also indicates that additional public sector investment will be taken in to account. The levels of capital investment to be made directly by WDC as set out in the table at para 3.22 below (further detail in Appendix 1), recognise the importance of striking a balance between sending a clear message regarding the Council's commitment to these schemes and the uncertain financial future that the Council faces as result of the Covi19 pandemic. Therefore, the approach to WDC co-funding for the proposals reflect the following:
- The need to be cautious about financial risk in the short to medium term to reflect current financial uncertainty arising from the Covid 19 pandemic.
  - Where the Council is likely to see an income (e.g. Town Hall) that a reasonable but cautious approach to return on investment is taken.
  - Where the Council is likely to see an income (Town Hall), it is reasonable to make a level of capital investment that reflects the potential income and helps to support the community and economic benefits the proposals seeks to achieve.
- 3.21 It is proposed that where income exceeds the value estimated in the financial appraisals set out in appendix 1, the surplus income achieved should be reinvested in further Town Centre projects. At the same time as managing the Council's financial risks, this approach will provide reassurance to MHCLG that the FHSF is not being used to simply subsidise the Council's income streams and has the potential to provide a further important opportunity to drive ongoing Town centre improvement
- 3.22 The financial profiles in appendix 1 will be finalised with the S151 Officer prior to completion of the full business case.
- 3.23 The profile identifies a requirement for £14.2 million of FHSF (amounting to 65% of total project funding). It is noted that almost half is allocated to the confidential scheme which currently represents a high delivery risk. 36% is allocated to the cycle route scheme, and the presentation of this element within a FHSF programme will need to be carefully considered.
- 3.24 The profile identifies a cash contribution from the Council of up to £1.97m. The precise source of funding for this will be established if the FHSF submission is successful and will be the subject of a subsequent detailed report. The Council has a number of options which would be explored at that point in time but include drawing on other Council capital receipts though this option will also

have to consider other demands to use those resources; and using borrowing could also be considered and if the income projections suggested in Appendix 1 are achieved, these would be able to cover the revenue costs of the associated interest whilst still delivering the wider community benefits of the FHSF proposals. The decision will need to be considered in the context of the Council's financial position when we emerge from the Covid19 pandemic.

	Town Hall	Spencer Yard	Confidential Sites	Cycle Routes	Total	% total
WDC cash	£945.5	-	£1,026.8	-	£1,972.3	10%
FHSF	£792.5	£699.0	£8,354.3	£5,072.4	£14,918.2	72%
Private	-	£2,095.0	£1,650.0	-	£3,745.0	18%
Total	£1,738.0	£2,794.1	£11,031.1	£5,072.4	£20,635.6	
FHSF (%)	5%	5%	56%	34%		

3.25 Members should note that the detail of the Council's co-funding is still to be agreed with the S151 Officer and that the values set out in the table above represent a maximum level of co-funding. As set out in para 3.18 above, reducing the level of co-funding may provide a more accurate reflection of risk/return desired by the Council though it could potentially weaken the business case.

#### Recommendation 2.4

3.26 Officers have secured an extension to the deadline for proposals until 14<sup>th</sup> August.

3.27 In approving the recommendations set out in this report, Members will be delegating authority to the Head of Development Services, Dave Barber, and Mike Snow, Chief Financial Officer in consultation with the Portfolio Holder for Finance and Business, to finalise and submit the bid to deliver the identified projects and anticipated outputs/ benefits.

3.28 The FBC will include a number of components comprising of a Strategic Case, Economic Case, Financial Case, Commercial Case and Management Case. It will also be supported by a number of appendices.

3.29 A number of other details are to be completed prior to submission and delegated authority is sought to do so.

## **4.0 Policy Framework**

### **4.1 Fit for the Future (FFF)**

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Becoming a net-zero carbon organisation by 2025 Total carbon emissions within Warwick District as close to zero as possible by 2030 Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
None	A successful application to Future of the High Streets Fund has the potential to bring about environmental improvements in Leamington Town Centre including air quality, more sustainable transport options and improvement to the public realm	The programme will diversify the town centre to support economic sustainability. It will create new active public spaces.
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
None	None	The programme will revitalize underused assets.

## 4.2 **Supporting Strategies**

The Council Business Strategy includes a number of elements which this report contributes to directly:

- "Develop the Creative Quarter"
- "Develop a Transport Strategy to support the District's Town Centres"
- "Support our Town Centres to adapt to changing environmental, social and economic conditions, including exploiting any opportunities presented through the Future High Streets Fund".
- "Work to improve the diversity of the employment land premises offer within the District"

The proposed programme aligns with the FHSF Expression of Interest and supports a number of objectives of the Leamington Town Centre Vision and Strategy:

- Objective 2, including creating strong attractive pedestrian and cycle corridors between key sites, reducing congestion and encouraging modal shifts to sustainable transport
- Objective 5, creating an environment and opportunities to allow our burgeoning creative and digital industries to flourish.
- Objective 6, supporting regeneration and enhancement opportunities which help to revitalise Old Town and secure its future.

4.4 **Changes to Existing Policies** - There are no changes to existing policies arising from this report

4.5 **Impact Assessments** - None at this stage.

## 5. **Budgetary Framework**

5.1 The reports seeks agreement for a programme manager post for 2.5 years from November 2021 through to March 2024 at a cost of £56,000 per year (total cost £140,000 over 2.5 years). Subject to members supporting recommendation 2.2, these costs will be funded as time limited revenue growth from 2021/22 and will be reflected in the MTF5.

5.2 The project profiles identify a cash contribution from the council of up to £1.97m. The precise source of funding for this will be established if the FHSF submission is successful. It may be possible to draw on existing Council reserves. However this is dependent on other demands to use reserves and on the Council's financial position when we emerge from the Covid19 pandemic. As a fallback, using borrowing could also be considered and if the income projections suggested in Appendix 1 are achieved, these would be able to cover the revenue costs of the associated interest whilst still delivering the wider community benefits of the FHSF proposals.

5.3 Members should also note that the detail of the level of Council's co-funding is still to be agreed with the S151 Officer and that the levels of funding shown at paragraph 3.22 are maximums. Lower levels of capital co-funding from WDC will clearly reduce the opportunity cost associated with funding these proposals from reserve and would also reduce the level of interest and financial risks if borrowing is used to fund the proposals.

## **6. Risks**

- 6.1 A full risk analysis associated with each project is included in appendix 1. In addition to the project risks, there are risks associated with the programme as a whole.
- 6.2 As set out in paragraph 3.20 above, there is currently considerable uncertainty about the Council's overall financial position as a result of the Covid19 pandemic. However, in making this submission to MHCLG, the Council is committing to delivering the outcomes (although not the specific detail) of the proposals in the event that the bid is successful. The delivery of the programme outcomes could therefore have an impact on the Council's overall financial position, particularly as there inevitably some significant assumptions that underpin the financial appraisals of the proposals. This risk has been mitigated by undertaking as much detailed work as possible regarding costs and income associated with each project and by engaging professional advice and input from partners in developing the proposals. The risks are further mitigated by keeping retaining a number of options for funding the Council's capital co-funding as set out in paragraph 5.2 above
- 6.3 There is a risk that the Council's submission will not be successful. In this event, the significant benefits to Leamington Town Centre that can accrue from the proposals will either not be delivered, or alternative funding and delivery mechanisms will need to be explored. As the Council's financial commitments are dependent on the bid being successful, there is no financial risk associated with this. However, given the success at the expression of interest stage, there could be reputational consequences if the submission does not attract funding
- 6.4 There is a risk that the funder could choose to fund only parts of the submission rather than the proposals as a whole. As a number of the projects are inter-related, this could result in the proposals becoming imbalanced and could have unforeseen consequences in the viability and deliverability of elements that are funded. This in turn could have knock-on effects on the Council's financial liabilities if MHCLG expect projects to deliver outcomes in full. To attempt to mitigate this risk, in the event of partial funding, officers will seek to renegotiate outcomes with MHCLG in the context of a full understanding of the level of funding achieved through the FHSF.
- 6.5 Whilst the risks associated with the specific projects are set out in appendix 1 it is worth highlighting three project risks
- For schemes where an income is anticipated as a result of the investment (Town Hall) the assumptions relating to the level of income are based on a reasonable but cautious view of market conditions. Given the Covid19 Pandemic, market conditions are particularly hard to predict at present and it is therefore difficult to predict levels of income that could be achieved with any certainty.
  - For the confidential site, there is some uncertainty about the costs associated with bringing forward proposals for the site as we have been unable to undertake a full site survey and assessment. As a result there is a risk that delivery costs could be higher than those assumed and because the Council will be accountable for delivering the outcomes, there is consequential risk that the Council may have to contribute to gap funding or find an alternative approach to delivering the outcomes.

- For the connectivity (cycling infrastructure) project, there are reputational and public/business resistance risks. The proposals have not been subject to public consultation nor have the details been subject to engagement with the business community. Therefore it is not known how significant changes to infrastructure across the Town Centre will be achieved. To mitigate this risk, officers have been clear with stakeholders that at this stage there is no commitment to delivering the detail of the proposals, only the outcomes. Officers have also been clear, that when the detail is worked up it should be subject to consultation and engagement. However, it should be noted that this project is being led by Warwickshire County Council and whilst officers have no reason to believe that WCC would not want to undertake a genuine consultation on this, these mitigation measures are dependent on them being open to that.

## **7. Alternative Options considered**

- 7.1 Taking account of paragraphs 3.6 and 3.7 above, the Council could decide to submit a business case without the confidential site, if it considers the risks of including it are too high. However, as a major transformational element this could have a detrimental effect on the overall impact of the programme or the achievement of successful bid.
- 7.2 Taking account of paragraph 3.18, the Council could submit the business case with a reduced or increased level of co-funding. In doing so it must be clear as to the reasons why and acknowledge the risk that this could have a negative impact on the scoring of the FBC.
- 7.3 The Council could decide not to submit the business case. This would have a significant reputational impact on the Council, given the level of stakeholder engagement. It would also assume that future funding opportunities become available which they might not.