

**Title: Future High Streets Fund Award for Royal Leamington Spa**

**Lead Officer: Martin O'Neill**

**Portfolio Holder: John Cooke**

**Public report / Confidential report:** Confidential Appendix 1

**Wards of the District directly affected:** Brunswick, Clarendon, Willes

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: Yes

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: No

Consultation & Community Engagement: Stakeholders have been engaged throughout the preparation of bids to the Future High Streets Fund.

Final Decision: Yes

Accessibility Checked: Yes

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	7/6/2021	Chris Elliott
Head of Service	7/6/2021	Philip Clarke
CMT	7/6/2021	Chris Elliot, Andrew Jones, Dave Barber
Section 151 Officer	7/6/2021	Mike Snow
Monitoring Officer	7/6/2021	Andrew Jones
Finance	7/6/2021	Mike Snow
Portfolio Holder(s)	7/6/2021	John Cooke

## **1. Summary**

- 1.1. The purpose of this report is to update Cabinet on the Future High Streets Fund (FHSF) funding award, and to outline the final funding agreement and the spending profile.

## **2. Recommendations**

- 2.1. That Cabinet notes the final level of the FHSF award to Warwick District Council from the Ministry for Housing, Communities and Local Government (MHCLG).
- 2.2. That Cabinet agrees the spending profile associated with the reduced level of funding from Government, and how the funding contributes to the projects associated with the FHSF.

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

### **Recommendation 2.1: The final award of FHSF funding to Warwick District Council**

- 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. Officers developed the Full Business Case which was submitted to MHCLG by the deadline in August 2020. A report was brought to a meeting of Full Council on 5<sup>th</sup> August 2020 to seek delegated authority to approve the projects to be submitted in the final bid. Recommendation 2.3 of that report was as follows; 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.
- 3.3. In December 2020, MHCLG wrote to successful local authorities to advise them of a provisional offer amounting to 69% of the original request. In respect of Warwick District Council, the original bid requested a total level of FHSF funding amounting to £14.9million. The provisional offer of funding was therefore £10.1million.
- 3.4. The rationale for the reduced offer was presented to officers as a requirement to ensure that as many local authorities as possible could benefit and receive funding from the total funding available nationally.
- 3.5. Officers were then invited to work with MHCLG to re-profile the projects contained in the original bid to align with the revised funding envelope. A new deadline of 26<sup>th</sup> February 2021 was provided for the Council to resubmit its business case to demonstrate which projects from the original bid would either be removed from the application or scaled back in terms of the level of ask from the fund.

- 3.6. The revised business case was submitted by the deadline and in March 2021 MHCLG confirmed the award of £10,015,121 to Warwick District Council.
- 3.7. The next steps in terms of the Council receiving the funding will be to sign a formal Grant Offer Letter and a Memorandum of Understanding with MHCLG.
- 3.8. Funding will be released to the Council on an annual basis in line with the spending profile which was submitted as part of the final business case.
- 3.9. A detailed Monitoring and Evaluation exercise will also now be required which will entail regular reports being submitted to MHCLG to update on the planned expenditure and the delivery of the projects in line with the annual spend profile.
- 3.10. At a meeting with MHCLG in mid-June, officers were notified that the FHSF allocation for year 1 of the spend profile (as set out in confidential Appendix 1) has been issued to WDC and has been allocated to the appropriate cost centre.

**Recommendation 2.2: The revised spending profile of projects to align with the reduced level of funding**

- 3.11. In order to successfully complete the bidding process for the revised funding offer outlined above, the original profile of the expenditure needed to be revisited to meet the reduced level of funding. The following options were available in order to achieve this;
  - Secure additional co-funding
  - Scale back existing schemes
  - Eliminate existing schemes
- 3.12. Officers first sought out any additional co-funding that may be available through partners which would top-up the funding offer and allow the full profile of projects to be delivered. However, attempts to secure any additional co-funding proved unsuccessful.
- 3.13. In the absence of any additional co-funding, in order to reprofile the various elements of the Programme to meet the revised FHSF funding envelope of £10.1million an options appraisal was developed by officers in conjunction with an external consultant who had developed the original financial modelling to arrive at the required Benefit Cost Ratio of 2:1.
- 3.14. After careful consideration of the options, it was decided that the "Cycling connectivity" proposals (referred to as the Sustainable Movement Network (SMN) in the bid) element of the FHSF funding would be scaled back from the original ask of £4,979,800 to a revised figure of £506,271. This option was recommended to stakeholders, including Leamington Spa Town Council and the WDC Leadership Co-ordinating Group (LCG) in advance of the final submission to MHCLG.
- 3.15. It should also be noted that while the SMN project has been scaled back in line with the proposed FHSF investment envelope, the Council will

continue to work with partners to deliver the outstanding routes on a phased approach and bring in match funding to achieve this. The £506,271 from FHSF will be matched by a further £500,000 from the Community Infrastructure Levy as part of the Council's total CIL contribution of £1.992m in 2021/22 and 2022/23 towards the County Council's Emscote Road multi-modal corridor improvements (as agreed by Executive in March 2021). The reduced element of this project is therefore a catalyst for future investment in town centre sustainable movement. Further funding will be sought from future funding sources (such as the Levelling -Up Fund) to ensure that the wider SMN is delivered, in conjunction with the wider highways improvements planned for the South area of the town such as the Bath Street improvements scheme.

3.16. The WDC cash element of the co-funding was approved at the February meeting of Full Council as part of the General Fund Budget and Council Tax report.

3.17. The financial profile of the FHSF projects is shown at confidential Appendix 1

#### **4. Policy Framework**

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

4.1.1. 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. This report shows the way forward for implementing a significant part of one of the Council's Key projects.

4.1.2. The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

##### **4.2. FFF Strands**

###### **4.2.1 External impacts of proposal(s)**

**People - Health, Homes, Communities – None in relation to this report.** This section needs to provide details in respect of the following intended outcomes: Improved health for all; Housing needs for all met; Impressive cultural and sports activities; Cohesive and active communities.

**Services - Green, Clean, Safe –** The success of the 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. It must be noted however that the SMN was designed to to bring significant environment benefits and climate change improvements contributing to the Council's Climate Change ambitions. The reduction in this element of the

project in relation to the FHSF bid puts this outcome at risk. To help to mitigate that risk, officers are committed to delivering the full range of cycle routes as part of the wider SMN and to do this by actively sourcing alternative funding opportunities such as the Levelling Up Fund.

In terms of the development of Town Hall improvements and other FHSF projects, there is a focus on and a commitment to deliver these utilising low carbon technologies and sustainable building materials and techniques.

With regards to Spencer Yard a comprehensive energy and sustainability strategy was submitted as part of the planning application. CO2 emissions are proposed to be reduced through a combination of enhanced building fabric standards, low energy LED lighting, mechanical ventilation with heat recovery, low carbon heating via air source heat pumps and on-site electricity generation from roof mounted photovoltaic panels. Sustainable modes of transport are also being encouraged by providing covered cycle storage with showering and changing facilities on-site, improved public realm works including lighting and planting to improve the pedestrian experience, and reducing the number of car parking spaces on site. A travel plan will be secured through planning if consent is granted which includes further measures to encourage things like car sharing and the provision of cycle to work schemes.

**Money- Infrastructure, Enterprise, Employment** - The FHSF programme will diversify the town centre to support economic sustainability. It will create new active public spaces. The funding will enable new employment and economic growth in the town centre and help to regenerate the South of the town centre, connecting with the North and lead to an improvement in the vibrancy and diversity of the town centre as a result.

#### 4.2.2. **Internal impacts of the proposal(s)**

**People - Effective Staff** – None specific to this Programme

**Services - Maintain or Improve Services** – None specific to this Programme

**Money - Firm Financial Footing over the Longer Term** - The programme will revitalize underused assets, bringing capital investment to the town centre and revitalizing the economy and revenue to the Council as a result.

#### 4.3. **Supporting Strategies**

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

- 4.3.1. Develop the Creative Quarter
- 4.3.2. Develop a Transport Strategy to support the District's Town Centres
- 4.3.3. Support our Town Centres to adapt to changing environmental, social and economic conditions, including exploiting any opportunities presented through the Future High Streets Fund.

- 4.3.4. 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 any existing policies as a result of the FHSF funding.

- 4.5. **Impact Assessments** – none at this stage

## 5. Budgetary Framework

- 5.1. The Future High Streets funding bid was dependant on an element of the co-funding being provided by the Council amounting to That amounts to £1.909million allocated to the projects as shown in confidential Appendix 1.
- 5.2. As part of the 2021/22 Budget agreed in February 2021, £2.086m was allocated to the Future High Streets Fund. The latest figures show the sum required from the Council is £1.9099m, so leaving £176.1k to be returned for allocating in the future to other capital projects in accordance with Council priorities

## 6. Risks

- 6.1. Risks associated with the specific projects are being managed as part of the overall FHSF Programme management process, and subject to a live risk register. For the purposes of this report it is worth highlighting three project risks
- 6.2. 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.
- 6.3. 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. It is then a case of describing how the risks are to be managed.

- 6.4. For the Sustainable Movement Network (including the cycling infrastructure) project, there are some reputational and public/business resistance risks. These were potentially significant in the original FHSF bid as set out in the Council report of August 2020. The more modest revised proposal significantly reduces any risks around this element of the programme. There is some risk in that the FHSF contribution is dependent upon £½m match funding from the Community Infrastructure Levy. Given the scale of the CIL contribution, the anticipated CIL receipts and the ability of the Council to re-profile CIL projects, this risk is considered to be low.

### **7. Alternative Option(s) considered**

- 7.1. The Council could decide not to support recommendation 2.2 to agree the projects and the spending profile set out in this report. If this was to be the case this would significantly jeopardise the FHSF award of £10.1million to contribute to the regeneration and investment programme for the projects. This option is therefore not recommended as the likelihood would be that the Council would have to return the funding in full or part.

### **8. Background**

- 8.1. The Future High Streets Fund was announced in December 2018. Local Authorities were invited to submit an initial Expression of Interest (EOI) to the Fund during 2019.
- 8.2. Warwick District Council submitted an EOI in March 2019 and were later invited to progress to Round 2 of this process by working up a full business case which had to be submitted by late Summer 2020 as part of a competitive process.
- 8.3. Provisional award announcements were made to successful bidding authorities in December 2020. In all approximately 100 local authorities in England have been successful in attracting an investment from the FHSF.