

Report To:	CABINET
Date:	8 NOVEMBER 2022
Heading:	FUNDING UPDATE
Executive Lead Member:	CLLR MATTHEW RELF, EXECUTIVE LEAD MEMBER FOR REGENERATION AND CORPORATE TRANSFORMATION CLLR SAMANTHA DEAKIN, EXECUTIVE LEAD MEMBER FOR PARKS, TOWN CENTRES AND ENVIRONMENTAL SERVICES CLLR DAVID MARTIN, EXECUTIVE LEAD MEMBER FOR FINANCE, REVENUES AND BENEFITS
Ward/s:	ALL WARDS
Key Decision:	YES
Subject to Call-In:	YES

Purpose of Report

To ensure that Cabinet is kept updated on funding allocations and progress of funded programmes.

To consider and approve an adjustment to the Capital Programme for the Towns Fund and Future High Streets Fund projects.

To add additional Public Open Space Section 106 contributions to the Capital Programme.

Recommendation(s)

1. To note the progress for Future High Streets Fund and Towns Fund projects.
2. To recommend to Council, subject to Department for Levelling Up, Housing and Communities (DLUHC) approval, amendment of the Capital Programme values for the Towns Fund and Future High Streets Fund schemes as outlined in the report
3. To approve the receipt of Public Sector Decarbonisation Scheme (PSDS) Phase 3b funding, subject the Council's bids being successful, and approve the engagement with Mace Limited under the Scape 'Place Shaping' Framework (single supplier) to deliver the projects.
4. To recommend to Council, following receipt of funds, that Section 106 monies be included on the capital programme as outlined in the report.
5. To note the Council's successful bid for Cyber Security funding and to approve acceptance of the £125k funding.

Reasons for Recommendation(s)

1. To ensure that Cabinet is kept updated on progress with the funding programmes.
2. To ensure that projects and spend within the funding programmes are delivered within the set timeframes and programme budget envelope.
3. To ensure delivery of the Council's Corporate Plan and improvements to parks and green spaces with a rolling programme of investment.
4. To ensure funding streams are delivered collaboratively and effectively.
5. To note the Council's successful bid for Cyber Security funding and to approve acceptance of the £125k funding.

Alternative Options Considered

1. Not to approve the re-alignment of funds on the Towns Fund and Future High Streets programmes. Not re-aligning the funds will mean that projects cannot be delivered due to budget shortfalls. Not recommended.
2. Not to approve the allocation of S106 funding on the capital programme. Not allocating the funds will mean that public open space improvement projects cannot be delivered. Not recommended.
3. Not to accept the receipt of PSDS3b funding will jeopardise the Council's ability to fund carbon reduction measures to its non-domestic assets and not meet its carbon reduction targets. Not to mobilise the procurement and delivery of the projects imminently will jeopardise delivery in the required timescales.
4. Not to accept the £125k for cyber security to further improve the Council's resilience against potential cyber security attacks. Not recommended.

Detailed Information

1) Funded Programme and Projects Update

1.1 Future High Streets Fund

The four projects are progressing with the first construction contract commencing on the Sutton Low Street projects and design teams now appointed and developing all projects. Planning approvals have been secured for:

- 14 Low Street Refurbishment
- 9-11 Low Street Refurbishment
- 70-78 High Pavement Refurbishment

A planning application will be submitted in the autumn for the Fox Street and Portland Square project.

Branding development has been completed for the High Pavement Business Hub, Maker Space and Theatre projects.

Procurement for main contract work activities are due to commence in early autumn for the following projects:

- 9-11 Low Street Refurbishment
- 70-78 High Pavement Refurbishment
- Fox Street and Portland Square public realm.

1.2 Towns Fund

1.2.1 Business cases

The final five project business cases are in the final stages of the local assurance process, the updated programme is set out in the table below.

Twelve of the projects have completed the local assurance process with summary documents submitted to DLUHC. The outputs for each of the projects are detailed in Annex 1.

1.2.2 Business case submissions

Project	Business Case submission to DLUHC
Be Healthy Be Happy	
North Kirkby Gateway	05.10.22 - Approved, subject to subsidy control advice and detailed cost planning
Kirkby Sports Hub	11.11.22 – Review to further develop cost planning and match funding.
Sutton Lawn Sports Hub	11.11.22 - Review to further develop cost planning and match funding.
More to Discover	
Sutton Town Centre	
Portland Square, Sutton	Completed - Approved for delivery stage subject to a review of the detailed cost plan
Visitor Economy	

Cycling and walking routes	Completed - Approved subject to the completion of the pilot projects and design principles
Visitor digital offer	Completed – Approved, in delivery
Science Discovery Centre and Planetarium	Completed – Approved subject to subsidy control advice and securing match funding
Kings Mill Reservoir leisure development	Completed - Approved subject to subsidy control review and financial model clarification
Succeed in Ashfield	
ADMC (Kirkby/Sutton)	Completed - Project being reviewed directly by DLUHC due to high value. (Subject to subsidy control review and financial model and governance clarification).
Ashfield Construction Centre and Satellite	11.11.2022 – Further review of project options and site assembly being undertaken.
Ashfield Civil Engineering Centre	Completed - Approved subject to subsidy control review and financial model clarification
Enterprising Ashfield	Completed - Approved subject to clarification on subsidy control
Library Innovation Centres - Kirkby & Sutton	Completed – Approved, subject to subsidy control advice and detailed cost planning
Greener Ashfield	
West Kirkby Gateway & public transport hub	15.09.2022 – Approved, subject to subsidy control advice and detailed cost planning
Green Ashfield	05.10.2022 - Approved, subject to subsidy control advice and detailed cost planning
High Street Property Fund	07.12.2022 - Referred / on hold whilst the feasibility of housing company delivery model is completed / approved.
Portland Street Sustainable Housing (Kirkby)	Scheme recommended not to proceed. Approval being sought to reallocate funding

2) Towns Fund & Future High Streets

Re-alignment of funds between Towns Fund (TF) and FHSF programmes subject to DLUHC approval.

A business case has been completed for TF13 Portland Street Sustainable Housing, which demonstrates that the TF, Council borrowing and revenue income would be insufficient to cover the associated operational costs and debt service.

Three options were considered during the development of the business case which included:

1. Do nothing.
2. Land assembly / address site abnormal and land sale to a developer.
3. Land assembly / develop the land and let the property to the private market.

Options 2 and 3 demonstrated that the Council would be in a financial deficit if the project was to proceed.

It is therefore recommended that the project does not proceed, and the allocation of TF (£758,327) is reallocated, subject to DLUHC approval, across the programme to other projects.

Across the programme all the TF and FHSF projects have now either completed the business case phase or are in the final stages which has enabled greater cost certainty to be achieved. The table

below details a revised budget where applicable for each project following the development phase and where either a lower Towns Fund contribution is required or where the Towns Fund contribution needs to be increased. The table also demonstrates that the balance of the Towns Fund contribution remains within the envelope of the Total Towns Fund award.

The initial capital work estimates for each of the projects was developed in 2019/20 and submitted with the TF investment plan. During the development of the investment plan a forecast BCIS (General Building Cost Index) and contingency was included to absorb increases (inflation) in project costs over the period of the programme delivery however, world events including the Coronavirus pandemic and the Russian invasion of Ukraine have seen significant market challenges and accelerated inflation in all sectors which the original budgets did not account for.

Each project has been reviewed to identify potential changes or reduced scope to minimise the impacts of the volatile market and inflation, some projects have been able to absorb the risk or identify additional match funding options however funding gaps still remain which are identified below.

Towns Fund

Project	Towns Fund Budget	Co-Funding Budget	Total Project Budget	Current development forecast cost	Variation
TF-01 Ashfield Civil Engineering Centre	£2,101,134	£329,366	£2,430,500	£2,430,500	Within Budget
TF-02 Ashfield Construction Centre	£6,974,805	£2,110,500	£9,085,305	£7,288,055	£1,797,250
TF-03 Automated Distribution and Manufacturing Centre	£19,983,141	£1,250,000	£21,233,141	£21,233,141	Within Budget
TF-04 Cycling and Walking Routes	£1,936,280	£645,000	£2,581,280	£2,581,280	Within Budget
TF-05 Enterprise In Ashfield	£3,845,000	£3,732,000	£7,577,000	£7,577,000	Within Budget
TF-06 Green Ashfield	£2,198,048	£800,000	£2,998,048	£2,998,048	Within Budget
TF-07 High Street Property Fund	£899,201	£100,000	£999,201	£999,201	Within Budget
TF-08 Kings Mill Reservoir Leisure Development	£2,541,743	£948,000	£3,489,743	£4,300,000	(£810,257)
TF-09 Kingsway Sports Hub	£733,349	£949,000	£1,682,349	£2,658,733	(£976,384)
TF-10 Library Innovation Centres	£587,478	£263,000	£850,478	£850,478	Within Budget
TF-11 North Kirkby Gateway	£10,529,648	£3,608,000	£14,137,648	£14,137,648	Within Budget
TF-12 Portland Square Refurbishment	£729,352	£136,000	£865,352	£865,352	Within Budget
TF-13 Portland Street Sustainable Housing	£758,327	£0.00	£758,327	£0.00	£758,327
TF-14 Science Discovery Centre and Planetarium	£2,248,004	£3,985,000	£6,233,004	£6,233,004	Within Budget
TF-15 Sutton Lawn Sports Hub	£1,531,640	£2,935,364	£4,467,004	£5,102,171	(£635,167)
TF-16 Visitor Digital Offer	£214,809	£45,000	£219,809	£259,809	Within Budget
TF-17 West Kirkby Gateway	£4,458,041	£5,179,959	£9,638,000	£9,638,000	Within Budget
					Balance
Capital Total	£62,270,000	£27,016,189	£89,286,189	£89,152,420	£133,769

Future High Streets Fund

Project	FSHF Budget	Co-Funding Budget	Total Project Budget	Current development forecast cost	Variation
01 Theatre Project	£2,347,118	£350,000	£ 2,697,118	£ 3,197,118	(£500,000)
02 Low Street	£1,750,489	£ 742,961	£ 2,493,450	£2,493,450.21	Within Budget
03 High Pavement	£1,348,177	£1,445,823	£ 2,794,000	£2,794,000	Within Budget
04 Fox Street	£531,088	£ 70,912	£ 602,000	£ 602,000	Within Budget
					BALANCE
Capital Total					(£500,000)

The programme budget (tables above), details that there is currently a £133,769 surplus within the Towns Fund, and a £500k shortfall in FHSF. The realignment of the £133,769 to the FHSF programme will aid addressing the shortfall. Alternate funding sources are currently being explored to source the difference of £366,231 (£500,000-133,769).

Project	Action	Existing Budget (£)	Revised budget (£)
TF02 Construction Centre	Decrease project budget	£9,085,305	£7,288,055
TF08 Kings Mill Leisure Building	Increase the project budget on the capital programme subject to receiving grant funds	£3,489,743	£4,300,000
TF09 Kingsway Sports Hub	Increase the project budget on the capital programme subject to receiving grant funds	£1,682,349	£2,658,733
TF15 Sutton Lawn Sport Hub	Increase the project budget on the capital programme subject to receiving grant funds	£4,467,004	£5,102,171
FHSF Theatre Project	Increase the project budget on the capital programme subject to receiving grant funds from Towns Fund. Further grant applications have been submitted to achieve the total budget required detailed in the table above (£3,197,118).	2,697,118	£2,830,887

Please note: The above proposed amendments are subject to review and approval by the Discover Ashfield Board and DLUHC.

3) Green Space Programme

The Council has negotiated S106 developer contributions towards Sudbury Drive and Annesley Public Open Space sites for improvements.

The amounts to be recommended to Council to be included on the Capital Programme subject to receipt of the S106 funds are as follows:

	Site	S106 allocation for the capital programme
a.	Sudbury Drive, Huthwaite	£38,630.12
b.	Annesley Public Open Space	£105,766.65

3.1.0 Sudbury Drive Open Space

A play area, open space and drainage basin were installed by Wilcon Homes Northern Ltd (now Taylor Wimpey) as part of the housing development off Sudbury Drive, Huthwaite (planning applications reference V/1994/0002 and V/1996/0575). The transfer of land is not subject to a S106 agreement. Ashfield District Council approval in principle to the adoption of the land was granted on 12 November 2003 subject to a further report setting out the Heads of Terms. An independent report from GCA (UK) Ltd in 2006 was obtained on the drainage basin and confirmed that it met the requirements for a 1:100-year storm event. The Council paid £1000 plus VAT for the report, which is to be recoverable from the developer on the transfer of land. In 2007, a commuted sum of £42,045 for 15 years maintenance was agreed by the Council with the developer.

Taylor Wimpey approached the Council in 2021 to restart the adoption procedure. In addition to the commuted sum Taylor Wimpey has agreed on completion to pay the Council's legal costs associated with the adoption. The total current sum including legal costs (as of the date of this report) is £44,027.20.

Council officers reviewed the condition of the play equipment and safety surfacing, the equipment only has a 6-year life span. Although Taylor Wimpey will be paying a sum for future maintenance, there were significant concerns about the limited life span of the equipment and the replacement costs that the Council could incur on top of routine maintenance, within a 6-year period following transfer.

As there was approval in principle to adopt the land, officers provided a costed schedule of works and new play equipment to Taylor Wimpey for their consideration, with a view to the Council adopting the site and undertaking the necessary work to bring the site up to an adoptable standard on their behalf with an additional £38,630.12 approved by Taylor Wimpey for this work. The Council will undertake the design and tender work this autumn.

3.2.0 Annesley Public Open Space

A developer contribution to Public Open Space improvements has been secured related to the approved planning application V/2018/0393 - Old Miners Welfare Institute, Derby Road, Annesley. S106 agreement dated 18th October 2019. The agreement is for improvements to open space within the local area.

The S106 contributions includes indexation and interest:

	Contribution	S106 allocation for the capital programme
a.	POS (1 st 50%) Public Open Space contribution	£53,026.78
b.	POS (Final 50%) Public Open Space contribution	£52,739.87
	TOTAL	£105,766.65

4) Public Sector Decarbonisation Scheme (PSDS) Phase 3b funding

Further to the production of the Carbon Management Plan it was considered that the next step was to carry out a detailed assessment of the Council's non-domestic assets to consider how the carbon footprint for each building can be reduced to near net zero. Recent unprecedented increases in the cost of gas and electricity has exacerbated the need to reduce the Council's overall energy demand.

The Council engaged Mace Limited under the Scape Framework 'Place Shaping' to carry out this exercise (net zero strategy & operational carbon audits), including an assessment of insulation measures, heating systems and controls, heat recovery, self-generation etc. for each building, to establish a decarbonisation plan for the Council's built assets a whole. The non-domestic assets where the Council owns the building, pays for the energy and which could be funded from the Towns Fund were prioritised. This part of the exercise is complete whereby a proportion of the works approved to proceed under the Towns Fund will be undertaken by Mace (progressing to stages 2 and 3, namely Procurement & Funding Support, and Delivery & Programme Management, respectively). Priority 2 (and higher) audits, which are to be funded by other means, are nearing completion.

Within the priority 1 buildings is the Council's Centralised Offices. A number of carbon reduction measures have been recommended by Mace to significantly reduce the carbon footprint of the building. One such measure, the existing heating installation, is eligible to receive PSDS3b funding. PSDS3b funding focusses specifically on replacing old/ obsolete heating systems with renewable heating technology. Funding also allows for the carrying out of associated and complementary works. The Council has placed a bid to receive PSDS3b funding to replace the Council's heating installation to complement the other Towns Fund funded works to the building. The value of the PSDS3b bid circa £1.1m of which the Council is bidding for £700k from the funder, Salix.

The other buildings which were suitable for the placing of a bid under PSDS3b were Hucknall Leisure Centre and the Council's Northern Depot. No bid was developed for the Northern Depot as the site is currently under review. A bid was developed for Hucknall Leisure Centre. The value of the bid circa £1.5m of which the Council is bidding for £1.3m from the funder, Salix.

The Council awaits the outcome as to whether the bids have been successful in securing PSDS3b funding. The delivery of PSDS3b projects must be completed by the end of March 2024, and so commencement of design and mobilisation of resources must commence imminently. To this end, approval is sought to:

- 1) Approve the receipt of PSDS3b funding, should the Council's bids be successful, and the offer of funding made to the Council.
- 2) Approve the engagement of Mace under the Scape 'Place Shaping Framework, to progress to stages 2 and 3, namely Procurement & Funding Support, and Delivery & Programme Management, respectively for the PSDS3b Projects. This will ensure efficiency through a continuation of delivery by Mace and also to ensure consistency in delivery, as Mace will be delivering a significant proportion of the 'Green Ashfield' Towns Fund funded works, including works to the Council's Centralised Offices.

5) Cyber Security Funding

The Council has submitted a successful bid to the Local Digital Cyber Fund within DLUHC. The Council's confirmed allocation is £125k. Cabinet is asked to note this successful bid and accept the funding.

Implications

Corporate Plan:

Economic Growth and Place

Town Centres

1. Deliver key masterplans, including town centres and railway stations
2. Revitalise and re-purpose town centres by:-
 - a. Bringing empty buildings back into use
 - b. Diversifying the town centre economy
 - c. Capitalising on external funding

District Wide Physical Regeneration

Support economic growth by:

1. Delivering the Future High Streets and Towns Fund programmes

Cleaner and Greener

Parks and Open Spaces

1. To ensure delivery of the Council's Corporate Plan and continue to improve parks and green spaces with a rolling programme of investment.

Legal:

The Legal Team and Director of Legal and Governance are actively supporting and advising in relation to all Towns Fund projects.

Where required specialist external legal advice is being obtained to advise on the funding programmes to ensure all risks to the Council are fully considered. [RLD 12/10/2022]

Finance [BB 19/10/2022]:

Following the approval of Full Council as recommended by Cabinet and approval by DLUHC the Towns Fund and Future High Streets Fund schemes will be amended in the Capital Programme for the values and funding as outlined in this report.

Following the approval of Full Council as recommended by Cabinet and following receipt of the funds the following additions will be made to the Capital Programme funded by the Section 106 contributions:

Sudbury Drive, Huthwaite	£38,630.12
Annesley Public Open Space	£105,766.65

Budget Area	Implication
General Fund – Revenue Budget	Once the adoption process completes with Taylor Wimpey for Sudbury Drive, the Council will receive the commuted sum for 15 years maintenance and legal costs as identified in the report.
General Fund – Capital Programme	As set out above
Housing Revenue Account – Revenue Budget	No implications
Housing Revenue Account – Capital Programme	No implications

Risk:

Risk	Mitigation
Grant agreements and partner delivery arrangements	Risk is mitigated by the due diligence work undertaken as part of the sign off process, internal and external legal advice.
Resourcing and delivery risks associated with multiple project/programme delivery	Corporate Risk identified. Appointment and engagement of staff and consultants to support the programmes where necessary. Project Management for each programme.

Human Resources:

There are no direct HR implications contained in the report in relation to the funding. However, the projects relating to the funding may have a HR implication which would be identified in subsequent reports.

Environmental/Sustainability:

Not applicable for this report. Sustainability is a priority of the Towns Fund programme.

Equalities:

No issues identified for this report. Equality Impact Assessments will be undertaken to support delivery of the Towns Fund and FHSF programmes and Public Open Space projects.

Other Implications:

No implications

Reason(s) for Urgency

Not applicable

Reason(s) for Exemption

Not applicable

Background Papers

None

Report Author and Contact Officer

Paul Crawford
Place and Regeneration Manager
paul.crawford@ashfield.gov.uk
01623 457451

Sponsoring Director

Robert Docherty
Director of Place and Communities
robert.docherty@ashfield.gov.uk
01623 457183