

Blackpool Town Deal Board Meeting No 6- Agenda Item 6

Report: Blackpool Town Deal Board
Subject: Towns Fund Business Case Appraisal and Assurance
Relevant Officer: Nick Gerrard, Growth and Prosperity Programme Director
Date of Meeting: 16th October 2020

1. Purpose of the report

To provide an update on the status of the Town Investment Plan (TIP), the business case development process, proposals for the establishment of a Town Deal Investment Panel (TDIP) and the ongoing governance and management of the Town Deal Investment Plan.

2. Recommendation

That the Board

- a) note the current status of the Town Investment Plan and procedures being developed to progress the Business Cases for the Town Deal Fund projects;
- b) approve the local appraisal process and nominate a suitable representative to Chair the Town Deal Investment Plan (TDIP); and
- c) approve recommendations for merging of the ongoing management, governance, engagement, monitoring and evaluation arrangements for the Future High Streets Fund and Town Deal schemes under the auspices of the Town Deal Board

3. Background

3.1 Update on the status of the Town Investment Plan

Blackpool's Town Investment Plan (TIP) was submitted to the Ministry of Housing, Communities and Local Government (MHCLG) for approval of £49.3m on 31st July 2020. As outlined in the

Towns Fund guidance circulated to the Board at its meeting on 10th July 2020 (Agenda Item 6, Appendix 1), Town Investment Plans will be considered in two stages, with the first stage consisting of a review of the TIP in its entirety (sections 1 and 2) and once standards have been met, TIPs will progress to the second stage – which involves detailed business planning. Where standards are not met, clear feedback will be given and there will be one more opportunity to resubmit the TIP at a later date, as agreed with the Towns Hub.

Where the TIP is of the required standard and contains viable projects, Heads of Terms will be offered, which will include:

- Allocated Towns Fund budget and financial profile
- List of projects to receive funding and recommended assurance route for business cases
- List of support agreed by other government departments [where applicable]
- Key conditions and requirements – e.g. target figures for match funding, minimum BCRs, improved value for money, confirmation of planning approval

Since submitting the bid, a formal Town Deal Challenge Session has been held (29th September) with MHCLG officers (including the Director General of MHCLG) with the Chief Executive of the Council, the Chair of the Town Deal Board and the Town Deal lead to discuss the TIP in further detail. The outcome of the review process however, with regard to the Heads of Terms, has yet to be announced, although this is envisaged by the end of October 2020.

In the meantime, Blackpool has received £1m Towns Fund “accelerated funding” which needs to be spent on capital elements of the Towns Fund schemes by the end of March 2021. Discussions are ongoing as to what scheme(s) this will be committed to but it will include the acquisition of land at Devonshire Road to support the relocation of the new Courts building. This would support the much needed removal of the existing courts from the Blackpool Central site allowing the £300m private sector scheme to move forward.

3.2 Business Case Development Process

If successful, the next stage of the TIP development process will involve the development of business cases for each of the projects outlined in the Heads of Terms (HoT), in line with HM Treasury Green Book Business Case guidance. It is understood that where individual schemes are not seeking more than £25m that local appraisal and assurance procedures will be sufficient which should be the case for Blackpool. Once the Heads of Terms have been received this will be clarified.

Business case development for the projects approved and outlined in the HoT, will be managed and overseen by the Growth and Prosperity team within Blackpool Council. Senior officers within the Council have been identified to lead on each of the nine projects submitted for Towns Fund, and these officers will liaise directly with public, private and community stakeholders in developing the business case, in conjunction with the Community Engagement Team (see item 7 on the Agenda).

External, technical/specialist support will also be procured to ensure that the business case is developed to the required standard. Officers within the Council have received a full briefing on the breadth of work required to prepare a five case business case compliant application, in anticipation of the decision by MHCLG. This internal training session was held on 17th September 2020.

A business case development schedule has been devised, which would see the Grundy Art Gallery feasibility application coming forward first, if approved as part of the HoT.

3.3 Business Case Appraisal and Assurance

To support the Business Case Appraisal process, Blackpool Council as the accountable body will ensure that an appraisal and approval process is put in place that will provide Government and local partners with assurance that decisions over the allocation of Town Deal funding are proper, transparent, and involve accountable decision making. The process established will also ensure that public funding delivers value for money, and appropriate monitoring and evaluation mechanisms to report on performance.

It is proposed that a Town Deal Investment Panel (TDIP) is established, with suitably skilled individuals drawn from relevant partner agencies (with representatives from the public, private, and community and voluntary sectors) and government, to ensure there is sufficient oversight and scrutiny of the business case proposals brought forward. A private sector Towns Deal Board member is also requested, to act as the chair of the panel. This panel will in turn report to the Town Deal Board, regarding the allocation of funding and best use of public sector funding. The TDIP will be supported by the Growth & Prosperity Team of Blackpool Council in line with its existing secretariat role to the Town Deal Board.

Where projects are appraised locally, a Full Business Case (or Outline Business Case, depending on the nature and status of the project) will be developed for each project and submitted to the TDIP for initial review. Once content, the TDIP will appoint an independent appraiser to assess the Business Case and report back to the TDIP and then to the Town Deal Board (and Council Executive). If approved by the Board, Blackpool Council (as accountable body) will draw up a funding agreement, with appropriate monitoring and evaluation arrangements established. The proposed eight stage process will be as follows:

Stage 1: A full business case (using the 5 case model) will be developed for each scheme. The business case content and depth will be proportionate to the funding amount requested.

Stage 2: The business case will be submitted to the Town Deal Investment Panel. The Town Deal Investment Panel will undertake an initial review to ensure that the project is in line with the Town Investment Plan and Town Prospectus.

Stage 3a: If there are any concerns or suggested changes (i.e. a negative decision) the Town Deal Investment Panel return the submission with comments for improvement and subsequent resubmission.

Stage 3b: If a positive decision is reached, the Town Deal Investment Panel will appoint independent appraisers to complete a green book compliant appraisal ensuring it meets with outlined value for money requirements.

Stage 4: The independent appraisal will go to the Town Deal Investment Panel for presentation to the Town Deal Board (and Council Executive) for final approval. The business cases will be accompanied by recommendations for consideration by the Town Deal Board (and Council Executive).

Stage 5: if approved by the Town Deal Board, the accountable body (Blackpool Council) will draw up a funding agreement, with conditions where necessary, in line with stipulations outlined in the Town Deal Heads of Terms.

Stage 6: Schemes will proceed once final contracts have been approved by the accountable body and project sponsor, which will include arrangements for monitoring and reporting progress to the Town Deal Investment Panel on a quarterly basis.

Stage 7: The Town Deal Investment Panel will provide the Town Deal Board with quarterly performance updates, including an outline of any actions required to support delivery.

Stage 8: Project level evaluation activity will be undertaken in line with the monitoring and evaluation plan set out in the business case, which will also form part of the overall funding agreement.

While each of the five Lancashire Towns Fund eligible areas (including Preston and Barrow) will prepare a bespoke local Assurance Framework, there has been discussion among the Towns with regard to the merits of establishing a collaborative Lancashire approach, particularly with regard to the business case appraisal process.

As noted earlier, the Assurance Framework needs to set out a process which demonstrates that projects will deliver value for money. Project sponsors are required to prepare Green Book compliant business cases, proportionate to the level of investment being sought, which then require independent appraisal prior to the Board making final funding decisions.

Given the relatively limited number of consultants able to do this work, who understand the North West economic context, the establishment of an Economic Development Consultancy Panel (i.e. an OJEU compliant framework) is currently under discussion. At this stage it is envisaged that this pre-procured panel could be used by all Towns for the purposes of appointing suitably qualified consultancy support for both business case development and business case appraisal. It is also proposed that their remit extend beyond the Town Deal Funding, so that expertise could be procured to support other funding applications requiring the same level of rigour in the business planning process.

As this proposal is still at an early stage, it is proposed that the Board be updated on the proposal at its next meeting.

3.4 Management and Governance Arrangements

The management, governance and delivery of Blackpool's Town Investment Plan will require the ongoing oversight provided by the Town Deal Board, which was established to

- develop and agree an evidenced based Town Investment Plan
- develop a clear programme of interventions
- co-ordinate resources and influence stakeholders

As the accountable body, Blackpool Council will retain overall responsibility for the delivery of the programme. Project management and delivery support will therefore continue to be provided by the Council in conjunction with partner agencies. As referred to earlier, a dedicated project manager will be responsible for the day-to-day management of the projects, liaising with the Town Deal Engagement Team to ensure the active engagement of relevant communities, businesses and stakeholder organisations.

As risk, issue and change management are fundamental to the control of any project, the Council has established a detailed process for each. For example, it has established a six-stage change control process; accountancy practices are based strictly on CIPFA best practice guidelines; separate cost codes are utilised for clear auditing purposes; Prince 2 financial and project management processes are utilised by Blackpool Council to oversee the management of capital projects; all projects have a dedicated cost code and financial accountant appointed to oversee them and to support the project manager in delivering schemes against budget.

Furthermore, the Council has a Risk Services department which undertakes internal audits of schemes which will add additional probity. There is also a Corporate Delivery Unit which reviews project delivery against key Performance Indicators (KPI's) and the Council has an established procurement team that will ensure full compliance with the latest legislation.

In July 2020, Blackpool Council also submitted a £25m bid to MHCLG's Future High Street Fund, to deliver 11 separate schemes within the Town Centre. Although the first stage review has now been completed by MHCLG, a clarification exercise is underway to align other funding streams that have been approved since the original submission (e.g. the Getting Building Fund - GBF). This will result in two projects being withdrawn from the FHSF bid as they are now in receipt of GBF funding – the £5m Houndshell extension scheme; and Abingdon Street Market purchase (£3.6m). Two other schemes have also been removed as they are now deemed to be out of scope by MHCLG (The Rail loop feasibility study and Monitoring and Evaluation) so there are now 7 schemes awaiting approval

While a decision on the FHSF funding is not now anticipated until late October/November, in the interim, the Board are asked to consider taking over the responsibility for managing and monitoring

the FHSF projects in line with the Towns Fund projects, given the potential synergies between the two.

4. Next Steps

If the Board is content with the proposals outlined in this report, it is recommended that the Council progress the establishment of a TDIP in advance of the Heads of Terms being announced and negotiated with MHCLG, and that the Board nominate a private sector member to chair this panel.

The Board are also asked to approve the merger of the FHSF schemes in advance of a decision on the FHSF projects, and appropriate procedures be put in place to ensure oversight and management of both funds – Town Deal and FHSF.