

Blackpool Town Deal Board Meeting 22

Agenda Item 8

Report to: Blackpool Town Deal Board

Subject: Levelling-Up Fund and Capital Regeneration Project Updates

Relevant Officer: Nick Gerrard, Growth and Prosperity Programme Director

Date of Meeting: 8 September 2023

1. Purpose of Report

To provide an update on the Levelling-Up Fund (LUF) and Capital Regeneration Projects (CRP).

2. Recommendation

To note the update and progress to date.

3. Levelling-Up Fund update: Multiversity

Assembly of the site upon which the Multiversity will be constructed is continuing (under the Town Deal scheme). Acquisitions have continued via negotiation with property owners on a voluntary basis across the site. Complex issues exist and have been addressed; however inevitably, there have been protracted negotiations and we expect several parties will not engage ahead of a compulsory purchase order (CPO) being made.

Ten acquisitions have been completed and a large number of offers are in advanced negotiations or with solicitors. Valuations have been undertaken for and offers sent to most properties.

At the end of financial year quarter one (June 2023) site acquisition was slightly behind schedule. The acquisition process is accelerating and will continue as preparations for a potential CPO begin (a CPO will compress future acquisition timescales).

The memo of understanding (MoU) with DLUHC was signed off by both parties on 21 February for the £40 million LUF grant. The delivery SLA between the Council and the Council itself (PMO) to ensure assurance was signed off on the 24 May.

Progress in Quarter One 2023

- Full Design Team Procured.
- Planning Strategy agreed with Local Planning Authority.
- Delivery programme developed.
- Governance procedure established.
- Contractor procurement route set-out:
 - Final framework details to be confirmed in next period.
- RIBA Stage 1 delivered by Hawkins Brown.
- RIBA Stage 1 cost plan developed for comment.
- RIBA Stage 2 commenced.

Preparations have now commenced to take forward the design of the building and to prepare a planning application both to support a CPO and to accelerate moving towards the construction phase.

In the next quarter:

- More property purchases will be completed supporting both final scheme delivery and co-funding spend.
- Ongoing discussions with Blackpool and the Fylde College over build requirements and terms of co-funding contribution should be concluded including mitigation of VAT implications.
- CPO progression.
- RIBA 2 progression.
- Outline planning submission.

In terms of challenges moving forward, as with all projects across the UK, inflation is seen as a potential challenge, especially in regard to realising all the net zero related aspirations within the Multiversity concept. This will be a major consideration within the detailed design stage. The understanding is the Council may also be able to take advantage of inflationary effects being offset through the competition for work because of the downturn in activity inflation has initiated.

Outputs and outcomes are not considered an issue at this stage as they are to be achieved much later in the project life.

A first claim submission for the project to DLUHC was required to be submitted by the 28 July, which was achieved. The base spend profile submitted in that claim is as outlined on the next page.

Funding Source:	Funding Year					Total
	2022 to 2023 (actual)	2023 to 2024	2024 to 2025	2025 to 2026	2026 to 2027	
Levelling-Up Fund	£22,333	£1,887,733	£19,848,660	£18,241,274	£0	£40,000,000
Town Deal	£581,358	£5,756,713	£2,621,928	£40,000	£0	£9,000,000
Co-funding	£0	£0	£0	£12,396,293	£3,603,707	£16,000,000
Total	£603,691	£7,644,446	£22,470,588	£30,677,567	£3,603,707	£65,000,000

At 30 June, the Levelling-Up Fund spend remains at £22,333, the Towns Fund co-funding spend was £1,206,619; total scheme spend therefore stands at £1,228,952.

The Council received project grant of £755,625 on 20 March and an additional £52,558 on 19 July. The latter being a low sum due to only defraying £22,333 combined with the anticipated low spend anticipated in the next two quarters.

Annex B of the MOU provides a template for assessing fraud risk that can be downloaded and used. Whilst nothing needs to be returned to DLUHC, the document was considered at a Fraud Risk Workshop with the Council's internal risk team on 12 June. The final fraud risk register is due to be provided soon.

4. Capital Regeneration Project Update – Hotel Indigo (Former Post Office)

At the last meeting it was noted that after the Budget on 15 March, the Council was informed the Hotel Indigo scheme had been successful and the Council was awarded the full £8 million requested in our LUF bid.

A memo of understanding (MoU) / funding agreement for the scheme was received from DLUHC on 22 June and returned signed by the Council Section 151 Officer on 29 June.

An “internal” legal agreement has not yet been concluded because Blackpool Council’s role within scheme delivery has not been fully clarified with Ashalls.

There have been delivery delays compared to the original July 2022 bid submission caused by the delay associated with the scheme not being included in the initial LUF project approval list in January 2023 when it was understood the project would not be supported.

As no committed funding was available, no ‘at risk’ design activity was commissioned. The project has therefore not spent any Capital Regeneration Projects’ (CRP) funding as at the end of June and activity is behind schedule.

The option to purchase the building lapsed in late 2022, so the principal activity since receiving approval has been on re-establishing negotiations with the current building owner. Funding approval, as a Capital Regeneration Projects’ (CRP) scheme in March 2023, has prompted the renegotiation of terms for acquisition under changed market conditions.

This has pushed the overall timeline back and purchase of the building is now anticipated in autumn 2023. Misunderstanding surrounding the successful CRP award brought about wider interest in the building, which took some time to untangle as some organisations thought the grant was potentially available to any interested party as opposed to Ashalls with whom the approved business case had been submitted and agreed. Negotiations are now fully underway and anticipated to be concluded in the next few weeks at a level as envisaged in the original bid document.

Ashall Projects Ltd., the private sector delivery partner, remain engaged with the project and Blackpool Council continues to work closely with Ashalls to address issues brought about by the delay in receiving approval.

There have been no outputs and outcomes delivered to date, but none were anticipated by this time, so the project is considered to be ‘on track’.

Within the next quarter, the following key actions are anticipated:

- Agreement of Heads of Terms.

- Next stage design continues with remaining survey work undertaken.

- Council Executive Approval obtained.

- Planning Permission activity continues.

Moving forward, as with all projects across the UK, inflation is seen as a potential challenge. This will be a major consideration within the detailed design stage. It is understood the project may be able to take advantage of inflationary effects being offset through competition for work resulting from a downturn in activity initiated by inflation itself. For added comfort, several tiers of contingency are built into the project.

Outputs and outcomes are not considered an issue at this stage as they are to be achieved much later during the project life-cycle. Capital Regeneration Projects (CRP) and co-funding spend does need to catch up, however, that is expected to occur in 2023/ 2024.

A first claim submission for the project to DLUHC was required to be submitted by 28 July, which was achieved. The base spend profile submitted in that claim is as outlined in the following table.

Funding Source	Funding Year			
	2023 to 2024	2024/5	2025/6	Total
CRP / LUF	£2,527,016	£5,472,984	£0	£8,000,000
Co-funding	£400,000	£8,385,827	£9,248,204	£18,034,031
Total	£2,927,016	£13,858,811	£9,248,204	£26,034,031

5. Programme Management

5.1 General

The PMO team has overseen the compilation and submission of the two external claim forms to DLUHC by 29 July and the signing off of the two memo of understandings (MoUs). Oversight of internal claims will also now commence. Ongoing advice and support is provided to internal project teams in line with funding and claims requirements and also day-to-day responses to DLUHC requests.

5.2 Capacity Funding

On 4 July, DLUHC informed the Council by letter that as part of the Department's capacity and capability support for Local Authorities delivering Levelling-Up Fund projects, they will be providing a further grant payment in the 2023/2024 financial year, which amounts to £70k. It is to be used to aid in the delivery of projects and to help mitigate any immediate delivery issues being encountered, whilst enabling the Council to also make continued improvements in its capacity to deliver the LUF projects. The use of these funds has not been fully determined as yet but external consultancy fees linked directly to scheme needs are anticipated to be a major element of spend.

5.3 Project Adjustment Request and Flexibilities

On 5 July, DLUHC informed the Council that in line with its aim to expedite delivery of local Growth Funds (including Town Deal and Levelling-Up Fund/ Capital Regeneration Projects), it was making a number of key changes as follows:

With reference to the "Project Adjustment Request (PAR) process", a change implemented will now allow the Council greater flexibility to agree adjustments to projects locally without going to DLUHC for approval. In summary, the Council will now you will be able to make changes of up to 30% to agreed project outcomes and outputs, and changes in spend of up to 30% between financial years without recourse to DLUHC. The Council will still need to inform DLUHC of those changes in returns however and DLUHC will reserve the right to review cases on an exceptional basis.

Where the Council wishes to make changes above that 30% threshold, DLUHC have committed to speeding up the internal process, with a view to providing a decision within 20 working days from submission of the relevant information.

This additional flexibility is clearly welcomed and should help with the delivery of the two project although it is not currently being utilised.