

	<b>Agenda Item 8</b>
<b>Report To</b>	<b>Town Deal Board</b>
<b>Subject</b>	<b>Levelling Up Fund (LUF) / Capital Regeneration Project (CRP) Update</b>
<b>Relevant Officer</b>	<b>Nick Gerrard, Growth and Prosperity Programme Director</b>
<b>Date of Meeting</b>	<b>8th March 2024</b>

## 1. Purpose of Report

To provide an update on the Levelling Up and Capital Regeneration Projects

## 2. Recommendation

To note the update and progress to date

## 3. Capital Regeneration Project (CRP) Update – Hotel Indigo (Former Post Office)

### 3.1 General Update

As previously outlined, the delay in announcing the successful CRP projects, following initially being noted as unsuccessful in receiving Levelling Up Funding, has resulted in the acquisition of the Post Office building becoming more complex.

Whilst delays remain against the milestones outlined within the original bid submission, there has been significant progress made this quarter (1 October to 31 December 2023). Issues pertaining to the original delay in the funding award are still being navigated, particularly regarding the acquisition of the building, but a position has been reached with an agreement on the sale, and this is being progressed. As a result of the activity being undertaken to acquire the property, other elements of the delivery plan also remain behind in relation to the original programme. The project is still yet to spend any CRP funding. There have been no outputs and outcomes delivered to date, although none were expected by this point.

Following an options assessment, it has been determined that the purchase arrangements will revert back to the original proposal, which is that the building is now to be purchased by the developer, Ashall Properties (Ashall). Accordingly, terms have been agreed between Ashall and the present building owner.

### 3.2 Future Activity

Within the next quarter (January to March 2024), it is anticipated that key actions will take place as follows:

- Exchange of Contract for the purchase of the building, between Ashall and the current building.
- Progress the GFA between Ashall and Blackpool Council to completion.
- Continuation of due diligence process.
- Following an exchange of contracts (as above - within this section), site investigations will commence.

### 3.3 Challenges

- Progressing the acquisition in order to legally complete, with constant communication with the current building owner, in order to progress to a legal exchange, following on from earlier assessment of purchase options.
- Cost management and inflation – all projects are subject to significant inflationary pressures which can have an impact on the final spend – substantial contingencies have been incorporated into the budget but not until site investigations are complete, design completed and we have tender returns will we know if the budget is adequate and how much value engineering might be required.
- Planning and consents – the scheme already has planning permission, which may need to be varied, and as this development (building) is both listed and situated within the Conservation Area, there will be, and is, close liaison with the Local Planning Authority and Conservation Officer.
- Technical issues on site – Condition of aspects of the building, e.g. the condition of the concrete roof frames and basements are unknown at this stage, as site investigations are to be undertaken.

Following the conclusion of the site investigations and dependent on these, there may be a requirement to amend scheme costings and possible planning permission implication.

Whilst the final scheme costs are being determined the final figure could yet change and hence is in “principle” rather than “secure”. This will be subject to an updated formal application for a loan from Blackpool Council's Business Loans Fund, or a suitable commercial alternative, which will be subject to the usual due diligence.

It may be the case that Ashall obtain a partner to support their delivery of the scheme. If this does take place, then the Council would review the GFA with Ashall, and Subsidy Control advice would also be re-visited.

### 3.4 DLUHC Reporting

A quarterly report to DLUHC covering the period October to December 2023 was submitted as required by Friday 2<sup>nd</sup> February, including Section 151 sign off. The spend profile submitted in that claim is as outlined in Table A below.

Table A:

Fund source	2023/4	2024/5	2025/6	Total
CRP / LUF	£200,000	£7,800,000	£0	£8,000,000
Co-funding	£0	£8,785,827	£9,248,204	£18,034,031
<b>Total</b>	<b>£200,000</b>	<b>£16,585,827</b>	<b>£9,248,204</b>	<b>£26,034,031</b>

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

A first tranche of Capital Regeneration Projects funding was received on 23 August 2023 to the value of £2,227,106. An additional £500,000 was provided on the 25 January 2024.

## **4. Multiversity Levelling Up Fund Update**

### **4.1. General Update**

Assembly of the Multiversity site is continuing (the Town Deal scheme) reported elsewhere on this agenda and as previously noted, the Council's Executive authorised the formal making of a Compulsory Purchase Order on 16<sup>th</sup> October 2023.

At the end of Dec 2023 although spend is now £604,600.66, which is lower than anticipated, it will ramp up over the next quarters in line with fees related to the scheme and design costs in particular. Town Deal spend is still the priority at this stage around the property acquisition which stands at £1,560,855.96 (end of December) against the original £9m available. Additional co-funding from the Council has been approved to cover estimated increased acquisition costs.

### **4.2 Progress in Q4 2023**

- Planning Strategy has been implemented and outline submission issued, with a target approval date of March 2024
- Contractor Procurement Route confirmed. Progress with initial pre-ITT meetings with proposed contractors to understand appetite for the scheme
- RIBA Stage 2 Completed
- RIBA Stage 3 commenced
- Progress with end user with regards to internal design
- CPO launched by Local Authority
- Programme development with full design delivery team
- Significant project risk in HV cable identified with mitigation measures put in place to minimise impact
- Continued progress of site acquisition
- Detailed discussions continuing between the Council and Blackpool and The Fylde College to mitigate the VAT implications in relation to agreeing terms of the College's financial contribution via the Agreement for Lease and Lease.

### **4.3 Future Activity**

- Issue formal Expression of interest to tendering contractors
- Complete RIBA Stage 3 design
- Formalise stage 1 tender process
- Complete stage 1 tender documents in readiness of issue
- Achieve outline planning approval
- Agreement for Lease and Lease agreed with Blackpool and The Fylde College

#### 4.4 Challenges

- Following the site survey and investigation process, it was found that there was a significant High Voltage cable running directly through the site. The design team have been able to identify this, provide a mitigation measure in moving the proposed location of the building slightly, within the approved red line boundary. This will provide significant cost and programme savings further into the project by avoiding the need to divert this utility.
- Negotiations are ongoing with property owners to address unreasonable acquisition expectations. Mitigating against delays is by maintaining activity related to securing a CPO within the minimum timeframe and within the projected scheme timescales.
- There are delivery plan challenges relating to site assembly, main contract delivery and design milestones allowing for full stakeholder engagement. These matters are being mitigated by robust governance and leadership from the Steering Group and early engagement with the supply chain.
- There is an ongoing financial challenges brought about by cost inflation, VAT implications and CPO process. There is active cost management allowing for full visibility of any challenges to budget and collaborative working with the design team to mitigate and maintain design integrity.
- As with all projects across the UK, inflation is seen as a potential challenge, especially in regard to realising all the carbon related aspirations within the Multiversity concept. This is a major consideration within the detailed design stage and project control measures are in place to mitigate.
- LUF and co-funding spend does need to catch up but that is positively expected to occur in 2024
- Inflation remains a potential challenge, especially in regard to realising all the carbon related aspirations within the Multiversity concept. There has been some stabilisation seen with regards inflation since the earliest stages of the project, though.
- Outputs and outcomes are not considered an issue at this stage as they are to be achieved much later in the project life.

#### 4.5 DLUHC Claim

A fourth claim submission for the project to DLUHC was submitted by the 2nd February deadline. The base spend profile submitted in that claim is as outlined below in **Table B**.

Fund Source	2022/3	2023/4	2024/5	2025/6	2026/7	Total
LUF	£22,333	£1,032,267.66	£13,546,629	£25,398,770.34	£0	£40,000,000
Town Deal	£581,358.32	£1,122,399.32	£2,750,000	£4,546,242.36	£0	£9,000,000
Co-funding	£0	£0	£0	£12,396,293	£3,603,707	£16,000,000
<b>Total</b>	<b>£603,691.32</b> <b>(actual)</b>	<b>£2,154,666.98</b>	<b>£16,296,629</b>	<b>£42,341,305.7</b>	<b>£3,603,707</b>	<b>£65,000,000</b>

Additional LUF grant funding of £1,028,135 was received on January 25th 2024. This follows previous grant of £52,558.00 (July 2023) and £755,625 (March 2023)

## **5. Town Centre Access Scheme (TCAS) Levelling Up Fund Update**

### **5.1 Background and update**

A LUF Round 2 bid was submitted in July 2022 for the Town Centre Access scheme as part of a £17,094,470 overall scheme, with a LUF request of £15,385,023 and £1,709,447 co-funding from the Council. Whilst unsuccessful in Levelling Up Fund Round 2 initial announcements in January 2023, when the Multiversity scheme was approved and then the Hotel Indigo Post Office Redevelopment scheme in March 2023, Town Centre Access Scheme was subsequently approved as a scheme on 20<sup>th</sup> November 2023.

DLUHC on 23<sup>rd</sup> November requested a basic initial “Validation” exercise be undertaken via completion of a form and submission by 1<sup>st</sup> December. This covered provision of key contact details and confirmation the Council still wished to pursue with the scheme and accept LUF funding.

A further “Validation stage 2” request was made on the 21<sup>st</sup> December (to be submitted by 2<sup>nd</sup> February) as part of the on-boarding process. DLUHC and the Department of Transport (DfT) requested a detailed form completion, to understand the scope of any changes to the bid and ask to update key information, including on spend profiles, outputs, outcomes and other activity. This information is to be used both to consider whether any adjustments to bids are acceptable and to populate the Memorandum of Understanding (MoU). An initial meeting was held on 15<sup>th</sup> January with DfT where, amongst other things, the challenging delivery timetable was discussed as a consequence of the timing of the decisions in relation to a March 2026 spend target date.

It is important to note that adjustments to bids are subject to acceptance from the Department through the MoU and the funding award will continue to be provisional until this has taken place. Government recognise that project adjustments may need to be made due to time delays and inflationary pressures. But they wish to understand whether any adjustments are however acceptable, as part of the on boarding process. Subject to DLUHC acceptance, they will then draw up the necessary documentation and confirm funding. The required forms and wider additional information was provided by the deadline signed off by the Section 151 officer.

The scheme will transform the local highway network, enabling better transport interchange and traffic circulation, improving walking, cycling and bus access. Roads will be safer for active travel modes and some public realm will be improved, supporting wider economic and social good, including cutting congestion and improving air quality. The project will also support the town centre’s economic regeneration (including the Levelling Up Fund bid for Multiversity through pedestrianisation and bus prioritisation), particularly around the Central Business District benefitting residents, businesses and visitors

### **5.2 Next Steps**

- DfT review of validation forms w/c 5<sup>th</sup> February.
- DfT Advice to Ministers on validation outcomes w/c 15<sup>th</sup> February



- Dft Ministers decide on recommendations w/c 22<sup>nd</sup> February
- Finalise and sign MoU between DfT and Council 29<sup>th</sup> Feb – 9th March
- First payments July 2024.

Whilst awaiting DfT and DLUHC approvals as above, the Council will continue to mobilise and plan next steps e.g. procurement of full scheme designs but cannot commit to design until the MoU has been received and agreed which is putting pressure on delivery timescales.

## 6. Programme Management

As noted above, the PMO team have overseen the compilation and submission of the two external claim forms to DLUHC by the 2<sup>nd</sup> February and the TCAS validation paperwork responses.