

Department for Levelling Up, Housing and Communities Funding update Simplification Pathfinder Pilot

Cabinet	21 September, 2023
Report Author	Louise Askew, Head of Regeneration and Growth
Portfolio Holder	Cllr Rick Everitt, Leader of the Council
Status	For Decision
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	Where the effect would be on communities living or working in the district, in an area comprising two or more wards.
Ward:	Margate and Ramsgate wards

Executive Summary:

In 2019 Thanet District Council responded to central government's call out for projects as part of the Future High Street Fund. Over the following three years Thanet was successfully awarded over £50m in regeneration funding through a series of programmes from government. The ambition of the council has mirrored that of our communities, which has been taken forward through the funding applications submitted. Many of the projects aim to provide opportunities for the creation of new jobs and enabling the growth of businesses. It is an exciting time for Thanet due to this significant investment, albeit the challenges that we need to overcome linked to the increasing costs within the construction industry.

Over the time since 2019, when the council had a small capital programme the council has needed to invest in recruiting staff, bringing in specialists and developing processes and procedures in order to enable delivery of these programmes. This will help the council into the future in terms of delivering significant capital projects in Thanet. In order to manage delivery and the monitoring and evaluation processes to all external funders is not insignificant and the council is pleased to present this report on some changes in relation to these processes.

The council has formally been approached by the Department for Levelling Up, Housing and Communities (DLUHC) inviting us to be part of a Simplification Pathfinder Pilot. The Pilot relates to the reporting mechanisms for three capital programmes funded by DLUHC - Future High Street Fund, Town Deal and Levelling Up Fund.

Guidance was provided by central government on the Pilot, which has now been published online and council officers have participated in meetings with central government leads to understand the implications of the Pilot.

The Simplification Pathfinder Pilot provides a simplified and consolidated model for the delivery of the three capital programmes, reducing the administrative burden at a local and government level. The aim is to increase local flexibility, and reduce bureaucracy and inefficiency within the delivery process.

Thanet is one of ten local authority areas that have been invited to be part of the Pilot, and although it is not mandatory, the council has accepted the invitation.

Recommendation(s):

- Note the details of the submitted Investment Plan on the basis of the profile of spend and delivery against the Intervention Themes.
- Approve the disbanding of the Margate Town Deal Board in order to set-up new and relevant governance arrangements for the Simplification Pathfinder Pilot.
- Approve the recommendation to set-up a new Partnership Board with final recruitment of Board members to be in consultation with the Leader of the Council.
- Approve the projects being included and delivered through the new amalgamated Simplification Pathfinder Pilot identified in section 4.1

Corporate Implications

Financial and Value for Money

The proposals within this paper have already received budget approval and have been incorporated into the council's capital programme. The projects are fully funded from external grant funding allocations.

In accordance with the council's key decision framework, further Cabinet approval will be sought before the tendering of any individual contract associated with these projects with a value of £250,000 or above.

For all the Government funded programmes, we have already received part of this funding, to commence delivery. In addition all future DLUHC funding will be drawn down in advance of any works being undertaken. The Section 151 Officer is required to scrutinise and approve regular monitoring returns to DLUHC. These returns will cover actual and forecast spend, alongside programme delivery and output metrics.

Legal

There are no direct legal implications arising directly from this report. However, specialist advice about the potential State Aid/Subsidy Control implications will be sought as required for individual projects. Whilst the UK Government has not yet formalised the new Subsidy

Control regime following Brexit, specialist advice is likely if proposals are working alongside private sector partners and are not providing open access infrastructure for the benefit of the public.

The Simplification Pathfinder Pilot technical guidance specifically outlines that the council must consider whether any existing or new investment will be used to provide a subsidy and, if so, whether that subsidy will contravene the UK's international obligations on subsidy control, or the Subsidy Control Act 2022. This is particularly relevant if the value of a project is changing, the council will need to conduct a subsidy control appraisal.

Risk Management

Through the development and delivery of previous regeneration projects, the council has established the apparatus and experience for reviewing and managing the various key risks of delivering large capital programmes, including those which rely on ongoing management, improving heritage buildings, and enhancing protected coastal environments.

The council is responsible for ensuring that there are effective and adequate risk management and internal control systems in place to manage the major risks to which the external funding programmes are exposed.

As part of the development of the projects robust risk registers were developed. The registers are live documents and they are updated quarterly. The Risks identified in the Risk Register as "High" are reviewed regularly, and those that provide a risk to the Council will be on the Councils corporate risk register.

Through the monitoring and evaluation process for the three programmes the most significant risks are reported back to the Department of Levelling Up, Housing and Communities on a quarterly and six monthly basis in the monitoring and evaluation reports.

Key risks

Significant Inflation pressure c20-30% increases

- Continue to lobby central government on the impact of the increase in costs of materials and labour and the subsequent inflationary increases.
- Possible value engineering required.
- Constant reviews of other investment opportunities/funding sources.

Availability of materials and labour

- A risk/contingency allowance is included within the cost plan.
- Suitable contract terms between the client and the main contractor will be included at the point of agreeing the Main Works Contract.
- Cost/delay likelihood expected to be known far in advance of commencing on site.
- Constant reviews of the market and supply chain will be undertaken to establish lead in times and general market concerns and issues.
- Possible value engineering required.

Commitment of private sector partners

- Continued engagement with potential private sector partners.
- Development of design proposals that are attractive to the market and can be scaled to meet changing requirements of the sector.
- Possible value engineering required.

Unsecured financial contributions to the projects

- Early discussions with Private sector partners.
- Early discussions with 'other' funders to understand their requirements and ensure project delivery fit.
- Work ongoing to develop successful bids for financial contributions.

Current market conditions

- Market testing will be carried throughout each design stage to ascertain cost trends.
- Early contractor engagement to ensure the supply chain is being actively managed.

Failure or underperformance of contractors

- Use of established procurement routes, robust contracts and engagement with potential contracts early on,

Capacity of the council to support delivery of significant spend from projects within programme timescales

- Review use of extra external resources to add capacity to existing teams within the council.
- Utilise funding for fees within the projects to add capacity.
- Hold workshops to review priorities across the council in terms of delivery.

Corporate

The Ramsgate Future High Street Fund, Margate Town Deal, and Ramsgate and Margate Levelling Up Fund projects all support the council's corporate priority for Growth, by encouraging regeneration. It will also enhance the environment through a variety of activities including traffic management, greening activities, as well as supporting our communities through new job opportunities and providing improved wellbeing.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

It is a requirement of the Simplification Pathfinder Pilot that local authorities consider their duty on how policies, investment or decisions made within the scope of this pilot affect persons with the nine protected characteristics under the Equality Act 2010.

Corporate Priorities

This report relates to the following corporate priorities: -

(delete as appropriate)

- *Growth*
- *Environment*
- *Communities*

1.0 Introduction and Update

1.1 Thanet District Council has been successfully awarded capital funding from three key government programmes - Future High Street Fund, Town Deal and the Levelling Up Fund programme.

- Future High Street Funds - £2.7m - to provide a creative workspace and improved highways in Ramsgate.
- Margate Town Deal - £22.2m - to develop the creative productions and skills, enhance coastal wellbeing, create highway and public realm improvements, and to improve our heritage assets.
- Ramsgate Levelling Up Programme - £19.8m - focusing on projects to enhance the Port, Harbour and providing places for local people to engage and develop skills to access the new job opportunities being created in these areas.
- Margate Levelling Up Programme - £6.3m to deliver a digital campus in Margate high street by East Kent Colleges Group.

1.2 The projects within these programmes have been through a central government approval process and the councils own approvals where required, including the allocation of the funding into the capital programme. All the investments and costs associated with these programmes are fully funded from external grants and contributions. Clear monitoring and evaluation activities have been put in place which will ensure all expenditure relating to the projects are managed appropriately, and within the total package of funding provided, aiming to mitigate any financial risk the council.

1.3 It is important to note however that nationally the projects within these capital programmes are financially challenged due to the macroeconomic impacts of leaving the EU and the war in the Ukraine, which saw a huge impact on cost and access to

materials and labour. In the last year the increasing inflation has compounded the already increasing costs. These recent economic events were unknown when the projects were submitted for DLUHC funding, therefore a reasonable level of inflation and contingency was included in the project submissions, however they did not match the unprecedented levels of 20-30% cost increase that some of the projects in the district are facing. There are a number of ways in which these can be dealt with. Firstly, for a new build scheme it is relatively easy to apply a value engineering principle, either reviewing the size and scale of the building or the materials being used. However, there is more of a challenge if the building is existing, of heritage value and listed, making scope changes and value engineering much more difficult to scale. One of the projects particularly being impacted by this is the Smack Boys restaurant with rooms scheme - it has to be amended on the basis of business viability due to the increase in costs for the refurbishment and repurposing of the building.

- 1.4 Through the current development stages of the different projects the impact of cost increases and inflation is being reviewed with solutions being identified and sought out. These include looking for further external funding, from public and private sources, reviewing options for individual projects of value engineering and considering other ways in which the projects can be delivered in order to deliver the desired outputs and outcomes. This work is ongoing with the project management, cost consultants and design teams, working with relevant stakeholders and has added time in the development of these projects.
- 1.5 Funding applications are being drafted for the National Lottery Heritage Fund, Arts Council England and South East Local Enterprise Partnership. The council is also engaging with other government departments and agencies, the Thames Estuary Growth Board and private sector organisations. The Leader of the council has written to the Secretary of State for Levelling Up; Michael Gove, to highlight the challenges being faced by local authorities like Thanet District Council in picking up the macroeconomic impacts on the existing funding programmes.

2.0 The Simplification Pathfinder Pilot

- 2.1 DLUHC invited a small group of 'pathfinder' local authorities across England to pilot a simplified approach to funding delivery, of which Thanet is one. These authorities were all invited on the basis that they have a number of capital funded schemes awarded through central government programmes. The Chief Executive was required to accept being part of the Simplification Pathfinder Pilot by Friday 21 July, 2023 on behalf of the council and the Executive Team.
- 2.2 The Pilot authorities have greater ability to make decisions locally about the funding and project delivery in their funding portfolio, with devolved decision-making responsibility over the three capital funding programmes, increasing local flexibility,

and reducing bureaucracy and inefficiency within the delivery process. The delivery model that will be tested through this pilot is built around the following principles:

- A single allocation which, subject to assurance, can be managed flexibly across a portfolio of projects.
- Through an investment plan there will be a single set of outcomes and outputs, covering the full portfolio of activity that will be delivered.
- Streamlined reporting: one three-monthly RAG (Red, Amber, Green) report (focusing on spend and progress) and one six monthly delivery report.
- Change management: authorities will only need to seek approval from DLUHC if they are making a 'material change' to their investment plan
- There will be one main contact in the DLUHC area team for discussions about the pilot.

2.4 As part of the Pilot the council will no longer be required to submit individual project-level adjustment requests unless it is considered to be a "material change". A single amendment to funding plans is a "material change" if it involves moving at least £5m to a different intervention theme or moving at least £5m between projects in the same intervention theme. This provides the council with the flexibility to deliver effectively in line with local priorities, reduce the administrative burdens of agreeing all individual changes and maintain proportionate controls to ensure that funding continues to deliver good value for money. Any 'Material changes' will require views to be sought from key local stakeholders and must include MPs. The following do not constitute a material change and can be reported to DLUHC in the six monthly monitoring returns:

- Movement of funding between intervention themes below the £5m threshold.
- Movement of funding between projects in the same intervention theme below the £5m threshold.

2.5 With all of the funding programmes being amalgamated the deadlines for delivery have also been brought together with an overall deadline for all projects of March 2026, which adds an extra year onto the Levelling Up Fund and Future High Street Fund. This provides an element of comfort where there could be slippage in terms of delivery timescales, but in particular for those projects where we are seeking other funding, like the National Lottery Heritage Fund which has specific timescales for their funding programmes. The intention is to stay within current timescales, however the Levelling Up Funded projects have been slightly reprofiled in order to ensure there is time within the development phase for delivery.

2.6 There is a presumption that there will be no movement of funding between the towns of Margate and Ramsgate and any reallocation of funding would be required to be made through a Cabinet decision.

2.7 The council was required to complete an investment plan in order to be accepted into the Pilot. The plan included a summary of all of the projects within the three different programmes, including the funding allocated and the outputs and outcomes associated with these projects. These were then profiled across the updated

intervention themes outputs and outcomes identified in the pathfinder investment framework. The indicators are capital based and already used to measure the Towns Fund and Levelling Up programmes. The intervention themes are:

- Enhancing sub-regional and regional connectivity
- Unlocking and enabling industrial and commercial development
- Strengthening the visitor and local service economy
- Improving the quality of life of residents
- Employment & education

Annex 1 provides a list of the output and outcome indicators linked to the intervention themes above and a summary of the mapping of existing projects across the Pilot intervention themes.

2.8 The original deadline for the Investment Plan was 8 August, 2023, however the final Technical Guidance was published by DLUHC on 31 July, 2023 with revised templates provided the week before the deadline. On the basis of the short timescales and resource implications due to the summer holidays the council requested an extension for submission of the Investment Plan which was provided until the second week in September.

2.9 The Investment Plan includes a mapping of each existing project within three capital programmes to the above intervention themes and comparable outputs and outcomes were identified and profiled within the investment plan. This enables central government to see the amount of funding that will be invested each year, in each of the new intervention themes. The below table outlines the funding allocated by financial year and the intervention theme that it is allocated to.

Intervention themes	Forecast spend in FY23-24 (£)	Forecast spend in FY24-25 (£)	Forecast spend in FY25-26 (£)
Enhancing sub-regional and regional connectivity	£49,891.81	£811,459.00	£1,287,960.65
Unlocking and enabling industrial, commercial, and residential development	£2,575,506.96	£8,383,891.11	£3,163,556.60
Strengthening the visitor and local service economy	£1,133,578.67	£5,258,927.27	£5,679,157.83
Improving the quality of life of residents	£486,853.61	£1,703,800.00	£1,352,157.83
Employment and education	£3,043,132.92	£10,247,842.44	£4,429,056.60
Total Spend	£7,288,963.97	£24,405,919.82	£15,911,889.51

- 2.10 The investment plan was approved and signed off by the Section 151 Officer, Senior Responsible Officers (Chief Executive, Director of Place and Head of Regeneration and Growth) who are responsible for delivery of the funding and the Leader of the Council. It is important to note that this Simplification Pathfinder Pilot does not mean that Thanet is starting again in terms of the projects being taken forward, it is merely a revised way in which the council and relevant governance arrangements will report back to central government through a revised monitoring and evaluation framework and revised payment mechanisms.

3.0 Next Steps

- 3.1 Thanet District Council remains the Accountable Body through which the funding will flow. As part of its responsibility the council is required to establish a consolidated governance structure which will oversee the total portfolio of projects. This board will have no decision-making power but will exercise strategic oversight over pilot activity. The council has the flexibility to set out how the consolidated governance arrangements will work for the district, with an overview provided of the approach in the investment plan. DLUHC advised that Town Deal Boards could be reconstituted/expanded into this consolidated governance structure if this worked for the local authority area - for example where the programmes were all being delivered within a similar geographical area. DLUHC advised that changes to the scope and membership of existing Town Deal Boards could be considered, including expanding the scope to include all projects across a broader geography or all projects in a particular locality. In relation to membership it could remain the same, with increased members for a wider geographical remit.
- 3.2 For the Thanet Simplification Pathfinder Project it is proposed that the Margate Town Deal Board be disbanded with a new Partnership Board established in order to provide strategic oversight over Pilot activity in Thanet. In order for the existing Town Deal Board to cover the required remit of the Pilot a further six-eight Ramsgate representatives would need to be added, in order to provide relevant geographic intelligence and coverage. This could create a Board double the size of the existing Town Deal Board with approximately 20 people, which was considered to be too large to facilitate its role of strategic oversight effectively.
- 3.3 A draft Terms of Reference and an outline of what the makeup of the board should look like is provided in Annex 2. The guidance sets out that the membership should include a private sector chair, the MPs representing the area, local representatives from business and community and representatives from all tiers of local government for the expanded geography. The final Partnership Board members will be approved in consultation with the Leader of the council.
- 3.4 Key Stakeholders including the MP's and any relevant Town Deal Boards or delivery partners are required to be engaged with as part of the process. The Leader of the

council with key officers has met with the two MP's that cover Thanet. Members of the Margat Town Deal Board and any relevant delivery partners have been written to.

3.5 As long as our Investment Plan is approved and we have met the assurance criteria the payments will be as following:

- 2023-24 an aggregate payment of remaining funding will be made in the third quarter;
- 2024-25 payments will be made in the first quarter subject to satisfactory performance;
- 2025-26 payments will be made in the first quarter subject to satisfactory performance.

Where applicable, the submission of a 'credible plan' will be required if we need to re-profile any underspend from the previous year.

4.0 List of Projects

4.1 The projects included within the Simplification Pathfinder Pilot include:

- Future High Street Fund
 - Creative Workspace
 - Highway Improvements
- Ramsgate Levelling Up Fund - Modern Port Infrastructure
 - Green Campus
 - Port Infrastructure
- Ramsgate Levelling Up Fund - Inclusive Harbour Attractions
 - Visitor Accommodation opportunities (amended from the Smack Boys restaurant with rooms project)
 - Fishing Facilities
 - Clock House
 - Pier Yard
- Ramsgate Levelling Up Fund - Assets to Connect to Opportunity
 - Newington
 - Town Centre
- Margate Levelling Up Fund - Margate Digital Campus
- Margate Town Deal Intervention 1 - Scaling Margate's Creative Production and Skills
 - Margate Creative Land Trust including participation and engagement activities
 - Theatre Royal including participation and engagement activities

- Margate Town Deal Intervention 2 - Coastal Wellbeing
 - Access Walpole
 - Testing New Uses, participation and skills programme for wellbeing, including beach facilities
 - Improved Coastal Environment
- Margate Town Deal Intervention 3 - Active Movement and Connections
- Margate Town Deal Intervention 4 - Diversifying Heritage Assets
 - Margate Winter Gardens
 - Destination Dreamland

5.0 Options

5.1 Approve the recommendations:

- Note the details of the submitted Investment Plan on the basis of the profile of spend and delivery against the Intervention Themes.
- Approve the disbanding of the Margate Town Deal Board in order to set-up new and relevant governance arrangements for the Simplification Pathfinder Pilot.
- Approve the recommendation to set-up a new Partnership Board with final recruitment of Board members to be in consultation with the Leader of the Council.
- Approve the projects being included and delivered through the new amalgamated Simplification Pathfinder Pilot identified in section 4.1

5.2 The opportunity to form part of the Simplification Pathfinder Pilot provides the council with the opportunity to streamline governance arrangements and the monitoring and evaluation processes which will reduce the burden on officers directly delivering the schemes. If the council does not participate in the Pilot it will impact on the deliverability of the schemes, the timelines and the ability to be more flexible in relation to project adjustments. This will provide challenges for current resources and potentially have a negative reputational impact on the council. The projects are going through a robust review and those being put forward through this report are those that are considered deliverable within the funding programmes and therefore should be adopted, changing the projects or recommendations relating to that will require significant stakeholder engagement, project changes through central government and will impact on timescales and costs. It is therefore advised that the recommendations support the viability of delivery.

Contact Officer: *Louise Askew, Head of Regeneration and Growth*
 Reporting to: *Bob Porter, Director of Place*

Annex List

Annex 1: Current projects mapped to Pathfinder Intervention Themes
 Annex 2: Draft Terms of Reference for the Partnership Board

Background Papers

[Margate Town Deal webpages](#)

[Ramsgate Levelling Up Fund webpages](#)

[Future High Street Fund](#)

[Margate Levelling Up Fund bid](#)

[Department for Levelling Up, Housing and Communities Simplification Pathfinder Pilot: Technical Guidance](#)

Corporate Consultation

Finance: *Chris Blundell - Director of Corporate Services and Section 151*

Legal: *Sameera Khan - Interim Head of Legal and Monitoring Officer*