

Department For Levelling Up, Housing and Communities Externally Funded Projects Approvals - Funding Reallocations

Meeting	14 March, 2024
Report Author	Louise Askew - Head of Regeneration and Growth
Portfolio Holder	Cllr Ruth Duckworth - Cabinet Member for Regeneration and Property
Status	For Decision
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	The report involved a decision about incurring expenditure, by the Council, which is anticipated to be £250,000 or above.
Previously Considered by	Cabinet - 21 September, 2023
Ward:	Cliftonville West and Margate Central

Executive Summary:

This report outlines the requirement to reallocate funding within the Towns Fund monies of the Simplification Pathfinder Pilot. Two aborted projects from the approved Margate Town Deal programme mean that there is funding within the programme to reallocate to other projects.

As set out by Cabinet in September, 2023 the funding will remain in Margate and will be used to support the delivery of projects within the programme. £500,000 is available within the Coastal Wellbeing Intervention and will be used to help deal with challenges from inflation impacting the Walpole Bay Pavillion and the Skatepark. £4,000,000 from the aborted Destination Dreamland project will be reallocated within the Diversifying Heritage Assets intervention.

As the Accountable Body for the projects within the Simplification Pathfinder Pilot the council is the ultimate decision maker, however this is following engagement with the new Thanet Regeneration Partnership Board and the Department for Levelling Up, Communities and Housing.

Recommendation(s):

Cabinet to provide approval to:

1. Note that moving funding between themes and projects up to a value of £5,000,000 is permissible under the Simplification Pathfinder Project.

2. Note that the reallocation of the Destination Dreamland project fund has been discussed and agreed within the Simplification Pathfinder Project.
3. Agree that the £4,000,000 from the aborted Destination Dreamland Project now be reallocated to a scheme for the Margate Winter Gardens.
4. Agree that the £325,000 from the aborted project on the Coastal Wellbeing intervention be reallocated to the Walpole Bay Pavillion project.
5. Agree that the £175,000 from the aborted project in the Coastal Wellbeing intervention be reallocated to the Skatepark project.

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 either an annual spend of £250,000 or above or with a total contract value of £750,000 or above.

We have already received part of the government funding in advance, to commence delivery, and all future DLUHC funding will be drawn down in advance of any further 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.

The Coastal Wellbeing Intervention includes an allocation of £3,550,000. This allocation is split between a number of projects as set out below, with further detail in section 1.2 of this report:

- Access Walpole (£1,100,000)
- Testing New Uses (£1,200,000)
- Improved Coastal Environment (£1,250,000)

£500,000 was allocated to a project at the Oval Bandstand and Lawns as part of the Improved Coastal Environment package of projects, which was subsequently aborted (October 2023) in the early stages. £25,000 was spent on the project, which now has to be categorised as revenue expenditure on the basis that the capital project is not being delivered. Therefore, there is £500,000 of capital funding available to be reallocated across the capital projects within the Coastal Wellbeing Intervention. It is also necessary to reallocate £25,000 of revenue funding within the Coastal Wellbeing Intervention to fund the revenue costs associated with the aborted Oval Bandstand project.

Under the new Simplification Pathfinder Project the council, as the Accountable Body, is able to move funding between themes and projects up to a value of £5,000,000. However, the

Coastal Wellbeing Intervention is considered as one project through the government programme, and therefore the reallocation of this funding is for internal purposes, rather than a formal reallocation as considered by the Pilot. All required outputs are set across the whole Coastal Wellbeing Intervention, not on a project by project basis.

The reallocation of the Destination Dreamland project funding is proposed to be made within the Diversifying Heritage Assets intervention of the Margate Town Deal. This reallocation of funding has been discussed with the Pathfinder Team of the Department for Levelling Up, Housing and Communities as part of the Simplification Pathfinder Pilot.

Legal

Cabinet is being asked to agree to the reallocation of funding between projects as set out in the body of this report. The finance comments provide reassurances that under the new Simplification Pathfinder Project the council is able to move funding between themes and projects up to a value of £5,000,000. In addition, there has been relevant consultation with the Pathfinder Team.

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 Council’s 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. Working with the CIC to support the development of their funding strategy.

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.

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

Ability to identify a third party operator for the Winter Gardens

- Use of Colliers to promote the opportunity
- The provision of funding to help unlock the heritage deficit will encourage private sector investors
- A robust marketing campaign to help reach any interested parties.

Corporate

The projects identified in this report will help the council to deliver against Priority 4: creating a thriving place as part of the council's new Corporate Plan 2024-28. By delivering the projects we will strengthen the local economy and do what we can to enable the whole community to take more pride in living here. In delivering these government funded multi-million pound regeneration schemes we will be actively supporting Thanet's important tourism and cultural sectors.

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.

There are no direct equalities implications arising from the decisions sought in this report. To note however that if the funding supports regeneration in the Margate area. The outcomes to

be achieved from the various projects include improving employment opportunities and the health and wellbeing of residents. As such the decision is likely to ultimately benefit those with protected characteristics including those from the lower socio economic groups in the area. Specifically, the report relates to the following aim of the equality duty: -

- *To advance equality of opportunity between people who share a protected characteristic and people who do not share it.*

Corporate Priorities

This report relates to the following corporate priorities: -

- *Priority four: To create a thriving place*

1.0 Introduction and Background

1.1 Thanet District Council is the Accountable Body for £22.2m worth of Town Deal Funding for Margate. The role of the Accountable Body was to set up the Town Deal Board, develop an Investment Plan and subsequent Green Book compliant Business Cases. The council worked with the Town Deal Board and external stakeholders to complete these requirements, with all business case summary documents having now been approved and with Town Deal funding now coming to the council.

1.2 Two of the projects that have been approved by Central Government for the Margate Town Deal have now been aborted and this report proposes a reallocation of the funding from these projects. Firstly the Oval Bandstand and Lawns project as part of the Coastal Wellbeing Intervention and secondly, the Destination Dreamland project as part of the Diversifying Heritage Assets Intervention.

1.3 Coastal Wellbeing is one of four interventions within which there are a number of projects which will deliver Town Deal priorities. Coastal Wellbeing aims to deliver a new health and wellbeing facility, create new business and commercial opportunities for the town, as well as a healthier population, enhancing access to the Cliftonville coastline. With £3,550,000 allocated to:

- Access Walpole (£1,100,000)
 - Refurbishment of tidal pool (match funded with an Environment Agency project)
 - Improvements to the steps from the top of the cliff to Walpole Bay
 - Refurbishment of the Grade II listed lift and rotunda , with facilities
- Testing new uses, participation and skills programme for wellbeing, including beach facilities (£1,200,000)
 - The Walpole Bay Pavilion (£700,000)
 - Participation and engagement revenue project (£500,000)
- Improved Coastal Environment (£1,250,000)
 - Skatepark (£750,000 + £59,000 council capital funding for a Margate Skatepark)
 - Oval Bandstand and Lawns (£500,000) Aborted project with £500,000 to reallocate.

1.3 The aim of the Diversifying Heritage Assets Intervention was to use government funding to unlock the heritage deficit in some of Margate's key heritage assets that

have become vacant. Two buildings were proposed through this intervention for investment - Dreamland and the Winter Gardens. The Destination Dreamland project planned to provide investment in one of Margate's most iconic heritage destinations with the aim of securing its long-term viability and vitality. The ambition was that restoring the cinema building would show that Dreamland is open for business: re-activating the ground and first floor spaces would deliver significant social and economic value. The project was also the only one within the Margate Town Investment plan that brought in significant private sector match funding. Through a re-prioritisation process the Winter Gardens proposal was changed from capital investment to revenue funding to provide the information required to develop the business case for capital investment.

- 1.4 In December 2023 the council's Investment Plan to be part of the Simplification Pathfinder Pilot was approved by central government. The Pilot provides greater flexibility to the council in how it is able to manage the government funded regeneration projects. This includes the council's ability to move money between projects. An agreement was made by Cabinet to keep Town Deal money for Margate projects, with a view that should a project be aborted that projects within the intervention would be considered first when relocating the funding. Engagement with the Pathfinder Team at DLUHC is providing the advice and guidance required to ensure the reallocations proposed fit within the greater freedoms and flexibilities provided through the Pilot.
- 1.5 One of the requirements of being part of the Pathfinder Pilot was to set up a Partnership Board (Thanet Regeneration Partnership Board), which will provide oversight to support the council in its decision making for the DLUHC capital regeneration projects. The Partnership Board met for the first time on 1 March, 2024 and provided support for the proposals set out in this report. Key points from the meeting included the request to ensure that the Skatepark would be a safe environment with a review to design out antisocial behaviour, and that the kiosk facilities to be provided would support the ongoing sustainability and management costs for the park. In relation to the Winter Gardens, the Partnership Board was keen that further investment for the building should be found from third party operators to complete a full refurbishment of the building, and that the council should go out to the market to identify an operator.

2.0 Coastal Wellbeing funding reallocation

- 2.1 This report outlines some of the cost challenges within the Coastal Wellbeing intervention and a proposal for reallocation of the aborted Oval Bandstand and Lawns project of £500,000. The reallocation of funding does not technically need reporting through the Pathfinder Pilot on the basis that the delivery and outputs are across the whole intervention, not the individual projects. Although it will be included in the monitoring and evaluation reporting to central government.
- 2.2 Future decisions will be required for Planning Permission, the model of management for the Walpole Bay Pavilion and procurement.
- 2.3 The Skatepark Project will create something for the people of Margate to be proud of and give a safe community space to young people. Designed to cater for absolute beginners up to experienced skateboarders, the new recreation facility will

regenerate the site on Ethelbert Crescent. £750,000 has currently been allocated from the Town Deal and a further £59,000 from Thanet District Council to deliver the capital project. An early market engagement exercise took place in February 2024 - a prospectus was issued with information about the scheme and interested parties were invited to complete a pre-market engagement questionnaire, to inform the contractor procurement process.

- 2.4 The project includes investment in the construction of the skatepark and a kiosk facility to support driving an income to help with the costs of running the park. The skatepark will be free to access and open to all. The current project is that the council will deliver the construction of the skatepark and then provide a long lease to the project sponsor, who is setting up a Community Interest Company to manage the site. They would be responsible for all of the management and maintenance of the site, including adhering to all compliance requirements. Advice has been sought from Legal, Risk, Insurance, Open Spaces, Property and Health and Safety on the project.
- 2.5 Costs are being put together for the management and maintenance of the site following engagement with other skatepark operators. The challenge is that skateparks have different ownership and management models - with different costs associated. There are some standard costs such as those through organisations such as RoSPA.
- 2.6 The Testing New Uses project comprises capital and revenue investment to enable the testing and experimentation of commercial and health and wellbeing opportunities. Sitting at the centre of the Testing New Uses project is a new Wellbeing Pavilion on the lower promenade at Walpole Bay. The pavilion will accommodate a cafe, a bookable wellbeing space, which the whole community will have access to. This will provide a hub to support enterprise, community, health and wellbeing, and education activity, as well as providing new beach facilities including toilets and showers for the ever growing number of all year round sea swimmers and visitors.
- 2.7 Curl La Tourelle + Head Architecture has been appointed as architects to RIBA Stage 3 for the Wellbeing Pavilion. RIBA stage 2 completed in January 2023 and the design team are currently undergoing a cost review and value engineering exercise and preparing for Planning. The impact of the cost of inflation and the need to design out flood risk and crime on the designated lower promenade site is providing a challenge to the original budget for the scheme. The design team is reviewing the value engineering potential but this could have a significant impact on the quality and flexibility of the space. It could potentially end up being too small and therefore more difficult to run, or it could be too basic in terms of the facilities and therefore less likely to have as much interest as a warm and comfortable space. The scheme could be compromised by too much value engineering.
- 2.8 Considerations are being given to the operation management model of the Wellbeing Pavilion as the design progresses with sustainable delivery models in mind to include the day to day running of the lift, public toilets, commercial cafe and community space.
- 2.9 There has been a lot of public and stakeholder interest in the Walpole Bay projects, in October 2023 we hosted a public engagement event and exhibition which over 400

people attended. 670 surveys were also completed in a two week period which has helped inform decisions around the early design and site location for the Wellbeing Pavilion. There are many interested parties, sometimes with conflicting views that need to be considered, as well as statutory stakeholders such as the Environment Agency, Natural England and Historic England in relation to the tidal pool. It is important that the projects deliver the ambition of the Town Deal to improve health and wellbeing, and particularly those who are currently least likely to access the opportunities this intervention will create.

- 2.10 This project provides an opportunity to experiment and test what can work well, which could be replicated and built upon across the town and district in the future.
- 2.11 The proposal is to reallocate the £500,000 from the aborted Oval Bandstand and Lawns project to support the delivery of these projects. Both projects are part of the same Town Deal Intervention and therefore do not require a decision through the Simplification Pathfinder Pilot process. The reallocation suggested is:
- The reallocation of £175,000 to the Skatepark project - this will help deal with the inflationary pressure on the project and to ensure that the kiosk facility is fit for purpose to support the ongoing management and maintenance of the facility. This creates a capital budget of £984,000 (less any costs already incurred for surveys).
 - The reallocation of £325,000 to the Walpole Bay Wellbeing Pavilion. This creates a capital budget of £1,025,000 (less any costs already incurred for surveys and professional fees).

3.0 Diversifying Heritage Assets funding reallocation

- 3.1 Following the recent acquisition of Sands Heritage Ltd by LN Gaiety Holdings, a subsidiary of Live Nation, Dreamland has informed officers that they will no longer be accepting the £4,000,000 allocation from the Margate Town Deal for the Destination Dreamland project. This funding therefore is required to be reallocated. It is proposed that the £4,000,000 is reallocated to the Winter Gardens to support the identification of an operator and help unlock further private sector investment.
- 3.2 The Margate Winter Gardens project currently has a revenue allocation of £300,000 through the Town Deal. This funding has enabled the council to bring in external expertise to help complete an appraisal of the Winter Gardens and market the building, with the aim of securing a viable and sustainable long-term delivery model for the building. In the initial Margate Town Investment Plan was an ask for £4,000,000 capital funding for investment in the building. DLUHC requested further information about the delivery of the original investment requirement and what it would include and a long term plan for the future. At that time the council did not have the required information to inform a long term plan with a potential operator/partner. With limited funds in order to progress the required work to understand the condition of the building, be able to articulate its demand and show its financial sustainability and viability, at a time when all of the Town Deal projects were being reprioritised due the offer from central government being lower than the funding asked for. The request to DLUHC was changed for revenue funding that could support this work.

- 3.3 The future of the Winter Gardens has been subject to a number of Cabinet Decisions, the most recent made in [March 2023](#). Cabinet approved the engagement of a specialist marketing agency and that the Director of Place, in consultation with the Cabinet member for Economic Development would approve the marketing particulars for the Winter Gardens and the evaluation matrix to be used to assess operator and/or JV submissions. The council committed to take a further report to be considered by Cabinet following the completion of the marketing and evaluation exercise, setting out detailed proposals.
- 3.4 The council has so far spent or committed £162,003 of the £300,000 funding allocated, completing a wide range of surveys and reports on the heritage venue and appointing specialist marketing agents, leaving £137,997 for further legal costs and any other requirements for this field of work. This funding will remain with the project if further work is required to secure an operator, and if further information is required. The surveys and reports completed for the Winter Gardens include the below, all of which are available for review by prospective partners.
- Unexploded ordnance risk assessment
 - Asbestos air sampling survey
 - Laser survey for measured drawings
 - Topographical survey
 - Electromagnetic and GPR survey
 - Utility, and other searches
 - Detailed drainage survey
 - Flood risk scoping assessment (FRSA)
 - Energy Performance Certificate (EPC)
 - Ecology - Japanese Knotweed survey
 - Heritage Significance Statement
 - Architectural Review
- 3.5 The council also commissioned an evening and night time review of Margate and Thanet to help inform decisions about the future role of The Winter Gardens.
- 3.6 A two stage marketing campaign was launched in November 2023 with Colliers as the agent. Open days have been held for potential interested organisations at the venue. Interested parties have been invited to submit Expressions of Interest by 22 February 2024, as the first stage of the process. As part of the marketing campaign there is a data room which holds a raft of information about the building, its condition and opportunities and constraints. The council recognises that the building/site needs significant investment and that any potential partner may need support with that.
- 3.7 The deadline for expressions of interest (EoI) was on 22 February, 2024. By the deadline there was only one EoI, that at this stage had limited information about the finances for the refurbishment of the building, but identified that there would be a need to work closely with the council to help deal with a potential funding gap. This EoI is commercially sensitive and therefore is not being shared as part of this report. The agents, Colliers did provide further information on other interested parties that had engaged with the marketing process but not submitted an EoI. A financial gap was a recurring theme through their feedback about the Winter Gardens.

- 3.8 Challenges with the heritage deficit for the refurbishment of the Winter Gardens are not the only challenge facing the engagement of an operator, Music Venues Trust 2023 annual report identified in its forward that *“2023 was the most challenging year for the Grassroots Music Venue (GMV) sector since Music Venue Trust (MVT) was founded in 2014. An extraordinary number of closures reflected a combination of challenging factors, which also impacted on the ability of artists to tour and, for many venues, to sustain the level of live music provision in their communities.”* It is also noted that the latest members survey from UK Hospitality (January 2024) highlights that:
- *Cash reserves have greatly reduced on August 2023 – those with no cash reserves more than doubling from 12% to 26%.*
 - *The number of businesses at risk of failure is up +5pp on last quarter, with 20% at risk in the next year*
 - *Energy bills in 2023 were up 53% on 2022*
 - *44% of members are still experiencing staff shortages, though this is down -17pp on October*
 - *Vacancy rates are still stubborn, with 10% of roles unfilled, and an 18% churn rate over the past 3*
 - *Food/ drink costs, wage costs, and energy costs have respectively seen increases among 98%, 96% and 85% of members*

This demonstrates the range of challenges faced by businesses and clearly identifies the market failure facing the engagement of an operator for the Winter Gardens without seed investment to help deal with the heritage deficit and unlock further investment. Colliers notes that whilst experienced operators are used to making long term decisions in order to secure the right site, short term problems such as those identified above are impacting on the availability of finance to support expansion and investment decisions.

- 3.9 The proposal is to re-run the marketing campaign, with a strong advertorial campaign alongside the marketing agents. This will start once approval has been gained to reallocate the funding. This campaign will run for 3-4 weeks and will remain a two stage process as identified at the Cabinet meeting in [March 2023](#). A further report will then be considered by Cabinet following the completion of the marketing and evaluation exercise, setting out detailed proposals.

4.0 Options

- 4.1 The funding identified in this report from the aborted projects could be reallocated across the whole Town Deal programme, however the outputs that are required to be delivered should still be delivered. For Coastal Wellbeing these relate to health and wellbeing improvements across the Town Deal area and the Margate Town Deal Board specifically wanted to see projects that dealt with the challenges facing much of Margate and Cliftonville’s communities in relation to health inequalities. The Destination Dreamland outputs related to jobs, refurbishment of a heritage asset and match funding - this can be delivered through the Winter Gardens.
- 4.2 An alternative option is to hand back the funding to central government from the aborted projects, but this will not support the delivery of regeneration in Margate.

4.0 Next Steps

- 4.1 The Walpole Bay Pavilion and the Skatepark both require planning approvals. These projects will go through the Design Review process.
- 4.2 The Winter Gardens will require planning permission and listed building consent for any refurbishment works. An application is likely to come from a third party operator, but the council will engage closely with this process.
- 4.2 Any procurement above the £250,000 key decision expenditure threshold will require Cabinet approvals and will be subject to further reports.

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Corporate Consultation

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