

# Pathfinder Programme Funding Reallocation

<b>Cabinet</b>	22 August 2024
<b>By</b>	Louise Askew - Head of Regeneration and Growth
<b>Cabinet Portfolio Member</b>	Cllr Ruth Duckworth - Cabinet Member for Regeneration and Property
<b>Key Decision</b>	No
<b>Decision classification</b>	Unrestricted
<b>Call in status</b>	Can be called in
<b>Ward:</b>	Cliftonville West and Margate Central

## Purpose of the Report

This report outlines the requirement to reallocate funding within the Towns Fund programme of the Simplification Pathfinder Pilot.

The Theatre Royal and 19 Hawley Square project are identified as a priority for Margate's regeneration and growth. It is unfortunate that the £4,500,000 application to the National Lottery Heritage Fund for the Theatre Royal was unsuccessful and therefore will impact on the delivery of the approved scheme.

This report identifies a solution to funding the scheme within the Margate Town Deal funding through a reallocation of funding.

## Recommendation(s):

Cabinet is asked 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. Provide approval to the reallocation of £2,800,000 from the revised Active Movement and Connections Intervention to the Scaling Margate's Creative Production and Skills - Margate Theatre Royal scheme.
3. Agree that any remaining funding in the Active Movement and Connections Intervention be held in contingency until the council is informed of the outcome of the Cultural Development Fund bid.

## 1. Summary of Reasons

- 1.1 A number of Cabinet approvals have provided significant support for the Theatre Royal and 19 Hawley Square scheme as part of the Margate Town Deal programme. The vision remains, which is:

**Theatre Royal Margate and 19 Hawley Square** 245 years of performance heritage conserved, restored and modernised with the ambition of becoming a 'Nationally Significant Performing Arts Cluster in Margate'. Combining heritage, performance and sustainability to create a circular theatre production economy, raising the profile of the performing arts and creating the environment to enable;

- **Participation;** hyperlocal (Margate/ Thanet) employment, engagement and training of young people in performing arts and creative careers
  - **Programming;** providing a unique heritage stage for local, national and international performances and multi arts programming
  - **Producing;** using homegrown talent and locally made high quality theatre productions with national and international reach
- 1.2 The council used this vision, condition reports and indicative architect plans to RIBA Stage 1 which have been developed and costed for both buildings, to inform external funding applications and budgeting. The council submitted two significant funding applications on that basis. One to the National Lottery Heritage Fund for £4,500,000 and one to the Cultural Development Fund for £3,000,000. It is unfortunate that the council has been advised that the National Lottery Heritage Fund application has not been successful, and we are still waiting for the response to the Cultural Development Fund bid.
- 1.3 The council has been working through the budget to identify solutions to fill the funding gap, to ensure that the Theatre Royal scheme is still deliverable. This includes a reallocation of funding from within the Margate Town Deal programme.

## 2. Background

- 2.1 On 6 September 2019 the government invited 101 places in England to develop proposals for a Town Deal. In March 2021 Thanet District Council and the Margate Town Deal Board received Heads of Terms from the Department for Levelling Up, Housing and Communities (MHCLG) with an in principle offer of up to £22.2m to deliver the Margate Town Investment Plan. The funding was to deliver ten projects across four interventions:
- Scaling Margate's Production and Skills
  - Coastal Wellbeing
  - Active Movement and Connections
  - Diversifying Heritage Assets

- 2.2 The projects included a range of schemes that were either being delivered directly by the council and those being delivered by third parties. Thanet District Council is the Accountable Body for the Town Deal Funding which included setting up the Margate Town Deal Board, developing an Investment Plan and subsequent business cases. The council worked with the Town Deal Board and external stakeholders to complete these requirements.
- 2.3 During 2023 the council was invited to be part of a new Simplification Pathfinder Pilot to support the council's management of the central government's capital funding programmes. In December 2023 the council's Investment Plan to be part of the Pilot received approval from central government. This Pilot allows the council to move money between projects up to the value of £5,000,000. A commitment was made by the council's Cabinet to keep the funding within each of the towns - Margate and Ramsgate - as it was awarded. Engagement with the Pathfinder Team at the Ministry of Housing, Communities and Local Government (MHCLG) is providing the advice and guidance required to ensure the reallocations proposed fit within the greater freedoms and flexibilities provided through the Pilot. The council is also using the monitoring and evaluation returns to outline where funding is required to be reallocated.
- 2.4 One of the requirements of being part of the Simplification Pathfinder Pilot was to set up a Partnership Board (Thanet Regeneration Partnership Board), which provides oversight to support the council in its decision making for the MHCLG 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 at a meeting on 19 July.
- 2.5 Through the development of the Margate Town Investment Plan the scheme for the Theatre Royal included the need for further external funding to support delivery of the project and the restoration of two listed buildings. The Theatre Royal and 19 Hawley Square scheme were included in the Simplification Pathfinder Pilot Investment Plan approved by central government.

### **3. Relevant Issues**

- 3.1 The Theatre Royal was allocated funding in order to establish a 'creative production cluster' with £2,200,000 allocated from the Margate Town Deal under the strategic objective of 'scaling up creative production and skills in Margate'. One of the commitments to central government (and requirements for the building) was that the council and the Margate Town Deal would secure/leverage additional funds from the National Lottery Heritage Fund and other sources, potentially Arts Council England as match funding. It was a key ambition of the Town Deal Board that the investment from MHCLG would unlock investment from other sources in Margate.
- 3.2 Utilising Town Deal funding, condition reports for the Theatre and 19 Hawley Square, were completed. The Theatre repair costs are expected to be in excess of

£1,500,000 before inflation, fees and client costs. This does not include any conservation, restoration works or operational changes to the building.

- 3.3 In 2024 Thanet District Council submitted a £4,500,000 application to the National Lottery Heritage Fund (NLHF) for the Theatre Royal. The funding was to support the Town Deal monies, particularly focusing on restoration of, and engagement with the heritage and history of the Theatre Royal. Unfortunately this bid was unsuccessful following a particularly competitive round for National Lottery Heritage Fund monies.
- 3.4 NLHF noted the heritage importance of the Theatre, and that a new business model is needed in order to give it a more financially sustainable future. They recognised the link between the Theatre and 19 Hawley Square and the opportunity presented by the Town Deal funding. They insisted that NLHF is keen to invest in place making in Margate and Thanet. Officers continue to engage with NLHF to understand future applications for the Theatre Royal and 19 Hawley Square.
- 3.5 The council has also submitted a robust application in May 2024 for £3,000,000 to the Arts Council for the Department for Culture, Media and Sports Cultural Development Fund. The focus is on the vision and development for 19 Hawley Square as a production hub. Also included is a three year cultural officer post and operator setup costs. There are c.12 applications for a total fund of £15,000,000. The final decision for this funding is a ministerial decision, which is expected in later this year.
- 3.6 A RIBA Stage 1 cost review of the project requires approximately £2,800,000 of capital funding to replace the NLHF funding. This, alongside the CDF funding, will safeguard the capital works required for both the Theatre Royal and 19 Hawley Square. This would facilitate delivery of the vision and enable the council to deliver a theatre hub in Margate.
- 3.7 The project at the Theatre Royal has been considered through a number of Cabinet reports and has continued to be a priority for the council to deliver. It is on the basis that the scheme is a priority that the council has reviewed the potential solutions to filling the funding gap. As identified, funding could not be moved within the Pathfinder programme from Ramsgate so the solution requires to come from the Margate projects.
- 3.8 The Margate Levelling Up Fund scheme for the Margate Digital Campus has been committed to the East Kent College's Group to deliver the town centre site. The Margate Creative Land Trust has been set-up with a grant agreement agreed, with funding allocated. The council has recently approved the movement of the Diversification of Heritage Assets from a scheme at Dreamland to the Winter Gardens - and the council has recently used this funding allocation in an updated marketing campaign to engage an operator for the Winter Gardens. This leaves two Interventions within the Town Deal programme remaining. Significant activity in delivering a capital programme for Coastal Wellbeing has taken place, this includes

the refurbishment of the lift, the delivery of the Walpole Bay Pavillion scheme and the delivery of a skatepark. These schemes all have approval to procure capital works and will be delivering a number of outputs for the programme. The Active Movement and Connections Intervention has been more challenging to develop a scheme that is deliverable within the existing funding envelope.

- 3.9 A review of the Active Movement and Connections Intervention has identified significant challenges in delivering meaningful highways interventions in Margate. The Highways elements of the intervention included a package of highway initiatives that were shortlisted for approval from central government, supported by the former Margate Town Deal Board. The initiatives included footpath and junction improvements designed to improve connectivity and to give more priority to pedestrians, and a light touch reconfiguration of Cecil Square. An early cost estimate in 2022 indicated £4,800,000 to deliver this package. The submission to MHCLG for approval indicated that through detailed design the number of interventions would likely be reduced, as detailed design costs were identified.
- 3.10 In 2022 the Margate Town Deal Board discussed the potential for an alternative stand alone scheme for focussed investment to reimagine Cecil Square. The Board approved for officers to engage with Kent County Council Highways and review the high level costs for the scheme. The potential scheme proposed significant changes to the Square including improvements to traffic signalling and reducing the dominance of cars. The proposal included very high level designs, based on some limited traffic modelling. However, further traffic studies and survey work would be required before being able to identify more detailed costs, and to be able to move to the next steps of model testing designs. This would then require detailed designs and significant engagement. A high level cost estimate for the Cecil Square proposal was provided in November 2022. The proposals looked like they would cost in the region of £5,500,000. If Thanet District Council delivers the scheme itself the cost will be slightly higher on the basis that as a district council not responsible for highways, we would need to bring in further specialist project management resources. At £5,500,000 the scheme is not deliverable within the funding envelope available in the Active Movement and Connections Intervention.
- 3.11 Officers have continued to work with Highways Officers at Kent County Council to understand the potential to deliver a scheme in Cecil Square, which has been considered to be challenging. This is on the basis of their experience of delivering other highways schemes within the Levelling Up Fund programme elsewhere in the county. Discussions with highway engineering and public realm specialists had suggested that there could be a phased scheme at Cecil Square on the basis that further investigations and funding would be needed. The scheme at Cecil Square requires a significant funding allocation for limited outputs within the Town Deal programme, which, when these are set against the proposed outputs for the Theatre Royal and 19 Hawley Square, the scheme at the Theatre provides greater outputs for Margate (Thanet). This needs to be considered on the basis of the challenges being

faced by all schemes across the country from the inflationary pressure since funding awards.

- 3.12 Schemes included in the Active Movement and Connections Intervention include £600,000 for the delivery of toilets in Margate and £200,000 for a signage and wayfinding scheme. These projects will continue to be delivered as part of the Pathfinder programme.
- 3.13 It is proposed that there is a reallocation of £2,800,000 from the Active Movement and Connections budget to support the delivery of the approved vision for the Margate Theatre Royal and 19 Hawley Square. This will provide considerable support to the external funding application of £3,000,000 to the Cultural Development Fund bid.
- 3.14 It is proposed that the remaining funding in the Active Movement and Connections Intervention is held in contingency until the council hears the outcome of the Cultural Development Fund bid. This contingency will then be considered by the council and the Thanet Regeneration Partnership Board to ensure that there is assurance that the remaining schemes in the Town Deal programme are deliverable. This is particularly because of the significant challenges being faced from the pressure of inflation and cost increases on the programme. Once all projects are in a position where costs are known, any match funding is agreed and we are in a position to deliver the council and the Partnership Board will consider what, if anything, can be delivered at Cecil Square. This will be once we know how much is left in the proposed contingency.
- 3.13 The financial constraints across the Future High Street Fund, Town Deal and Levelling Up Fund projects across the country are underpinned by increased inflationary pressures since funding was awarded. Budgets remain fixed from central government, meaning projects and interventions are required to be streamlined in order to meet budgets.
- 3.14 As the Accountable Body for the projects within the Simplification Pathfinder Pilot the council is the ultimate decision maker, however the drafting of this Cabinet report is following engagement with the new Thanet Regeneration Partnership Board, and the Ministry for Housing, Communities and Local Government.

## **4. Recommendations from the Overview and Scrutiny Panel**

- 4.1 This report is non-key and has not been considered the OSP

## **5. Alternative Options**

- 5.1 Approve the Recommendations 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. Provide approval to the reallocation of £2,800,000 from the revised Active Movement and Connections Intervention to the Scaling Margate's Creative Production and Skills - Margate Theatre Royal scheme.
3. Agree that any remaining funding in the to the proposal set out is section 3.14 for the remaining funding in the Active Movement and Connections Intervention be held in contingency until the council is informed of the outcome of the Cultural Development Fund bid.

5.2 The funding identified in this report from the challenged Active Movement and Connections Intervention could be reallocated across the whole Town Deal programme. However there is an opportunity to support the potential leveraging of £3,000,000 eternal funding within the Theatre Royal project. Which remains in close proximity to Cecil Square and provides conservation area improvements within the public realm for Hawley Square. This option is not recommended.

5.3 An alternative option is do nothing to the Theatre Royal and 19 Hawley Square - reallocate the funding to another project in the programme or hand it back to central government. This option puts a Grade II\* Listed building at further risk, and does nothing to remove the Theatre Royal from the Theatres at Risk, risk register. This option is not recommended. This option is not recommended.

## **6. Consultation**

6.1 There is no formal consultation required for this report.

## **7. Corporate Implications**

### **7.1 Finance and Resources**

7.1.1 The proposals within this paper have already received budget approval and have been incorporated into the council's capital programme. The aim is that the project is fully funded from external grant funding allocations, which is why this reallocation proposal has come forward.

7.1.2 In accordance with the council's key decision framework, further Cabinet approvals 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.

7.1.3 We have already received part of the government funding in advance, to commence delivery, and all future MHCLG 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 MHCLG. These returns will cover actual and forecast spend, alongside programme delivery and output metrics.

7.1.4 The Active Movement and Connections Intervention has an approved budget of £5,300,000, for the delivery of the below schemes:

Margate Toilets	£600,000
Signage and Wayfinding scheme	£200,000
Highways interventions	£4,500,000.

7.1.5 It is proposed that £2,800,000 is reallocated to the Theatre Royal and 19 Hawley Square Scheme. Once the Margate Toilets and the Signage and Wayfinding scheme are allocated, the remaining funding will be £1,700,000. A crossing is being proposed near the Winter Gardens from this funding, which needs to be designed and costed. A further report to Cabinet in October 2024 will review a proposed relocation of £350,000 to the Active Movement and Connections Intervention to support improvements to the public realm surrounding the skatepark site. The remaining funding will be held as contingency for projects until the council is in a position to understand full costs implications across the programme, and therefore reducing the risk to the council.

7.1.6 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 Margate Town Deal 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.

## **7.2 Legal and Constitutional**

7.2.1 As indicated in the body of this report, the Council can make changes to its investment plans in accordance with MHCLG technical guidance which provides that local authorities are not required to submit individual project-level adjustment requests unless they are seeking to make 'material changes' to their investment plan. Material changes are those changes that involve moving at least £5,000,000 to a different intervention or moving at least £5,000,000 between projects in the same intervention theme. The proposals in this report do not therefore constitute a material change and may be changed without reference to MHCLG.

7.2.2 At a meeting of Cabinet on 21 September 2023, the list of projects to receive grant funding through the Simplification Pathfinder Project were agreed. It is for Cabinet to take the decision to amend the projects as proposed in this report. The decisions sought are correctly classified as non-key decisions.

### **7.3 Council Policies and Priorities**

7.3.1 This report relates to the following corporate priorities:

- To create a thriving place

7.3.2 The projects identified in this report 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.

### **7.4 Risk**

7.4.1 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.

7.4.2 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.

7.4.3 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.

7.4.4 Through the monitoring and evaluation process for the three programmes the most significant risks are reported back to the Ministry of Housing, Communities and Local Government on a six monthly basis in the monitoring and evaluation reports.

#### 7.4.5 Key risks

- a) Potential loss of an important cultural and heritage asset and lack of opportunities for the locality to engage in cultural activities
- b) Potential loss of £3,000,000 Arts Council / Department for Culture, Media and Sport Cultural Development Fund programme, for the Theatre Royal and 19 Hawley Square scheme.
- c) Public challenge / perception of aborted/ failed interventions

#### 7.4.6 General risks, and mitigation measures

##### **Capital costs increase**

- Robust costs planning and reviews, with integrated value engineering.
- A substantial risk and contingency allowance (30% capital and 10% revenue) is included within the cost plan.
- Seeking value for money (alongside quality) in the procurement process.
- Constant reviews of other investment opportunities and funding sources.

### **Adverse market conditions (including materials and labour)**

- A risk and contingency allowance is included within the cost plan.
- Suitable contract terms in the Main Works Contract.
- Forecasting at each design stage for cost and delay likelihood in advance, establish lead in times and market fluctuations.
- Possible value engineering required.
- Early contractor engagement to ensure the supply chain is being actively managed.

### **Capacity of the council to support delivery (spend and 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

## **7.5 Climate Change and Biodiversity**

7.5.1 In line with the council's net zero strategy 2030, a core part of the Theatre Royal and 19 Hawley Square design, will integrate proactive environmental strategy with a ring fenced budget of £400,000 (external funding pending). Taking into account conservation and listed building considerations we will investigate and implement; solar/green energy, air source heat pumps, insulation, triple glazed windows and lower level operational considerations i.e. LED lighting.

7.5.2 A key part of the conservation is to restore the existing building, not adding to the embodied carbon for the building by celebrating the existing building, minimising demolition works and ensuring the building is restored and refurbished to being a functional and usable building. The architects, creative team and contractors will be tendered with climate change focus as part of the criteria. A minimum of 5% of quality score is allocated to environmental sustainability measures to assess consultants and more importantly (with greater impact) contractors. Following this recommendation the project will be committed to assessing and implementing green and environmentally friendly operational management (Environmental Management Plan), for the selected operator.

## **8. Equality, Equity and Diversity Implications**

8.1 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.

- 8.2 An equality impact assessment has been undertaken, with a test for relevance completed 06/08/2024 which highlighted that a full assessment was not required. The delivery of this scheme will positively impact inequalities faced by people in Margate, including those interested in working in the performing arts. It will provide employment opportunities, both directly and indirectly. It will aim to be an accessible and inclusive hub, to increase wellbeing and quality of life for residents in the local area.

## 9. Crime and Disorder Implications and Community impact

- 9.1 Reopening and restoring three heritage buildings (Theatre Royal, 16a and 19 Hawley Square) within the conservation area (Hawley Square) will prevent anti-social behaviour including vandalism and graffiti to the semi-derelict and closed council owned properties. Contributions from community safety teams to help design out crime will be undertaken with the architects throughout the design process. Promoting participation for young people, via the new operator, will provide diversionary activities from anti-social behaviour and misuse of drugs, alcohol and other substances. Investment in the area will increase civic pride and re-opening the theatre will encourage low/ no alcohol positive evening and night time activity.

## 10. Subject History

- 10.1 Previous Decisions and Papers;  
[Cabinet - 30 May 2024](#) - Theatre Royal Operator Recommendation  
[Cabinet - 14 March, 2024](#) - Margate Town Deal Funding Reallocations  
[Cabinet - 29 February, 2024](#) - Margate Regeneration Programme update  
[Cabinet - 21 September, 2023](#) - Simplification Pathfinder Pilot

## Annexes

NA

## Background Papers

NA

**Report Author(s) Contact:** [Louise Askew, Head of Regeneration and Growth]

**telephone:** [01843 577178]

**email:** [louise.askew@thanet.gov.uk]

## Report Sign Off

**Legal** Ingrid Brown- Head of Legal and Democracy and Monitoring Officer

**Finance** Matthew Sanham (Head of Finance and Procurement)