

Thanet Pathfinder Projects - contingency allocation

Cabinet	19 December 2024
By	Louise Askew, Head of Regeneration and Growth
Cabinet Portfolio Member	Cllr Rick Everitt, Leader of the Council
Key Decision	No
Call in status	Can be called in
Ward:	Central Harbour

Purpose of the Report

This report seeks authority to move funding from the current Clock House scheme budget, which included a reallocation of funding to match a National Lottery Heritage Fund bid. This will be moved to a single contingency pot for the Ramsgate schemes. The aim is to support delivery of the existing schemes as the costs move from design costs, to construction costs. The council will have the ability to flexibly agree the movement of money to projects where additional contingency is required. The budget for the Clock House remains within the programme for a refurbishment scheme to be delivered.

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. Agree to the movement of £1,109,000 from the current Clock House project which has a higher than required budget to a contingency for Ramsgate projects;
3. Delegate authority to the Section 151 Officer in consultation with the Leader of the Council, to approve the allocation of contingency funding to the Ramsgate projects, except that;
4. Note that any potential future use of this contingency pot for the Port Infrastructure project will be presented to Cabinet for approval.

1. Summary of Reasons

- 1.1 The council has been successful in securing significant grant funding through the Ministry of Housing, Communities and Local Government (MHCLG). The funding has been awarded for the delivery of specific outputs and outcomes across the District. In December 2023 these projects were combined into one delivery programme; the

Simplification Pathfinder Pilot. A number of the outputs which the council is committed to as part of the Pilot includes the capital works to existing or new council assets, through which, other wider outcomes will be delivered.

- 1.2 This paper recommends that the funding previously moved into the Clock House project to support the National Lottery Heritage Fund bid, which was unsuccessful, be moved into a separate pot for contingency. As the other Ramsgate projects move through the design stages to final costs agreed for construction, the council wants to ensure that there is enough contingency for each project as we move into delivery. It is proposed the funding will be moved into a single pot of contingency, to be allocated by the Section 151 Officer in consultation with the Leader. This will be on the basis of advice and guidance from the project team.

2. Background

- 2.1 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 (LUF) programme.
- 2.2 The projects within these programmes have been through a central government approval process and the council's own approvals where required, including the allocation of the funding into the capital programme. All the investments and costs associated with these programmes are 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.
- 2.3 On 21 September 2023 Cabinet approved a single investment plan, as part of the government's Simplification Pathfinder Pilot. The investment plan was subsequently approved by central government in December 2023. The report considered by Cabinet on 21 September 2023 set out the background to the Simplification Pathfinder Pilot and the additional flexibilities that the pilot provided to the council in the delivery of the programme. It acts as the baseline for the projects we are pursuing, and any decisions required, or variations made, refer to this plan as the starting point for such decisions. Agreement was provided that funding would not be transferred between Ramsgate and Margate.
- 2.4 Through the Simplification Pathfinder Pilot funding was reallocated within the Inclusive Harbour Attractions intervention between the Smack Boys project and the Clock House. This was to provide sufficient match funding to deliver a scheme at the Clock House that the community had promoted. Following the unsuccessful application to the National Lottery Heritage Fund the scheme has been revised to take into account the original budget for the scheme. This means that there is currently £1,109,000 held in the Clock House project that will not be used for delivery of the scheme - this will be delivered within the budget outlined in the report to Cabinet in October 2024 of £1,750,000.

3. Relevant Issues

- 3.1 **Process for approval of use of contingency:** the council has regular internal Project Delivery Board meetings, which includes the Section 151 Officer, other key staff and statutory officers. During these meetings project costs and risks are reviewed and the contingency will be discussed at these meetings. If use of the contingency is approved at this meeting, the Section 151 Officer will engage with the Council Leader for review and approval. This information will be shared with the Thanet Regeneration Partnership Board.

This process for approval does not include any allocation to the Port Infrastructure project - any possible future use of this contingency for the scheme will be brought back to Cabinet for decision.

- 3.2 **Impact of cost increases:** since the submission of the successful funding bids the council has been working on developing the projects from funding bids to deliverable schemes. Since that time considerable work has been completed to develop the original programme concepts into deliverable projects, with updated costs and delivery timelines. In addition, the national programme - reflected here in Thanet - has been under considerable cost and delivery pressure as a result of a number of factors

- 3.3 Linked to unforeseeable global events, the real value of the funding has been reduced by between 20%-30% due to the inflationary pressure and the availability and cost of materials and labour is having a significant impact on the current projects deliverability. Therefore there has been a continual process of costing designs with redesign and value engineering in an uncertain landscape to move the schemes forward. This process has added time implications to the schemes and also increased the costs.

- 3.4 **Amended projects:** Fishing Facilities scheme - information has been provided by the Thanet Fishermen's Association on their view of what is required to support the fishing fleet at Ramsgate. This is following the funding reallocation in [July 2024](#) where £100,000 was allocated to deliver some facilities to support the fleet as they were unable to deliver the required outputs of the funding. The Thanet Fishermen's Association's requirements were sent to the design team and were costed. In order to stay within the updated budget there would need to be a reduced number of containers than requested. The council is not in a position to be able to consider reallocating any funding from other projects until we have the full and final construction costs for each project. The focus needs to be on those projects that are delivering the Levelling Up Fund outputs as part of the programme. Once the council has all the final costs, we will be in a position to know whether there is any flexibility within the budgets to allocate further funding to the fishing facilities.

- 3.5 **Thanet Regeneration Partnership Board:** this report has been shared with the Board, however the timescales have been tight so any comments/views have not

been incorporated into the report. There is a Thanet Regeneration Partnership Board meeting on Friday 13 December where the report and contingency will be discussed ahead of the formal Cabinet meeting where the decision will be made. Any feedback from the Board will be provided to the Leader and Cabinet.

4. Alternative Options

4.1 Option 1 - Approve the Recommendation

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. Agree to the movement of £1,109,000 from the current Clock House project which has a higher than required budget to a contingency for Ramsgate projects.
3. Delegate authority to the Section 151 Officer in consultation with the Leader of the Council, to approve the allocation of contingency funding to the Ramsgate projects, except that;
4. Note that any potential future use of this contingency pot for the Port Infrastructure project will be presented to Cabinet for approval.

4.2 Option 2 - leave the funding within the Clock House project and request movements from Cabinet each time it is required. This could impact the timescales related to delivery and add further delays. This option is not recommended.

4.3 Option 3 - Do nothing - an alternative option to those selected is to do nothing, this would result in non-delivery of these grant-funded schemes. This option is not recommended.

5. Consultation

5.1 There is no formal consultation required for this report.

6. Corporate Implications

6.1 Finance and Resources

6.1.1 The projects identified in this paper have already received budget approval and have been incorporated into the council's capital programme. The projects are required to be fully funded from external grant funding allocations and there is currently no scope for Council investment in these projects.

6.1.2 For all the Government funded programmes, we have already received part of this funding, to commence delivery. In addition, all future MHCLG 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 MHCLG. These returns will cover actual and forecast spend, alongside programme delivery and output metrics.

- 6.1.3 The council is required to provide regular monitoring and evaluation returns to central government. An outcome of being part of the Simplification Pathfinder Pilot is that the council will have a streamlined approach to the monitoring and evaluation requirements. The three programmes - Future High Street Fund, Town Deal and Levelling Up have been amalgamated into one programme of reporting. Officers have received draft return documents and are waiting for the final versions from central government.
- 6.1.4 As part of the Pilot the council is no longer 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 £5m plus to a different intervention theme or 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. This reallocation of funding is under £5m as a total contingency pot - with smaller amounts expected to be reallocated within the Ramsgate projects.
- 6.1.5 The constitution delegates authority to the section 151 officer to approve budget movements (also known as virements) up to £50,000 in consultation with the relevant portfolio holder, with any movements above this limit requiring formal Cabinet approval. Approval of recommendation 2 of this report would remove this authorisation limit, solely in relation to the movement of funds to and from the ‘Ramsgate projects contingency fund’.

6.2 Legal and Constitutional

- 6.2.1 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.
- 6.2.2 The decisions sought in this report comply with the Council’s Financial Procedure Rules. To note that A.23 of those rules require Cabinet approval to be sought for any virement, that is to say movement between budget heads, in excess of £50 000.

6.3 Council Policies and Priorities

- 6.3.1 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.

6.4 Risk

- Each project has its own Risk Register which includes details of all relevant risks to the delivery of the scheme. The key risks are also escalated as part of the council's Corporate Risk Register. The programme-wide risks relevant to all of the central government funded projects are reported to MHCLG quarterly.
- **Risk:** The main risk this report addresses relates to the challenges of increasing prices due to inflation.
Mitigation: The allocation of a contingency pot of funding, over and above the contingencies allocated to each of the projects allows the project team, working with the finance team to ensure the risk of overspend is reduced,
- **Risk:** Significant Inflation pressure c20-30% increases
Mitigation: Continue to lobby central government on the impact of the increase in costs of materials and labour and the subsequent inflationary increases. Continue value engineering exercise for each project. Potential to cancel projects if unaffordable. Constant reviews of other investment opportunities/funding sources.
- **Risk:** Unsecured financial contributions to the projects.
Mitigation: 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.

6.5 Climate Change and Biodiversity

- 6.5.1 Climate Change and Biodiversity is a consideration across the Simplification Pathfinder Pilot programme and on a project by project basis. The design processes for the schemes included in this report have / will be aimed to minimise carbon emissions through efficient design, materials selection, and energy efficient services.
- 6.5.2 The contractor selection process includes the requirement for the contractor to demonstrate positive climate change measures associated with the delivery of the projects.

7. Equality, Equity and Diversity Implications

- 7.1 The meeting is to have due regard to their public sector equality duty, which is the need to eliminate unlawful discrimination and consider the potential impact decisions and actions on each of the protected characteristics, at the time the decision is taken. There are no significant equalities implications arising from the decision sought in this report. An equalities screening tool has been completed which demonstrates this.

8. Crime and Disorder Implications and Community impact

8.1 There are no direct crime and disorder implications and community impact from this report. The report is allocating funding for contingency for a series of projects in Ramsgate that have all had approval from Cabinet.

9. Subject History

- [Cabinet](#) 21 September 2023 - Department for Levelling Up, Housing and Communities Funding update Simplification Pathfinder Pilot.
- [Cabinet](#) 25 January 2024 - Ramsgate Regeneration Programme

Appendices

N/A

Background Papers

N/A

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Report Sign Off

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

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