

URN: 21-010

Subject: Future High Streets Fund Technical Update process

Report to: Policy and Resources Committee – 25 January 2021

Report by: Simon Best, Regeneration & Funding Manager

SUBJECT MATTER / RECOMMENDATIONS

On 26 December 2020, GYBC was formally advised that it had been awarded £13,774,430 – or 69% of total Future High Streets funding sought. This report provides more detail on the current *Technical Update* process required by MHCLG before the Funding Agreement is issued and sets out proposals to realise the overall ambition in line with the value of the funding award.

Members are asked to:

- 1) Review the content of the report, noting the provisional offer of funding, conclusions set out in Section 5 and the appended confidential annex;**
- 2) Approve the update to the capital programme as detailed within the report to reflect the provisional Future High Streets funding award of £13,774,730.**

1. BACKGROUND AND CONTEXT

- 1.1 The Future High Streets Fund (FHSF) prospectus was launched in December 2018 as part of a package of measures to support local areas to prepare strategies for their high streets and town centres. The fund will provide co-funding for capital projects – until March 2024 – that bring about transformative local change; longer-term evolution and adaptation to technological changes and consumer preferences/expectations, including residential densification and digital transformation.
- 1.2 A Future High Streets Fund expression of interest for the adopted Great Yarmouth Town Centre was submitted to the Ministry of Housing, Communities & Local Government (MHCLG) on 22 March 2019.
- 1.3 On 5 July 2019, Great Yarmouth was announced as one of 51 locations invited to submit a Treasury *Green Book*-compliant full business case (FBC) as part of a competitive funding process.
- 1.4 Amion Consulting was procured to assist the Council to further develop the ambition set out in the expression of interest as a programme of distinct ‘interventions’ comprising individual projects. The full business case brought together a range of commentary, intervention logic, deliverability analyses, co-funding streams, impact assessments and tests to ensure that the headline *benefit:cost ratio* (a Government measure of the relative costs and benefits of a proposed project) met the required threshold.

- 1.5 Reports were presented to the Policy and Resources Committee in June 2020 and Council in July 2020, outlining the bid and the overall programme costs. Council approved the earmarking of £24.6m for the project within the capital programme to be funded by borrowing and the release of the funding to be supported by business cases for each of the interventions. A FHSF funding 'ask' was attached to each project, as summarised in the following table:

| | Overall cost | FHSF ask | GYBC/Partner |
|---|--------------------|--------------------|--------------------|
| Intervention 1: | | | |
| Residential densification | £12,052,455 | £5,620,771 | £6,431,684 |
| Comprising a) re-purposing vacant retail space and upper floors to drive local demand in Town Centre enterprises and address the high vacancy rates, b) Conversion of 14 King Street as a Heritage Centre. | | | |
| Intervention 2: | | | |
| Enhancement of historic marketplace | £17,542,354 | £11,102,762 | £6,439,592 |
| Comprising a) revitalisation of the historic covered market and event space within the historic Market Place, low carbon and digital transformation initiatives and c) relocation of the Library into the Town Centre | | | |
| Intervention 3: | | | |
| Redevelopment of The Conge | £19,675,636 | £3,203,695 | £16,471,941 |
| Comprising development of a new residential quarter on this key gateway site, linking the rail station and Town Centre | | | |
| Totals | £49,270,445 | £19,927,228 | £29,343,217 |

- 1.6 The overarching business case for the interventions assumed a level of future revenue income following redevelopment, along with capital receipts to offset the revenue associated costs of the borrowing.
- 1.7 The full business case was submitted to MHCLG on 5 June 2020. On 26 December 2020, MHCLG announced that 15 locations had been awarded full funding of between £9.6m and £25m each. Great Yarmouth was one of 57 locations awarded 69% of the funding that they had sought, amounting to £13,774,430. It's noted that some towns were unsuccessful in securing any FHSF funding.
- 2. FUTURE HIGH STREETS FUND TECHNICAL UPDATE PROCESS**
- 2.1 The competitive phase of the process is complete. MHCLG is providing guidance and £5,000 additional funding to enable GYBC to re-engage Amion and revise the FHSF 'ask' to a maximum of £13,774,430.
- 2.2 MHCLG has stated that this exercise is a *Technical Update* to ensure headline *benefit:cost ratios* aren't eroded by this revision, that there aren't material changes to deliverability, co-funding etc. It has signalled its intent to sign funding agreements as quickly as possible and we are encouraged to come forward with proposals in January, if we are ready, with first payments technically possible in February.

- 2.3 The Officers Working Group met with Amion on 11 January to review the programme within the funding that has been allocated. In order to maintain the *benefit:cost ratio* and strategic impact, it was agreed to revisit those individual projects that a) have the lowest individual *benefit:cost ratios*, b) have less secure co-financing already in place, c) exhibit more scope to secure co-financing from other sources, and d) have fewer co-dependencies with other projects (for example, the establishment of a University Learning Centre outlined in the new Town Investment Plan is co-dependent upon the relocation of the library).
- 2.4 It was determined that the purchase of Town Centre freeholds/leaseholds and their residential conversion (under Intervention 1) and residential redevelopment of The Conge (Intervention 3) presented the lowest *benefit:cost ratios*. Furthermore, the former was considered less deliverable within the prescribed timeframes – relative to other projects – in terms of the complexity of securing the 38 freeholds/leaseholds. Redevelopment of The Conge could potentially be progressed through alternative external funds, e.g. Homes England funding.
- 2.5 On this basis, it was proposed that the scope of residential densification under Intervention 1 be refocused on the creation of 19 units within existing, underutilised Town Centre commercial property and the FHSF ‘ask’ revised to £1,665,435. It was also proposed that the scope of the residential redevelopment of The Conge for the purposes of the Future High Streets programme be refocused on 32 homes on the southern side of the site, only, with the FHSF ‘ask’ revised to £444,727.
- 2.6 A modest increase in the FHSF ‘ask’ for the library relocation project was also included, to reflect the most recent cost projections, as summarised in the following table:

| | Overall cost | FHSF ask | Co-financing | FHSF change |
|---|--------------------|--------------------|--------------------|--------------------|
| Intervention 1: | | | | |
| Residential densification | £5,224,056 | £2,010,800 | £3,213,256 | -£3,609,971 |
| Comprising a) selective re-purposing of underutilised Town Centre commercial property to drive local demand in Town Centre enterprises and address the high vacancy rates, b) Conversion of 14 King Street as a Heritage Centre | | | | |
| Intervention 2: | | | | |
| Enhancement of historic marketplace | £17,542,354 | £11,318,903 | £6,223,451 | +£216,141 |
| Comprising a) revitalisation of the historic covered market and event space within the historic Market Place, low carbon and digital transformation initiatives and c) relocation of the Library into the Town Centre | | | | |
| Intervention 3: | | | | |
| Redevelopment of The Conge | £5,277,891 | £444,727 | £4,833,164 | -£2,758,968 |
| Comprising development of the first phase of a new residential quarter on the south side of this key gateway site, linking the rail station and Town Centre | | | | |
| Totals | £28,044,301 | £13,774,430 | £14,269,871 | -£6,152,798 |

- 2.7 This structure would a) enable drawdown of the maximum FHSF funding award of £13,774,430, b) maintain the headline *benefit:cost ratio* requirement, and c) focus on those projects that could be delivered at pace with the minimum co-dependencies.

3. FINANCIAL IMPLICATIONS

- 3.1 The report to Council in July 2020 approved the earmarking of £24.6 million for the overall programme to be funded from borrowing. The overarching business case assumes a mix of future revenue income from properties, along with capital receipts from asset disposals to offset the revenue impact of the associated borrowing costs to the revenue account.
- 3.2 The proposals outlined in Paragraph 2.6 revise Future High Streets funding from £19,927,228 to £13,774,430, in line with the funding award value. Alternative co-financing for the wider residential redevelopment of The Conge would need to be sought, separately, through funders such as Homes England. As part of the revisions to the overall programme, the total project costs have reduced to £28,044,301.
- 3.3 After allowing for partner co-funding (which remains at the previous level) this report is seeking approval for a revision to the capital programme to reflect the the revised Future High Street funding offer of £13,774,430, which will then require GYBC capital funding of £8,119,972. This is after allowing for the approved capital scheme for the market place re-development, which is included in the current capital programme.

4. RISK IMPLICATIONS

- 4.1 The proposals outlined in Paragraph 2.6 focus on those projects that have a higher *benefit:cost ratio* and are more ‘deliverable’. Delivery risks are, therefore, considered to be lower.

5. CONCLUSIONS

- 5.1 On 26 December 2020, GYBC was formally advised that it had been awarded £13,774,430 – or 69% of total Future High Streets funding sought. This report provides more detail on the current *Technical Update* process required by MHCLG before the Funding Agreement is issued and sets out proposals (in Paragraph 2.6) to realise the overall ambition in line with the value of the funding award.

6. BACKGROUND PAPERS

- Confidential Annex: Future High Streets Fund (FHSF) Technical Update process

| Area for consideration | Comment |
|-----------------------------------|---|
| Monitoring Officer Consultation: | As part of the ELT process |
| Section 151 Officer Consultation: | As part of the ELT process |
| Existing Council Policies: | The Great Yarmouth Town Centre Regeneration Framework and Masterplan (2017) |
| Financial Implications: | As outlined in the Report |

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|--|-------------------------|
| Legal Implications (including human rights): | None |
| Risk Implications: | As identified in report |
| Equality Issues/EQIA: | None |
| Crime & Disorder: | None |
| Every Child Matters: | Not applicable |