



Northumberland

County Council

CABINET

09 JUNE 2020

Summary of New Capital Proposals considered by Officer Capital Strategy Group

Report of: Neil Bradley, Service Director, Strategic Commissioning and Finance

Cabinet Member: Councillor Peter Jackson, Leader of the Council

1. Purpose of report

The following report summarises proposed amendments to the Capital Programme considered by the officer Capital Strategy Group via email on 01 May 2020.

2. Recommendations

Cabinet is recommended to:

2.1. Energising Blyth - Future High Streets Funds:

- Approve the increased budget and funding requirements as set out in paragraph 7.27, including an additional Council funding requirement of up to £7.340 million to be met from the Strategic Regeneration Reserve provision in the existing approved capital programme.
- Note the indicative requirement from the 2024-2027 medium term financial plan of up to £8.500 million to underpin the delivery of the Blyth Energy Campus on the current Arriva bus depot site. This will follow the acquisition of this strategic site through the 2021-2024 Future High Streets Fund (FHSE) programme. The funding strategy for the delivery of this project will seek to secure support from other Funding sources including the Town Deal, North of Tyne, and North East Local Enterprise Partnership to reduce the NCC match required.
- Agree the submission of the Full Business Case to MHCLG by the extended deadline of 30th July 2020.

- Delegate responsibility to the Executive Director of Finance and S151 officer, to enter into a funding agreement with the Ministry for Housing, Communities and Local Government (MHCLG) to deliver the agreed scheme as the lead partner,
- Agree that each of the eight FHSF funded projects will return to Capital Strategy Group with a full delivery plan and ongoing business case (where required) prior to delivery.

3. Links to Corporate Plan

The Council's Capital Programme is consistent with the priorities in the Corporate Plan 2018-2021; in particular the 'Living', 'Enjoying' and 'Thriving' priorities.

4. Key Issues

The report outlines proposed amendments to the previously approved Medium Term Capital Programme.

5. Background

The Medium Term Financial Plan and Capital Programme for 2020-21 to 2022-23 were approved by Council on 19 February 2020.

This paper summarises reports considered by the officer Capital Strategy Group on proposed amendments to the Plan.

SUMMARY OF NEW CAPITAL PROPOSALS CONSIDERED BY OFFICER CAPITAL STRATEGY GROUP VIA EMAIL ON 01 MAY 2020

6. ENERGISING BLYTH - FUTURE HIGH STREETS FUND

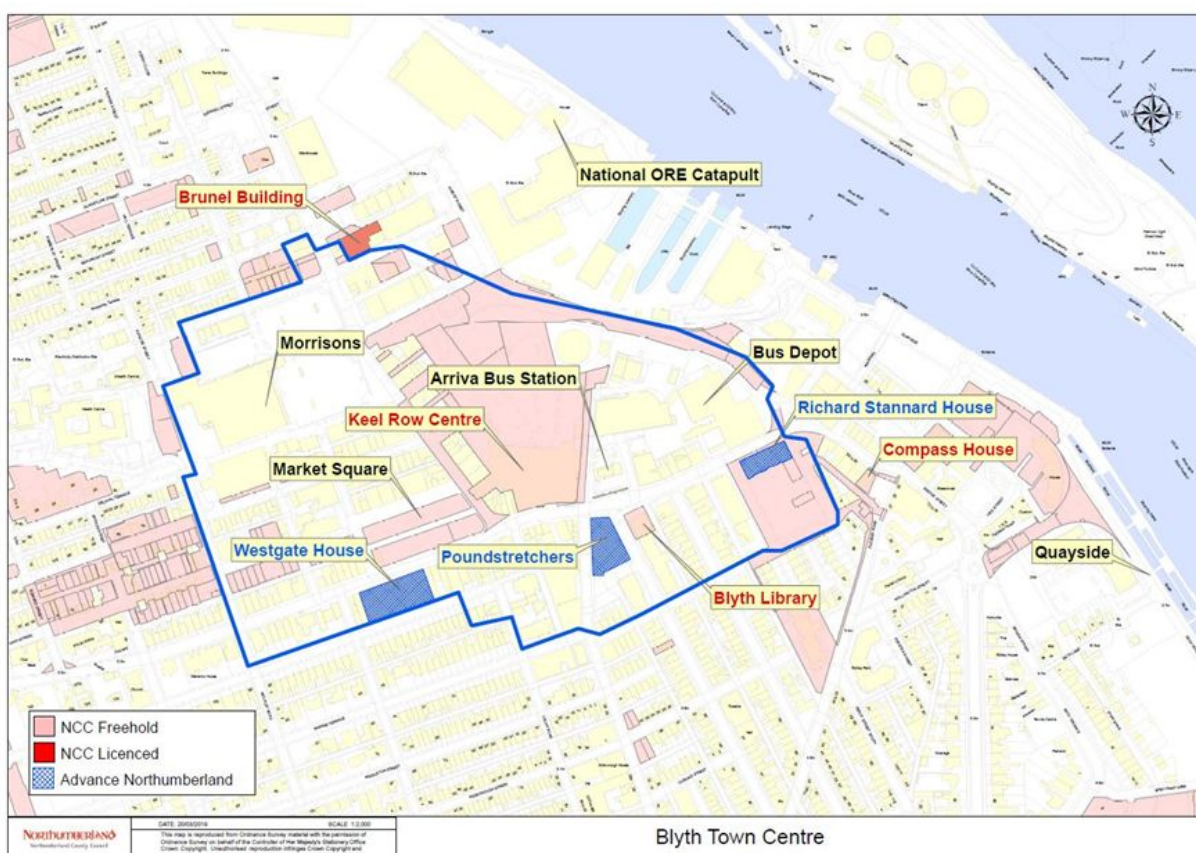
- 6.1. The Group received a report seeking approval for the County Council's financial contribution to the Energising Blyth project application to the Future High Streets Fund (FHSF).

Background

- 6.2. Following an expression of interest application submitted by NCC in Spring 2019, Blyth was awarded £133,000 development funding by MHCLG to support the development of the Energising Blyth project application for FHSF. This was matched by a £57,000 contribution from the NCC Regeneration Reserve Development Fund (RRDF) to prepare a full investment strategy and business case.
- 6.3. This work has previously been subject to a series of reports to Informal Cabinet in 2019 and early 2020. Key points are:
- The FHSF is focused on town centre only development (see boundary below) with tight criteria on eligible spend. As such the application focuses on the renewal and repurposing of the area and connecting the town centre more effectively to successful economic areas on the Quayside and South Beach areas of the town.
 - Following the initial launch of the FHSF, the wider £3.600 billion Town Fund was launched in September 2019. This merged previous policy and funding announcements regarding 'stronger towns' and the existing FHSF into one overall funding programme.
 - Within the Town Fund, Blyth is currently one of 100 towns eligible to apply to the Government's £1.000 billion FHSF, administered by MHCLG.
 - The remaining £2.600 billion Town Deal funding is administered separately by the Department for Business, Industry and Energy and Industrial Strategy (BEIS), from which Blyth has been invited to apply for up to an additional £25.000 million to support economic growth.

- Whilst the Council's focus is currently on the FHSF application, this process is also underway and will develop later in 2020. A new Town Deal Board has been established to oversee this process. The Town Deal will involve the development of a Town Investment Plan encompassing a broader geography than the FHSF town centre business case which is broader in scope and focus and includes urban regeneration, planning and land use, skills and enterprise infrastructure and connectivity. The town fund is anticipated to operate over a longer time period than the FHSF likely to be from 2021-2026 (subject to confirmation by BEIS).

Scope of FHSF application - Blyth Town Centre (indicated by the boundary below)



Business Case Development

- 6.4. The FHSF business case process is well underway, a project initiation document (PID) was raised with Advance Northumberland in September 2019 commissioning them to project manage the development of an town centre investment strategy and green book business case for submission to the capital strand of the FHSF for transformational town centre development projects.

- 6.5. Lead consultant Mott MacDonald was appointed in November 2019 heading up a team including IDP architects and Aspinall Verdi economists to develop both the investment strategy and business case. Work on this is ongoing and is managed by an officer working group from NCC & Advance and overseen by an NCC Project Board.
- 6.6. An Outline Business Case for investment in the town centre was submitted on 16th March 2020.
- 6.7. Full Business Case (FBC) submission is due by 30th June to FHSF (with an option to submit up to 30th July if necessary due to COVID-19).
- 6.8. There has been a range of engagement and consultation during February and March 2020 prior to the outline business case submission. Separate engagement events and activities were held with schools, businesses and the community, including an online consultation accessible to all.
- 6.9. This built on the positive partner and stakeholder engagement to date through the Blyth Town Forum including the town centre showcase event held in September 2019 to which over 2000 people attended.
- 6.10. FHSF is a competitive process, indications are that subject to a strong business case a £30.902 million Blyth town centre development programme will be delivered with a capital application to FHSF anticipated at around £15.189 million and up to £14.340 million from NCC capital programme, plus potential for other commercial partner input of £1.373 million.
- 6.11. NCC currently has £7.000 million of Council funding earmarked in the capital programme for Blyth Town Centre between 2020-21 to 2022-23, to support an estimated government contribution of £7.000 million.
- 6.12. The following amendments are therefore required to the current funding and timeline:
 - an uplift in the contribution from NCC by £7.340 million to a maximum of £14.340 million – to be met from the existing Strategic Regeneration Reserve provision within the approved capital programme;
 - a planned contribution of £15.189 million from FHSF and £1.374 million other partner contributions, and;
 - a revised delivery timeline from 2021-22 to 2023-24.

- 6.13. An important point to note regarding the components of the programme is that it is envisaged the Arriva bus depot will be acquired as a part of the FHSF process. This is with a view to using this transformative site to deliver an Energy Campus supporting future research, innovation and education needs of the offshore wind and energy industries in Blyth particularly focused on strengthening the higher education offer. This facility would build on the success of the existing BEACH Port based training facilities and STEM offer and the planned Energy Central Learning Hub at South Harbour. Energy Central partners (Port of Blyth, ORE Catapult, NCC and Advance Northumberland) and Newcastle University are engaged in this project's development. An estimated £8.500 million will be required to deliver this project and a variety of funding sources will be explored to deliver this including NCC capital allocation, Town Deal, North of Tyne and NELEP.

Business Case Summary

- 6.14. Below is a summary of the project. This is set out in more detail in the outline business case submitted in March 2020. The final business case will be significantly amended in terms of detailed information based on the final options appraisal. Updates will be provided to the lead member and Executive Director in May 2020 on the final draft of the full business case prior to the meetings of Cabinet to agree the financial allocation requested in this report.

Description of the Scheme

- 6.15. The proposals are focused on delivering renewal in the market square including a mixed use development including a Hotel, a new Cultural Facility and a major development platform to develop a new Energy Central Campus. The programme would be underpinned by a programme of public realm, connectivity and transport measures in the town centre. The proposals focus on regenerating the town centre environment and in doing so demonstrably impacting on a wider set of positive outcomes including carbon reduction and increasing the health and well being of the community. For instance the Energy Campus project is a research, development and education centre of excellence in clean growth focusing on low carbon energy generation. It may potentially include a new minewater heat network, a project currently being piloted in Blyth. A range of measures will support health and well being outcomes and a health impact assessment is being undertaken with Public Health to influence the business case directly. This includes the promotion of increased physical activity in the town centre linked to the new cultural facility and redesigned marketplace including through new cycling and walking provision linking to the national cycle network and wider plans through the Local Cycling and Walking Infrastructure Plan (LCWIP) for the town.
- 6.16. The FHSF business case relates to measures to introduce transformative changes that are eligible within the programme guidance for this funding stream. This includes a focus on:

- **Investment in physical infrastructure** - the acquisition and assembly of land rationalising and remodelling current assets. To improve this and other key gateways into the town from the Riverside and South Beach areas enhanced access by foot, cycle, public transport and car. Investment will consider an exciting and sustainable leisure offer.
- **Develop a new multifunctional Town Centre with a range of uses**; rationalise and reduce the centre's retail space with selected acquisitions and the provision of new private sector development opportunities. Renewing and diversifying the heart of the Town Centre including leisure, enterprise, services, and living opportunities
- **Enable changes of use including housing where appropriate** - the investment strategy will seek to deliver interventions which attract more people into the Town Centre. This could include options around re-modelling to provide a better residential environment and broadening the offer to new residents
- **Develop new infrastructure measures to support the adaptation of the high street** and a low carbon future in response to changing technology, such as electric vehicles, low carbon efficiency and data networks.

6.17. The scheme encompasses the development of eight key projects in the designated footprint above, stretching from the roundabout at the intersection of Bridge Street with Quay Road to the Market Place and includes the following:

- New building on the marketplace;
- Conversion of the upper floors of Westgate House;
- Repurposing the Arriva bus station site;
- Conversion of the upper floors of Poundstretcher Building 16-18 Bridge Street;
- Conversion of the Upper floors of 10-14 Bridge Street and 2-12 Union Street;
- Repurposing of Arriva bus depot site;
- Improvement of cycling walking route between Quay Road and Market place along Bridge Street, and;
- Reconfiguring roundabout on Bridge Street / Quay Road.

Objectives of the Scheme

- 6.18. The aim is to help increase footfall and engagement in living, working, setting up business and visiting Blyth town centre.
- 6.19. Increase the number of jobs and the income per capita within Blyth above baseline trends within 5 years of project completion by unlocking development sites and employment opportunities in Blyth Town Centre.

- 6.20. Encouraging people to spend more time in Blyth town centre, creating vibrancy and buzz through interventions to refurbish and upgrade key assets and public spaces. Increasing the footfall in Blyth town centre above baseline within five years of project completion.
- 6.21. Providing a diversity of uses for new and refurbished buildings within Blyth town centre, including retail and leisure services, cultural facilities and residential accommodation to support vibrancy and business activity, increasing business growth above the baseline within five years of project completion.
- 6.22. Improve access, flow and circulation for pedestrians and cyclists within Blyth Town Centre and between the town and the quayside, enabling and encouraging greater demand for goods and services across the town centre.

Need for the Scheme

- 6.23. Blyth Town Centre is failing in the light of high street retail decline, online shopping and adjacent more attractive and better resourced shopping centres at Cramlington, Newcastle City Centre and the Metrocentre. A huge disconnect exists between the success of the wider town, its future growth potential and the failing town centre. The wider context for the scheme includes:
- The quayside houses a number of energy related businesses including the Offshore renewable Energy Catapult, Port of Blyth and the future growth potential of the Northumberland Energy Park.
 - Reopening of the Northumberland Railway Line from Ashington to Newcastle with two planned stations close to Blyth.
 - Blyth relief road planned to open in 2023, will reduce congestion on existing roads into Blyth.
 - Reduction in footfall and demand in FHSF area in recent years.
 - There is a weekly market but the number of stalls has dwindled in recent years due to the decline in footfall in the town centre.
 - Antisocial behaviour and street begging issues effect the town centre.

Options analysis

- 6.24. The options analysis on the above eight projects has been completed. In summary this identifies that the following projects will be taken forward in the final business case submission and together they provide the most significant transformative impact to renew and re-purpose the town centre. In assessing the identified options, a variety of factors were taken into consideration, including strategic fit, deliverability and consultation feedback from a wide variety of stakeholders.

Site	Preferred Option	Ruled out
------	------------------	-----------

Marketplace	Mixed use - Cultural Facility, market, limited parking, flexible space	Residential with commercial Ground Floor Hotel with commercial ground floor
Conversion of the upper floors of Westgate House	Commercial / leisure	Residential conversion
Repurposing the Arriva bus station site	Hotel with commercial ground floor	Residential with commercial ground floor Cultural Facility
Conversion of the upper floors of Poundstretcher building 16-18 Bridge Street,	Residential conversion of upper floors	Do nothing
Conversion of the Upper floors of 10-14 Bridge Street and 2-12 Union Street	Residential conversion of upper floors	Do nothing
Repurposing of Arriva bus depot site	Energy Central Campus - HE research, innovation, education & training	Residential Apartments Residential Care Home
Improvement of cycling walking route between Quay Road and Market place along Bridge Street		n/a
Reconfiguring roundabout on Bridge Street / Quay Road		n/a

Scheme Outputs, Outcomes and Impacts

- 6.25. Scheme Outputs, Outcomes and Impacts are being developed as a part of the development of the Full Business Case by Mott MacDonald.

Key Dates and Milestones

- 6.26. The Final Business case will contain a detailed programme plan and individual project plans. The business case also includes a detailed budgetary breakdown including profiled spend of eligible activities. In relation to NCC's decision to agree capital match the following key milestones apply:

Submission of Outline Business Case to MHCLG	16th March 2020
Anticipated feedback from MHCLG	27th April 2020
NCC Capital Strategy Group	1st May 2020
NCC Cabinet	9th June 2020
Submission of Full Business Case (FBC) to MHCLG	30th July 2020*
Approval of FBC from MHCLG	Autumn 2020
Delivery of the FHSF scheme	April 2021 - March 2024

* MHCLG are allowing slippage from 30th June to the 30th July 2020 given the Covid 19 situation but are still encouraging applications as early as possible. As such NCC is aiming to complete the FBC process by 30th June as originally intended.

Costs

- 6.27. The total cost of the Energising Blyth Future High Street project is £28.122 million detailed below. An additional £2.780 million (for tenant relocation, plus acquisition of other associated key sites not eligible for FHSF) will be required to facilitate the project, also detailed below. Subsequent to the FHSF project a further £8.500 million will be required from a variety of sources to deliver the Energy Campus on the Arriva depot site, which will be subject to a separate report and approval in due course. In the interim Members are requested to note the anticipated future requirement.

Heading	2020-21	2021-22	2022-23	2023-2024	Post FHSF programme (financial years to be determined)	Total
Delivery of FHSF capital schemes incl. evaluation and programme management		£2,939,710	£10,963,710	£14,168,930	£50,000	£28,122,350
(Includes Evaluation)		£20,000	£20,000	£20,000	£50,000	£110,000
(Includes Programme management *)		£150,000	£150,000	£150,000		£450,000
FHSF ineligible costs:						
Ineligible site acquisition and relocation costs **	£280,000	£100,000	£2,250,000	£150,000		£2,780,000
Subtotal FHSF	£280,000	£3,039,710	£13,213,710	£14,318,930	£50,000	£30,902,350
Delivery phase of Energy Central Campus (bus depot site) ***					£8,500,000	£8,500,000
TOTAL	£280,000	£3,039,710	£13,213,710	£14,318,930	£8,550,000	£39,402,350

* Includes legal advice, state aid advice, programme and financial management. Individual project delivery and management costs will be included in the allocated individual project costs.

** Includes early site acquisition of key sites and programme associated relocation costs which cannot be funded through FHSF.

*** A variety of capital funding sources for Energy Central Campus delivery will be considered including Town Deal, NoT, NELEP as the business case for this project develops. Inclusion as an NCC allocation allows this to be referred to in the FHSF business case which will support the delivery and financial case.

Summary of Anticipated Funding Profile:

Funding Source	2020-21	2021-22	2022-23	2023-2024	Post FHSF programme	Total
FHSF		£2,854,710	£6,763,410	£5,545,390	£25,000	£15,188,510
NCC Capital - FHSF match *		£85,000	£4,200,300	£7,249,340	£25,000	£11,559,640
NCC Capital FHSF ineligible *	£280,000	£100,000	£2,250,000	£150,000		£2,780,000
Private Sector				£1,374,200		£1,374,200
Subtotal FHSF	£280,000	£3,039,710	£13,213,710	£14,318,930	£50,000	£30,902,350
NCC Capital (Delivery phase of Energy Campus Bus Depot site)**					£8,500,000	£8,500,000
Total Funding	£280,000	£3,039,710	£13,213,710	£14,318,930	£8,550,000	£39,402,350
* Total NCC Capital ask excl energy Campus	£280,000	£185,000	£6,450,300	£7,399,340	£25,000	£14,339,640

*Please note this combined total is the current proposed NCC Contribution to ensure the successful delivery of the FHSF project. This may vary as the Full Business Case is developed (30th July 2020) up to a maximum of £14.340 million.

** Please note that this sum is the estimated delivery sum for the Energy Central Campus on the Arriva bus depot site. The funding strategy for this project will seek further external funding to reduce any NCC contribution including from the Town Deal, NOT, NELEP. Inclusion as an NCC allocation allows this to be referred to in the FHSF business case which will support the delivery and financial case.

Revenue implications

- 6.28. It is anticipated that there may be ongoing revenue costs to the Council in the delivery of both the Cultural Hub Facility and the Energy Central Campus (phase three). The detailed business model for these sites is being worked up separately through New Skills Consulting.
- 6.29. Any ongoing NCC revenue contribution will be further justified both by the FHSF Full Business Case in terms of overall transformative impact of the scheme, and in the detailed future plans that come back to CSG, in terms of direct benefits to the Council's corporate objectives. Consideration of any revenue contribution will be part of a wider funding strategy for these sites with other partner contributions envisaged

to provide a sound operational case. For example, the cultural centre's contribution to major priorities in the Council's culture strategy and its wider public health and positive educational outcomes for families.

- 6.30. It is envisaged that the energy campus will deliver a transformative impact in attracting manufacturing investment and associated monetised benefits from the wider offshore wind cluster, including business rate contributions, increase in the number of quality jobs and employment rates locally.

Key Risks and mitigation

- 6.31. A full risk analysis was submitted to MHCLG with the Outline Business Case in March 2020. This includes reference to the COVID-19 situation and its ongoing impacts on the town.
- 6.32. A significant risk to the transformative nature of this project is the acquisition of the two Arriva sites; the bus station and the bus depot. Arriva have stipulated that whilst a move is possible, this would require the move of both facilities to a combined site in the centre of Cramlington. Negotiations start on this process 1st May 2020. Should it be impossible to acquire the two sites, mitigation will be provided by the delivery of these two transformative projects (Hotel with ground floor commercial and the energy campus) elsewhere within the town centre.

Project Management and Monitoring Arrangements

- 6.33. As the proposals evolve the Programme Management arrangements will be structured to meet the emerging needs of the Energising Blyth programme and the individual projects for delivery. Each of the eight projects will come back before the CSG for final approval and quantification before delivery.
- 6.34. The current governance arrangements for the delivery of the Energising Blyth proposals includes:
- Northumberland County Council (NCC) as the lead for the development, design and implementation of the proposed Energising Blyth proposal.
 - Core delivery partners Advance Northumberland.
 - Appointed consultants for development of the Green Book Business Case and Town Centre Investment Strategy - Mott MacDonald and Partners.
 - The important role of the wider network of stakeholders in the town.
- 6.35. As the accountable body and lead partner responsible for overall programme management and delivery, NCC will enter into the formal contract with MHCLG, the funder. The Council will be responsible for the submission of all grant claims and monitoring reports. This will be undertaken within the Economy and Regeneration service, with final sign off by the section 151 officer. The approach to governance ensures that stakeholders have a key role in the development and operation of the

project, with representatives of partners and the wider network in Blyth involved at all levels of the Energising Blyth proposal.

6.36. The Energising Blyth project includes the following arrangements:

- Energising Blyth FHSF Project Board
- Programme Delivery Group - Energising Blyth project working group
- Blyth Town Forum / Stakeholder Engagement

CSG Recommendation:

6.37. The Group accepted the proposal and recommends Cabinet to:

- Approve the increased budget and funding requirements as set out in paragraph 7.27, including an additional Council funding requirement of up to £7.340 million to be met from the Strategic Regeneration Reserve provision in the existing approved capital programme.
- Note the indicative requirement from the 2024-2027 medium term financial plan of up to £8.500 million to underpin the delivery of the Blyth Energy Campus on the current Arriva bus depot site. This will follow the acquisition of this strategic site through the 2021-2024 FHSF programme. The funding strategy for the delivery of this project will seek to secure support from other Funding sources including the Town Deal, North of Tyne, and North East Local Enterprise Partnership to reduce the NCC match required.
- Agree the submission of the Full Business Case to MHCLG by the extended deadline of 30th July 2020.
- Delegate responsibility to the Executive Director of Finance and S151 officer, to enter into a funding agreement with the Ministry for Housing, Communities and Local Government (MHCLG) to deliver the agreed scheme as the lead partner,
- Agree that each of the eight FHSF funded projects will return to Capital Strategy Group with a full delivery plan and ongoing business case (where required) prior to delivery.

.

Implications

Policy	The capital programme is part of the Medium Term Financial Plan 2020-2021. The plan supports the Corporate Plan.
Finance and value for money	The report outlines proposed amendments to the previously approved Capital programme. The financial implications of these proposals are outlined in the main body of the report.
Legal	There are no direct legal implications.
Procurement	In line with all other capital expenditure, the additional spend will be subject to the Council's recognised procurement procedures.
Human Resources	Not applicable.
Property	The properties affected by the proposals are identified in the main body of the report.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	Not applicable.
Risk Assessment	The risks associated with the proposals are regarded as acceptable but these risks will continue to be reviewed up to and during implementation of the proposals.
Crime & Disorder	The Energising Blyth FHSF proposals outlined in this report include various measures intended to reduce crime and disorder in Blyth through positive regeneration measures an example of which is the introduction of new day and night time uses to the marketplace which are expected to impact on antisocial behaviour in the area and attract a broader user base and associated benefits such as increased spend in local businesses. This links closely to objectives around health and well being mentioned below.
Customer Consideration	There has been extensive partner and community consultation as part of the FHSF business case development and the proposals respond to the feedback received. Further virtual engagement is planned within the current Covid 19 restrictions as the business case and detailed proposals develop.
Carbon reduction	The Energising Blyth FHSF proposals outlined in this report include the development of significant new assets in the town including an 'Energy Campus' which will support the counties contribution to carbon reduction and clean growth objectives. This will provide a new research, development and education facility supporting industry needs in the offshore wind and energy industry. The project will potentially include the co-location of a number of low carbon energy generation activities and contribute to Blyth's growing role as a centre of excellence in this sector. There is the potential for a major minewater heat network to be located in the facilities, a project that is currently being piloted in the town.
Health & Wellbeing	The Energising Blyth FHSF proposals include an underpinning objective to support positive health and wellbeing outcomes through successful town centre regeneration. As part of the business case development a Health Impact Assessment is being conducted with the Public Health Team which will have a direct impact on shaping proposals to ensure they impact positively on

	the health and well being of residents, businesses and visitors to the town. For instance this includes a focus on encouraging greater physical activity within the town centre environment one element of which is connecting the town centre to the existing national cycle route network and wider plans through the Local Cycling and Walking Infrastructure Plans for the town.
Wards	All wards

Background papers:

Medium Term Financial Plan 2020-2021 and Budget 2020-2021 - County Council 19 February 2020.

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	Name
Monitoring Officer/Legal	Liam Henry
Executive Director of Finance and S151 Officer	Chris Hand
Relevant Executive Director	Neil Bradley
Chief Executive	Daljit Lally
Portfolio Holder(s)	Peter Jackson

Author and Contact Details

Mike Turner, Head of Property Services and Capital Programming
(01670) 622905

Mike.Turner@northumberland.gov.