

Report of:	Councillor Ashley Waters - Executive Member for Regeneration Richard Horniman - Director of Regeneration and Culture
Submitted to:	Executive - 11 May 2021
Subject:	Towns Fund and Future High Streets Fund

Summary

Proposed decision(s)
<p>It is recommended that Executive:</p> <ul style="list-style-type: none"> a) approve the funding offer for Middlesbrough Council’s funding bid for the investment of the Future High Street Fund (FHSF) allocation, which equates to a total of £14.1m, as detailed within Appendix A; b) endorse Middlesbrough’s Town Deal funding programme totalling £21.9m, as determined by Middlesbrough’s Town Deal Board, as detailed in Appendix B; c) approve Middlesbrough Council taking responsibility as the accountable body for the Towns Fund; d) delegate the Director of Regeneration and Culture and the Director of Finance are delegated approval to vire allocations beneath the £14.1m FHSF allocation, insofar as the objects of the programme and the outputs are consistent with the objectives of the bid, and subject to grant conditions and change control processes; and, e) notes the Towns Fund and Future High Streets Fund delivery objectives as aligned with the Town Centre Strategy and the Council’s Strategic Plan.

Report for:	Key decision:	Confidential:	Is the report urgent? ¹
Executive	Yes	N/A	No

Contribution to delivery of the 2021-24 Strategic Plan		
People	Place	Business
The Towns Fund and Future High Streets Fund will attract significant investment within the Middlesbrough, to contribute to the objective that <i>“We will ensure that we place communities at the heart of what we do, continue to deliver value for money and enhance the reputation of Middlesbrough”</i>	The Towns Fund and Future High Streets Fund will stimulate investment within the town centre, in support of a Council-owned asset, and aimed at creating new opportunities and jobs, to contribute to the objective that <i>“We will transform our town centre, improving accessibility, revitalising unused assets, developing iconic new spaces and</i>	The Towns Fund and Future High Streets Fund will enable the Council to secure a new economic foundation with a leisure offer, enhanced commercial facilities, enhanced public facilities and an urban living offer to deliver a strengthened and repurposed urban economy, attracting new jobs and investment. by <i>“making sure we work as effectively as possible to</i>

	<i>building more town centre homes”.</i>	<i>support our ambitions for People and Place”.</i>
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Ward(s) affected

The proposals will be largely delivered in the Central Ward albeit the economic benefits will be town-wide.

What is the purpose of this report?

1. The report sets out the funding allocations and delivery framework for the recently allocated £14.1m from the Future High Streets Fund (FHSF). A significant proportion of this is proposed to be spent within the Council owned asset, the Captain Cook Square shopping centre, along with strategic investment in urban living, cultural activities, business support, transport and accessibility. The report seeks the formal approval to deliver the FHSF interventions, in line with the strategic business case and funding criteria; as set out in the successful bid.
2. The report also sets out Middlesbrough’s Towns Fund programme, as determined by the Town Deal Board, and approved by HM Government. This establishes the delivery framework for funded project interventions and sets out how a coherent investment programme which deploys a combination of Council Capital (previously approved), Private Sector leverage, Towns Fund and Future High Streets Fund, will deliver transformational change for Middlesbrough’s businesses and residents.

Why does this report require a Member decision?

3. Middlesbrough has been successful in securing £36m to assist the delivery of its regeneration objectives over the next few years.
4. Following the announcement of the successful bid relating to the Future High Streets Fund, the approved programme budget of £14.1m exceeds the Council’s key decision threshold and, therefore, requires Executive approval to commence delivery.
5. Whilst the Towns Fund allocation of £21.9m is governed and administered by the Town Deal Board, Middlesbrough Council is the funding applicant and accountable body for financial management.

Report Background

6. Middlesbrough Council’s Town Centre Strategy report (24 November 2020) set out the underlying challenges to Middlesbrough’s urban economy and, in particular, how these challenges have been amplified and accelerated by the Covid-19 pandemic. This calls for an expansion of the scale, scope and speed at which transformation is required, to deliver a thriving local economy. The report also set out the need to fundamentally rethink the function of town centres and enable a rapid transformation.
7. The groundwork has been laid for the future of Middlesbrough Town Centre, with compelling bids to the Future High Street Fund (FHSF) and the Towns Fund. These proposals have been shaped on diversification with a greater emphasis on leisure, culture and residential uses in the urban core. But we can go further. By aligning a broader range of civic, educational, employment, leisure and residential uses, alongside a retail base, we

can deliver a critical mass of mutually-sustaining activity which will provide a focal point to drive growth.

8. People Make Places – people increasingly visit town centres because they NEED to, rather than they WANT to. As we transform the function of our town centre, we need to appeal to the 'WANTS' of people and build an innovative experiential economy where people want to spend their time.
9. Retail will always form a component of the town centre experience, but we need to draw more complementary uses and amenities into the town centre, to make it a thriving hub of activity; creating a new urban community.
10. To achieve this, Middlesbrough's approach is to build a new economy based on multiple, diverse uses which will drive business, employment, living and leisure into central Middlesbrough. This policy will deliver mutually-sustaining zones and clusters of activity which will create critical mass and give a new purpose to our economy. This will include:
 - Living: building residential communities in central Middlesbrough.
 - Skills and Learning: integrating our educational services and institutions.
 - Working: Bringing Employment and Commercial uses to the centre.
 - Health / Public Services: Bringing together public services in central areas.
 - Culture and Leisure: Providing entertainment and spaces for people to enjoy.
 - Retail: Maintaining a strong retail component in the high street.
11. Cross Cutting Themes – the diversification of the town centre will be underpinned by the cross cutting objectives of:
 - Transport – Delivering excellent transport and connectivity.
 - Digital – Digitising our town centre and building The Digital City.
 - Environment – Providing green spaces and public places which promote activity and wellbeing.
12. By targeting investment to central areas, the aim is not to diminish the role and significance of district centres. Indeed, the approach will provide economic growth opportunities for all areas as employment, business, commercial, residential and talent is increasingly drawn into the wider Middlesbrough ecosystem. These have been the fundamental criteria which has informed Middlesbrough Council's own capital investment programme, economic strategies and external funding bids to the Towns Fund and the Future High Streets Fund.

Future High Streets Fund (FHSF)

13. The Future High Streets Fund was launched in December 2018 and is a key part of the government's plan to renew and reshape town centres – making them a more attractive place to live, work and visit.
14. Middlesbrough Council was one of over 100 town centres invited to bid into this two-stage, competitive, application process to set out its vision for transforming its high street economy and deliver lasting change. Following much evidence-gathering, research, consultation and programme design, Middlesbrough Council submitted its application at the earliest opportunity – July 2020.
15. The programme is very specific about its headline aims and towns were invited to submit their proposals based on the following core eligibility criteria / themes:
 - i. Investment in physical infrastructure

- ii. Acquisition and assembly of land including to support new housing, workspaces and public realm
 - iii. Improvements to transport access, traffic flow and circulation in the area
 - iv. Supporting change of use including (where appropriate) housing delivery and densification; and,
 - v. Supporting adaptation of the high street in response to changing technology
16. Each application was required to submit a specified delivery area for intervention. Aligning with Middlesbrough Council's recent acquisition, the area selected was Captain Cook Shopping Centre and its immediate environs, albeit Middlesbrough's programme components to extend to some wider town centre areas.
17. One of the key objectives within the business case to acquire was to rebalance the economic mix and diversify C. 400k sqft of floorspace to residential, commercial and leisure uses, creating a more balanced and attractive offer to support and enhance the town centre. Whilst Covid-19 has had a significant impact on the leisure and hospitality sector, market specialists still maintain that this is the commercial direction of high street areas and the sector anticipates strong recovery, when circumstances allow.
18. Middlesbrough sees a bright future for its high street. The vision is based on building a new urban community in the heart of Middlesbrough. By bringing more people to live in central Middlesbrough (an offer which does not currently exist), the strategy meets the transformational objectives of:
- a) meeting housing demand both now and in the future;
 - b) driving reliable footfall into the heart of the High Street;
 - c) converting, adapting and diversifying a chronic oversupply of retail space;
 - d) attracting and retaining skills and talent; and,
 - e) building an increasingly, economically-active consumer base which will provide the necessary demand to sustain the transformation to a balanced leisure economy.
19. Middlesbrough Council bid for £20.5m in funding and has successfully secured £14.1m from the FHSF in the Budget March 2021. The programme has been adjusted to match the funding offer and this has been approved by MHCLG. The programme now includes (details at appendix A):
- i. £3.5m for residential property;
 - ii. £1.05m for transport adaptations and improving safety / security of town centre areas;
 - iii. £270,352 for cultural animation and experiences;
 - iv. £250k for businesses adaptations for covid mitigations; and,
 - v. £9.1m for the transformation of Captain Cook Square for leisure uses, incentives, decant compensation, remodelling units, contribution to fit out and adapting public spaces.
20. Middlesbrough aims to commence investment immediately and deliver a programme over the next three years.
21. Any changes to project elements within the £14.1m allocation would be subject to a Change Control process with Government, however, it is advised that the Director of Regeneration and Culture and the Director of Finance are delegated approval to vire allocations beneath the £14.1m allocation, insofar as the objects of the programme and the outputs are unaffected or bettered.

Towns Fund / Middlesbrough Town Investment Plan

22. In September 2019, the government invited 100 places to develop proposals for a Town Deal, as part of the £3.6 billion Towns Fund.
23. The Towns Fund is part of the government's plan for leveling up the UK economy. Towns across England will work with the Government to address growth constraints and to ensure there is a course of recovery from the impact of COVID-19. The overarching aims of the Towns Fund are to drive the sustainable economic regeneration of towns to deliver long term economic and productivity growth.
24. Middlesbrough was invited to apply for Towns Fund monies subject to:
 - i. the convening of a Town Deal Board of strategic stakeholders to lead the bid;
 - ii. the Town Deal Board would assess priorities to design and prepare a Town Investment Plan (TIP) Appendix C (undergoing update /review); and,
 - iii. the development of a strategic case which could meet the headline objective of the programme.
25. The overarching aim of the Towns Fund is to drive the sustainable economic regeneration of towns to deliver long term economic and productivity growth. The programme has been designed to deliver against five themes which underpin the economic ambitions and aim to rebuild Middlesbrough's economic and social fortunes:
 - I. Transport and Connectivity - All travel modes will be enhanced.
 - II. Urban Communities and Placemaking - New urban communities, new employment accommodation and a broader leisure mix will be created.
 - III. The Middlesbrough Experience - Middlesbrough will be the key destination in the Tees Valley.
 - IV. Building a Knowledge Economy - Quality of life and outcomes for residents will be improved through education and training.
 - V. Enterprise Infrastructure - Middlesbrough will deliver premium commercial space to enable additional employment.
26. Middlesbrough's Town Investment Plan was produced and submitted in Towns Fund Cohort 1, reflecting a maximum bid value of £25m. At the Budget announcement of March 2021, Middlesbrough had an allocation of £21.9m officially approved.
27. Middlesbrough received an advance payment in summer 2020 which the Town Deal Board agreed would be assigned in support of Boho 8 development at Middlehaven – as a condition of the advance payment was the eligible spending of resource before end March 2021. This makes Middlesbrough's total Towns Fund receipt £22.9m.
28. The Town Deal Board has now secured an approved programme from MHCLG with approval to progress to maximum budget allocations. There is no opportunity to submit new proposals to the agreed programme. Each project will now undertake a detailed business case which will be approved / locally assured by the Town Deal Board. Each project will then progress to delivery between now and 2024.
29. Since the Budget announcement, the Town Deal Board has convened to agree the reprioritisation of the Town Investment Plan to mirror the available £21.9m. The programme was agreed as follows:

Towns Fund – Amended Programme Summary - £21.9m

Theme	Activity	Outcome	Towns Fund
Transport and Connectivity	Enhancement of Middlesbrough Railway station. Improved walking and cycling opportunities. Enhanced public transport, including the introduction of Superstops. Implementation of 5G.	Rail Station capacity increased. Direct London Link and Regional Services. Increased Public Transport Patronage. Reduced pollution. 5G Capacity and coverage	£0
Urban Communities and Place Making	Building of C.1500 homes across 7 sites. Housing will be both new build and conversion of existing properties, to broaden the existing offer and bring vibrancy to the town centre.	Create a new urban community in the heart of the town centre. Drive footfall. Support the retail sector. Develop a market for leisure activity. Animate the town centre.	£13,875,000
The Middlesbrough Experience	Create a an attractive and well serviced environment for Middlesbrough's residents through tree planting, creation of a nature reserve, development of community facilities, ward initiatives and repurposing of historical building to better meet the needs of Middlesbrough's residents.	Improve the visual appearance of the town, provide services at a neighbourhood level, support resident autonomy to deliver the right intervention for their area and make better use of existing council facilities.	£2,350,000
Building a Knowledge Economy	Contribution to the expansion of the Middlesbrough College Campus and creation of town centre presence.	Skilled workforce pipeline - sector targeted employment growth. Attract and retain talent. Further investment in the Middlehaven regeneration area.	£1,175,000
Enterprise Infrastructure	Renovation and restoration of historic buildings as part of DigitalCity campus. Additional phase of commercial quarter for Middlesbrough - mixed use development. Development within Boho Campus of amphitheatre and Plaza to complement the DigitalCity development and BohoX . Conversion Queens Square / former Kalkinka's- gap funding to match private investment to address viability	Historic buildings restored - integrated into modern campus additional 40k sqft office development. C.1000 residential units, Economic Growth / placemaking. Conversion to SME office space - renovation and let - approx 35,000 sq ft. Accommodate 500 jobs.	£4,500,000
Programme Total			£21,900,000
Advanced Funding			
Enterprise Infrastructure	Accelerate the development of the BOHO 8 modular build.	Create 11,000 sqft of office space.	£1,000,000

What decision(s) are being asked for?

It is recommended that Executive:

- a) approve the funding offer for Middlesbrough Council's funding bid for the investment of the Future High Street Fund (FHSF) allocation, which equates to a total of £14.1m, as detailed within Appendix A;
- b) endorse Middlesbrough's Town Deal funding programme totalling £21.9m, as determined by Middlesbrough's Town Deal Board, as detailed in Appendix B;
- c) approve Middlesbrough Council taking responsibility as the accountable body for the Towns Fund;
- d) delegate the Director of Regeneration and Culture and the Director of Finance are delegated approval to vire allocations beneath the £14.1m FHSF allocation, insofar as the objects of the programme and the outputs are consistent with the objectives of the bid, and subject to grant conditions and change control processes; and,
- e) notes the Towns Fund and Future High Streets Fund delivery objectives as aligned with the Town Centre Strategy and the Council's Strategic Plan.

Why is this being recommended?

30. Acceptance of the (combined) funding offer of £36m from the Towns Fund and Future High Street Fund, will enable Middlesbrough to invest in a transformational change in its high street economy, economic base, skills and communities. This will provide a sound underpinning to create new opportunities for Middlesbrough businesses and residents, alike.

Impact(s) of recommended decision(s)

Legal

31. Executive approval / endorsement of the funding programmes will necessitate the formal entering into the funding agreements with MHCLG as (1) accountable body for the Towns Fund and (2) sole responsibility for the Future High Streets Fund. This is a function of the Chief Executive and S151 officer.
32. As much of the delivery programme for both Towns Fund and FHSF relies on financial support, gap funding or development investment, specialist legal advice will be secured to ensure that any procurement and partnerships related to the funding, are compliant with the Subsidy Control Regime (formerly state aid).
33. The Town Deal Board are subject to the constitutional arrangements in line with the seven principles of public life, declarations of interest and transparency. As such, legal services has revised the Town Deal Board constitution to reflect recent changes in the Council's constitution; recognise the shift to a delivery phase / rather than bidding phase; and, record Town Deal Board interest (both pecuniary and non-pecuniary).

Financial

34. FHSF is subject to compliance with an MHCLG funding agreement and associated conditions. The funding is principally capital and is predicated on match funding secured by public sector and private sector sources. Any funding matched to the programme has been committed out of Council existing budgets and already funded through the investment strategy, or external funding and is secured (principally the acquisition costs already settled). Private sector match will be monitored throughout the programme.

35. Middlesbrough's Town Investment Plan / Towns Fund settlement is determined by the Town Deal Board and is, again, subject to compliance with an MHCLG funding agreement and associated conditions. The funding is principally capital and is predicated on match funding secured by public sector and private sector sources. Any funding matched to the programme has been committed out of Council existing budgets and already funded through the investment strategy, or external funding and is secured (principally the acquisition costs already settled). Private sector match will be monitored throughout the programme.
36. Middlesbrough Council is the accountable body for the Towns Fund allocation and is responsible for its appropriate financial management, which will be conducted in line with all existing Council procedures and protocols.
37. The internal delivery programme will be monitored through established internal accounting procedures and overseen by the corporate project management framework and governance structures.
38. Where appropriate, staffing costs relating to capital project delivery will be included in project costs at a rate which is proportionate and permissible for the funding terms.

Policy Framework

39. The decision will not conflict with the existing policy framework.

Equality and Diversity

40. A condition of grant funding is that the programmes are compliant with the Public Sector Equalities Duty. An impact assessment is not required for programme sign-off, as per this report, but each sub-project will be assessed for its potential impact on groups with protected characteristics; and mitigated accordingly.

Risk

41. The relevant risks this decision would influence are cited below, with an explanation as to why they are relevant and how it would affect each risk.

O1-005	If poor economic growth occurs, then this will reduce public and private sector investment in the town, including town centre retail, housing development and business.	The report cites the signs of decline pre COVID, this has increased post COVID. Delivery of the proposals within this report will enhance economic growth and prosperity of the town.
O1-024	If Middlesbrough's population reduces, with changes in the demographic make-up, then this will impact on the Council's capacity to deliver services, leading to financial pressures, decline in service performance, reduced outcomes for local people and reputational loss.	By providing retail, leisure and residential properties within the town this may have a positive impact on people staying in Middlesbrough which will help skills and talent to be retained.
O1-038	If traffic into certain parts of the town increase, due to successful inward investment, then there could be an increase in traffic management and parking issues.	Programme priorities include adaptations for highway, public transport, active travel and pedestrian use etc. which support mitigating this risk.
O1-045	If delivery of the new housing programme does not meet the projected targets then this can have a negative impact on the assumptions within the MTFP.	By putting residential properties within the town this will have a positive impact

		the new housing programme in achieving its targets.
O1-049	If town centre property values continue to decline, a national response may include an overall Business Rates review that would impact upon the Council's financial position unless mitigated.	By developing a mixed economy in the town so it is not just reliant on retail but includes leisure and residential should help mitigate this risk.
O1-050	A continuing national decline in the retailing environment has the potential to manifest further in Middlesbrough's town centre. The withdrawal of major retail brands has the potential to damage Middlesbrough's local economy in terms of business growth / turnover; employment opportunities for Middlesbrough residents; and, the appeal of Middlesbrough as an investor / visitor attraction.	By moving current retailers into other retail areas of the town and using their current space for leisure facilities will have a positive impact on this risk.
O8-094	If there is an increase in voids within the commercial property portfolio due to economic downturn then this may lead to a loss of commercial rent income resulting in an impact on budgets and vacant properties falling into disrepair.	By repurposing parts of the town for leisure and residential properties this should ensure that income is sustained and properties do not become void.

Actions to be taken to implement the decision(s)

42. If approved, the Council will:

- a. formally enter into the funding agreements for both the Towns Fund and Future High Streets Fund;
- b. each project in the FHSF programme will be subject to a funding agreement / service level agreement based on the project business case submitted and this will be signed-off by the S151 officer.
- c. each project in the Towns Fund programme will present a business cases to the Town Deal Board for approval. Business cases approved by the Town Deal Board will also be signed-off by the S151 Officer, prior to commencement. Each project in the Towns Fund programme will be subject to a funding agreement / service level agreement based on the project business case; and,
- d. each council-led project will be delivered with respect to the Council's project management framework and governance procedures.

Appendices

43. Appendix A – Ministry for Housing, Communities and Local Government (MHCLG) approved Future High Streets Fund Programme.

44. Appendix B – Town Deal Board approved Towns Fund Programme / Town Investment Plan.

45. Appendix C – Middlesbrough's Town Investment Plan (undergoing review)

Background papers

Body	Report title	Date
Executive	Middlesbrough Town Centre Strategy	24 th November 2020