

OPEN

Economy & Growth Committee

25 September 2024

Crewe Towns Fund budget reallocation and the future of the former Flag Lane Baths

Report of: Peter Skates, Acting Executive Director – Place and Director of Growth & Enterprise

Report Reference No: EG/18/24-25

Ward(s) Affected: All Crewe wards

Purpose of Report

1. This report provides details of a proposed variation to an existing funding arrangement between Crewe Town Board, the Council (as accountable body for Crewe Town Board) and the Government's Ministry for Housing, Communities & Local Government (MHCLG). It sets out the position regarding the Flag Lane Baths project and seeks approval to confirm the reallocation of funding between projects through a project adjustment request (PAR) to MHCLG, that these changes to be reflected in the Council's Medium Term Financial Strategy and sets out the preferred option for the future of the former Flag Lane Baths.
2. The report seeks approval to:
 - a) terminate an existing grant funding agreement with the organisation leading on the Flag Lane Baths project, following the recommendation by Crewe Town Board to withdraw Towns Fund support for the project;
 - b) reallocate existing Towns Fund grant between projects, and make appropriate changes to the Council's Medium Term Financial Strategy, subject to MHCLG approval;
 - c) reallocate CEC capital grant from the Crewe Youth Zone to the Flag Lane Baths budget, and appropriate changes to the Council's MTFs; and
 - d) progress revised plans for the former Flag Lane Baths, Crewe with the preferred option being for a new Alternative Provision school at this location.

Executive Summary

3. A comprehensive programme of regeneration is already underway in Crewe town centre, building on initial investment by the council in 2015 and including funding secured from Government, notably the Towns Fund, which is overseen by the independent Crewe Town Board with the support of the Council as accountable body / programme manager.
4. In 2021, the Government allocated £22.9m to support a range of regeneration projects in Crewe. This report principally relates to one of those projects – Flag Lane Baths – but also relates to the budgetary allocations of five other projects: Crewe Youth Zone (both sub-projects at Mirion Street and Oak Street), Cumberland Arena, Mill Street Corridor, Pocket Parks and History Centre Public Realm.
5. It is proposed that budgetary approval is given, subject to securing approval from MHCLG as the grant-awarding body.

RECOMMENDATIONS

The Economy & Growth Committee is recommended to:

1. Following the recommendations of Crewe Town Board, and in accordance with the Council's role as accountable body for the Town Board and the Towns Fund grant funding, to approve:
 - a) the withdrawal of further funding for the Flag Lane Baths project that was proposed by the Always Ahead charity (AA), and to delegate authority to the Director of Growth & Enterprise to take all steps necessary to terminate the grant funding agreement between AA and the Council;
 - b) that following the approval of a Project Adjustment Request by the Ministry of Housing, Communities & Local Government the remaining £3,319,583 Towns Fund grant from the Flag Lane Baths project be reallocated to other projects in the Crewe Towns Fund programme, with up to the following amounts:

YouthZone (Oak Street)	£1,353,000
YouthZone (Mirion Street)	£458,000
Mill Street Corridor	£407,583
History Centre Public Realm	£200,000
Pocket Parks	£200,000
Cumberland Arena	£701,000
2. Delegate authority to the Director of Growth & Enterprise to explore other options for the former Flag Lane Baths noting the preference for its use as a new Alternative Provision School and develop a business case to be reported back to the committee in due course; and

3. In support of alternative plans for the former Flag Lane Baths, approve the reallocation of £1,353,000 Cheshire East Council funding from the Crewe Youth Zone (Oak St) budget to the Flag Lane Baths budget;

Background

6. A comprehensive programme of regeneration is already underway in Crewe town centre, building on initial investment by the council in 2015 and including funding secured from Government, notably the Towns Fund, which is overseen by the independent Crewe Town Board with the support of the Council as accountable body and programme manager.
7. In 2021, the Government allocated £22.9m to support a range of regeneration projects in Crewe. This report principally relates to one of those projects – Flag Lane Baths – but also relates to the budgetary allocations of five other projects: Crewe Youth Zone (both sub-projects at Mirion Street and Oak Street), Cumberland Arena, Mill Street Corridor, Pocket Parks and History Centre Public Realm.

Flag Lane Baths

8. Flag Lane Baths is a Council-owned property located to the south-west of Crewe town centre. Until 2016 it operated as the public swimming baths in Crewe, it has remained vacant since the establishment of the new Lifestyle Centre. It has been previously marketed for sale, but the only tangible interest expressed was by a local charity, Always Ahead, who proposed to remodel it for a range of community uses.
9. Having agreed provisional terms with the Council, Always Ahead (AA) developed a business plan for the site, which secured £3.9m support from Crewe Town Board, as part of the Crewe Towns Fund programme. Planning consent was obtained in 2022. However, since then, the project has experienced significant delays, primarily due to concerns about the structure of the building and escalating costs. Although the project was rescope into two phases, in July this year AA indicated that the cost of Phase 1 alone had escalated from £3.9m to £5.9m. There has been limited evidence of additional fundraising by AA for this project, the charity now has the challenge of securing an additional £2.0m that has been exacerbated by the need to secure it by October this year, so that the project could complete by March 2026, when the Towns Fund grant expires.
10. At its meeting of 6th September this year, Crewe Town Board recommended withdrawal of financial support for the project and reallocate the balance of Towns Fund grant. This followed extensive discussions at its previous meeting on 2nd August. The Board is keen to ensure a future use for the former Flag Lane Baths and has received updates from council officers regarding alternative proposals. The preferred approach from officers relates to a proposal for a new Alternative Provision School in Crewe, which is detailed below.

11. The council has previously been engaged regarding a requirement for an Alternative Provision (AP) School in the borough. This is a strategic requirement to ensure that pupils temporarily excluded from mainstream schools can continue to be educated and prepared for reintroduction back into mainstream schools. This is a strategic requirement to ensure pupils have access to alternative provision, with the right support they require to prevent them being permanently excluded from school. Being permanently excluded from school can have a long-term – even life-long – impact on children and young people, changing their outcomes for life. Independent research by the Education Policy Institute (2024) have identified that children who have been suspended or excluded are more likely to be unemployed interact with the criminal justice system, as well as to have mental health difficulties. Leading to long term funding implications for the broader public purse.
12. A local educational trust has been successful in its application to the Department for Education (DfE) for a new alternative provision free school in the borough. The DfE has earmarked capital funding to provide the AP free school which, once fully operational, will accommodate up to 75 pupils. This would represent a change to existing arrangements which would result in significant revenue savings for the council. The initial site identified by the trust was not viable for delivering the new school from. The trust has been clear that it would like to be located in Crewe due to pupil profiles.
13. Council officers have met with the DfE and the trust. The former Flag Lane Baths have jointly been identified as the preferred site due to its proximity to the town centre and the new YouthZone, which will have operational synergies for daytime use.
14. The DfE has a limited window for confirming funding and progressing the scheme to feasibility, so officers will need to engage and work towards determining site suitability, permissions needed and agreeing legal Heads of Terms. Subject to the outcome of these initial assessments, decisions regarding this proposed use will be required from the Economy & Growth and the Children & Families Committee, including matters related to property and funding.
15. The DfE has indicated a preference for a cleared site to allow for the construction of a new-build school, rather than the adaptation of the existing buildings. The Department is mindful of the 'locally listed' status of the eastern façade of the former baths, and officers would seek that this is retained as part of a new development, alongside seeking some form of community facility.
16. There is an expectation that, whilst the construction cost would be borne by DfE, the council would be asked to contribute the cost of demolition. Officers have commissioned estimates of the demolition costs which, if retaining the existing façade, equate to circa £1.353m. The council does not have budget to support this cost in the MTFS, but a mechanism proposed to address this issue is explained below.

Towns Fund budget reallocation

17. Approximately £3.32m Towns Fund grant will become available as a result of the termination of the original Flag Lane Baths project, and the priority of the Town Board is to retain the funding for Crewe, rather than to return to funding to Government.
18. It should be noted that the Towns Fund grant cannot be used outside of Crewe and, indeed, can only be used for existing approved Towns Fund projects, i.e. no new projects will be considered by MHCLG.
19. The Crewe Town Board is keen to facilitate a future use for the Flag Lane Baths. Due to the rules regarding the use of the Towns Fund grant, the funding allocated to the existing project cannot simply be switched to cover the costs of its future use. However, an alternative mechanism has been identified, which effectively swaps funding between projects, as below.
20. As well as being allocated funding from the Towns Fund, the YouthZone project (Oak Street, Crewe) has been allocated £2.2m funding from the Council, through prudential borrowing. It is proposed that up to £1.353m of this amount be funded by additional Towns Fund grant, and that the capital funding released be reflected in a revised allocation for Flag Lane Baths. This has the advantage of deferring Council expenditure and so reducing prudential borrowing costs from 2024-25 into 2025-26 or later.
21. Whilst this mechanism would increase the amount of Towns Fund grant for the YouthZone project, it would not increase the overall amount of grant for this project. This mechanism is subject to formal approval as part of the PAR by MHCLG, to which officials have given broad support.
22. If £1.353m of the £3.32m funding is reallocated in line with the approach above, approximately £1.967m will remain available for other projects within the Crewe Towns Fund programme. On behalf of the Town Board, council officers have engaged with 'project leads' on other projects to identify the priorities for reallocation of Towns Fund grant.
23. Proposals have been categorised as either:
 - 'essential' to secure outputs and benefits of the approved project; or
 - 'preferable' to achieve the original scope/business case of the approved project; or
 - 'desirable' to deliver additional outputs/benefits beyond the original scope/business case of the approved project.
24. It is important to note that the impact of potential funding increases on each project's Benefit Cost Ratio (BCR) has been calculated, and it is not expected that BCRs will be below the minimum threshold of 1.0 for any project. This MHCLG rule also limits the amount of funding that can be allocated to individual projects to deliver 'nice to have items' that are outside the scope of the original

project plans, some of which were considered as part of this reallocation assessment.

YouthZone (Mirion Street Youth Club project).

25. This project is a sub-project of the YouthZone project but is being delivered independently of the main project at Oak Street, by Crewe Youth Club (CYC). It has become apparent over recent months that the costs required to deliver Phase 1 as planned require approximately £248k additional Towns Fund grant. At the August meeting of the Town Board, an 'in principle' agreement was made to fund these costs and this has enabled the project to proceed, albeit this now needs to be confirmed formally.
26. CYC have also requested that the remaining costs for Phase 2 also be funded – this amounts to a further £210k and would enable completion of the whole scheme as originally scoped (£458k in total).
27. The recommendation is to reallocate £458k to the Crewe YouthZone (CYC/Mirion Street) project.

Mill Street Corridor

28. Additional costs have emerged across the Mill Street Corridor project which interfaces with the Southern Gateway scheme (funded by Future High Streets Fund and now underway) and the Nantwich Road scheme (funded by UK Shared Prosperity Fund and expected to commence January 2025).
29. Approximately £350k is sought to address the need for substantial revision of the current scheme design, and a further £57,583 to avoid any value-engineering.
30. The recommendation is to reallocate £407,583 to the Mill Street Corridor project.

History Centre Public Realm

31. As design development for the History Centre has progressed, the need to value-engineer has resulted in some aspects of public realm to be removed/downgraded (delivered in line with the main History Centre, which is now otherwise fully funded). £200k is sought to reintroduce these, to include new public art.
32. The recommendation is to reallocate £200k Towns Fund grant to the History Centre Public Realm project.

Pocket Parks

33. Due to cost inflation relating to supplies and materials, in order to deliver the same range of amenities and quality of materials in the next phase of Pocket Parks as with those already delivered, there is an essential requirement to secure an additional £200k funding.

34. The recommendation is to reallocate £200k Towns Fund grant to the Pocket Parks project.

Cumberland Arena

35. With the Cumberland Arena project it has emerged that there will be a requirement for a new sub-station and connections for either the Cumberland or Youth Club, which had not previously been known or budgeted for, which is considered essential and is expected to cost up to £200k for the Cumberland project.
36. The original proposal for Cumberland Arena including provision of new changing room and shower facilities which would allow for greater use of the football pitch and athletics facilities, which are currently constrained by the current provision and quality. A further £501k would secure the original plans for these elements.
37. It should be noted that:
- The Warm & Healthy Homes project has not been considered for reallocation as any additional reallocation would result in a BCR below the minimum of 1.0.
 - The Repurposing Our High Streets and Valley Brook Corridor projects have sufficient funding to deliver in line with their business cases.
 - The YouthZone (Oak St) project does not require additional funding, and already received an increase (PAR2) earlier this year. The mechanism proposed in this report does propose a substitution of CEC funding with TF grant, but this does not impact the BCR.
38. A summary of the proposed reallocations is provided in the table below.

Project	Current allocation (£)	Additional proposals (£)				Ranking based on benefit
		Substitution for FLB	Critical (recommended)	Preferable (recommended)	Desirable (not recommended)	
Youth Zone @ Oak St. (OnSide)	3,286,302	1,353,000				=1
YouthZone @ Mirion St. (Crewe Youth Club)	732,402		248,000			=1
				210,000		=6
Mill Street Corridor	3,619,603		350,000			4
				57,583		=6
History Centre Public Realm	766,454			200,000		=6
Pocket Parks	1,281,064		200,000			5
					200,000	=10
Cumberland Arena	2,391,984		200,000			3
				501,000		=6
					505,000	=10
TOTAL		1,353,000	998,000	968,583	705,000	

39. It is proposed that budgetary approval is given, subject to securing approval from MHCLG as the grant-awarding body.

Consultation and Engagement

40. Consultation regarding this report's recommendation has primarily been undertaken through the Town Board which comprises representatives from across the local community, including the Leader of Cheshire East Council, (as the Council's nominated representative on the Town Board), the MP for Crewe & Nantwich, and the Leader of Crewe Town Council (also a Cheshire East councillor).
41. In the development of the options to be considered by the Town Board, representatives of organisations leading on the Towns Fund projects were also engaged.
42. It should be noted that many decisions relating to the future of the Flag Lane Baths will be subject to further approvals by one or more council committees, and the appropriate stakeholder and/or public consultation.

Reasons for Recommendations

43. Crewe town centre has the largest regeneration programme in the borough and one of the most significant in the north-west. Cheshire East Council is responsible for managing this programme and most of the projects within it, and it also has responsibilities as the accountable body for the grant funding that has been secured.
44. Previous Full Council and Cabinet decisions have delegated responsibility for most decisions related to the regeneration programme to the Executive Director – Place and/or the Director of Finance & Customer Services. Where appropriate, officers provide briefings to local members.
45. In accordance with MHCLG's guidance for project adjustments, the Crewe Town Board took the decision, at its meeting on 6 September 2024, to withdraw support for Always Ahead's Flag Lane Baths project. It also agreed that the balance of approximately £3.32m Towns Fund grant which has not been spent to date should be reallocated as set out in this report. This has been supported by the constituency MP.
46. As accountable body for the Town Board and the Towns Fund, the Council's S151 Officer is required to approve any change requests to Government, which has been secured. However, as the grant payments are part of the Council's Medium Term Financial Strategy, the reallocation of grant between projects in the Towns Fund programme requires a committee decision.
47. As explained in the background section of this report, the council has previously been engaged regarding a requirement for an Alternative Provision (AP) School in the borough. Without such provision, the Council continues to be liable for significant revenue costs to address the requirements of excluded school children.

48. The OFSTED thematic review of Alternative Provision in February 2024 reports that the children accessing alternative provision are identified with multiple and complex vulnerabilities, the review found that good alternative provision led to improvements in attendance and academic attainment, improvements in behaviour, reductions in suspensions and successful reintegration into mainstream education and post-16 destinations.
49. Secondary schools in the Crewe and surrounding area report that limited access to good quality registered provision is contributing to the significant increase of permanent exclusions in Cheshire east. The only registered alternative provision for secondary pupils is located over 21 miles away in Macclesfield.
50. A data snapshot last year found there were upwards of 150 excluded students in Cheshire East. With only 60 places in the only Pupil Referral Unit, the local authority were responsible for providing alternative provision for numbers over and above that, between £8,000 - £16,000 per place. Preventing exclusions is the only way to improve children and young peoples life chances and embed significant cost avoidance to the local authority.

Other Options Considered

51. The main alternative options considered are as follows:

Option	Impact	Risk
Distribute reallocated funding differently.	Whilst there are innumerable options for reallocation funding, the impact of all such options would be to the detriment of those projects that are assessed to require it the most.	Redistributing on a different basis would increase the likelihood of some projects having insufficient funding to maximise their positive impact (outputs, benefits), and could potentially expose the council to increased capital or revenue pressures if sub-optimal projects are delivered.
Do not reallocate funding.	Towns Fund grant would be clawed back by Government.	This would significantly increase the likelihood of projects having insufficient funding to maximise the positive impact (outputs, benefits), and could potentially expose the council to increased capital or revenue pressures if

		<p>sub-optimal projects are delivered.</p> <p>Reputational impact on ability to defray Government grant funding could impact on future funding allocations.</p>
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Implications and Comments

Monitoring Officer/Legal

52. The decisions that are required to be made are a consequence of the closure of a Towns Fund Project, the Flag Lane Baths project. The Towns Fund is governed by the Crewe Town Board and the Council is the accountable body for the fund.
53. In order to shut down the project, MHCLG's approval is required, and a project adjustment request has been submitted, to remove funding from the Flag Lane Baths project and re-distribute it amongst the other existing Towns Fund projects. This report seeks Committee's approval to make those funding adjustments once MHCLG's approval has been provided.
54. Legal support will be provided to effect the termination of the grant agreement associated with the Flag Lane Baths project.
55. A preferred option for the alternative use of the baths site has been set out, being an Alternative Provision School. Initially Committee's approval is sought to assess the suitability of the site (title and condition), the permissions needed to pursue the use and the Heads of Terms for site transfer. In the event that the proposal appears viable the matter will be subject to further Committee decisions.

Section 151 Officer/Finance

56. The Towns Fund allocation is included within the Capital Programme published as part of the 2024-2028 Medium Term Financial Strategy. Whilst the changes do not necessitate the addition of budget to the programme there will be some movement between individual projects in terms of their value and forecast expenditure by year.
57. The Council has made clear that its financial position precludes further funds being provided from its own resources. There is a risk that this is

not the last time between now and 2026 that a project comes forward with a request for further budget in order to complete. The time taken to develop projects from a standing start means that the vast majority of spend across the projects will be in 2024/25 and 2025/26. There is obviously significant risk that once projects move towards actual spend they will identify further budget pressures. These need to be met within the programme and careful consideration will need to be given as to how value for money and outputs can be maximised within a fixed budget.

58. Consequently, there is a significant ask of programme managers to ensure that the Council is protected from further budget increase requests.

Policy

59. This report relates to the Council's Corporate Plan priority "a thriving and sustainable place", specifically:

- a great place for people to live, work and visit;
- welcoming, safe and clean neighbourhoods;
- a transport network that is safe and promotes active travel; and
- thriving urban and rural economies with opportunities for all

60. This project aligns with the priorities of the Council's existing Crewe Town Centre Regeneration Delivery Framework and Local Plan, as well as Crewe Town Board's Town Investment Plan that has been endorsed by the Council.

Equality, Diversity and Inclusion

61. The proposed funding reallocation would help secure the equalities benefits related to the Crewe YouthZone – primarily relating to young people and young people with disabilities.
62. There are not considered to be any other equalities implications relating to this decision.

Human Resources

63. None

Risk Management

64. Risks are articulated elsewhere in this report and relate to the Council and/or MHCLG not approving the reallocation of grant between projects, which would result in the need to undertake significant value engineering/rescoping, or – more likely – result in the termination of at least one project.

Rural Communities

65. Each of the projects will operate in Crewe but be available for use by all all local residents in the borough.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

66. The council has approved its Children's Vision which contains a priority around children with additional needs.
67. The 0-25 SEND Partnership Strategy sets out the partnership vision for meeting the needs of children and young people with SEND. This strategy has been refreshed to include the delivering better value opportunities and mitigations within the DSG Management Plan.
68. Providing sufficient school places for all children and young people resident in our area is a statutory duty.

Public Health

69. The proposed funding reallocations would help secure public health benefits, particularly in relation to the Cumberland Arena and YouthZone (Mirion Street) facilities which promote sports use, as well as the Mill Street Corridor project, which promotes active travel.

Climate Change

70. A potential new facility at the Flag Lane Baths site should ensure new construction designs and materials that minimise carbon usage.
71. The Mill Street Corridor promotes active travel and the reduction of car usage.

Access to Information

Contact Officer:	Jez Goodman jez.goodman@cheshireeast.gov.uk
Appendices:	Appendix 1: Extract from Minutes of Council 22nd June 2021.
Background Papers:	None

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Extract from Minutes of Council 22nd June 2021.

See highlighted section. Also linked [here](#):

18 RECOMMENDATION TO COUNCIL: SUPPLEMENTARY REVENUE ESTIMATE

Consideration was given to the request to approve expenditure relating to the receipt of nine government grants.

The grants related to the Towns Fund; Levelling Up Fund; Covid Support Grant; Holiday Activity Fund; Domestic Abuse Grant; Transport Grant; Future High Streets Fund; Wellbeing for Education Grant; and Staying Put Grant. The decisions were treated as Supplementary Capital or Revenue Estimates as funding associated with these grants would support an increase in the Council's approved budget for 2021/22.

RESOLVED: That Council approves

1 delegation of authority to the Executive Director – Place to approve Supplementary Capital and Revenue Estimates up to the value of the Towns Fund grant award, and further delegates authority to incur expenditure in line with the conditions of the Fund.