

OPEN

Economy & Growth Committee

4 June 2024

Crewe Towns Fund budget reallocation

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

Report Reference No: EG/05/24-25

Ward(s) Affected: Crewe Central Ward

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 Department for Levelling Up Housing & Communities (DLUHC). It sets out the position regarding three projects within Crewe's Towns Fund programme and seeks agreement to confirm the reallocation of funding between projects, to be reflected in the Council's Medium Term Financial Strategy.

Executive Summary

2. 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.
3. In 2021, the Government allocated £22.9m to support a range of regeneration projects in Crewe. This report relates to three of those projects: Repurposing Our High Streets project, Crewe YouthZone and Pocket Parks.

4. It is proposed that a Project Adjustment Request is submitted to DLUHC seeking approval to reallocate the Towns Fund budget already allocated between these three projects.

RECOMMENDATIONS

The Economy & Growth Committee is recommended to:

1. Approve the submission of a Project Adjustment Request to the Department of Levelling Up, Housing & Communities to:
 - a) reduce the Towns Fund capital grant allocation for the Repurposing Our High Streets project budget from £1,450,000 to £1,132,144 (a reduction of £317,866 or 22%)
 - b) note the reduction in target outputs associated with the budget reduction in a) above, detailed in Table 1.
 - c) increase the Towns Fund capital grant allocation for the Crewe YouthZone (Onside project at Oak Street) from £2,626,497 to £2,934,997 (an increase of £308,500 or 12%).¹
 - d) increase the Towns Fund capital grant allocation for the Crewe Pocket Parks (Jubilee site) project from £174,634 to £184,000 (an increase of £9,366 or 5%).²
2. Approve adjustments to the Council's Medium Term Financial Strategy that reflect the recommendations above.
3. Note the updated Towns Fund budgets for each project in Table 2 and authorise the expenditure of grants for those projects being managed by the Council, and the payment of grants to those projects being managed by third parties in line with existing and future grant agreements.

¹ The Oak Street YouthZone project is part of the overarching YouthZone project (as defined by Crewe Town Board), so an increased allocation of £308,500 equates to an 8.3% increase in its existing TF budget allocation.

² The Jubilee site sub-project is part of the Pocket Parks project (as defined by Crewe Town Board), so an increased allocation of £9,366 equates to a 0.7% increase in its existing TF budget allocation.

Background

5. 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, including the Towns Fund, which is overseen by the independent Crewe Town Board ('Town Board') with the support of the Council as accountable body and programme manager.
6. In 2021, the Government allocated £22.9m to support a range of regeneration projects in Crewe. This report relates to three of those projects: Repurposing Our High Streets project, Crewe YouthZone and Pocket Parks.
7. A £317,856 reduction in the Towns Fund capital grant allocation for the Repurposing Our High Streets project budget would require the reduction in target outputs associated, which are summarised in Table 1 below:

Table 1: Proposed changes in project outputs.

| Repurposing Our High Streets Project Outputs | % Change |
|---|--------------------|
| Amount of Towns Fund grant reduction: | 317,866 (21.9%) |
| No. enterprises receiving grants reduced by: | 20.8% |
| Co-funding reduced by: | 7.0% |
| FTE jobs created reduced by: | 19.0% |
| FTE jobs safeguarded reduced by: | 22.6% |
| 'Floorspace repurposed' reduced by: | 15.5% |
| 'Office space renovated' reduced by: | 0.6% |
| 'Retail, leisure or food & beverage space renovated/improved' reduced by: | 14.3% |

8. The current and proposed Towns Fund grant allocations are shown in Table 2 below. The Towns Fund grant is required to be defrayed by 31 March 2026. At 30th September 2023 £1.84m had been defrayed.

Table 2: Current and proposed Towns Fund grant allocations

| Project Name (Delivery organisation) | Current | Proposed | Notes |
|--|--|--|---|
| Lyceum Powerhouse (Cheshire East Council) | £260,000 | £260,000 | No change. Project has now terminated. Budget reflects costs incurred prior to termination. |
| Flag Lane Baths (Always Ahead Charity) | £3,935,178 | £3,935,178 | No change. |
| Cumberland Arena (Cheshire East Council) | £2,391,984 | £2,391,984 | No change. |
| Mill Street Corridor (Cheshire East Council) | £3,619,603 | £3,619,603 | No change. |
| Warm & Healthy Homes (Cheshire East Council) | £2,126,194 | £2,126,194 | No change. |
| History Centre Public Realm (Cheshire East Council) | £796,454 (of which £30,000 revenue for an element of ancillary operating costs) | £796,454 (of which £30,000 revenue for an element of ancillary operating costs) | No change. |
| Repurposing Our High Streets (Cheshire East Council) | £1,450,000 | £1,132,134 | Reduction of £317,866 |
| Pocket Parks (Cheshire East Council/ANSA) | £1,271,697 (of which £174,634 for Jubilee site project) | £1,281,063 (of which £184,000 for Jubilee site project) | Increase of £9,366 (all of which is for Jubilee site project). |
| Valley Brook Green Corridor (Cheshire East Council) | £3,338,684 | £3,338,684 | No change |
| Crewe YouthZone (OnSide YouthZones Charity and Crewe Youth Club Charity) | £3,710,204 (of which 2,626,497 for Oak Street Youthzone; £732,402 for Mirion Street Youth Club); and £351,305 relating to enabler and external fees) | £4,018,704 (of which 2,934,997 for Oak Street Youthzone; £732,402 for Mirion Street Youth Club); and £351,305 relating to enabler and external fees) | Increase of £308,500 (all of which is for Oak Street YouthZone). |

Consultation and Engagement

9. Consultation regarding this recommendation has primarily been undertaken through the Town Board which comprises representatives from across the local community, including the Vice Chair of Economy & Growth Committee (as the Council's nominated representative on the Town Board), the MP for Crewe & Nantwich, and the Leader of Crewe Town Council.
10. In the development of the options to be considered by the Town Board, representatives of each organisation leading on the Towns Fund projects were also engaged.

Reasons for Recommendations

11. 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.
12. 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.
13. At its meeting on 3 May 2024, the Town Board considered information relating to the performance of projects, including their expenditure forecasts. Council officers provided information obtained for each project including whether:
 - a) the original outputs for each project/sub-project can be achieved (which is the key priority);
 - b) whether the original scope/vision can be achieved (which is a secondary consideration); and
 - c) the extent to which co-funding has been secured/sought to meet any funding gap.
14. The Town Board also considered a number of options in relation to amending budget allocations and outputs.
15. In accordance with DLUHC's guidance for project adjustments, the Board took the decision noted in the recommendation above. This has been supported by the constituency MP, as required by DLUHC.

16. 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.
17. Analysing the responses from all projects, the position is summarised as follows:
 - a) One project is capable of releasing Towns Fund grant: Repurposing Our High Streets project.
 - b) Two projects have identified a shortfall in funding key to the delivery of their project's original vision/scope or outputs: Crewe YouthZone (including both the Oak Street YouthZone and Mirion Street Youth Club) and Pocket Parks (in relation to the Jubilee site project – on Council-owned land located between Jubilee House and Jubilee Gardens).
 - c) The project requiring most funding is the Oak Street YouthZone project. It has experienced additional costs that have arisen principally because of delays – mainly from timescales for statutory processes – which has exposed the budget to significant cost inflation. Whilst it anticipates meeting 50% of this cost increase from other sources, the balance is sought through an increase in the amount of its grant from the Towns Fund.
18. The timing of this decision is critical to the YouthZone (Oak Street) project, to allow it to proceed, and its sponsors – OnSide YouthZones Charity has indicated it has exhausted other opportunities for funding the balance of the capital cost of construction.
19. The Oak Street YouthZone is considered one of the most significant regeneration projects in Crewe, and has major profile locally, with the potential to make a transformative impact on Crewe, both in terms of its target users - young people - and its physical location. It should be noted that, in addition to the Towns Fund allocation, the Council has also committed to contribute funding to the Crewe YouthZone (Oak Street) project - an additional £2.2m capital (unfunded by external sources) and £400k revenue p.a. for the three years from 2025-26.
20. At its meeting on 3rd May, the Town Board considered the options available and decided to:
 - a) reduce the Towns Fund grant allocation for the Repurposing Our High Streets project by the minimum amount required (£317,866

to meet the absolute requirements of two projects to deliver their outputs); and

- b) distribute the minimum amount of additional Towns Fund grant required for projects to deliver the quantity of outputs required by DLUHC ('absolute need') rather than the amount required for projects to deliver the quality of outcome their business cases aspired to.

21. The implications of these decisions are that they would:

- a) minimise the reduction of budget and outputs associated with the Repurposing Our High Streets project;
- b) secure the YouthZone (Oak Street) sub-project subject to their co-funding strategy and/or the underwrite being sufficient; and
- c) meet the current forecast budget requirement for the Pocket Parks (Jubilee site) project, although it is noted that there are other risks related to its delivery, in terms of design/planning and impact).

22. These decisions do not impact on the ability of the Town Board to consider the reallocation of other funding in the future.

Other Options Considered

23. In relation to the briefing elements of this report:

| Option | Impact | Risk |
|--------------------------------------|---|--|
| Reallocate a larger amount | This would enable other projects to benefit from an increased budget. | It would neither deliver any additional outputs, nor meet all funding requirements. |
| Reallocate funding to other projects | This would enable other projects to benefit from an increased budget. | This could create significant uncertainty as to whether the YouthZone (Oak Street) project could proceed, given that it would require additional co-funding to be secured which, given the time it |
| Do nothing | This would not enable any projects to benefit | |

| | | |
|--|---------------------------|--|
| | from an increased budget. | would take to secure, would result in the main source of co-funding (Youth Investment Fund) being put at significant risk. Neither would this redistribution be sufficient to fully close the funding gap on the other two sub-projects. |
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Implications and Comments

Monitoring Officer/Legal

24. There are no material points that Legal would flag in this context, what is proposed is a remarshalling of funding for which DLUHC approval as funder is required, if approved budgetary adjustments will be required.

Section 151 Officer/Finance

25. 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.
26. 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 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.
27. Consequently, there is a significant ask of programme managers to ensure that the Council is protected from further budget increase requests. It is noted that the specific project which has requested further budget and received the lion share of the reallocation via this decision has already secured £2.2m of Council capital funding for the project and £0.4m per annum of revenue support in its first three years of operation.

There is a risk that the Council is seen as funder of first resort rather than last. Some consideration should be given to the ongoing viability of schemes once completed and any related funding strategies to ensure that the projects deliver long term benefits for the town and borough so as to justify the investment.

28. The impact of any potential change in government policy pre or post general election should be understood as part of an updated risk assessment.

Policy

29. 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
30. 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

31. 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.
32. There are not considered to be any other equalities implications relating to this decision.

Human Resources

33. None.

Risk Management

34. Risks are articulated elsewhere in this report and relate to the Council and/or DLUHC 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 the Oak Street YouthZone.

35. Given that the grant recipient needs to progress with the project prior to receiving DLUHC approval of the additional funding, the lead delivery partner, OnSide, has provided a letter of comfort confirming that they “will accept the risk involved in commencing the scheme on Oak Street without having DLUHC approval for increasing Towns Fund allocation in place”.

Rural Communities

36. The Crewe YouthZone (Oak Street) project will be the principal beneficiary of the proposed funding reallocation. It will be operated as a facility open to all young people in Cheshire East, including those in rural communities. Given its location close to Crewe bus station and railway station, it will be accessible by public transport.

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

37. The Crewe YouthZone (Oak Street) project will be the principal beneficiary of the proposed funding reallocation. This project will directly benefit young people including children with special education needs and disabilities, so the recommendations of this report will specifically benefit this community.

Public Health

38. The proposed funding reallocation would help secure the equalities benefits related to the Crewe YouthZone – primarily relating to young people’s public health.

Climate Change

39. None.

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| Access to Information | |
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| 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.