

REPORT OF: HOUSING, HEALTH AND ENGINEERING SERVICES
MANAGER

TO: NELSON TOWN DEAL BOARD

DATES: 1st OCTOBER 2020

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**TOWNS FUND 5% CAPITAL PRE-PAYMENT AND EARLY PROJECT
DEVELOPMENT COSTS**

PURPOSE OF REPORT

To inform the Board of a 5% capital funding pre-payment that will be made to Pendle Council by MHCLG following project confirmation and to recommend to the Council's Policy and Resources Committee that some of this funding is used to cover early project development costs needed to support business case development.

RECOMMENDATIONS

That the Town Deal Board:

1. Note the proposed early **capital** payment of 5% of Nelson's Heads of Terms offer to Pendle Council as the accountable body.
2. Recommend to the Council's Policy and Resources Committee that part of this pre-payment is used to fund early project development costs needed to support Business Case development.

REASONS FOR RECOMMENDATION

1. To support the timely development of Business Cases.

ISSUE

Background

1. To support with project delivery, MHCLG are releasing an early **capital** payment of 5% of Nelson's Heads of Terms offer (equivalent to £1.25m) to Pendle Council as the accountable body. The intention of the funding is to enable early-stage activity in project development and delivery in a way that provides value for money.

2. Funding can only be spent on projects listed in our Grant Offer letter and can be spent in advance of business cases being completed and summary documents signed off by MHCLG.
3. Payment is expected to be made to the Council once projects have finalised project confirmation (late October/early November) and it is for the Council's S151 officer to agree eligible costs working with the Town Deal Board.
4. Funding is expected to be spent in this financial year, and accountable bodies may use freedoms and flexibilities available to them in order to achieve spend.

Early project development costs

5. As outlined earlier on the agenda, in order to secure and release funding for project delivery, Business Cases need to be prepared for each project in line with the Treasury Green Book five case model. Hatch have been appointed by Pendle Council to assist project leads with this work.
6. To inform the development of the business case, a number of projects will incur development costs relating to feasibility/design work, etc, needed to feed into the business case development process. The individual project leads are best placed to procure and manage the support/services they require and following discussion with them it is estimated the cost of this work will be in the region of £350k. The funding required to undertake this work will be accommodated within each project's overall budget/Towns Fund allocation.
7. Given that this expenditure will be incurred prior to the Business Cases being assured and ultimately signed off by Government, there is the risk that this expenditure is an abortive cost should the project not prove viable to proceed. In these circumstances, MHCLG will not seek to claw back the 5% early draw down, however the pre-payment is netted off the overall offer and MHCLG cannot guarantee that unviable projects would be replaced at an equivalent value.
8. To enable this development work to proceed, the Board are asked to recommend to the Council's Policy and Resources Committee that part of the Towns Fund pre-payment is used to fund these early project development costs. Subject to Committee approval, further details will be sought from project leads regarding the outputs from this expenditure and how it supports project development and delivery; and relevant agreements will be put in place.
9. Accountable bodies will be expected to report on this funding, and these requirements will be set out shortly by MHCLG.

Revenue Funding

10. Revenue funding will be treated separately to the early capital payment. Project specific revenue funding will be paid out against individual projects once summary documents are approved by MHCLG. At least one project requires revenue funding to commence delivery in 2021/22 (the YES Hub) and for this, the business cases will need to be completed, appraised and summary documents submitted to MHCLG by 14th January 2022.

IMPLICATIONS

Policy: None directly arising from this report.

Financial: Any Towns Funding spent on early project development activity will be from within the project's notional Towns Fund allocation. There is the risk that this expenditure is an abortive cost should the project ultimately not prove viable to proceed. MHCLG would not seek clawback of this funding and they cannot guarantee projects would be replaced at an equivalent value.

Legal: None directly arising from this report.

Risk Management: See financial implications above.

Health and Safety: None directly arising from this report.

Sustainability: None directly arising from this report.

Community Safety: None directly arising from this report.

Equality and Diversity: None directly arising from this report.