

REPORT OF: HOUSING, HEALTH AND ENGINEERING SERVICES MANAGER
TO: NELSON TOWN DEAL BOARD
DATE: 13th MAY 2022

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**THIS IS NELSON:
BUSINESS CASE ASSURANCE & FUNDING RECOMMENDATIONS**

PURPOSE OF REPORT

To present the Board with the independent business case appraisal report and funding recommendations for the 'This is Nelson' project.

RECOMMENDATIONS

That the Board:

1. Note the findings of the business case appraisal report for the 'This is Nelson' project.
2. Recommend that Pendle Borough Council's Policy and Resources Committee:
 - a. Approve £727,966 of Towns Funding to the project, subject to the following conditions being met:
 - How inflation will be managed and the implications on the project delivery is clearly set out and continues to be monitored closely.
 - Clear milestones for confirmation of match funding and the implications of any funding sources not being secured are clearly set out.
 - Processes are in place for agreeing how any shortfall in funding is addressed and for agreeing any project changes and revisions to project scope.
 - Clear milestones for delivery are set out.
 - Further clarity over the roles and responsibilities for each element of the project is clearly set out and is reflected within the MOU's for organisations.
 - An annual delivery plan is submitted to and approved by the Board prior at the start of each financial year, given the co-creative/organic nature of the project.
 - b. Delegate authority to the project appraisal sub-group of the Board to ensure these conditions are met.
 - c. Authorise the submission of the Project Summary Document to Government.
3. Delegate authority to the Chair to agree and sign the Project Summary Document prior to submission to Government.

REASONS FOR RECOMMENDATIONS

1. To inform the Board of the outcome of the 'This is Nelson' business case appraisal.

2. To seek approval for project delivery funding from the Accountable Body and the Government and to agree the conditions which should be attached to this.
3. To enable the Chair to agree and sign the Project Summary Document on behalf of the Board.

ISSUE

Background

1. The Nelson Town Investment Plan (TIP) sought £29.9m funding to support the delivery of 8 strategic projects aimed at promoting transformational and sustainable growth within the town. In August 2021, a Heads of Terms offer was agreed for up to £25m of Towns Funding through a Town Deal. The Town Deal Board and the Accountable Body subsequently reviewed and confirmed the details of the projects to be delivered, and a Town Deal grant offer letter was received from Government in response to this in December 2021.
2. In order to 'unlock' delivery funding, all 8 strategic projects are required to produce an HM Treasury Green Book compliant business case assured in line with the Nelson Local Assurance Framework. A Project Summary Document must then be submitted to Government within 12 months of agreeing our Heads of Terms, i.e. by 5th Aug 2022.
3. In accordance with the Nelson Local Assurance Framework, the 'This is Nelson' Business Case has been independently appraised by consultant's ekosgen and has also been considered by the Project Appraisal sub-group. The views and comments from the sub-group were provided to ekosgen to form part of their appraisal considerations. The final appraisal report is attached at Appendix 1 and will be presented to the Board by ekosgen at the meeting. A summary of the key points and proposed conditions are provided below.

Project Funding Recommendations and Decision Making Processes

4. The purpose of this report is to ask the Board to make funding recommendations to Pendle Borough Council as the ultimate decision making and Accountable Body for the Town Deal. Subject to their agreement, a Project Summary Document, signed by the Chair of the Board and the Council's Chief Executive or S151 officer will be submitted to Government.
5. If the Government are happy with the details of the Project Summary Document, Year 1 delivery funding will be released. Following that, payments in future years will only be made subject to satisfactory spend and progress against agreed project milestones, outputs and outcomes.

Project Assurance Overview

Project: This is Nelson

Applicant: Pendle Borough Council

Towns Funding sought: £727,966

6. A presentation regarding the 'This is Nelson' project was given by the project lead to the Board at their meeting on 4th February 2022.
7. This is Nelson is a 5 year arts and culture project that actively engages Nelson's communities in the town's development to facilitate ownership, pride and a shared identity. This will be achieved through programmes of activity, events and the re-activation of places and spaces.
8. The project will include:
 - commissioning of a lead artist to develop the programme of activity and improve the public realm with art features, some of which highlight Nelson's heritage
 - alignment with the Super Slow Way Linear Park project to encourage use of Nelson's green and blue space, through capital works and community engagement

- public realm interventions such as new signage, digital approaches, planting, benches, and lighting
- activity to support community cohesion such as renovations of empty shops and use of the Pavilion Café for cohesion programmes
- upgrading of space for a studio, making spaces and a tool library
- support of Nelson and Colne College’s art and creative industry graduate programme
- enhancement and support of Festival of Culture activity
- provision of a monthly market, to include cultural activity in the form of music, art, and workshops
- commissioning of a Festive Food programme including cook and eat sessions, community meals and grow your own food opportunities.

Strategic Case

- The appraisal report confirms the project strongly aligns with the ambitions of the Town’s Investment Plan to support young people through the provision of arts and cultural activities. This reflects priorities outlined in range of national, sub-regional and local policy documents.
- There is also a clear strategic fit between the proposed project activity and a number of strategic objectives in the TIP, namely:
 - **SO1:** To instil pride and a strong sense of identity and belonging to create a cohesive and welcoming community where residents feel connected, involved and empowered
 - **SO3:** To increase confidence and aspiration to succeed through improved access to skills and quality jobs
 - **SO5:** To support health and wellbeing through access to quality open spaces, active walking and cycling routes, and responsive recreation and leisure provision
 - **SO6:** To reinforce the town’s role as a key service centre serving the needs of its catchment set within an attractive, safe, and welcoming environment
 - **SO8:** To re-energise and breathe new life into heritage assets and redundant buildings
 - **SO9:** To enhance digital and physical connections to support inclusion and economic growth
- The business case clearly demonstrates how the project both addresses key challenges and responds to core opportunities set out in the Nelson Town Investment Plan. While some elements of the scheme represent a relatively minor intervention, the overall programme is expected to have a tangible impact on the town centre and local community.
- The project is expected to deliver the following outputs and outcomes:

Table 1.1 DLUHC Reported Outputs							
Output Indicator	Indicator Type	Total	2021/22	2022/23	2023/24	2024/25	2025/26
# Of temporary FT jobs supported during project implementation	DLUHC mandatory	2	0	1	1	0	0
Number of improved cultural facilities	DLUHC Project Specific	2	0	0	1	1	0
Repurposed floorspace (referring to change of use sqm)	DLUHC Project Specific	155	0	60	60	35	0

Outcome Indicator	Indicator Type	Total	2021/22	2022/23	2023/24	2024/25	2025/26
# Of full-time equivalent (FTE) permanent jobs created through the project's artist	DLUHC mandatory	Maximum 2.4 jobs, but 5.9 FTE years	0	0.9	2.4	1.3	1.3
# Of full-time equivalent (FTE) permanent jobs created through the Projects Administration / Project Management	DLUHC mandatory	Maximum 2.6 jobs, but 9.1 FTE years	0	2.6	2.6	2.6	1.3

13. There will also be a number of bespoke project specific outcomes which are not reported by the DLUHC Monitoring and Evaluation Framework.

Outcomes Indicator	Total	2021/22	2022/23	2023/24	2024/25	2025/26
Number of young people attending youth clubs	60	0	20	40	60	60
Number of young people experiencing improved confidence	48	0	16	32	48	48
Number of people who volunteer regularly	133	0	67	133	133	133

14. The following wider benefits will also be delivered:
- GVA generated from increased visitor footfall
 - Reduction in crime and increased perception of the area
 - GVA generated through jobs created in the construction phase
 - Improved community cohesion in Nelson
15. Some of the outputs/outcomes are in line with those in agreed in the Heads of Terms offer, e.g. jobs created, young people engaged, whilst others vary; reflecting the development of the project through the business case process. As outlined below, based upon the outputs and outcomes proposed the project represents good value for money.
16. The appraisal report highlights that much of the public realm output that was proposed for this project is not eligible under Towns Fund Guidance (given it relates to internal spaces and temporary improvements). The removal/reduction of this output does not impact on the value for money assessment and this output was not included in our Heads of Terms offer. A recommended condition within the funding report is that the outputs are amended to reflect Towns Fund compliant outputs and that an annual profile is confirmed. This has been done and is reflected in the above tables.
17. The Board are aware that the exact nature of some elements of the project are to be determined through co-creation as communities and partners are engaged in delivery. This is noted by the appraiser. **It is therefore recommended that an annual delivery plan is submitted to and approved by the Board prior at the start of each financial year outlining details of the activities to be undertaken.**

Economic Case

18. The appraisal report confirms that the economic case assessment complies with HM Treasury Green Book and Towns Fund Guidance.
19. The project will deliver the outputs, outcomes and wider benefits show above.
20. The primary benefits quantified and monetised in the business case include GVA linked to employment, wider land value uplift and social value associated with attending a youth club, improved confidence for young people and volunteering. **The project achieves a benefit cost ratio (BCR) of 2.67 representing good value for money.**
21. A range of sensitivity tests were carried out in the business case to test the robustness of the BCR. This included:
 - 20% reduction in GVA
 - 20% reduction in social value
 - 1. & 2. in tandem
 - Removal of wider LVU benefits
 - Proportion of young people regularly attending youth programmes benefitting from improved confidence dropping to 40% (from 80%).
22. In all cases, the investment would continue to deliver good value for money.
23. The appraiser highlights that the value for money conclusions are highly dependent on the assumptions for social value. However, they found that a BCR of 1.5 (often deemed an acceptable value for money threshold) can be maintained if there are at least 25 regular attendees to the youth outreach programme per year, 40% of which benefit from improved confidence (10 per year) and there are 50 regular volunteers across the programme. This provides some reassurance that the investment is likely to deliver value for money even if the full scale of additionality put forward in the Business Case is not achieved.
24. The appraiser notes that it will be important for Pendle Borough Council and the Town Deal Board to ensure the project is being effectively monitored regularly against the outcomes linked to social value to ensure value for money is achieved. It is intended that outputs and outcomes will be monitored and reported to the Board on a quarterly basis.

Financial Case

25. The total project costs are £1,104,966 of which £727,966 is sought from the Towns Fund. A slight discrepancy was noted by the appraiser in the cost profile and the project lead has been asked to update the business case to reflect the final position.
26. Costs are based on In-Situ's previous experience of delivering similar projects, however, an allowance for inflation does not appear to have been included within the project costs presented in the financial case. **The appraiser highlights that information about how inflationary pressures will be managed and the potential impacts on the scale of the proposals should be clearly set out by the project lead given the current and forecast rates, as a condition of the project.** The appraisal report highlights that a process should be put in place for agreeing any project changes and revisions to project scope; and this should be closely monitored by Pendle Borough Council and the Town Deal Board so that any impact on the project scope can be considered at the earliest opportunity. A project adjustment process will be included in the funding agreement between Pendle Borough Council and the lead delivery organisation, and any proposed changes will be reported to the Board.

27. The project includes match funding of £377k of which £90k has been secured to date. Applications are underway for the remainder. Whilst letters from the proposed funders were appended to the business case giving some assurance over the status of the funding, securing this match funding is a key project risk. **It is therefore recommended that a condition is placed on the project requesting that clear milestones for confirmation of match funding and the implications of any funding sources not being secured are clearly set out.**
28. A funding profile for the project is provided below. This varies from the profile set out in the project confirmation tables submitted to Government back in Sept 21. However, we understand there is likely to be an opportunity to provide an updated spend profile for all projects in summer 2022.
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Towns Fund Spend Profile and Other Funding						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	2021/22	2022/23	2023/24	2024/25	2025/26	
Towns Fund		64,181	275,095	229,595	159,095	727,966
Other Public		98,000	123,000	78,000	78,000	377,000
Total		162,181	398,095	307,595	237,095	1,104,966

Commercial Case

30. The appraisal deems that appropriate procurement processes are in place. The business case highlights the aim to procure from local suppliers, with the ambition for 50% of artists/practitioners to be commissioned locally. The project will be delivered by a number of partners, including In Situ, Building Bridges and Super Slow Way. A Memorandum of Understanding (MOU) has already been agreed between In-Situ and Building Bridges. An MOU with In-Situ and Super Slow Way is in the process of starting. Details of this MOU could be shared with the Town Deal Board once agreements are in place.
31. Permissions will likely be required for pop-up spaces, temporary structures, the events programme and the activities and capital works alongside the canal. Correspondence with the Council's planning department is appended to the business case providing some assurance.
32. Independent legal advice has been sought and confirms that the project is Subsidy Control compliant.

Management Case

33. Appropriate management arrangements for the project are set out in the business case.
34. The key organisations involved in the delivery of the project include In Situ, Building Bridges, Pendle Borough Council and Super Slow Way. Different elements of the project are intended to be led by different partners and so **it is recommended that further clarity over the roles and responsibilities for each element of the project is provided and reflected within the MOU's for each relevant organisation.**
35. The following high-level milestones are set out in the business case:

Milestone	End Date
Project Sign off	Sept 2022

Project team in place	Sept/October 2022
R&D completed	March 2023
Full delivery phase	April 2023-March 2026

36. **It is recommended that clear milestones should be agreed in order that any delivery risks can be identified at the earliest opportunities. This should include, e.g. when decisions are likely to be made for match funding and how any shortfalls in funding will be addressed.**
37. Overall, the risk and mitigation summary in the business case and detailed risk register identify an appropriate range of risks and set out suitable mitigation measures. However cost inflation is not identified as a risk and, in light of prevailing rate of inflation, implications on the project delivery should be monitored and understood at the earliest point. As stated in the financial case, **it is recommended that a process should be put in place for agreeing any project changes (e.g. if project needs to be scaled back or some elements dropped).** A project adjustment process will be included in the funding agreement between Pendle Borough Council and the lead delivery organisation, and any proposed changes will be reported to the Board.

Funding Recommendations

38. Ekosgen have completed the independent assurance of the project business case, taking into account the comments from the Project Appraisal sub-group. Their report recommends approval of the £0.78mill Towns Funding to the project subject to a number of conditions being met.
39. Overall, this is a deliverable project, which should achieve good value for money, with a strong strategic fit. In light of the positive independent assurance of business case, the Board are asked to agree the recommendations as set out in this report.
40. Subject to the agreement of the Council's Policy and Resources Committee on 26th May, a Project Summary Document will be submitted to Government signed by the Chair of the Town Deal Board and the Council's Chief Executive or S151 Officer.

IMPLICATIONS

Policy: The project will support the delivery of the Nelson Town Investment Plan.

Financial: The Board are asked to recommend funding approval to Pendle Borough Council. Subject to their agreement, the Project Summary Document will be submitted to Government. Only once this is approved will project delivery funding be released.

The funding profile for the project varies from that submitted to Government with the project confirmation tables in Sept 21. This is the basis upon which annual funding would be released and performance would be measured. We understand that there is likely to be an opportunity to update funding profiles to reflect the outcome of business case development work, etc, in summer 2022.

Legal: None directly arising from this report.

Risk Management: None directly arising from this report.

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.

Appendix 1: This is Nelson Project Appraisal Report by ekosgen