

REPORT OF: HOUSING, HEALTH AND ENGINEERING SERVICES
MANAGER

TO: NELSON TOWN DEAL BOARD

DATES: 10th June 2022

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**PROGRAMME UPDATE -
BUSINESS CASE DEVELOPMENT, MONITORING & PROGRAMME RISKS**

PURPOSE OF REPORT

To update the Board regarding progress with business case development, project/programme monitoring and the management of key programme and project risks.

RECOMMENDATIONS

That the Board:

1. Note the progress regarding business case development and project/programme monitoring.
2. Note and provide comment on the key project and programme risks and mitigating actions.

REASONS FOR RECOMMENDATION

1. To keep the Board informed.

ISSUE

Background

1. Stage 2 of the Town Deal process requires towns to develop a business case for each project and to submit a Project Summary Document to Government. The Project Summary Document must be submitted within 12 months of agreeing the Heads of Term offer; in Nelson's case by 5th August 2022. The Department for Levelling Up, Housing and Communities (DLUHC) will need to review and be satisfied with the Summary Document before delivery funding is released.
2. Business Cases need to be HM Treasury Green Book compliant and address in a proportionate manner the five cases set out in the Green Book. All business cases will need

to pass through local assurance mechanisms, though DLUHC reserves the right to call in any business case to be assured centrally.

Business Case Development

3. Attached in **Appendix 1** is an overarching timetable/plan for the development and assurance of business cases for each of the Nelson Town Deal projects. This details the key phases of work and milestones. A status summary for each project is provided below.

Pendle YES Hub

4. The Pendle Yes Hub project is live and continues to be delivered from the Scotland Road base by Active Lancashire. A procurement exercise for a new provider to deliver the service from August 2022 until the end of the Town Deal Programme in March 2026 has recently been completed and Active Lancashire have been awarded the contract.

Business Resilience and Growth

5. At its last meeting the Board considered the business case appraisal report and made recommendations that the project should be approved for funding subject to a number of conditions. These recommendations were agreed by the Council's Policy and Resources Committee on 26th May. A Project Summary Document will now be submitted to Government to seek their approval for the release of delivery funding.

This is Nelson

6. At its last meeting the Board considered the business case appraisal report and made recommendations that the project should be approved for funding subject to a number of conditions. These recommendations were agreed by the Council's Policy and Resources Committee on 26th May. A Project Summary Document will now be submitted to Government to seek their approval for the release of delivery funding.

Advanced Digital Skills Academy

7. At its last meeting the Board considered the business case appraisal report and made recommendations that the project should be approved for funding subject to a number of conditions. These recommendations were agreed by the Council's Policy and Resources Committee on 26th May. A Project Summary Document will now be submitted to Government to seek their approval for the release of delivery funding.
8. Negotiations are continuing regarding the terms of a lease for the preferred town centre 'spoke' venue (the lower two floors of the ACE Centre).

Healthy Town

9. Appraisal of the project business case is ongoing. The project working group have responded to the comments and clarification points issued by ekosgen and the project appraisal sub group of the Board; and ekosgen are currently preparing their funding recommendations report. This will be considered by the Board at its meeting in July.
10. The Strategic Leisure Review is ongoing and is due to complete later this month.

Accessible Nelson

11. Appraisal of the project business case is ongoing. The project working group have responded to the comments and clarification points issued by ekosgen and the project appraisal sub group of the Board; and ekosgen are currently preparing their funding recommendations report. This will be considered by the Board at its meeting in July.
12. Discussions are ongoing with Lancashire County Council and their consultants regarding funding bids they are preparing for active travel schemes and the creation of 'mobility hubs'

in East Lancashire. Both of these provide the opportunity to enhance the Town Deal investment through Accessible Nelson.

Revitalised Nelson and Modernising Nelson's Industrial Potential

13. A meeting has been held with our programme lead and members of the Central team at CLGU to discuss our request for a 6 month extension to both of these business cases. It was recognised that, given the nature of these projects, things do change over time and CLGU do place a great deal of trust in the local authorities in managing and delivering their programme locally.
14. CLGU's main concern is the impact these delays will have on our spend profile and project deliverability within the Towns Fund timescales. CLGU will be paying Accountable Bodies in March 2023 their profiled 23/24 Town Deal expenditure. For that payment to be made for these two projects, the Project Summary Document would need to be submitted by mid-Jan 2023. If that date is missed, payments for expenditure on these two projects would have to be compressed into the last two years of the programme (2024/25 and 2025/26). Whilst this would not prevent delivery of the projects getting underway (subject to Project Summary Document sign off) this does give them some cause for concern.
15. It has been agreed that officers will go back to CLGU in the next month or so with a further update and an idea of what the new funding profile for the project might look like.
16. Feasibility work is ongoing for a number of the target buildings in the Revitalised Nelson project including Trafalgar House and the Bankhouse Rd site.
17. At its meeting on 26th May, the Council's Policy and Resources Committee agreed that initial steps should be undertaken to prepare a Compulsory Purchase Order for Pendle Rise. Discussions will continue with the Centre owner whilst this work is undertaken. Letters have been sent to the tenants of the shopping centre inviting them to speak with the Council or Brookhouse about their future plans for their business so this can be considered as plans for the site are developed. A further update will be provided by Brookhouse at the meeting under a separate agenda item.

Programme Monitoring and Assurance

18. DLUH are required to carry out performance and assurance reviews of the Town Deal programme to ensure delivery of the funds objectives. Satisfactory performance will determine future payment of funding for towns.
19. Pendle Borough Council, as the Accountable Body, are required to submit monitoring returns to Government at 6 monthly intervals covering project progress (spend, outputs and outcomes) and risk. A reporting template has recently been issued by CLGU and the first return is due to be submitted to Government on 10th June. The return covers funding and activity up to the end of March 2021 including Capacity Funding (used to cover the costs of consultants to prepare the Town Investment Plan, business cases, etc), Accelerated Funding (used to acquire Trafalgar House and 39/41 Scotland Rd), programme management funding and YES Hub funding (for Feb/March 21).
20. Whilst progress reports to Government will be on a biannual basis, it is intended that quarterly project progress reports will be brought to the Board as more projects start to go live. An update on YES Hub activity (covering activity to the end of June) will be brought to the August Board meeting.
21. At the end of each financial year, the Accountable Body's Section 151 Officer is required to provide an annual assurance statement to Government, certifying the eligibility of project

expenditure, management of programme risk and continued compliance with the terms and conditions of the Town Deal. The Town Deal Board Chair is also required to provide assurance to Government on the continuation of robust programme governance. Both of these statements have been prepared and/or submitted.

Programme Risks

22. A programme and project level risk register is attached in **Appendix 2**.
23. Business cases for many projects are now well advanced which mitigates a number of the risks. However, these still exist for the Revitalised Nelson and Modernising Nelson's Industrial Offer.
24. Not all match funding is in place for projects, however these risks can be managed through conditions being placed on projects and clear milestones being in place for receipt of this match.

IMPLICATIONS

Policy: None directly arising from this report.

Financial: None directly arising from this report.

Legal: None directly arising from this report.

Risk Management: Risks are as set out in the 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.

25.3.22

(Dates shown = Fridays)

A 6 month extension to the timescales for developing these business cases is being sought.

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| Business Case development inc feasibility, design inputs, etc | |
| Design/feasibility/costings/engagement activities | |
| Report/presentations to Board re: project design / feasibility inputs | |
| Project presentation to Board | |
| Receipt of business case for appraisal - by external consultant & Appraisal sub-group | |
| Comments and clarification points issued by appraiser and considered by project lead/working group | |
| Review of responses by appraiser and further dialogue if required | |
| Final appraisal report issued by external appraiser | |
| Town Deal Board Papers Issued | |
| Town Deal Board meeting | |
| Policy and Resources Committee meeting | |
| Submission of Project Summary Document to DLUHC (Deadline is 5th Aug 2022) | |

APPENDIX 2 – PROGRAMME RISK REGISTER

Risk No	Risk	Mitigating Action	Owner	Mitigating Actions Update	Likelihood 1-5	Impact 1-5	Risk Rating
1.	Delay in completion of business cases due to a lack of capacity and skills to complete them to the required standard and within required timescales. This could result in a delayed submission of Business Case Summary documents and the potential loss of Towns Fund allocation.	The Accountable body has appointed Hatch to support development of all businesses cases. This will ensure consistency of approach and quality control. Town Deal Board will be kept aware of progress.	PBC	Hatch have provided additional support to project working groups. 6 of the 8 project business cases are now in for appraisal or have been appraised. A time extension has been requested for the other 2.	1	4	
2	There is a risk that the required inputs needed to complete the business cases are delayed or do not meet requirements, resulting in delays to completion of business case	Accountable Body/PMO to work with project leads to develop a plan for completing business case, including procuring relevant expertise/inputs. Funding is being made available at an early stage to facilitate these inputs.	Project Leads	Inputs are complete, with the exception of those for Revitalised Nelson and Modernising Nelson's Industrial Potential.	2	3	
3.	There is a risk that local business case assurance cannot be completed within timescales and to the required standard, caused by lack of capacity in the Accountable Body, resulting in failure to submit the Town Deal Summary document.	New programme management resources are being put in place within the Accountable Body utilising Towns Funding. Additional technical expertise will be bought in to review full business cases of elements of them, e.g. economic case, depending on the size and complexity of the project.	PBC	External appraisers are in place for all projects. Assurance is on track for all business cases, except for those where a time extension has been requested.	1	4	
4.	There is a risk that final business cases are not consistent with details provided to government in the TIP and Heads of Terms response, caused by changes made during business case development, resulting in delays or failure to receive Government approval of the Town Deal Summary document.	Regular meetings will take place between PMO and project leads to identify potential changes at an early stage. Early engagement with Towns Fund lead when it is identified that changes might occur. Utilise the Project Adjustment/Change process detailed in the Stage 2 guidance where necessary. Have robust justification for changes and new proposals	PBC	No issues arising to date. Where there are minor variations, explanatory notes are being provided alongside the Project Summary Documents.	1	3	
5.	There is a risk that projects cannot demonstrate compliance with subsidy control frameworks.	Accountable Body & PMO to work with each project delivery body to ensure potential subsidy implications are	PBC and Project Leads	No issues arising to date.	1	3	

Risk No	Risk	Mitigating Action	Owner	Mitigating Actions Update	Likelihood 1-5	Impact 1-5	Risk Rating
		identified early on. Ensure development programmes allow sufficient time to receive appropriate legal advice, with corrective actions as necessary.					
6.	There is a risk that projects do not have a secured funding package due to delays in securing match funding resulting in failure to complete project assurance within required timescales or Government not approving Summary Document	Ensure match funding requirements are addressed early in business case development programme. Where funding cannot be secured prior to assurance ensure sufficient detail on progress, timescales and risks. Regular liaison between PMO and project lead feeding into project and programme level risk register.	Project Leads	Several projects still require match funding to be secured. Risk associated with this are being managed through project risk registers and project funding conditions.	3	3	
7.	There is a risk that projects cannot provide sufficient assurance with regards to deliverability due to failure to secure planning or provide sufficient confidence in planning status resulting in failure to complete project assurance within required timescales or Government not approving Summary Document.	Ensure projects undertake early engagement with planners as part of their business case development programme. Where planning cannot be secured prior to assurance ensure there is sufficient detail on progress, timescales and risks. Regular liaison between PMO and project lead feeding into project and programme level risk register.	Project Leads	No issues arising to date.	1	4	
8.	There is a risk that projects cannot provide sufficient assurance with regards to deliverability, caused by delays or failures to secure sites required for projects, resulting in failure to complete project assurance within the required timescales or failure by Government.	Ensure clear timescale and strategies for securing site where required. Local authority to commence CPO action early if required. Accountable Body to work with PMO and project leads to monitor progress and risk.	PBC and Project Leads	Revitalising Nelson & Modernising Nelson's Industrial potential require the acquisition of sites and more detailed delivery plans will be developed as part of business case development. Initial steps are being undertaken to prepare a CPO for Pendle Rise and negotiations with the owner are continuing.	3	4	
9.	There is a risk that business cases do not demonstrate the level of public support and engagement required for Town Deals, caused by delayed, incomplete or	Ensure projects have a Communication and Engagement Plan in place, enabling business cases to demonstrate public engagement within strategic case.	Project Leads	Project Engagement Plans are being developed by project leads early in the business case development process.	2	1	

Risk No	Risk	Mitigating Action	Owner	Mitigating Actions Update	Likelihood 1-5	Impact 1-5	Risk Rating
	inconclusive public engagement, resulting in failure to meet the expectations of Government and the ambitions reflected in the Town Investment Plan.			No issues to date.			
10.	There is a risk of lack of communication regarding the Town Deal resulting in the local community/stakeholders being disengaged or unaware of what is going on to improve the town and deliver the Town Deal vision.	Ensure a Plan level communication / engagement plan is in place and resourced and communicate key messages through a variety of media.	PBC	Consultation/engagement is being undertaken as part of the business case development process. Press releases being issued following project approval locally and by Government.	2	4	
11.	Lack of capacity to resource all Monitoring and Evaluation requirements to effectively monitor and manage the programme.	New programme management resources are being put in place within the Accountable Body utilising Towns Funding. The Programme Manager will develop effective monitoring systems. Each project will have an M&E agreement in place as part of the funding agreement with external delivery organisations. The lead officer for each project will be responsible for tracking progress of project delivery against milestones, regular monitoring of expenditure and output indicators, and collecting and analysing secondary data to track progress on outcomes and impacts. All information will be stored in a single database enabling progress to be reported regularly and consistently in line with the Nelson Town Deal governance structure and UK Government as required.	PBC	No issues arising to date.	1	4	
12	Cost inflation affecting the delivery of projects as originally envisaged.	Ensure robust inflation estimates are built in at project development / business case stage.	Project leads / PBC	Inflation is being considered when costing Capital schemes and/or is being highlighted at the appraisal stage for further consideration in terms of project risks, etc.	3	3	

APPENDIX 2 – PROJECT LEVEL RISK REGISTER

Project	Risk	Mitigating Action	Owner	Mitigating Actions Update	Likelihood 1-5	Impact 1-5	Risk Rating
Digital Skills Hub	Delay in completion of business case due to a lack of capacity. This could result in a delayed submission of Business Case Summary document and impact upon delivery of the project.	Seek additional support and / or revise Project Summary Document submission dates. Deliver the project in phases in line with availability of secured funding.	N&CC	Business case submitted and appraised.	3	1	
Digital Skills Hub	Inability to secure a location in Nelson town centre for the 'spoke' element of the scheme to be delivered.	Consider a range of assets working with key partners.	N&CC	Potential suitable asset has been identified working with PBC and discussions are ongoing.	2	4	
Business Resilience and Growth	Project specific conditions are not met resulting in DLUH not offering funding for the project.	Gather State Aid/subsidy control advice at an early stage. Letters of support to be sought in response to soft market testing. Detailed delivery plan, including risks, etc, to be developed as integral part of Business Case.	PBC	All relevant info has been prepared as part of the business case development and will be submitted alongside the Project Summary Document.	1	4	
This is Nelson	There is a risk that not all of the match funding will be secured.	Potential funders engaged at an early stage.	In Situ	Funders have been engaged at an early stage and letters of support have been provided as far as possible with the business case.	3	3	
Healthy Town	Risk that the recommendations in the Strategic Review of Leisure being undertaken do not support the proposals in the business case.	Engage key stakeholders in both piece of work and consider implications for Wavelengths proposal on an ongoing basis as Strategic Review progresses.	PLT	Working/Steering Groups for both the business case development and the Strategic review are now meeting. Review scheduled to complete in June.	2	5	
Healthy Town	There is a risk that the proposed investment in Wavelengths is not financially sustainable which could impact on the deliverability of the project.	Feasibility study to consider a range of options for delivering the most cost effective and financially sustainable scheme.	PLT	Feasibility study completed. Financial modelling shows new facilities will be financially sustainable within the first couple of years.	2	3	
Healthy Town	There is a risk that match funding cannot be secured for the Wavelengths investment	Potential funders engaged at an early stage.		Ongoing dialogue with funders, linked to outcome of Strategic Leisure Review.	2	4	
Revitalised Nelson	There is a risk that technical inputs required for business case are not completed in line with business case	Ensure JV partner are aware of priorities at earliest possible time.	PBC	JV partner currently is working with the Council to progress feasibility work. Trafalgar House feasibility is ongoing.	2	4	

Project	Risk	Mitigating Action	Owner	Mitigating Actions Update	Likelihood 1-5	Impact 1-5	Risk Rating
Modernising Nelson's Industrial Potential	timeline due to link to procurement of a new JV partner for Pendle Council.			PEARL Together selected as the preferred developer for the Bankhouse Rd site and scheme currently being worked up.			