

**FULL COUNCIL
20 MARCH 2019**

PUBLIC DOCUMENT

TITLE OF REPORT: FUTURE HIGH STREETS FUND – CONSIDERATION OF POTENTIAL BIDS

REPORT OF : *DEPUTY CHIEF EXECUTIVE*

EXECUTIVE MEMBER : *LEADER OF THE COUNCIL AND EXECUTIVE MEMBER FOR FINANCE AND IT*

COUNCIL PRIORITY : ATTRACTIVE AND THRIVING / PROSPER AND PROTECT /

1. EXECUTIVE SUMMARY

- 1.1 Full Council at its meeting of 7 February 2019 decided that it should determine which bid is to be submitted to the Future High Streets Fund (FHSF). This report explains the criteria against which bids are to be assessed and invites Full Council to decide on the bid it wishes to submit.

2. RECOMMENDATIONS

- 2.1 That Full Council notes the guidance issued by the Government and the criteria against which bids are to be assessed.
- 2.2 That Full Council determines which of the potential bids should be submitted as an Expression of Interest at phase 1 of the Future High Streets Fund application process.
- 2.3 That Full Council notes that there may be other funding opportunities available in the future for the potential bid that is not chosen, or for the bid chosen by Full Council if it is unsuccessful in securing monies from the Future High Streets Fund, including a second funding round of the Future High Streets Fund in 2020.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Full Council decided it wished to determine which of the bids was submitted, therefore this report and the recommendations provide that opportunity.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Full Council could decide not to submit either bid, however this is not considered a reasonable alternative and is therefore not considered further. Alternatively given the indication from the Government as to how the funds are to be allocated (see section 8.3 and 8.4) Full Council could decide to defer the decision and further investigate the potential bids for submission in the 2020 bidding round. Deferring the decision could cause difficulty to the progress of the Letchworth project.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 The content of this report has been discussed with the Leader of the Council, the Executive Member for Finance and IT and the Opposition Group Leaders.
- 5.2 The Members of Parliament for Hitchin and Harpenden and North East Hertfordshire have been briefed on the bids within their respective constituencies. Both MPs are supportive of the proposals for their constituency. Sir Oliver Heald MP has contacted the North and East Herts Clinical Commissioning Group to express his strong support, welcoming the forward looking thinking, and to ask to be kept updated on developments as he recognised the potential benefits of the project.
- 5.3 On 22 February 2019 Bim Afolami MP hosted a meeting with various stakeholders relating to the potential Hitchin proposal. In attendance were representatives from NHDC, Hertfordshire LEP, Hitchin Town Centre Initiative, the Town Centre Manager and Churchgate Resurgence Group PB. The meeting mainly focussed on the vision for the potential bid and agreeing what the significant challenges facing Hitchin town centre are. As reported to Members on 7 February 2019 a similar meeting had also been held on 21 January with a similar attendance list, plus Hertfordshire County Council.
- 5.4 With regard to the potential Letchworth proposal there have been a number of stakeholders engaged in the development of the project, including Letchworth Garden City Heritage Foundation, the East and North Herts Clinical Commissioning Group, NHDC, Hertfordshire Community NHS Trust, the four Letchworth GP surgeries, patients (via the GP patient representative groups), the owners of the Garden Square Shopping Centre, Letchworth BID, the Town Centre Manager, Hertfordshire LEP (through the Heritage Foundation) and Herts County Council. On 7 March 2019 a meeting took place with regard to the potential Letchworth proposal which was attended by the Heritage Foundation, the Council, Garden Square Shopping Centre and the Letchworth BID to discuss the proposed submission.

- 5.5 On 27 February 2019 Hertfordshire County Council and the Hertfordshire LEP hosted an event to discuss the FHSF and potential bids from across Hertfordshire. At that meeting the NHDC representative explained the two potential bids from this authority and that Full Council would be making the decision as to which to submit. It has also been proposed that the known Hertfordshire bids will be discussed at the Hertfordshire Growth Board on 12 March 2019. A verbal update will be provided to Full Council if there is any relevant information arising from that meeting.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1 As previously reported to Full Council on 22 November 2018 and 7 February 2019 the FHSF was announced as part of the Autumn Budget. On 26 December 2018 the prospectus and application form were published (see appendix A for the prospectus). On 7 February 2019 supplementary guidance, including the scoring criteria, was published however this was not known about at the time of the discussions at Full Council that same day. The supplementary guidance is attached at appendix B.

8. RELEVANT CONSIDERATIONS

- 8.1 There are a number of points to note from the prospectus and guidance. However the following are considered most pertinent:-
- Applications must be from the local authority
 - Only one bid is allowed from NHDC
 - The town centre area subject of the bid must be “facing significant challenges”
 - There needs to be a clear vision
 - Bids need to have the support of a number of stakeholders (including the LEP)
- 8.2 The FHSF has two stages, with the first one being considered light touch. Successful applicants at the first stage will be awarded revenue funding to develop their proposals further, and then potentially make a bid to the second phase. The second phase will be for capital funding, with a requirement that this is at least match funded by another party. It is clear that there is significant interest in the FHSF from around the country, with the application form having been downloaded over 1,000 times in the first month alone.

8.3 MHCLG has been hosting roadshows to promote the FHSF and a colleague from another Hertfordshire authority attended one of these events. The feedback provided to the rest of the Hertfordshire authorities was (in no particular order):-

- Reinforced the importance of the sections that attract significant weighting – the challenges, and the vision.
- The challenges need to be clearly evidenced. The FHSF is not going to support a thriving town centre.
- The vision for the town centre needs to be clearly understood, articulated and scoped out. The fund is to enable structural change to reshape town centres so that they are not only preserved but future-proofed as well. Measures which are only temporary in effect will not be well received.
- Requesting funds to help with the development of a vision for a town centre is not going to be supported – this is not what the capital investment is about. Authorities should only promote schemes which have some detailed understanding and therefore capable of being fully supported (as opposed to support being just in principle).
- Plans which involve changes/redesign of infrastructure and transport will be well received. Where a Compulsory Purchase Order (CPO) is going to be necessary to enable delivery, this is understood (expected), will not detract from the bid, and will be funded. The High Streets Task Force can help with CPO as it is appreciated that CPO is not everyday activity for some councils.
- The final section on funding requirement is for information only to the Ministry. Therefore if figures are approximate this will not detract from the bid.
- The actual amount of funds available to England for Expressions of Interest due on 22nd March is not £675m. It is £675m less £55m going to Department for Culture, Media and Sport (DCMS) for the regeneration of heritage high streets. The balance of £620m is in turn split into two; one half being for first round of applications due in on 22nd March 2019, the other half being for the second round of applications that will have its own separate Expressions of Interest process that will happen at some point in 2020.
- The intent by the Ministry to publish Expressions of Interest is now going to be reversed owing to serious unease from applicants about the contents being made public.

- 8.4 In light of the penultimate bullet point in 8.3 above, officers have sought clarification from MHCLG as to how this will work in practice (and in particular whether if a bid is unsuccessful in the 2019 funding round a different bid might be possible in the 2020 funding round). On 6 March 2019 we received a response from an MHCLG Policy Advisor stating “I can also confirm that those local authorities that are not successful in round 1 will be able to submit another application in round 2.” **Potentially therefore one bid could be chosen now, with further work undertaken on the other project for a potential bid in 2020 if the bid chosen for 2019 is not successful.**
- 8.5 In summary the Hitchin proposal is to create a 21st Century market town, which it is likely the Council would have to play a lead role in delivering (given the land ownerships). The expression of interest has been developed by Bim Afolami MP’s office with input from stakeholders and council officers. As previously noted in the 7 February 2019 Council report one potential difficulty is that the Churchgate Centre is not within the Council’s control and it is unlikely that there will be any further clarity on this by the time of the Council meeting on 20 March 2019. If the Churchgate Centre cannot be secured it would potentially prevent the delivery of the proposal.
- 8.6 The Letchworth proposal is for a health led reinvigoration of the town centre, encompassing both a primary care hub and a public health hub, consistent with the principles of garden cities. The Council’s role on the project is likely to remain one of facilitator only and the bid has been co-ordinated by council officers with input from all stakeholders. The aim of the proposal is to address two significant challenges with one solution – the problems with the vitality of the town centre and the problems with the health of the population, can both be addressed through the primary care hub and public health hub which would meet those health needs whilst bringing more people (and a wider range of people) into the town centre.
- 8.7 Full Council is asked to carefully consider the points made at 8.3 and 8.4 above and the contents of the prospectus and supplementary guidance at appendices A and B in order to determine which of the two potential FHSF bids should be submitted.

Alternative sources of funding

- 8.8 It is appreciated that only one bid can be submitted to the FHSF and as it is a competitive bidding process there is the possibility that the bid chosen by Full Council might not be funded by the FHSF. As explained at paragraph 8.4 this could allow another bid in the 2020 funding round, although this could also be unsuccessful. Therefore it is worth noting that there may be other funding opportunities available.

- 8.9 Additionally, as explained in paragraph 8.3, £55m has been allocated to heritage high streets. The criteria that will be applied to these funds is currently unknown, but could provide an opportunity for either Letchworth or Hitchin (or indeed Baldock or Royston) if they met the criteria. The little detail that is currently available from MHCLG suggests the fund will have two elements: helping to restore historic high street properties through Historic England, and equipping communities with their own resources to put historic buildings back into economic use - for example as residential buildings, new work spaces or cultural venues, supported by the Architectural Heritage Fund. On this basis the fund may not support either proposal being considered in this report, but that will be kept under review once more details are known.
- 8.10 As Members will be aware it was announced in the Provisional Local Government Finance Settlement that Hertfordshire has been successful in becoming a Business Rate pilot in 2019/20. In the pilot application it was stated that the extra funding would be spent to promote economic growth and stability, which could cover a broad range of new and existing spend. Some of the County-wide surplus will be transferred in to an investment fund. It is forecast that this could be around £2.3m, and the Council would be able to bid for this. This funding would be able available for a wide range of projects that enable economic growth, and would not just be focused on High Street schemes.
- 8.11 Full Council has already allocated budget of £130k to further explore the potential options for the Churchgate centre. With regard to the Letchworth proposal there may be revenue funds available from other stakeholders to progress, however it is already known that there is a shortage of available capital funding. There is approximately £120k of s.106 capital funding available for provision of healthcare facilities and it has been confirmed by officers on behalf of the Local Planning Authority that the primary care hub would potentially be a suitable project.
- 8.12 Members will be aware that it is intended to progress town centre strategies after the adoption of the Local Plan and the proposals could be considered as part of that work. Therefore any funding secured for the proposals could help with the cost of the town centre strategy work (and vice versa).
- 8.13 It is possible that either proposal could be the subject of a bid to the Hertfordshire Local Enterprise Partnership in due course, although it is unclear the extent to which either would deliver the types of outputs that the LEP typically seek from applicants.

9. LEGAL IMPLICATIONS

- 9.1 There does not appear to be any appeal process in relation to FHSF bids and it is unclear the extent to which the outcomes of the bidding process will be transparent. Therefore in the event of an unsuccessful bid there might be scope to judicially review the outcome, if appropriate grounds existed, however it is unlikely that this would be an option worth considering.

- 9.2 Specific legal implications of proposals would be considered as they are developed and would include (but are not limited to) procurement, contract, property, planning and licensing issues.
- 9.3 Section 4.7 of the Member's Code of Conduct contains those matters and circumstances that would be deemed a Declarable Interest. Members should consider section 4.7 and, if applicable, seek advice from the Monitoring Officer or Deputy Monitoring Officer in advance. Members should note section 6.2 (a) which requires disclosure of a Declarable Interest before consideration of this item and, in particular, the requirements and obligations of section 6.2 (b) which are recited below for ease of reference.

"If the Declarable Interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest, then you must not participate in the discussion, or vote on the item, and you must leave the room"

In terms of making a decision under section 6.2 (b), all relevant factors should be carefully considered and balanced. The weight given to each factor is a matter for the relevant Member but should reflect the impact on judgement and impartiality. Further advice and guidance can be provided by the Monitoring Officer or Deputy Monitoring Officer.

- 9.4 Section 14.6.4(a)(ix) of the Council's Constitution delegates external funding applications to the Chief Executive, the Deputy Chief Executive and the Service Directors. Section 14.6.2(e) states that "An officer may always refer a delegated decision to the Cabinet or Council or any of their respective Committees rather than make the decision." In light of Full Council's express wishes at the meeting on 7 February 2019 this decision has been referred to Full Council.

10. FINANCIAL IMPLICATIONS

- 10.1 There are no direct financial consequences from submitting either bid. If either bid was successful at phase 1 then it is expected that the funding awarded would cover the external costs incurred of progressing the bid to the next stage. Although there might be a shortfall in funding, and it could be that the Council (particularly for the Hitchin bid) would need to pick up any shortfall. As referenced in 8.10, Full Council has already approved a transfer of £130k from the Special Reserve to develop options in relation to Churchgate.
- 10.2 With other funding sources, it is expected that a successful phase 2 Letchworth bid would not require any contribution from the Council. This reflects that there are no direct financial or service benefits to the Council. As stated in paragraph 8.10 there is some s.106 funding available, although this is not enough to deliver any elements of the project without substantial other funding.

- 10.3 As the Council has ownership interests in Churchgate (freehold only with leaseholder) and the wider area (freehold), it is inevitable that the Council will have to provide the match funding in the event of a successful phase 2 bid. Whilst a successful scheme might provide some recompense for the capital investment and risk that the Council takes on, it is likely that any FHSF funding would require this to be minimised. The counter to this is that it is likely that the Council would take on all of the down-side risk, as the various previous options have shown that there is not a scheme where there is sufficient upside for any developer to take on the downside risk. Whilst a successful phase 1 bid could allow new solutions to be explored, it might be that this issue can not be overcome.

11. RISK IMPLICATIONS

- 11.1 The development of both expressions of interest have incurred officer time, as would the development of a phase 2 capital bid if an NHDC proposal was successful at phase 1. If the bids are unsuccessful there is a risk that this officer time has been abortive, although the ideas generated through the process can of course continue to be applied. Where relevant, as options develop then either specific risk logs or a general risk log will be developed.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 Any proposals for either area will need to consider thoroughfares, access, surface treatments etc and the needs of the users of the resulting development. These will be considered and recorded under separate equality analysis at the relevant time.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 The Social Value Act and “go local” policy do not apply to this report due to the nature of the decisions Full Council is being asked to make.
- 13.2 However, any decision Council may make in the future with regard to a project which could, either in whole or part, constitute a public service contract would need to report on the social value implications of each/any option at the time of consideration. This would, in brief, consider how every £1 spent could best be spent to benefit the local community, which may include award of some aspects of redevelopment or management of the centre etc. by local social enterprises, a contractor offering an apprentice scheme or similar.

- 13.3 The Council would ensure that Social Value is built in to the procurement processes for any project and encourage the use of local suppliers and trades wherever possible. The Council was able to achieve Social Value outcomes from a recent construction contract on its office building (e.g. building projects with local schools and sponsoring a charitable event).

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 The current work undertaken to this point has been met from existing resources, with input from external stakeholders on both bids. The ongoing resourcing requirements will depend on the success or otherwise of the proposals and the level of Council involvement required.

15. APPENDICES

- 15.1 Appendix A – Future High Streets Fund Prospectus
- 15.2 Appendix B – Future High Streets Fund Supplementary Guidance for Bidding Authorities
- 15.3 Appendix C – Expression of Interest form – Hitchin
- 15.4 Appendix D – Expression of Interest form - Letchworth

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17. BACKGROUND PAPERS

17.1 Draft Local Plan