



Report sponsor: Rachel North, Strategic  
Director of Communities and Place  
Report author: Catherine Williams, Head of  
Regeneration and Major Projects

## **Future High Streets Fund Revised Programme**

### **Purpose**

- 1.1 At the end of December 2020, Derby received an in-principle Future High Streets Fund award of £15,034,398. This award was less than the original bid and this report seeks Council approval to submit a revised Future High Streets Fund programme to meet the required deadlines.

### **Recommendations**

- 2.1 To approve the revised Future High Streets Fund programme as set out in paragraph 7.1
- 2.2 To delegate authority to the Strategic Director of Communities and Place, following consultation with the Strategic Director of Corporate Resources and Cabinet Member for Regeneration, Planning and Transportation to agree the final detail and any amendments required ahead of the submission of the revised Future High Streets Fund programme.
- 2.3 To note the acceptance of Future High Streets Fund funding conditions will be agreed in line with the December 2019 Cabinet delegation.
- 2.4 To note individual schemes will be brought back to Cabinet to be added to the capital programme, as set out in paragraph 7.4.

### **Reason**

- 3.1 To respond to the requirements of the Future High Streets Fund and submit a revised FHSF programme within the £15m funding envelope by the 26 February 2021.

### **Supporting information**

- 4.1 In July 2019, Derby was shortlisted to submit a full business case for the Government's Future High Streets Fund (FHSF) programme, following the submission of an Expression of Interest earlier in the year. Cabinet agreed the submission of the FHSF business case in December 2019. In June 2020 a full business case was submitted to MHCLG with a total bid value of £21.75m.

- 4.2 The FHSF programme was geographically focused on the St Peters Cross area of the city centre. These streets provide the key connections from the main eastern gateway to the city centre from the bus station to the shopping centre, the independent retail core (Cathedral Quarter) and key regeneration sites (Becketwell, Market Hall and Assembly Rooms). The FHSF programme consisted of six interventions detailed below;

<b>Project</b>	<b>Summary description</b>
Market Hall	Transformation of the Market Hall to create a vibrant, high quality and flexible market at the heart of the city centre appealing to a diverse customer base. The transformed Market Hall will include more food and leisure and will include flexible space for entertainment, “pop up” markets and other activity to attract footfall. The project is being delivered by the Council.
Becketwell Stable Block Building	Bring forward the delivery of key elements of the Becketwell Masterplan to support the renovation of the Stable Block and create new office use, associated public space and access routes from Becketwell onto Green Lane. The project will be delivered in partnership with St James Securities.
Eastern Gateway	Transform the entrance to the Eagle Market, creating a welcoming arrival from the bus station which strengthens the city’s sense of identity and creates a public space at this key gateway. The project will be led by the owners of the Derby Centre, with support from the Council.
St Peters Demonstrator Unit	Reuse a vacant retail space to pilot alternative uses and test new ideas to enrich the high streets and diversify the current offer.
Connecting Works	Complementary programme of public realm works to create greener, safer and inclusive streets and improve the quality of the environment, help to link and to underpin the key transformational projects.
Digital Infrastructure	Target Smart City technologies within the FHSF area.

- 4.3 On 26 December 2020 the Government announced Future High Streets Fund (FHSF) decisions and Derby received an in-principle offer of £15,034,398; this allocation is 69% of the original ask. A revised FHSF programme, setting out proposals within the £15m funding envelope must be submitted to MHCLG by the 26 February 2021. This process has been streamlined and an updated business case is not required, instead an online form and spreadsheet must be completed to provide confirmation on how the new funding award will be allocated.

- 4.4 The Derby FHSF programme must be reduced by £6.7m. To achieve this reduction and revise the programme, the following options have been considered:
1. Scale back projects - reducing the FHSF contribution to all or some of the projects, re-visit project scope and costs or secure alternative funding to deliver the programme. This option has not been progressed as it would not be possible to robustly re-scope and cost projects or secure alternative funding within the timeframe to submit the revised programme.
  2. Identify a smaller package of projects – removing some projects from the programme to bring the programme within the funding envelope. It is proposed to adopt this approach.
- 4.5 MHCLG have issued guidance for Local Authorities in revising programmes, the guidance indicates that consideration should be given to:
- **Deliverability** – projects must be able to spend FHSF by March 2024 – highlighted as the key consideration.
  - **Match-funding** – evidence of match funding commitment should be provided.
  - **Strategic fit** – description of how the revised programme will deliver transformational change, improve experience, drive growth and ensures future sustainability.
  - **Value for money** – The revised programme must deliver the FHSF minimum Benefit Cost Ratio (BCR) of 2:1. The original business case exceeded the minimum BCR threshold for the fund.
  - **Beautification** – public realm/beautification interventions cannot exceed 5% of the FHSF allocation (this is £750,000 of the £15m in-principle award).
- 4.6 A FHSF Delivery Support Manager from MHCLG (the government department managing the FHSF) has been identified for each local authority to provide support in revising our programme. Weekly check-ups are proposed where support will be available to shape the revised programme is submitted. Council officers will work with the Delivery Support Manager to develop a robust rationale for the revised programme.
- 4.7 In reviewing the FHSF programme the following considerations have been taken into account;
- Deliverability within the FHSF timeframe.
  - Focus on a small number of strategic investments with the greatest impact on the longer-term sustainability and diversification of city centre and ability to support the City Centre's economic recovery.
  - Reflect the Council's city centre regeneration priorities.
  - Current regeneration and recovery plan activities in the city centre to ensure added value and maintain a balance of investment.
  - Risk profile for the Council in delivering the programme.

4.8 The revised FHSF programme is therefore proposed to focus on two strategic regeneration projects with a reduced contribution to associated public realm works. The projects prioritised as part of the programme are detailed below along with the rationale for inclusion:

- **Market Hall Transformation** – Key regeneration priority for the city, Cabinet approval for the vision and Council match funding. The FHSF contribution is critical to the delivery of the Phase 2 internal transformation of the Market Hall to create a new modern market at the heart of the city centre. The project is delivery ready with Phase 1 on site and Phase 2 design under review by the main contractor and due to restart in February. Contracting arrangements are in place to deliver Phase 1 and 2 of the project.
- **Eastern Gateway** – Strategic regeneration project that will unlock significant private sector investment and enhance this key gateway to the city centre. The delivery of this project will be led by the owners of the Derby Centre.
- **Connecting Works** – A reduced FHSF contribution to support public realm interventions associated with the revised FHSF programme and aligned with the recovery plan for the city centre.

Section 7.1 provides a summary of the revised FHSF programme.

4.9 In prioritising the projects set out in 4.8, it unfortunately means that three projects included in the original business case cannot be taken forward through Future High Streets Fund. The projects and rationale for their removal is set out below:

**Becketwell Stable Block Offices** – The delivery of the project requires substantial direct investment and contractual commitment from the Council. The Council remains committed to supporting the delivery of all the constituent elements of the Becketwell Masterplan and are exploring alternative delivery models to bring forward development. This decision does not impact on the Council's work with St James Securities on the Phase 1 residential development or the Becketwell Performance Venue proposals.

**St Peters Demonstrator Unit** – Since the submission of the FHSF Business Case, feasibility work on the City Makers project has progressed and external funding opportunities explored through D2N2 Local Enterprise Partnership. There is potential to align the two projects which both have the ambition of developing a base to pilot new city centre uses and re-purpose vacant retail units. It is therefore proposed to focus on the delivery of the City Makers project.

**Digital Infrastructure** – Relatively small level of investment in digital infrastructure in the city centre proposed as part of the FHSF programme and as a standalone project would not result in transformational change within the city centre. It is proposed to remove this project from the programme and review the digital investment delivered through other programmes in the city centre.

#### 4.10 Risks

A detailed risk register was prepared as part of the Full Business Case, full details of project risks will be set out in future Cabinet reports on individual projects. Summarised below are the key risks associated with the delivery of the revised programme:

<b>Risk</b>	<b>Mitigation</b>
Monitoring and evaluation costs associated with the programme have resource implications for the Council.	Further guidance on the monitoring and evaluation of the programme is expected in February 2021.
Private sector match funding contribution to the Eastern Gateway is not confirmed.	The owners of The Derby Centre to provide a letter of support which confirms their financial commitment to the project. Private sector contribution will be a condition of the FHSF contracting arrangements with the Derby Centre owners.
Unforeseen project delays mean FHSF cannot be spent by March 2024.	Deliverability has been a key consideration in identifying the revised programme. Robust project and programme management structures will be implemented for the programme alongside contracting arrangements with delivery partners.

#### 4.11 Next Steps

The timeline for the submission of the reviewed programme is as follows:

- Meet regularly with FHSF Delivery Support Manager – Throughout Feb 21
- Input from developer partner to support submission – 10 Feb 21
- Revised programme submitted – by 26 Feb 21

#### Public/stakeholder engagement

- 5.1 City Centre partners have been consulted on the process to revise the FHSF programme through the City Centre Consultation Group. There was support for the proposed approach set out in this report to focus on a smaller number of strategic projects rather than scaling back projects. Further engagement is planned through the Derby Economic Recovery Plan Steering Group
- 5.2 Local MP's will be consulted on the revised programme and a letter of support sought.

#### Other options

- 6.1 The options considered in reviewing and revising the FHSF programme are set out in section 4.4 of the report.

## **Financial and value for money issues**

- 7.1 The Council has received a FHSF in-principle award of £15,034,398. The proposed revised FHSF programme set out in section 4.8 has been reduced in line with the funding envelope. Details of the FHSF allocations and match funding commitments are set out in the confidential report.
- 7.2 Based on the methodology presented in the full business case, the BCR for the revised programme is above the minimum threshold for the fund. The BCR could be subject to change ahead of the final submission of the programme as the benefits associated with the Connecting Works project are reviewed.
- 7.3 The Council has received £5,000 of revenue funding from MHCLG to support the cost of re-engaging the specialist economic consultants (Amion) who supported the preparation of the full business case to undertake the value for money calculations for the revised programme.
- 7.4 Following confirmation of FHSF, future reports will be brought back to Cabinet, for approval to add new schemes or additions to existing schemes, to the capital programme, subject to first obtaining the required approvals through the Gateway Process. This approval is required to comply with the Council's Financial Procedure Rules and corporate governance structures.

## **Legal implications**

- 8.1 Legal Service's input will be sought to review the terms and conditions of funding agreements or contracts.

## **Climate implications**

- 9.1 Opportunities to incorporate low carbon measures into the design of the projects within the FHSF programme will be explored. A low carbon and energy specialist has been commissioned by the Council to advise and input into the design process for the Market Hall.

This report has been approved by the following people:

<b>Role</b>	<b>Name</b>	<b>Date of sign-off</b>
<b>Legal</b>	Emily Feenan	29 January 2021
<b>Finance</b>	Simon Riley	29 January 2021
<b>Service Director(s)</b>	David Fletcher	29 January 2021
<b>Report sponsor</b>	Rachel North	27 January 2021
<b>Other(s)</b>	Catherine Williams	27 January 2021

<b>Background papers:</b>
<b>List of appendices:</b>