



Report to Economic Growth Scrutiny Panel

Meeting Date: 9 September 2021
Portfolio: Leaders / Economy, Enterprise and Housing
Key Decision: Yes
Policy and Budget Framework: No
Public / Private: Public

Title: Regeneration Programme Update and Economic Development Programme Management Office
Report of: Corporate Director of Economic Development
Report Number: ED30/21

Purpose / Summary:

The report provides members of the Economic Growth scrutiny panel with an update on key regeneration projects and sets out the work programme and activities to be undertaken for this financial year, 2021-22.

In order to be able to undertake the role of Accountable Body for these major projects and programmes effectively, the report sets out the proposal for the creation of an Economic Development Programme Management Office, and also to increase the capacity of the Regeneration team to support the development and delivery of these projects.

Recommendations:

The Economic Growth Scrutiny Panel is asked to:

1. Note the Future High Streets Fund (FHSF) Memorandum of Understanding included in Appendix A, the provisions contained therein
2. Note the Remediation Road Map for the Caldew Riverside site and the key decision points as set out in Table 5 of this report.
3. Note the progress on the development of the Carlisle Town Deal, the agreement of Heads of Terms (included in Appendix B), the agreed programme of projects

as set out in Table 6 of this report and the programme of activity over the next twelve months to progress towards agreeing the Town Deal

4. Note the additional resources required to deliver City Council's major economic development projects and the associated costs, and that these costs will be offset using grant funding that has been secured.
5. Note the establishment of an Economic Development Programme Management Office for an initial 3 year period (subject to review) and increasing the capacity of the regeneration team.

Tracking

Executive:	5 July 2021
Scrutiny:	9 September 2021
Council:	20 July 2021

1. BACKGROUND

- 1.1 Carlisle has been successful in securing over £200m of government funding to deliver housing, infrastructure, and regeneration projects (see Table 1).
- 1.2 The City Council is the Lead Authority and Accountable Body for programmes / projects of a value in excess of £30m, which includes Borderlands, St. Cuthbert's Garden Village, the Future High Street Fund and Town Deal.
- 1.3 The Future High Street Fund is now moving into the implementation stage with detailed design work starting to commence on the four projects. The Town Deal is now moving into Stage 2 with the production of seven green-book compliant business cases. These increased workstreams are additional to the ongoing work on the four Carlisle-based Borderlands projects (Station, Citadels, Place and Hadrian's Wall) and the Caldew Riverside remediation/redevelopment project.

Table 1: Carlisle Projects and Programmes					
Programme / Project	Value	Duration	Lead Authority	CaCC responsibilities	Accountable Body
Town Deal	£19.7m	2021 - 2026	CaCC	<ul style="list-style-type: none">• Business case development / submission• Business case assurance• Project / programme management• Legal / grant Funding Agreements• Accountancy / financial management• Monitoring / evaluation / reporting	CaCC
Town Deal Capital Accelerated Fund	£1.0m	2020 - 2022	CaCC	<ul style="list-style-type: none">• Project Management• Accountancy / financial management• Monitoring / evaluation / reporting	CaCC
Future High Street Fund	£9.1m	2021 - 2024	CaCC	<ul style="list-style-type: none">• Project / programme Management	CaCC

				<ul style="list-style-type: none"> • Legal / grant Funding Agreements • Accountancy / financial management • Monitoring / evaluation / reporting 	
Borderlands – Carlisle Station Gateway	£23.8m	2020 - 2026	CuCC	<ul style="list-style-type: none"> • Project management • Legal - relating to the treatment of CaCC assets 	NCC
Borderlands – Citadels	£72.0m	2021 - 2027	University of Cumbria	<ul style="list-style-type: none"> • Project management • Legal - relating to the treatment of CaCC assets • Land assembly 	NCC
Borderlands - Place Programme	£3m	2020 - 2024	CaCC	<ul style="list-style-type: none"> • Project Manage the Place Programme for Longtown • Accountancy / financial management • Monitoring / evaluation / reporting 	NCC
St Cuthbert's Garden Village	TBC	TBC	CaCC	<ul style="list-style-type: none"> • Programme management - Development Corporation programme management • Production of SCGV Local Plan • Project management – Start with the Park 	CaCC
CSLR	£134m	2022 - 2024	CuCC	<ul style="list-style-type: none"> • Ensuring pipeline of housing delivery • Adoption of SCGV Local Plan • Production of housing delivery statement 	CuCC

2. FUTURE HIGH STREET FUND

- 2.1 The Ministry of Housing, Communities and Local Government (MHCLG) created a £1 billion fund to help local areas adapt to the changes in the retail sector and on the high street.
- 2.2 The objective of the Future High Streets Fund (FHSF) is to renew and reshape city centres and high streets in a way that improves experience, drives growth and ensures future sustainability. The Fund has five main investment themes:
- a. Investment in physical infrastructure;
 - b. Acquisition and assembly of land including to support new housing, workspaces and public realm ;
 - c. Improvements to transport access, traffic flow and circulation in the area
 - d. Supporting change of use including (where appropriate) housing delivery and densification; and
 - e. Supporting adaptation of the high street in response to changing technology.
- 2.3 Following the submission of an expression of interest, the City of Carlisle was selected in August 2019 for inclusion in the FHSF and the City Council was invited by the MHCLG to develop a strategy for the city centre and a business case for investment.
- 2.4 A business case has been prepared which was submitted to MHCLG by the 30 July 2020.

Table 2: FHSF Development Phase Milestones	
Milestone	Date
Expression of Interest submitted to FHSF	March 2019
Accepted to business case development phase	August 2019
Draft business case submitted	March 2020
Submission of final business case	July 2020
In principle funding offer from the MHCLG	December 2020
Revised Business Case Funding Offer	February 2021
Grant Offer Letter / MoU	June 2021

Overview of the FHSF strategy / objectives

- 2.5 The vision is to create a distinctive, coherent and inclusive city centre that will improve the perception of the Carlisle, increase social value, and ultimately improve economic performance through greater resident and visitor footfall and

demand. The strength of the historic and cultural offer already embedded within the city will be enhanced securing a vibrant legacy from the investment.

- 2.6 The primary strategic objectives of the Carlisle FHSF are as follows:
- a. Renewing Carlisle city centre as a place to live, work and visit.
 - b. Reactivating Carlisle's Historic Quarter.
 - c. Catalysing Carlisle's leisure and night-time economy.
- 2.7 The business case submitted outlined six projects and through a prioritisation and re-profiling exercise this was reduced to 4 projects that are within the budget of £9.1m awarded. These include:

1. Reimagining Market Square (Green Market / Old Town Hall)

Market Square is the most substantial public space in the city centre, spanning approximately 4,000 square metres. This significant space could be better utilised and become more of a focal point for residents and visitors alike. Through improving the infrastructure and public realm of the square, it will become a bigger draw for residents and visitors alike.

Interventions funded by the FHSF will include removing unnecessary street furniture, providing an enhanced nodal point to provide focus, and providing enabling infrastructure to host temporary or pop-up events (such as a cinema in the summer months or an ice rink in winter).

This scheme is already included in the Council's capital programme as it includes a contribution from the Council of £388,232 that was approved in February 2021. The total value of this scheme is therefore £2.770m

2. Repurposing 6-24 Castle Street

As part of moving away from a reliance on retail in the city centre, current vacant units could be used for several non-retail purposes that attract people to the city centre. This includes repurposing vacant units for residential uses (given that there is a lack of this in the city centre at present), or creating more creative industry business start-up / hot-desking workspace, as there is currently only one such facility in the city centre. This could help reactivate Carlisle's Historic Quarter increasing both weekend and weekday footfall and improving Carlisle's perception as a place to live and work.

The listed buildings of 6-24 Castle Street are currently vacant and in the freehold possession of Carlisle City Council. Previously occupied by the University of Cumbria, the buildings have been knocked through to create one large property but retain the appearance of separate buildings from the

outside. As such, this large, complicated property faces several expensive challenges to its reuse.

The FHSF allocation for this project has been reduced from the original business case and therefore a phased approach to redevelopment will be followed. The funding will be used to reduce the conservation deficit on the buildings and make them more appealing to the market for redevelopment.

3. Preparing Central Plaza site for redevelopment

The Central Plaza was a Grade II Listed building which was previously a hotel until it closed in 2004. It occupies a key site on Victoria Viaduct, and its deterioration has arguably blighted this part of the city centre relative to other areas. Redevelopment attempts in subsequent years failed to put the property back into use due to its poor condition. The hotel was deemed structurally unsafe and Carlisle City Council was left with no other option than to demolish the building in the autumn of 2019.

The Central Plaza has historically presented a complex opportunity from a physical, legal (ownership reverted to the Crown Estate) and delivery perspective. These complexities have prevented redevelopment schemes from progressing past concept stage due to financial viability issues.

With the site now cleared and £4.7m grant funding available, a number of the redevelopment options have become viable. These options will be progressed during this financial year 2021-22, with a view to commencing the delivery of a preferred scheme during 2022-23.

4. Pedestrian enhancement of Devonshire Street

Carlisle city centre's emergent night-time cluster is constrained by unsupportive urban design and lack of permeability. The streetscape is not particularly attractive for cafes and restaurants which may wish to provide outside seating during the summer months – for example, along Devonshire Street (which has several bars and restaurants) there is heavy peak time traffic and several bus stops and bus waiting facilities. This reduces the ambience of the street.

Reducing the carriageway on Devonshire Street could provide excess space for pedestrians and businesses to spill into, which would encourage activity and dwelling time in the street. There is an opportunity to rationalise the width of the carriageway and widen the northern footway. This will create a meaningful activity zone, with more space for people to walk and spend time sitting outdoors. The businesses currently located on the northern edge of the street offer a possibility to create a spacious outdoor seating area.

FHS Programme Delivery

2.8. In summary the spend profile of the programme is as follows:

Table 3: FHSF Programme Spend profile

FHSF ask	21/22	22/23	23/24	Total
Repurposing 6-24 Castle Street	£170,250	£510,750	£454,000	£1,135,000
Preparing Central Plaza site for redevelopment	£712,447	£1,787,340	£2,249,858	£4,749,645
Reimagining Green Market/ Market Square as Carlisle's events space*	£357,265	£721,796	£1,302,707	£2,381,768
Pedestrian enhancement of Devonshire Street	£73,639	£220,918	£196,371	£490,928
Delivery costs	£122,422	£122,422	£122,422	£367,266
Total	£1,436,023	£3,363,225	£4,325,358	£9,124,607

* This does not include the Council contribution of £388,232

Overview of MOU

2.9. The Memorandum of Understanding (MOU) sets out the terms, principles and practices that will apply to the working relationship between the MHCLG and Carlisle City Council regarding the administration and delivery of the FHSF proposal at Carlisle City Centre. This MOU applies to the financial year ('FY') 2021/22 only. Funding from 2022/23 onwards will be subject to the outcome of the Spending Review. The indicative allocation for each year is set out in the following table:

Table 4: MHCLG Grant payment Schedule

Financial Year	Excluding Contingency (£)	Contingency (£)
2021/22	1,164,790	271,233
2022/23 (indicative)	2,689,527	673,698
2023/24 (indicative)	3,462,071	863,287
Sub-total	7,316,388	1,808,218
Total 2020/21 – 2023/24	9,124,606	

2.10 MHCLG expects the Council to use the funding provided for the purposes outlined in the business case. Should delivery not progress as agreed, MHCLG will review whether it is appropriate to grant the next tranche of funding and whether greater monitoring and oversight may be needed.

2.11 The agreed funds will be issued to the Council as non-ringfenced grant payments under Section 31 of the Local Government Act 2003, for expenditure

as agreed in the approved business case. MHCLG will advise the Council on the procedure for drawing down payments for any contingency costs incurred. The Council will be required to be the Accountable Body for the FHSF programme and as part of that responsibility, provide regular project, financial, and risk reporting to MHCLG.

Monitoring and Evaluation

- 2.12. A provisional monitoring and evaluation framework has been agreed with the MHCLG. The Council will continue to collaborate with MHCLG over monitoring and evaluation requirements, which will involve reporting twice a year on inputs, activities and outputs, as well as spending and delivery milestones at a programme and project level. This includes collecting accurate data and using the agreed metrics and methods as set out in the Monitoring and Evaluation guidance.
- 2.13 The Council will endeavour to promptly share information at appropriate times as and when requested by MHCLG, including:
- Current funding that has been spent
 - Planned expenditures
 - Updates on key project milestones and risks
 - Procurement and governance
- 2.14 The Council will notify MHCLG of any proposed changes to the approved business case. Wherever possible this notification will be provided in advance of changes.

3. CALDEW RIVERSIDE REMEDIATION

Caldew Riverside development site

- 3.1. Caldew Riverside is a 3.16 ha (7.81 acres) site located within an Edge of Centre location to the South of Carlisle City Centre and within 200 metres from Carlisle Railway Station and 40m from the historic quarter. The site is brownfield in Carlisle City Council ownership, it comprises a council owned surface car park and to the south is a parcel of land occupied by trees, scrubland and hardstanding.



Figure 1: Caldew Riverside site area.

- 3.2. The Caldew Riverside development site contains three site parcels as follows:
- Parcel A – Viaduct Car Park
 - Parcel B – brownfield site with hardstanding and scrubland.
 - Parcel C – Caldew Riverside Car Park.
- 3.3. The site was historically used as a gas works and as rail sidings and is therefore contaminated. The level of contamination progressively increases towards the southern end of the site where the former gas works was located on Parcel A. Notwithstanding this, the site has been identified within both the Carlisle Local Plan and Borderlands Inclusive Growth Deal as a regeneration opportunity with

significant potential to support the growth, vitality and viability of the city centre – as it offers the unique potential to deliver a new housing ‘offer’ in the city.

- 3.4. The site is the best and only available location for the delivery of strategic scale residential development close to the city centre. Due to its location, it has the potential to deliver a high quality, transformational riverside residential development that will showcase and catalyse the city centre living market in terms of both supply and demand. This development site can accommodate an estimated 120 - 150 homes as identified in the current local plan period, with 20% affordable housing policy compliance within the designated zone.

Site investigation and Remediation work

- 3.5. Caldew Riverside land parcels A, B and C (Figure 1 above) have been investigated to some degree in phases since 2008. The focus of site investigation in 2012 was to help inform a potential development of a Tesco Store on Parcel B, and in particular to assess the degree of impact on that development from the adjacent Parcel A, the former gas works. Relatively little investigation has taken place on Parcel C, which is former railway land and currently a car park.
- 3.6. In 2019 Arcadis, whose team has been involved in the Caldew Riverside Project since 2008, was appointed to undertake a review of existing historical site investigation reports and determine preliminary remediation options of the whole site. Sampling and analysis of groundwater samples from existing wells indicated that contamination of the land persisted. The site poses complex contamination issues and a detailed site investigation and further monitoring of the encroachment of the ground water contaminants is required to inform an effective remediation strategy to allow the reuse of the site for development.
- 3.7. Three development options for repurposing the site were considered. The cost implications for remediating the whole site were economically unviable due to the cost of fully remediating Parcel A. Option 2 was the preferred option which involves the remediation of Parcel C and part of Parcel B, the exact delineation of remediation to be determined through further site characterisation and the design and implementation of a remediation strategy and implementation plan.
- 3.8. Funded by the Town Deal Accelerated Fund, £850,000 has been secured to deliver a project that aims to address the legacy contamination issues that have prevented redevelopment schemes identified for the site from proceeding, due to the impact of the associated remediation costs on economic viability. This project will work towards preparing the site for return to land supply thereby overcoming the key barrier to development and addressing market failure.

- 3.9. The scope of works is to provide characterisation of Parcel C and the areas of Parcel B not formerly investigated to a substantial degree. This will provide information about the ground conditions and subsequently help inform the remediation strategy required. The site investigation works also includes scope to better delineate the extent of Parcel B that is more seriously affected by migration within the groundwater from Parcel A. Understanding how the contamination has changed over time and a more detailed understanding of the subsurface sources of contamination will determine what measures need to be in place to reduce overtime the contamination levels in the undeveloped area of Parcel B that emanate from Parcel A.

Overview of Remediation Route Map

- 3.10. Preliminary site investigations to identify subsurface sources of contamination on Parcels B and C and has informed the programme and Route Map outlined in Table 1. This is an iterative programme of work identifying key decision points (Table 1 in bold).

Table 5: Caldew Riverside Route Map

STAGE	TASK	COMPLETION DATE
Preliminary site investigations	Site investigation – Ground Penetrating Radar Survey undertaken	31 January 2021
	Site Investigation - Ecology Survey undertaken	01 January 2021
	Planning permission for site investigation approved	31 March 2021
	Contractor for SI and Phase 1 remediation work appointed	31 March 2021
Stage 1 Site Characterisation to Remediation Strategy	Task 1 - Supplementary Ground Investigation to provide characterisation of Parcel C and the areas of Parcel B not formerly investigated.	September 2020
	Task 2 - Interpretative Report	October 2021
	Task 3 - Remediation Strategy and Options	October/November 2021
	Task 4 - Targeted Groundwater / NAPL Monitoring	November 2021 to February 2022
	Task 5 - Contamination Mobility study and Natural Source Zone Depletion Analysis	November 2021 to February 2022
Stage 2 Detail Design of Remediation	Task 6 - Pathway Management Remediation	January to March 2022
	Task 7 - Remediation Design – Land Parcels B and C	January to March 2022
	Task 7a - Planning Permission for remediation Design	February 2022

Implementation Plan	Task 8 - Remediation Implementation Decision Point	February 2022
Stage 3 Implementation of Remediation	Task 9 - Finalisation of Remediation implementation Plan Specific Remedial Tasks	TBC
	Task 10 - Undertake Remediation Specific Remedial Tasks	TBC
	Task 11 - Verification Reporting Specific Remedial Tasks	TBC
	Task 12 - Regulatory sign-off of Remediation / Verification (Specific remedial Tasks)	TBC

3.10 Decision points between stages include:

- **TASK 5** – aims to understand potential for migration of residual contaminants and evaluate current source zone depletion rates to provide a benchmark to establish the requirement of undertaking targeted contaminant recovery activities that could include the installation of a barrier and determine the need for extraction over time . Outcome will support determination of depth and type of barrier install.
Decision: To implement the appropriate remediation strategy options.
- **TASK 8** - to understand the remediation requirements across both land parcels to facilitate future redevelopment. This decision point will be used to evaluate and deliver the elements of the scheme that are affordable within the available budget and that would maximise the future value and attractiveness to potential developers.
Decision: Agree scope and contract amount for practical actions within the remaining budget.

4. CARLISLE TOWN DEAL

Background

4.1 In October 2020 Carlisle's Town Deal Board, a private-public partnership made up of key organisations across Carlisle, including Carlisle City Council, Cumbria County Council, Cumbria LEP, the University of Cumbria and Tullie House, agreed and submitted a Town Investment Plan (TIP) to government to secure up to £25 million of public investment for the city.

4.2 The TIP outlines the following strategy for Carlisle:

By 2030 Carlisle will be a thriving centre for businesses, residents, education, and culture providing new jobs, thousands of extra homes, better skills, a high quality leisure offer, a clean environment, and a great quality of life for a growing resident population and workforce. It will be a flourishing visitor destination, welcoming tourists to the City and offering an attractive gateway to the beauty of the wider Cumbrian and Borderlands region.

4.3 This vision is underpinned by the following strategic objectives:

- SO1: GROWING CITY - To grow the working-age population of Carlisle and expand the business and employment base, through investment in housing, business growth, high-quality job creation, and education & skills.
- SO2: VIBRANT CITY - To increase vibrancy and activity in Carlisle city centre, creating a thriving community of students, residents, businesses and workers using the centre for education, housing, work and leisure activities, during the day and into the evening.
- SO3: CONNECTED CITY - To make Carlisle a highly accessible and connected city, supporting growth by making it easier for residents, workers, students and businesses to arrive at and move around the City.
- SO4: DESTINATION CITY - To grow Carlisle's visitor economy, attracting additional footfall, vibrancy and spending to the City.
- SO5: RESILIENT AND INCLUSIVE CITY - To enable Carlisle's businesses, people and communities to be resilient to economic, social and environmental challenges including climate change, economic exclusion and unemployment, digital exclusion, and recovery from the Covid-19 pandemic.

4.4 The Investment Plan takes a holistic 'whole town' approach to regeneration, providing a strategy for growth in the city over the next ten years, capturing investments that have already been confirmed, including Borderlands and Future High Street Fund projects, as well as proposing 7 new projects for Town Deal Funding. These projects are:

- Start with the Park, St. Cuthbert's Garden Village
- Southern Gateway
- Project Tullie: Welcome & Entrance to Tullie House Museum
- Lighting Up Carlisle
- Digital and Community Learning Hub
- Citadels Business Infrastructure
- Carlisle Market Hall

Heads of Terms Agreement

4.5 In March 2021 Carlisle received a Heads of Terms agreement of £19.7 million for its Town Deal, following submission of the Town Investment Plan in October 2020. Since then, the City Council and project sponsors have worked with the Town Deal Board to rescope the programme as presented in the TIP to account for the funding offer and identify the £5.3 million of savings across the programme.

4.6 At the meeting on 10 May 2021 of the Town Deal Board, the Board agreed a £19.7 million programme based on retaining all 7 of the original TIP projects, albeit for some at a reduced cost. An overview of each project and the Town Deal funding request for each project is available below:

Table 6 : Town Deal Projects and Funding Ask:

Project name	Project outline	Town Deal Funding
Start with the Park, St. Cuthbert's Garden Village	The 'Start with the Park' project will provide the 'Greenway' a connective, multi-modal green travel route connecting the key settlements of SCGV with Carlisle City Centre and providing a high quality leisure and recreation facilities. The project will position SCGV as a unique and attractive destination for working-age families. delivering 7km of new/improved walking and cycling infrastructure and 5Ha of public realm/green space developed, setting the scene for future phases of development.	£2,000,000
Southern Gateway	An integrated programme of investments in active and sustainable travel and public realm to better connect key developments in the Southern Gateway area of Carlisle, including the Railway Station, Citadels, Devonshire Street and the former Central Plaza site, and to connect St. Cuthbert's Garden Village with the City Centre. delivering 1KM new/improved walking and cycling infrastructure, 3,380 M2 new/upgraded road infrastructure, 0.7Ha of public realm developed/improved.	£6,600,000
Project Tullie: Welcome & Entrance to Tullie House Museum	Part of a wider programme of investment at Tullie House Museum, this project will better connect the Museum to the surrounding streetscape, increasing its visibility by providing a clear and contemporary point of arrival for visitors. Improving 412M2 of floor space, generating 7,500 additional visitors PA and 478,000 visitor spend PA, 9 jobs supported/created and contributing towards the upgrade of one heritage building/cultural facility	£918,000
Lighting Up Carlisle	Investment of capital funding in digital lighting equipment to support an expanded and transformed events programme. generating 100,000 visitor spend PA and 6,180,000 additional visitor spend, upgrading 7 heritage buildings, supporting 115 jobs and 300 businesses supported.	£620,000

Digital and Community Learning Hub	Refurbishment of the City Centre Library to create an accessible digital skills and community learning hub, and installation of digital equipment and training materials in 13 community venues. Improving 1,200 M2 of floorspace, supporting: 1,500 learners, 50 businesses, and 900 people to progress into jobs/self employment. 4 jobs created/supported	£2,350,000
Citadels Business Infrastructure	Part of a wider development scheme to bring a new University campus on the grade I listed Citadels site, this project will create a purpose built hyper fast digitally enabled business interaction and accommodation space, linked to the University of Cumbria's flagship campus development. The project will create 888M2 new business space, supporting/creating 149 jobs over 7 years and supporting 25 businesses PA.	£4,000,000
Carlisle Market Hall	Investment to improve the infrastructure and internal structure in the Market Hall to improve the experience for shoppers and visitors and exploring options to create a food court and events space. Improving 2350M2 of floor space, upgrading 1 heritage building, supporting 60 businesses, creating/supporting 127 jobs, and generating 20,800 additional visitors, and £1,328,000 visitor spend PA	£3,015,000

4.7 In addition to the funding the project, 1% of the total funding secured from the Town Deal will be used to fund programme management (£197,000).

4.8 The Heads of Terms Agreement outlined a number of conditions that Carlisle will need to address as part of the agreement. These conditions will need to be addressed within the coming months, ahead of the submission of Business Cases. The conditions are listed below and a plan for addressing these conditions is outlined in our response to government regarding the Heads of Terms offer (Appendix B)

- Provide a more detailed future stakeholder engagement plan for both public and private sector which is focussed on Towns Fund interventions.
- The business cases for projects will be taken through Carlisle City Council in line with local assurance processes

- Public Sector Equalities Duty: Carlisle will undertake programme-wide level impact assessment, relevant project-level impact assessment and relevant Environmental Impact Assessments
- Market Hall Project: provide risk register including mitigations; provide further detail on outcomes related to job creation.
- Digital and Community Learning Hub Project: provide a breakdown of costings for each element of the project; provide further detail on the outcomes relating to the number of learners supported.

Delivery Plan and programme activity over next 12 months

Table 7: Outline Project Delivery Plan and Financial Profile

Project	21/22	22/23	23/24	24/25	25/26
Carlisle Market Hall	£2,156,560	51,510	£606,930		
Citadels Business Infrastructure	£159,000	533,000	1,368,000	£1,368,000	£572,000
Digital & Community Learning Hub		350,000	1,750,000	£250,000	
Lighting-Up Carlisle	£90,000	344,000	£52,000	£52,000	£82,000
Southern Gateway		670,000	1,700,000	£2,430,000	1,800,000
Start with the Park (SCGV)		250,000	£700,000	£940,000	£110,000
Project Tullie		£58,000	£234,000	£626,000	

- 4.9 Three fast track projects have been identified, which are highlighted in red in the below outline delivery plan. ‘Fast track projects’ are those where delivery can commence this financial year (2021/22). These are highlighted in red in the figure above.
- 4.10 As the Town Deal Programme has now been confirmed, Carlisle now moves into **phase two** of the development of a Town Deal. This involves the production, appraisal and approval (by the Town Deal Board and Lead Authority) of 7 Business Cases (one for each project). The timescale for Business Case development is fixed: all Business Cases need to be submitted to government by **March 2022**, furthermore, any fast-track projects will require business cases to be developed by the **end of October or December 2021**, depending on the

submission window selected, to ensure funding can be secured this financial year.

4.11 Once detailed business cases have been developed for each project, towns must submit a Town Deal Summary Document to the Towns Hub. This should include:

- A list of agreed projects (including BCRs)
- Details of business case assurance processes followed for each project
- An update on actions taken in relation to the Heads of Terms key conditions and requirements
- A Delivery Plan (including details of the team, working arrangements and agreements with stakeholders)
- A Monitoring and Evaluation Plan
- Confirmation of funding arrangements and financial profiles for each project
- Confirmation of approval of planning applications
- Letters of approval from the Town Deal Board and Lead Council

5. ECONOMIC DEVELOPMENT PROGRAMME MANAGEMENT OFFICE

- 5.1 The City Council are now in the process of contracting with the MHCLG for delivery of the agreed Future High Street Fund and Town Deal programmes. This will require the City Council to act as the Accountable Body and be accountable for the overall management and administration. In this role the Council will be required to:
- Manage, monitor, and evaluate the programmes
 - Manage contractual arrangements with project partners to ensure delivery
 - Be responsible for the financial management of the overall programme
 - In the case of Town Deal, support lead partners in the development of detailed business cases to secure funding
 - Reporting to government as required
- 5.2 The regeneration team has increased its capacity incrementally to respond to the growing workstreams flowing through the section. With the recent approval of the Future High Street Fund and Town Deal programmes, with packages of four projects and seven projects respectively, these workstreams have increased significantly.
- 5.3 In order to be able to undertake the role of Accountable Body for these major projects and programmes effectively it is proposed that a Programme Management Office (PMO) be established, for an initial 3 year period (subject to review), along with an increase of resources within the Regeneration team. The proposal is modelled on the approach by Northumberland County Council and the structure of the recently-established Borderlands PMO.
- 5.4 The PMO would initially have three permanent members of staff – the Programme Manager, Programme Officer, and a part-time Administrative Assistant.
- 5.5 It is recognised that the PMO will required specialist support from the legal, property and finance teams to deliver the projects and carry out the Accountable Body functions and responsibilities. This support has been discussed at the Major Projects Economic Growth Board.
- 5.6 To support the delivery of these major projects and programmes it is proposed that the capacity of the Regeneration team is increased. This will provide the resources required to ensures that project development and delivery for the Borderlands, Future High Street Fund and Town Deal programmes keeps on track and that the wider economic development and heritage protection work continues to be progressed.
- 5.7 It is proposed that the team is expanded from four members of staff to six. The two posts would be an additional Regeneration Officer post and also a client side project manager post. This will ensure that the necessary resources and

skills are in place to continue the business case development work for the Town Deal, whilst managing the delivery of the capital projects that have moved into implementation (e.g. FHSF).

- 5.8 From the funding that has been secured, allocations for programme management have included to support the costs that will be incurred by the Council in the development, delivery and management of these major economic development projects and programmes. This includes the costs of the necessary finance, legal and property support that will be required.
- 5.9 As the FHSF and Town Deal are capital grants, any claims for the programme management costs must be based on activity and expenditure that can be treated as capital and which are incremental in supporting the delivery of an asset. This means that some activity – such as the legal and finance support – would not be eligible and would need to continue to be funded from revenue budgets.
- 5.10 There will be a requirement to ensure correct accounting and allocation for those posts that will be funded from capital grants. Capital financing requirements do allow for project teams to be capitalised, but there are strict restrictions around what can and cannot be capitalised. For example, training and holiday pay are not allowable as a charge to capital and only officer time that can be directly attributable to a capital asset are allowable as being funded from capital resources. Any costs that cannot be capitalised would fall as a charge on the revenue budget.
- 5.11 As some posts are already base budgeted, the Regeneration Manager has worked closely with the Financial Services Manager to identify the optimum way in which the capital funding can be used alongside existing revenue budgets to minimise the request for additional resources and to try and enable posts directly impacting on the delivery of the schemes to be funded from the capital funding. The table at the end of this report also shows those changes where posts are to be considered as part of a wider Economic Development restructure and re-graded. The additional costs associated with this are included in the overall budget requirement of the PMO.
- 5.12 The proposals cover the next three years of activity for the PMO and regeneration team and entail:
 - An additional revenue budget requirement of £91,545 for this financial year 2021/22
 - An additional revenue budget requirement £82,560 for each of the following two years 2022-23 and 2023-24

	2021/22	Current Grade	Proposed Grade	FTE	Proposed Cost	Current Base Budgets	FHSF [C]	SCGV [R]	Additional Funding Required
PMO	Programme Manager	H	I	1					
	Programme Officer	F	F	1					
	Administrative Assistant	C	C	0.6					
	Finance Support								
	Legal Support								
	Property Support								
Regen	Regeneration Manager	L	M	1					
	Regeneration Officer (FHSF)	H	H	1					
	Regeneration Officer (Town Deal)	F	G	1					
	Regeneration Officer (Borderlands)	F	G	1					
	Project Manager	K	K	0.8					
	Heritage & Urban Design Officer	I	I	1					
	TOTAL				499,545	226,000	122,000	60,000	91,545

	2022/23; 2023/24	Current Grade	Proposed Grade	FTE	Proposed Cost	Base Budget	FHSF [C]	Town Deal [C]	SCGV [R]	Additional Funding Required
PMO	Programme Manager	H	I	1						
	Programme Officer	F	F	1						
	Administrative Assistant	C	C	0.6						
	Finance Support (Accountancy + Procurement)									
	Legal Support									
	Property Support									
Regen	Regeneration Manager	L	M	1						
	Regeneration Officer (FHSF)	H	H	1						
	Regeneration Officer (Town Deal)	F	G	1						
	Regeneration Officer (Borderlands)	F	G	1						
	Project Manager	K	K	0.8						
	Heritage & Urban Design Officer	I	I	1						
	TOTAL				539,810	226,000	122,000	49,250	60,000	82,560

6. RISKS

- 6.1 The capacity to manage the programme of projects and ensure that sufficient the resources in place to support deliver the key corporate economic development / regeneration priorities has been identified as a major risk within the ED Directorate risk register and has been escalated as a corporate-level risk. The establishment of the PMO and an increase of resources within the Regeneration team is the proposed control and mitigative action to manage this risk.

7. GOVERNANCE

- 7.1 As part of the accountable body function, the Council must demonstrate that robust governance processes are in place to ensure proper, transparent and accountable decision making.
- 7.2 In terms of initial governance principles, the PMO will need to have a strong interface between the existing governance structures that have been established to manage the delivery of the major projects and programmes. This will enable it to carry out the key tasks of managing, monitoring, and evaluating the programmes – and reporting to government as required.
- 7.3 The PMO would report to the Major Projects Economic Growth Board and present a ‘highlight report’, which would report on current activity, progress against milestones, budgets and risks. The Growth Board itself would act as the gateway for information and decision-making.
- 7.4 Through the Major Projects Economic Growth Board, the Economic Development, Legal / Governance, Finance, Property and Audit teams are working together on the creation of a robust governance process – and putting in place schemes of delegation to enable projects to run smoothly, similar to the those relating to the Sands Project that has worked well in practice.

8. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 8.1 The Economic Growth Scrutiny Panel is asked to:
1. Note the Future High Streets Fund (FHSF) Memorandum of Understanding included in Appendix A, the provisions contained therein
 2. Note the Remediation Road Map for the Caldew Riverside site and the key decision points as set out in Table 5 of this report.
 3. Note the progress on the development of the Carlisle Town Deal, the agreement of Heads of Terms (included in Appendix B), the agreed

programme of projects as set out in Table 6 of this report and the programme of activity over the next twelve months to progress towards agreeing the Town Deal

4. Note the additional resources required to deliver City Council's major economic development projects and the associated costs, and that these costs will be offset using grant funding that has been secured.
5. Note the establishment of an Economic Development Programme Management Office for an initial 3 year period (subject to review) and increasing the capacity of the regeneration team.

9. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

9.1 The major economic development / regeneration projects for which funding has now been secured - and the establishment of the PMO and expansion of the regeneration team to support their delivery - will contribute to the two key priorities of the draft Carlisle Plan 2021-23:

P1: Economic growth - prioritise the current response to and rapid recovery from the economic impacts of the Covid-19 pandemic on the local economy.

- delivering inclusive and sustainable urban and rural economic growth
- supporting the delivery of new housing
- boosting the local economy and making Carlisle a more attractive place for investment
- improving skills and drive key sector development
- ensuring our growth agenda is as inclusive as possible
- improving connectivity, both through the delivery of transport and digital infrastructure
- supporting the development of low carbon transport.

P2: Health and wellbeing - prioritise the current response to and rapid recovery from the health and wellbeing impacts of Covid-19 pandemic.

- Ensuring all communities have good access to a wide range of recreational and leisure opportunities.
- Providing opportunities for local communities to participate in and engage with the arts and culture.
- Creating accessible green spaces and opportunities to increase net biodiversity gains through improved wildlife habitats.
- Ensuring projects reduce the impacts of, and seek to mitigate against Climate Change

- Contributing to the development of extensive cycling and walking infrastructure plans for Carlisle in order to improve active transport options for local communities.

Contact Officer: Steven Robinson

Ext: 7535

Appendices attached to report: Appendix A - Future High Street Memorandum of Understanding.
Appendix B - Carlisle Town Deal Heads of Terms

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS:

LEGAL – The report outlines a significant number of projects which the Council has funding to progress. All Grant Funding Agreements and related documents must be reviewed by the legal services team prior to accepting the monies. Particularly where the Council is acting as Accountable Body, there will also be a need for third party agreements and these should be drawn up by the legal services team.

Legal input should also be sought at the earliest possible opportunity, for example, when developing the business cases required for the Towns Deal funding, in order that advice may be provided on such matters as title to any Council assets involved, third party easements and issues, due diligence on investors and cooperation agreements, the need for procurement or advertisements and SRO advice.

The report also sets out the intention that a Project Management Office be established, including funding for legal support. The projects outlined will require substantial legal input and the intention is to recruit to the internal legal team, however, where 'peaks' of work require, external legal support may also be sought, to be funded by the project.

Finally, it is proposed that a Governance structure and Scheme of Delegation is agreed, similar to those in place for the Borderlands deal and the Sands Centre construction project. This Scheme should be prepared in full consultation with the Monitoring Officer and will be brought back to Executive for approval.

PROPERTY SERVICES - The additional funding will be used to bolster internal resources within the Property team however any costs associated with specialist external resources will have to be met from the respective project budgets.

FINANCE – Members should note that the Memorandum of Understanding for the FHSF (Appendix A) is for 2021/22 only and therefore funding for 2022/23 onwards is subject to the outcome of the Government's Spending Review.

As the Council is acting as Accountable Body for the FHSF and Town Deal, it will need to ensure that it has suitable arrangements in place with third parties who will deliver some of the projects, e.g. Cumbria County Council, Tullie House etc, so that it can be certain that grant conditions will be followed and adhered to. There will likely be a requirement for funding agreements with these third-party bodies.

The Council will need to carefully consider any VAT implications associated with the delivery of the Schemes, to maximise VAT recovery from the significant sums of money incurred on land and property transactions, which have particularly complex VAT arrangements.

The report also details the requirements to deliver the schemes (FHSF and Towns Deal) and that a Project Management Office is to be established. There is funding within each scheme as an allowable cost for delivery of the projects, however, the PMO costs exceed these capital grants and therefore an additional amount for funding from the revenue budget has been approved by Council (ED22/21 20/07/21). It should be noted, and carefully considered, that these external grants are capital grants and there are specific and restricted regulations around the use of capital in funding staffing costs. The employee's activity must have directly contributed to bringing an asset into operational use. Any costs that do not fall within the guidelines will automatically be deemed revenue and not allowable as being funded from capital funding.

The PMO include costs for re-grading existing post. If these re-grades are permanent once the PMO ceases, then the additional recurring cost will need to be found from within existing Economic Development budgets. Although the PMO will utilise existing staffing resource, there are elements within the proposals that could see new temporary posts created. It should be noted that any temporary resource that is brought in for a period of more than two-years will be entitled to redundancy pay when the contract ceases and the PMO does not include any funding for this

potential cost, so provision will need to be made from existing Economic Development base budgets.

EQUALITY – Public Sector Equalities Duty, Carlisle will undertake programme-wide level impact assessment, relevant project-level impact assessment and relevant Environmental Impact Assessments.

INFORMATION GOVERNANCE – There are no Information Governance implications with this report.

Heads of Terms offer for Carlisle

Introduction

Carlisle is the capital of the Borderlands region. It is home to key institutions such as the University of Cumbria. Good development land availability and strong transport connectivity ensures Carlisle is ideally placed to grow, as evidenced by the planned St Cuthbert's Garden Village. Moreover, Carlisle benefits from a rich heritage as well as a strong private sector. However, Carlisle has a declining working-age population and a low skill, low wage economy. Many residents suffer from digital exclusion and live in deprived areas.

Government will work with Carlisle City Council and its Town Deal Board to support the delivery of a Town Deal, with the goal of ensuring all Carlisle residents have a share in the town's success.

The commitment

This document lays out the Heads of Terms offer to Carlisle, under the Towns Fund. This is not a contractually binding document and the offer is subject to various conditions being met. The Heads of Terms will act as a Memorandum of Understanding for the future development and delivery of Carlisle's Town Investment Plan and project proposals. It sets out joint expectations as Carlisle enters the business case development phase.

Government will provide up to **a total of £19.7 million from the Towns Fund**, which will be used to transform Carlisle into a thriving centre for businesses, residents, education and culture, providing new jobs, thousands of extra homes, better skills, a high-quality leisure and culture offer, a clean environment, and a great quality of life for a growing resident population and workforce. Carlisle will be a flourishing visitor destination, welcoming tourists to the city and offering an attractive gateway to the beauty of the wider Cumbrian and borderlands region.

Carlisle has proposed a range of projects that will contribute towards achieving this vision. These include:

- The acquisition and refurbishment of Carlisle Market Hall
- The creation of Citadels: Business Infrastructure
- The delivery of the Digital and Community Learning Centre
- The delivery of Lighting-Up Carlisle
- The transformation of the Southern Gateway
- The development of Start with the Park: St Cuthbert's Garden Village
- The delivery of Project Tullie, the transformation of the entranceway at Tullie House

Carlisle will need to prioritise these projects within the funding envelope being offered. Funding for individual projects will be subject to successfully completing Phase 2 of the Towns Fund process. This includes detailed project development and business case assurance at local level.

Process, governance and assurance

Local partners will work with government to demonstrate the feasibility, viability and value for money of their projects by developing and submitting the Town Deal Summary Document,

including (as per the Further Guidance and Stage two guidance: business case development):

- A list of agreed projects
- Details of business case assurance processes followed for each project
- An update on actions taken in relation to the Heads of Terms key conditions and requirements
- A Delivery Plan (including details of the team, working arrangements and agreements with stakeholders)
- A Monitoring and Evaluation Plan
- Confirmation of funding arrangements and financial profiles for each project
- Undertaking Public Sector Equalities Duty analysis
- Approval from the Town Deal Board and Lead Council

Carlisle should conduct project assurance in line with agreed routes for each individual project and should provide a more detailed future stakeholder engagement plan for both public and private sector which is focussed on Towns Fund interventions.

If the priority projects identified for funding do not progress, MHCLG cannot guarantee that funding can be assigned to alternative projects or that if it is those will be to the same value. This may result in an overall reduction in the amount of funding received.

Within two months of accepting this offer, Carlisle should confirm in writing details of projects being taken forward and a plan for addressing key conditions relating to those projects and the overall Town Investment Plan. This should be sent to towns.fund@communities.gov.uk, copied to the town lead.

Carlisle must then complete business cases for the projects being taken forward and submit the Summary Document within 12 months of the deal being agreed. MHCLG will then provide the agreed funding up to the maximum amount of **£19.7m** for those projects, provided that all conditions are met.

Signed:

Signature redacted

Chair of the Town Deal Board

Signature redacted

Chief Executive of lead Council

Signature redacted

MHCLG Secretary of State / Minister

20/04/21

Date

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 5 JULY 2021

****EX.58/21 REGENERATION PROGRAMME UPDATE AND ECONOMIC DEVELOPMENT PROGRAMME MANAGEMENT OFFICE**

(Key Decision – KD.16/21)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, the Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Leader and Economy, Enterprise and Housing

Relevant Scrutiny Panel Economic Growth

Subject Matter

The Economy, Enterprise and Housing Portfolio Holder provided an update on the regeneration projects and set out the work programme and activities to be undertaken for the financial year 2021-22 (ED.19/21). Approval was sought to add projects, for which funding had been secured, to the capital programme and to delegate authority for some decision making to enable projects to move forward and key milestones to be met.

In order to undertake the role of Accountable Body for the major projects and programmes effectively, the report set out the proposal for the creation of an Economic Development Programme Management Office and an increase to the capacity of the Regeneration team to support the development and delivery of the projects.

The Economy, Enterprise and Housing moved, and the Leader seconded the recommendations.

Summary of options rejected Not to continue with the Future High Streets Fund projects. That no funding is provided to increase the capacity of the regeneration team or create a Programme Management Office.

DECISION

That the Executive

1. Noted the Future High Streets Fund (FHSF) Memorandum of Understanding included in Appendix A (ED.19/21), the provisions contained therein.
2. Gave approval to sign the FHSF Memorandum of Understanding and therefore confirm the Council's acceptance of the £9,124,606 grant funding offered.
3. Gave approval for the Council to be the accountable body for the FHSF programme, as per paragraph 2.11 of report ED.19/21.
4. Approved, for recommendation to Council, a budget of £6,742,839 (in addition to the Greenmarket scheme already included in the Council's capital programme) be added to the Council's Capital Programme, according the financial profile for the years 2021-22, 2022-23 and 2023-24 as set out in Table 3 of report ED.19/21.
5. Agreed to release the budget for the Greenmarket scheme already included in the capital programme in accordance with the Council's budget resolution agreed in February 2021.
6. Noted the Remediation Road Map for the Caldew Riverside site and the key decision points as set out in Table 5 of report ED.19/21.

7. Delegated authority, regarding the Caldew Riverside remediation strategy key decision points, to the Corporate Director of Economic Development following consultation with the Leader of the Council, Portfolio Holder for Economy Enterprise and Housing, Corporate Director of Finance & Resources and Corporate Director of Governance & Regulatory Services to:
 - a) implement the appropriate remediation strategy options.
 - b) Agree scope and contract amount for practical actions within the remaining budget.
8. Noted the progress on the development of the Carlisle Town Deal, the agreement of Heads of Terms (included in Appendix B), the agreed programme of projects as set out in Table 6 of report ED.19/21 and the programme of activity over the next twelve months to progress towards agreeing the Town Deal
9. Noted the additional resources required to deliver City Council's major economic development projects and the associated costs and that these costs will be offset using grant funding that has been secured.
10. Agreed to the establishment of a Major Projects Programme Management Office (PMO) for an initial 3 year period (subject to review) and increasing the capacity of the regeneration team.
11. Approved, for recommendation to Council, additional revenue budget of £91,545 for the financial year 2021/22 to fund the PMO and the regeneration team and an additional £82,560 for the following two years 2022-23 and 2023-24, as set out in Table 8 of report ED.19/21 and funded from Revenue Reserves.

Reasons for Decision

To meet strategic objectives of the Carlisle Future High Street Fund and move forward with the four projects which had £9.1m of funding awarded to them.

EXCERPT FROM THE MINUTES OF COUNCIL HELD ON 20 JULY 2021

C.115/21 PROPOSALS FROM THE EXECUTIVE IN RELATION TO THE COUNCIL'S BUDGET AND POLICY FRAMEWORK

(iv) Regeneration Programme Update and Economic Development Programme Management Office

Pursuant to Minute EX.58/21, consideration was given to an update on the key regeneration projects and the work programme and activities to be undertaken. Approval was sought for an additional revenue budget to enable the creation of an Economic Development Programme Management Office (PMO) and increase the capacity of the Regeneration team to support the development and delivery of these regeneration projects. Additionally, approval was sought to add the Future High Streets Fund projects, for which funding had been secured, to the capital programme. An extract from the Minutes of the Executive meeting held on 5 July 2021 was also submitted

Councillor Nedved moved the Report, which was seconded by Councillor Mallinson (J).

The Economy, Enterprise and Housing Portfolio Holder responded to questions from Members on the report.

RESOLVED – That the Council:

1. Note the progress on the development and delivery of the key regeneration projects led by the City Council – Future High Streets Fund, Town Deal and Caldeu Riverside.
2. Approved an additional revenue budget of £91,545 for this financial year 2021/22 to fund the Programme Management Office and the regeneration team and an additional £82,560 for the following two years 2022-23 and 2023-24, as set out in Table 3 of report ED.22/21 and funded from Revenue Reserves.
3. Approved a budget of £6,742,839 (in addition to the Greenmarket scheme already included in the Council's capital programme) be added to the Council's Capital Programme, in accordance with the financial profile for the Future High Street Fund programme for the years 2021-22, 2022-23 and 2023-24 as set out in Table 2 of report ED.22/21.