

7 July 2021	ITEM: 16 Decision: 110572
Cabinet	
Town Funds: Update and Next Steps	
Wards and communities affected: Grays Riverside, Grays Thurrock, Tilbury Riverside and Thurrock Park, Tilbury St Chads,	Key Decision: Key
Report of: Councillor Mark Coxshall – Portfolio Holder for Regeneration, Strategic Planning and External Relationships	
Accountable Assistant Director: Dr Colin Black, Interim Assistant Director of Place Delivery	
Accountable Director: Sean Clark, Corporate Director of Resources and Place Delivery	
This report is Public	

Executive Summary

In November 2019, Government published its prospectus for The Towns Fund, a £3.6 billion fund to provide investment in 101 towns to drive economic regeneration in those towns and to deliver long term economic and productive growth.

The towns of Grays and Tilbury were both selected to participate in the programme and have the opportunity to secure up to £25m of investment into each town. In accordance with the guidance, the Council established private sector led Town Fund Boards in each area. The Boards developed and submitted Town Investment Plans (TIPs) which act as the funding application. Council Officers have supported the process, with decision making on the TIP development resting with the Board.

Each TIP includes a coherent suite of exciting projects which are promoted by the Board and are well supported by local public consultation. The TIPs request funding to deliver the projects and propose outline delivery stages. At the time of writing a decision from MHCLG on the level of funding to be awarded to each town is expected in late June 2021. To avoid any delay to progressing with the Town Fund this paper may be supplemented with further information and/or recommendations if the announcement and heads of terms for the Town Deal are received after publication of papers but before the Cabinet meeting.

It is proposed that the Council will be the Accountable Body for the funding. The Council will therefore enter into a Town Deal with MHCLG and will become responsible for project delivery, accepting any obligations that this entails.

Entering into the Town Deals creates a valuable opportunity to harness central government investment to make lasting, positive changes in Grays and Tilbury and to clearly respond to the feedback from the local community about where this funding should be targeted. To deliver this opportunity there are direct implications for the Council in terms of the contribution of Council owned land or assets, increased maintenance liability, ongoing revenue requirements and the acceptance of delivery risk. When balanced against the opportunity presented it is not considered that the level of risk is such that the Council shouldn't proceed with the funding programme, however, to ensure an informed decision making process the risks should be outlined and understood alongside the benefits.

This report and its appendices outline the anticipated next steps towards entering into the Town Deal and the projects under consideration. It highlights the opportunity, risks and implications for the Council associated with becoming the Accountable Body. The report then seeks approval to a range of recommendations which will enable the Council to continue through the Town Fund process.

1. Recommendation(s):

Cabinet are asked to:

- 1.1 Note the opportunity, risks, obligations and implications outlined in this report and its appendices, delegate authority to the Corporate Director of Resources and Place Delivery in consultation with the Portfolio Holder for Regeneration and External Affairs and the Assistant Director of Legal Services to agree the final terms of the Town Deal and to subsequently enter into any agreements required to secure the grant funding, including committing the Council to becoming the Accountable Body;**
- 1.2 Confirm support for the projects proposed in the TIPs and approve in principle the commitment of the Council assets and resources set out in appendix 4 subject to viable business cases being developed and formal consideration once this has been completed;**
- 1.3 Approve the proposed governance structure for the future stages of the Town Deal; and**
- 1.4 Subject to the approval of the above delegate authority to the Corporate Director of Resources and Place Delivery in consultation with the Portfolio Holder for Regeneration and External Affairs and the Assistant Director of Legal Services to commence procurement exercises and award tenders to secure external support to develop and deliver the projects.**

2. Introduction and Background

- 2.1. In November 2019, Government published its prospectus for the Towns Fund, a £3.6 billion fund to drive economic growth in 101 selected towns. Grays and Tilbury Towns were included in the list of eligible places and, in accordance with the guidance issued by MHCLG, the Council established a private sector led Town Fund Board for each area. The full membership of each Board is identified in Appendix 1 and reflects the requirements set out in the prospectus. Also in Appendix 1 is the membership of an advisory group established by the Board to support its activities and broaden the representation of local stakeholders. Both groups have played key roles in developing the comprehensive proposals including in the TIPs.
- 2.2. The towns have already received grants of £750,000 for Grays and £500,000 for Tilbury as an accelerated amount of funding from the Town Fund. These grants have funded a range of capital projects that have been delivered by the Council in each area including new play equipment at Grays Beach Riverside Park, improved bus shelters at Grays Bus Station, fitness trails in Tilbury and a contribution to the demolition of the Community Resource Centre to make way for the proposed Tilbury IMC. These smaller scale 'quick win' projects have attracted positive local feedback and signal the intent of the main fund to deliver capital projects that respond to the local community and create positive impacts in the areas. A full list of accelerated funding projects is included at appendix 2.
- 2.3. The TIPs submitted to MHCLG by the Boards have requested funding of £24.947m for Grays and £25.991m for Tilbury to deliver a programme of complementary projects in each area. A funding announcement is expected imminently but at the time of writing neither the amount of funding allocated to each town, nor any conditions that may be attached to the funding, is known.
- 2.4. It is anticipated that the funding announcement will be accompanied by a set of heads of terms for each Town Deal. Advice from the Towns Fund hub is that these heads of terms will need to be agreed within 3 weeks of issue.
- 2.5. After agreement, the Accountable Body will have 2 months to submit a final list of projects that will be funded with the grant money. It should be noted that many Towns who submitted TIPs to earlier deadlines and have already received their announcements did not receive the full amount of funding requested. This final list of projects will need to be deliverable within the amount of funding awarded. If a reduced amount is awarded some of the projects described in this report may need to be removed or reduced in scope.
- 2.6. Following submission of the project list the Accountable Body will have 12 months to develop and assure full green book appraisals for the projects. In order to draw down funding for the projects the Accountable body must then submit a summary report to MHCLG confirming that the business cases are viable.

- 2.7. The Town Fund requires grants to be spent and projects delivered by the end of March 2026.
- 2.8. The Town Fund presents an unparalleled opportunity to lever significant government investment into Thurrock, however, in taking on the role of Accountable Body the Council will be accepting delivery risk for the projects and will be committing resources and assets to their delivery and ongoing maintenance and management although this will be transferred to other parties where possible.

3. Issues, Options and Analysis of Options

- 3.1. The following paragraphs identify project opportunities and the main risks and implications to the Council of entering into the Town Deals and taking on the role of Accountable body. Appendix 4 includes a more detailed project specific review.

The Opportunity

- 3.2. The process has required substantial engagement with local residents, key community stakeholders and the private sector. These groups have all shaped the development of the TIPs ensuring that they truly reflect local priorities. In the absence of the Town Deal the Council would not be able to support the investment required to deliver on these priorities.
- 3.3. In Grays there is a clear emphasis on reconnecting the Town with its riverfront via a revived station gateway, new reasons to stay in the riverfront area and new river transport options. Tilbury also had a focus on the riverfront and proposes new river transport options but alongside this it seeks to revitalise the Tilbury Civic Square and provide a first class youth facility to address long standing calls for increased support for Thurrock's younger population in Tilbury and the wider borough.
- 3.4. The grant intervention rate is very high. Provided that projects can be delivered within the allocated budgets, the Council is being asked to contribute little in terms of up front capital funding for delivery.

Governance

- 3.5. The Town Fund Boards have invested significant time and expertise into the TIP development and have a valuable, ongoing role in the TF programme. However, entering into the Town Deal requires the Council to accept the position of Accountable Body. The Council will then have a legal duty to ensure best value is secured from public funds. Furthermore the ownership of the risks described in this report and its appendices will rest with the Council.
- 3.6. The TIPs suggest that the Boards would act as overarching client and lead, manage and monitor the delivery of TIP projects. It is noted the Boards have

no formal legal status and hence are unable to secure delivery of the projects through contracts or other legal agreements.

- 3.7. Accepting the delivery risks whilst not having control of the projects and their development exposes the Council to risk. Appendix 6 contains a proposed governance structure that clarifies the decision making and control for the Council that will allow it to manage the risks it faces whilst retaining an ongoing role for the Board to ensure that the expertise provided to date can continue to support and enhance the projects. This structure is subject to discussion with the Town Fund Boards and alignment with any future grant conditions.
- 3.8. Delivering the projects included in the TIPs and managing the related grant obligations requires significant staff resource from across the Council. This capacity will need to be funded to support delivery of the business cases and ultimately the projects. While there is limited funding available to date this remains a concern. In the current financial climate resource is severely constrained and to date the TF process has been added to the workloads of existing staff. If the TF bids are not appropriately resourced then this increases both the projects' delivery risk and financial risk. There is also a higher probability of non-compliance with grant conditions. The implications on funding of not meeting the conditions could include clawback of the grant by MHCLG.
- 3.9. To mitigate these risks the Council will:
 - Review the terms and conditions of the grant agreement once received;
 - Review the governance structure to ensure it reflects the Council's exposure to risk; and
 - Review Council resources on the TF delivery in the context of the grant conditions.

Project Development and Business Case Funding

- 3.10. When the towns were announced as being eligible for the Town Fund MHCLG allocated £162,019 to Grays and £140,000 to Tilbury to support the Town Fund process. The Grays Board reserved c. £60,000 of the initial amount to support the business case development stage whilst the Tilbury Board utilised all the funding in the first stage. MHCLG have allocated a further £40,000 to Grays and £70,000 to Tilbury to support business case development. No further funding can be drawn down from the Town Fund until the post business case Summary Report is accepted by MHCLG.
- 3.11. The available capacity funding is not sufficient to develop the projects to a level that can inform green book appraisals therefore completion of this stage requires the Council to commit funding from its own resources. It is estimated that a further £500,000-£750,000 for each bid will be required from Council budgets to progress the projects to RIBA 2 and complete business cases.

This funding will be committed at risk until MHCLG authorises the first draw down.

- 3.12. Whilst this funding can initially be capitalised and can be reclaimed from the Town Fund Grant once paid, it is not yet clear whether any projects that do not proceed beyond the business case stage will be eligible for Town Fund grant or whether these abortive costs will convert to a revenue pressure for the Council.
- 3.13. To mitigate this risk the Council will:
- Seek assurance from MHCLG that project development work that doesn't result in a viable project is eligible for grant funding; and
 - Review the projects in the TIP and only take projects that have a high level of certainty on cost and viability through the business case stage.

Project Delivery

- 3.14. All the projects included in the TIP submission are at concept stage and costs are therefore defined using high level assumptions. Significant further work needs to be undertaken to establish viability and confirm the detailed projected costs. Whilst contingency amounts have been allocated by the Board it is also noted that should these contingencies not be sufficient the Council will be responsible for funding any overspend from its own resources.
- 3.15. To address the risk of insufficient contingency funding the Council should:
- Ensure that contingency levels currently allocated against each project by the TF boards and reflecting the early stage of development work are reassessed by the Council and reallocated within the TIP as appropriate; and
 - Programme projects and expenditure so that there is scope to further reallocate funds during the lifetime of the programme should the contingency not be sufficient.

Council assets earmarked to support delivery

- 3.16. Many of the projects included in the TIPs are expected to be delivered on Council owned land or assets. Whilst no match funding has been included in the TIPs it is assumed that Council assets will be contributed to the projects at no cost. It is also likely that the grant conditions will impose a restriction on future disposal for a determined period of time. Proceeding on this basis will therefore remove the ability of the Council to use these assets to generate a capital receipt in the medium term.
- 3.17. To understand this implication the Council will undertake a best value assessment to ensure this approach can be supported.
- 3.18. A number of the projects proposed include the use of land which is currently public open space. For some projects the proposals represent enhancements to the space but with continued access on the existing terms and this will pose

limited difficulties. Where there are proposals to cease the use of parts of the sites for public access by placing new facilities on the sites this will be subject to formal public consultations and separate consideration prior to the decision to commit the Council to the proposed new usage.

Wider Financial Commitments

- 3.19. The Town Fund provides a 90% capital and 10% revenue funding split. TIPs include some projects that will create maintenance and/or management obligations post project completion. In some instances the TIPs have allocated revenue contributions but there remains the possibility of an increased revenue cost both in terms of revenue contributions to operation and increased maintenance obligations to the Council.
- 3.20. The revenue implications are highest for the Boards' priority projects in each town; the Jetty for Grays and the Onside Youth Zone for Tilbury. Further detail on the revenue implications of these projects are given in Appendices 4 and 5.
- 3.21. To mitigate the revenue implications the Council will:
 - Seek to transfer management responsibility for new assets to third parties wherever possible; and
 - In the event that responsibility needs to remain with the Council ensure that the revenue responsibility is understood and can be funded before proceeding with the project.

4. Reasons for Recommendation

- 4.1. The Town Fund presents a clear and exciting opportunity to invest in projects that have evidenced community support and will make a real difference to Grays and Tilbury. However, in participating in the programme, the obligations and risks being taken on by the Council are potentially significant and need to be managed effectively to support delivery. This report ensures that Cabinet are fully informed of these implications and risks when deciding how to progress the TF programme and the proposed projects.
- 4.2. It is expected that MHCLG will require quick turnaround of agreements that will formalise the Town Deal. Delegated authority to enter into these agreements is requested to ensure that the Council is able to respond within the required timeframes.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1. The proposed projects were reported to the Planning, Transportation and Regeneration Overview and Scrutiny Committee on the 8th December 2020. The committee was supportive of the way that the TIPs had been developed and the emerging project list.

5.2. During the development of both TIPs residents were consulted via the #MyTowns website and via surveys on dedicated websites for each town. The Board reviewed the feedback from these websites when developing the proposed projects.

6. Impact on corporate policies, priorities, performance and community impact

6.1. The Thurrock Local Plan and Economic Growth Strategy identify both Grays and Tilbury as a Growth Hubs where economic regeneration and housing growth are to be focussed.

6.2. The Refreshed Grays Town Centre Framework adopted by Cabinet in 2017 provides a more detailed context for regeneration activity in Grays. The Framework seeks to enhance the role of the riverfront, improving linkages between the Riverfront and the Town Centre. The Grays TIP also supports these aspirations as clear priorities for the funding.

6.3. The Tilbury Development Framework produced in October 2017 sets out a vision for Tilbury and describes a range of proposed interventions that follow a strategic arc from the station gateway down to the riverfront. The Tilbury TIP aligns with the priorities set out in this document.

6.4. The Digital and Information Technology Strategy supports enhancements in Digital connectivity that are proposed in both TIPs.

7. Implications

7.1. Financial

Implications verified by: **Jonathan Wilson**
Assistant Director - Finance

The Town Deals could provide c. £50m of central government investment into Thurrock. This can support a number of regeneration and place making priorities that could otherwise not be delivered without substantial capital contribution from the Council

The report highlights a number of financial risks and implications that the Council will need to accept in order to fulfil the role of Accountable Body and enter into the Town Deals.

The Council is required to forward fund the costs associated with developing the projects to a sufficient level to enable green book appraisals to be produced. There is a risk that abortive costs associated with any projects deemed unviable at the end of this stage will not be eligible for Town Fund funding and will create an unbudgeted revenue cost pressure for the Council.

The projects included in the TIPs have not yet been through a business case evaluation and are not yet developed to a sufficient level to have a high degree of confidence on the required costs. The risks associated with potential overspends or viability issues rest with the Council. The proportion of upfront funding coming from the external sources is high but there remains additional risk beyond these funding allocations.

The projects may produce an ongoing revenue funding requirement either in terms of increased maintenance or operational management. The risk mitigation strategy has identified that opportunities to transfer these obligations to third parties or to secure additional external funding which will be pursued. However, if unsuccessful this will create revenue budget pressures for the Council. In the case of the proposed Onside Youth Zone (Tilbury) and the Jetty (Grays) for example these ongoing revenue implications could be highly significant.

7.2. Legal

Implications verified by: **Ian Hunt**
Assistant Director Legal and Governance, and
Monitoring Officer

Whilst formally supporting the bid at this moment does not create a direct legal obligation it does commit the Council to working in good faith to develop and implement the proposals, at the point the Town deal is agreed with MHCLG this will create formal obligations on the Council. The proposals whilst bringing forward the potential for significant benefits does carry risk for the Borough, and the Council. In considering this report Members must be mindful that there are significant areas of developing detail within the proposals which may leave the Council exposed to material risks or continuing liabilities in the future.

On receipt of the Town Deal Heads of Terms the Council will need to review and understand the legal obligations attached to entering into a Town Deal and accepting the role of accountable body. The deal will commit the Council to certain projects prior to the completion of full business cases, the terms of the formal agreement will need to be carefully reviewed to ensure that the Council is protected against risks which may arise through the business case process (including cost increases, and third party risk).

There is at this moment insufficient information to allow the Council to make a formal decision to dispose or appropriate its land assets for the purposes of delivering the proposed projects. Accordingly the Council can only make a decision in principle to support the use of its land. Some parts of the proposed land which may be included in the proposals are public open space; before a decision can be made to commit the use of this land the Council must undertake statutory consultation under s123 of the Local Government Act 1972 and consider any representations received.

The fact that key information from the detailed business cases will not be available at the point of entering into the deal will mean that the Councils participation and obligations will have to be qualified with respect to certain projects and the final commitment on those projects will need to be undertaken once the relevant information including statutory consultation where relevant is confirmed / undertaken.

The Council is being asked to be the accountable body for significant public funds from government, the use of some of which may be managed by partner organisations potentially including those in the private sector. Whilst risk can be mitigated through the use of appropriate contracts the ultimate risk will remain with the Council if deliverables are not met. There is scope for the Council to have to repay funds or ensure delivery of projects with the resultant implications. This type of arrangement exists in a number of settings, and can be managed effectively.

The Council has in principle the necessary statutory powers to engage in these arrangements at this point, and deliver the proposed projects. However it must be recognised that in doing so it is not making determinations under specific statutory frameworks particularly around matters such as planning where future decision making will be necessary.

A number of the projects will require consents from third party bodies / regulators (such as the Port of London and Environment Agency) whilst the projects can be designed to mitigate difficulties this risk must be reflected in the consideration of the Councils overall risk as accountable body, and the terms of the grant agreement.

Where projects require works to be undertaken, or the entering into of long term service contracts formal procurement rules will have to be followed by the Council, following both the statutory requirements and the Councils procurement policies.

During the course of the formal business case development and the shaping of the final proposals further formal decision making will be required by the Council to exercise its statutory functions, particularly in relation to the disposal or acquisition of land and use of its other statutory powers.

7.3. **Diversity and Equality**

Implications verified by: **Roxanne Scanlon**
**Community Engagement and Project
Monitoring Officer**

The Town Board and its Advisory Group include a wide range of representation of stakeholders. Stakeholder engagement has built on regular engagement exercises carried out in the towns over recent years and the Town Board has committed to ongoing engagement through the process for submission and project development. Where engagement with residents is

required, for example if a change of use in publicly accessible open space is required as detailed in this report, then this will be as accessible as possible and aim to include all groups of the community including those from marginalised groups or those with protected characteristics. Wider consultations will take place as needed dependent on each project and any necessary requirements.

A Community and Equalities Impact Assessment will be completed for each of the projects as they are developed. Any negative impacts identified through this process will then seek to be minimised where possible.

7.4. Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder, and Impact on Looked After Children)

None

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- HM Government's Town Deal Prospectus and guidance
 - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/924503/20191031_Towns_Fund_prospectus.pdf
 - <https://www.gov.uk/government/publications/towns-fund-further-guidance>
- Grays Town Investment Plan (to be published after funding announcement)
- Tilbury Town Investment Plan (to be published after funding announcement)

9. Appendices to the report

- Appendix 1 - Membership of Boards and Advisory Groups
- Appendix 2a - Summary of Accelerated Funds projects – Grays
- Appendix 2b – Summary of Accelerated Funds projects - Tilbury
- Appendix 3 – Anticipated steps towards a Town Deal
- Appendix 4a – Projects proposed in the TIPs
- Appendix 4b – TIP Risk Summary – Grays
- Appendix 4c – TIP Risk Summary - Tilbury
- Appendix 5 – Onside Youth Zone funding model
- Appendix 6 – Proposed Governance Structure

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