

# North Yorkshire Council

## Executive

30th May 2023

### Catterick Town Centre Regeneration – Levelling Up Fund Project

#### Report of the Corporate Director of Community Development

#### **1.0 PURPOSE OF REPORT**

- 1.1 To accept the Levelling Up Fund grant from the Department for Levelling Up, Housing and Communities for the Catterick Garrison Town Centre Regeneration Project; and
- i: delegate to the Corporate Director of Community Development in discussion with the Corporate Director of Resources to accept the offer of £19,008,679 of capital grant funding from the Department of Levelling Up, Housing and Communities in respect of the Catterick Garrison Town Centre Regeneration Project.
  - ii: delegate authority to Corporate Director of Community Development to authorise acceptance of any minor changes to the grant conditions in discussion with the Executive Member for Open to Business and the Corporate Director of Resources.
  - iii: To provide Executive Members with a progress update on the project.

#### **2.0 SUMMARY**

- 2.1 This report covers the current status of the Catterick Garrison Levelling Up grant fund application. Richmondshire District Council (now North Yorkshire Council) received an offer of just over £19 million towards the regeneration of Catterick Garrison Town Centre. The terms of this offer have been considered which this report details with a recommendation to approve the grant memorandum of understanding.

#### **3.0 BACKGROUND**

- 3.1 The Levelling Up Fund (LUF) bid is a project which aims to regenerate part of Catterick Garrison Town Centre as part of a wider general ambition to improve Catterick Garrison Town Centre for residents. Richmondshire District Council's Corporate Board approved the submission of the bid at their Corporate Board Meeting of 23rd June 2022 and agreed to meet any shortfall in the match funding to a maximum of £100,000. They noted that the responsibility to deliver the project will be transferred to the North Yorkshire Council (Unitary Authority) who would become the collaborative project partner with the Defence Infrastructure Organisation (DIO). This was accepted by the Executive Members to Open for Business and Finance & Resources from North Yorkshire County Council.
- 3.2 The LUF bid costs represent a combination of public funds provided by the Department of Levelling Up, Housing and Communities (DLUHC) and match funding provided by project partners. The DIO have agreed in principle to make the land a contribution towards their financial obligations, the value of which is estimated up to £1.395m. This is based on the Catterick Garrison LUF red line application area which has a total land area of circa 4 acres (1.6 hectares). The MoD's proposed total match funding contribution is expected to be £1.73 million in total, 8.19% of that required by the bid. Match funding of £100,000 has been committed by Richmondshire District Council (0.47%) leaving a shortfall of £282,075

(1.34%). This shortfall was included in the Capital Forward Plan in the 2023/24 Quarter 1 Finance report to North Yorkshire Council's Executive. The North Yorkshire County Council's previous Section 151 Officer confirmed that the contribution of £282,075 from North Yorkshire County Council was approved in principle following discussion with Executive Members and the decision was ratified by the Council's Executive Committee on 23 August 2022.

#### **4.0 GRANT CONDITIONS**

4.1 The Grant Memorandum of Understanding (MoU) has been issued to the Council. This requires the signature of the Bid Senior Responsible Officer (SRO) who is the Assistant Director of Economic Development, Regeneration, Tourism and Skills.

4.2 The MOU sets out what is expected of grant recipients in relation to the grant, including but not limited to the following:

- Eligible expenditure
- Reporting
- Accountability and Assurance
- Monitoring and Evaluation
- Branding and Communication
- Performance Management

A grant determination letter will be issued to accompany each payment.

4.3 The MOU also includes a template for assessing fraud risk but this does not need to be returned to DLUHC. Two additional documents, the Procurement Register and the Assurance Framework have been submitted for the Council's consideration.

- Procurement Register – A separate procurement register will be required for each LUF project and should be maintained using the attached Procurement Register Template. The template covers both completed and planned procurements for the lifetime of the Council's LUF project(s). DLUHC will request an up-to-date copy of the Procurement register(s) for the respective project(s) as required for assurance purposes. This does not need to be returned to DLUHC.
- Assurance and Accountability Framework – sets out the requirements of grant recipients in managing public money aligned to the principles of regularity, propriety and value for money. The Chief Finance Officer (CFO) is required to sign this document.

4.4 The Assurance and Accountability Framework is structured on the three lines of defence approach which includes:

4.4.1 First Line of Defence – The CFO will be required to complete two returns to DLUHC on a six-monthly basis. These returns should include details of the checks that the CFO has taken to assure themselves that the Council has in place processes that ensure proper administration of financial affairs relating to the LUF projects.

The CFO is expected to respond directly to questions addressing the governance and transparency for aspects of LUF grant management including procurement, conflict of interest, Subsidy Control and State Aid, counter fraud, and risk management. They are required to return the assurance statement confirming it is being properly administered plus any information on concerns and risk mitigation. This should be completed on an annual basis.

4.4.2 Second Line of Defence – The second line of defence is independent of the first line and considers management of risk. The work is undertaken by DLUHC's Assurance and

Compliance Team and they are responsible for undertaking a range of checks linked to the First Line of Defence duties during the lifespan of the project.

The DLUHC Assurance and Compliance Team will complete a review of the information provided by the CFO and the SRO on a six-monthly basis which will form the starting point for the risk-based approach. It will also inform decisions on payments with respect to finance and delivery with performance information also feeding into payment considerations. The Team will use the risk-based approach as the mechanism to request a deep dive assessment to be carried out however deep dives will be undertaken on the basis of a suite of risk factors and random sampling. The triggers for a deep dive include the following:

- CFO – Flags issues on the Assurance and Accountability Framework and/or on the statement of grant usage.
- Financial Performance - is 40% off quarterly profile for two consecutive quarters. The financial performance reflects several considerations, (1) Performance thresholds utilised in previous growth programmes, (2) forecasts provided at application and (3) Inception meeting intelligence.
- Delivery Performance – deliverability is RAG rated red.
- Area Lead Intelligence – Judgement based on the nature of the intelligence concerns including procurement, governance and performance.
- External Auditor’s Annual Report – Judgement based on the nature of the intelligence.
- Assurance Intelligence – Judgement based on the nature of the intelligence concerns regarding procedure, governance and performance.

4.4.2 Third Line of Defence - carried out by the Government Internal Audit Agency which will review the activity carried out by DLUHA for the second line of defence.

## 5.0 **MONITORING RETURNS**

5.1 In addition to the Grant MoU the first quarterly Monitoring Return, which reports the period for Q4 Jan – March, has been issued to Council to complete. The monitoring return will require the Chief Finance Officer to provide a signed Statement, reporting their work on the LUF over the reporting period and their opinion on the governance and transparency of the LUF projects.

5.2 On an annual basis the Council will be required to provide a separate signed governance assurance statement describing the status of the LUF Projects. The statement will require the following issues to be specifically addressed where appropriate - procurement, counter fraud, Subsidy Control / State Aid, risk, business cases, expenditure, and conflict of interest. Additionally, on an annual basis, the Chief Finance Officer will be required to return a templated compliance letter for the attention of the DLUHC Accounting Officer This will confirm that the necessary checks are in place to ensure the proper administration of financial affairs with regard to the Levelling Up Fund.

5.3 Should performance or assurance concerns be identified either by the Council or DLUHC, a Deep Dive may be conducted with the Council.

## 6.0 **PROGRESS UPDATE**

6.1 The Council has started to prepare a Land Lease Agreement and Collaborative Partnership Agreement in order to secure the DIO’s match funding contribution.

6.2 The DLUHC requires all Levelling Up funding bids to include a local financial contribution representing at least 10% of total costs. In the case of the Catterick Garrison Town Centre

project, the land at Shute Road, Richmond Road and Coronation Park is owned freehold by the MoD. The purpose of the Land Lease Agreement is to transfer the project area's land holding to North Yorkshire Council on a 125-year lease basis. A peppercorn rent has been agreed in principle by the MOD.

- 6.2 The purpose of the Collaborative Partnership Agreement is to formalise the principles of the joint working arrangements between DIO and the Council, which have already been agreed in a Memorandum of Understanding in June 2022. This Agreement will also include the governance of the LUF Board and the joint co-ordination, which is needed to deliver this project within the required timescales.
- 6.3 Delivery timescales - The project is currently running three months behind the bid application timings, a delay caused by the late announcement of the bid result by the Department for Levelling Up Housing and Communities. Concerns of 'spending at risk' meant that the site survey work commenced later than originally scheduled, however upon receiving the decision the pace picked up considerably and all site survey work is now complete. It is anticipated that the full project will be completed by June 2025 rather than March 2025.
- 6.4 In addition to the site survey works there has been significant progress in setting up the full project governance structure, assembling the project working groups and appointing a new project delivery manager. Early market engagement for sourcing construction companies has been completed with work underway to engage with potential Building Management Companies.

## **7.0 ALTERNATIVE OPTIONS CONSIDERED**

- 7.1 There are no other options to consider in terms of regeneration of this area of Catterick Garrison. To not agree to the grant conditions would result in the funding offer from DLUHC being withdrawn. The project partners do not have sufficient funds available to deliver this substantial project without support of external public funds.

## **8.0 FINANCIAL IMPLICATIONS**

- 8.1 Project baseline cost estimate are detailed in paragraph 3.2 of this report and North Yorkshire Council is expected to contribute match funding of £282,075 in addition to the £100,000 allocated by Richmondshire District Council previously.
- 8.2 The project has been costed with contingency amounts however there will be a revised cost report undertaken before any entry into procurement and construction contract. In addition, there will be stringent and regular monitoring of full project costs and the capital plan through the governance and project management processes. A full risk register will be maintained in accordance corporate duties and project obligations.

## **9.0 LEGAL IMPLICATIONS**

- 9.1 The Council has general powers to undertake regeneration projects such as the Catterick Garrison Town Centre Regeneration Project pursuant to the general power of competence contained in the Localism Act 2011 as well as the wellbeing provisions in the Local Government Act 2000.
- 9.2 The MOU between DLUHC and the Council is stated to not be legally binding; it does however set out the understanding between the parties for the use of the funding for the project. Notwithstanding this position, there Council will be required to submit regular project, financial, and risk reporting outlined to DLUHC and DLUHC will then have the ability to make appropriate adjustments or withhold payments where there is concern over

the status of project delivery. Any changes to the project must be agreed with DLUHC by way of a project adjustment request. As noted above the Council is required to provide DLUHC with various financial, legal and governance assurances throughout the duration of this project and the Council will establish a project governance framework to ensure these requirements are met.

9.3 DLUHC will expect the Council to be responsible for all project overruns associated with the delivery as well as underwriting the agreed match funding contributions from DIO.

9.4 The Council and DIO are therefore progressing discussions on the Land Lease Agreement and Collaboration Partnership Agreement. Further reports will be brought back to Members as appropriate when final terms are agreed on the form of lease as well as the partnership arrangements for the next stages of the project.

## **10.0 EQUALITIES IMPLICATIONS**

10.1 An equalities impact assessment has been undertaken and identified no negative impacts on people with protected characteristics. The form is attached in Appendix A. The project is intended to support people with disabilities through the provision of a changing place.

## **11.0 CLIMATE CHANGE IMPLICATIONS**

11.1 There has been a climate change impact assessment undertaken. This is attached as Appendix B. This has identified some minor climate impact in terms of carbon emissions during construction. The whole project however will feature renewable energy and state of the art building construction methods which will contribute a positive impact on carbon emissions through generating more energy than the facility uses. In addition, the project has a community garden which will be used for food and flower growing supporting pollinators and reducing food miles. There has been attention paid to connecting paths and cycleways with networks running from housing and schools to the town centre through the park. Investment in these cycleways will encourage active travel.

## **12.0 REASONS FOR RECOMMENDATIONS**

12.1 Acceptance of the grant offer will enable transformation of a tired area of Catterick Garrison town centre to provide a community and business skills centre, new town square and park facilities. Without this funding this will not take place.

## **13.0 RECOMMENDATION(S)**

It is recommended that the Executive for Open to Business:

- i. agrees to accept the DLUHC grant funding award of £19,008,679.
- ii. delegates to the Corporate Director of Community Development in discussion with the Corporate Director of Resources to accept the offer of £19,008,679 of capital grant funding from the Department of Levelling Up, Housing and Communities in respect of the Catterick Garrison Town Centre Regeneration Project.
- iii. delegates authority to Corporate Director of Community Development to authorise acceptance of any minor changes to the grant conditions in discussion with the Executive Member for Open to Business and the Corporate Director for Resources

**APPENDICES:**

Appendix A – Equalities Impact Assessment

Appendix B – Climate Change Impact Assessment

**BACKGROUND DOCUMENTS:**

Memorandum of Agreement covering Catterick Garrison Levelling Up Fund Round Two between DLUHC and North Yorkshire Council

Nic Harne

Corporate Director – Community Development

Northallerton

5<sup>th</sup> May 2023

Report Author – Ann Stewart

Presenter of Report – Dave Caulfield Assistant Director Economic Development, Regeneration, Tourism and Skills

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions