

**POLICY AND RESOURCES COMMITTEE****Wednesday, 13 September 2023**

<b>REPORT TITLE:</b>	<b>DEPARTMENT FOR LEVELLING UP, HOUSING &amp; COMMUNITIES SIMPLIFICATION PATHFINDER PILOT</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF REGENERATION AND PLACE</b>

**REPORT SUMMARY**

This report seeks Member approval to take part in a Simplification Pilot delivery model known as a “Pathfinder” as established by the Department for Levelling Up Housing and Communities (DLUHC). The Council have been selected and formally invited to join the pilot scheme.

In April 2023 DLUHC proposed a Simplification Pilot to streamline the delivery of 3 local growth funds (external grants) overseen by them. The funding streams in question are Towns Deal, Future High Streets Fund (FHSF) and the Council’s Levelling Up Round 1 (LUF1) allocation, all of which are administered by DLUHC. The Pilot will allow the council to amalgamate the three funds into one large regeneration fund and only one claim will be completed each quarter instead of three separate claims. It also revises the spend deadline for all funds to the 31<sup>st</sup> March 2026 – at the moment the Future High Streets Fund must be spent by March 2024 and Levelling Up by March 2025. Currently there is significant pressure on the Future High Street Fund to spend all the grant by next March and the Council faces a high risk of clawback if this deadline is not met.

The pilot will also enable more flexibility to transfer money between the projects funded by these three funds as they will all be considered as being funded by one grant pot. Governance of the pilot will be the responsibility of the local authority, and this will be set out in a separate Investment Plan, which will also present the outputs to be achieved by the pilot. The investment plan will be taken to Policy and Resources committee as a separate document in time to meet the DLUHC deadline.

This report will contribute to the Wirral Plan with regards to delivering a prosperous, inclusive economy where local people can get good jobs and achieve their aspirations.

Through the successful delivery of the regeneration projects it will benefit the delivery of a cleaner, greener borough which celebrates, protects and improves the environment and urgently tackles the environmental emergency and contributes to making safe and vibrant communities where people want to live and raise their families.

This is a key decision due to the value of the combined funding allocations covering 2 or more wards.

The report primarily impacts on the Birkenhead and Tranmere, Bromborough Ward and Seacombe Ward, however the successful implementation of individual projects have implications for all Wards.

## **RECOMMENDATION/S**

The Policy and Resources Committee is recommended to:

1. Accept the invitation to participate in the Department for Levelling Up Housing and Communities Simplification Pilot; and
2. Authorise the Director of Regeneration and Place to enter into the Pathfinder Memorandum of Understanding (MOU), in consultation with the Director of Law and Governance.

## **SUPPORTING INFORMATION**

### **1.0 REASONS FOR RECOMMENDATIONS**

- 1.1 The benefits for the Council of the simplified Pathfinder over the current, separate funding arrangements are important and provide greater operational efficiencies. It would bring multiple benefits for the project delivery process and comprise greater levels of flexibility, reducing the administrative burden of delivering three parallel programmes, as well as extending the completion date for all three funds to March 2026. It will also enhance the level of local decision making and funding monitoring and management, as well as other critical operational efficiencies as detailed in this report.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 The Council have been invited to join the “Pathfinder” scheme and for the reasons detailed in this report this is the recommended option. The Council could take the option of declining the offer but if the council decided not to join the pilot there will be significant pressure to spend the Future High Street Fund grant by March 2024 or there is a risk of clawback, withheld funds or reputational damage on some of this funding if it remains unspent.

### **3.0 BACKGROUND INFORMATION**

- 3.1 The Council has been successful in securing various external funds to deliver its ambitious and transformational plans, as set out in the Birkenhead 2040 Framework 20-year plan. Three of these funding streams originate from the Department for Levelling Up, Housing & Communities (DLUHC) including Future High Street Fund, Town Deal and Levelling Up Fund 1 Birkenhead secured for four key regeneration programmes:

- Future High Street Birkenhead - £25,581,010
- Future High Street New Ferry - £3,213,523
- Birkenhead Town Deal - £25,000,000
- LUF1 Birkenhead - £19,648,872

Total funding across the 3 different streams = £73,443,405

- 3.2 The combination of funding for overlapping and adjacent schemes brings about a number of challenges, in particular with regards to procurement, monitoring and evaluation and delivery timescales. Working closely with the Council since the submission of funding bids though to project development and delivery onsite, it has become clear to DLUHC that their offer of multiple funding streams and the associated monitoring of them has brought about significant challenges where the projects form part of a wider programme with shared objectives.
- 3.3 In April 2023 DLUHC proposed a simplification pilot to streamline the delivery of 3 local growth funds administered by them. The funding streams in question are Towns Deal, Future High Streets Fund and the Council’s Levelling Up

Round 1 allocation. For clarity, the simplification pilot does not include the Liverpool City Region Combined Authority's £9.7m Levelling Up Fund Round 1 allocation covering Argyle Street, administered by the Department for Transport.

3.4 Following consultation and engagement with officers, DLUHC have invited the Council to take part in the pilot delivery model known as a simplified 'Pathfinder' Pilot. The delivery model that will be tested by DLUHC is built around the following principles:

- A single aggregate allocation replacing three programme allocations
- A combined set of outcomes
- A streamlined reporting process
- A simplified change request process
- A single point of contact within DLUHC for any queries about funding or the pilot

3.5 Local authorities currently in receipt of funding from all three of these DLUHC funding streams are eligible to participate in the pilot and Wirral Council is one of only 10 local authorities to have been invited to participate. The pilot is not mandatory, but DLUHC are keen to work with eligible local authorities to understand how the pilot could successfully work in different local contexts and for wider priorities.

3.6 The benefits for the Council of the simplification Pathfinder Pilot over the current, separate, funding arrangements are as follows:

- The pilot will provide the Council with greater levels of flexibility that can be used to speed up delivery of key projects by moving money between projects where required.
- Reducing the administrative burden of delivering three parallel programmes will enable the council to adopt a more efficient approach to project delivery. The three funding streams will all share a completion date of March 2026. Currently the end date for FHSF is March 2024, LUF1 is March 2025 and Town Deal is March 2026. This will give more time and flexibility to deliver on complex and interdependent projects across the three funding streams, ensuring they are aligned and can be delivered with maximum benefit as opposed to prioritising projects to meet spend deadlines.
- The Council will benefit from an enhanced level of decision making; a lighter touch arrangement to the change control process will be introduced with a new threshold level. Currently most changes require individual Project Adjustment Forms to be completed and approved by DLUHC. Under the Pathfinder the Council will only need to seek approval from DLUHC if it is making a 'material change' to the Investment Plan. 'Material change' has been defined to be a move of least £5m to a different intervention theme or moving at least £5m between projects in the same intervention theme.

- The Council will have greater ability to make decisions locally about moving smaller amounts of funding (less than £5m) between projects in the funding portfolio. The flexibility to manage and determine projects and spend profiles locally is welcomed and will assist where opportunities arise and cost increases impact on project delivery.
- The current Benefit Cost Ratio (BCR) variances across the three funding streams bring a number of limitations to certain projects. This issue is most evident in the FHSF programme, which places the most reliance on a threshold BCR and is a particular issue for areas with low land values and significant viability gaps. We have been verbally notified that BCR will not be a key assessment requirement within the new pathfinder programme and there is no reference to BCR in the guidance notes from DLUHC.
- A combined set of outcomes and outputs, covering the full portfolio of activity that will be delivered using the aggregated funds, will replace the three separate reporting templates currently required to monitor and evaluate projects. DLUHC will track delivery of the interventions across the portfolio as opposed to a project-by-project basis. A streamlined reporting mechanism involving one three-monthly Red, Amber, Green (RAG) report - a risk report focusing on spend and progress - and one six monthly delivery report will simplify the process of monitoring and evaluation, enabling both the Council and DLUHC to more accurately measure the benefits of the projects which have shared objectives.
- A range of indicators will also feed into the evaluation of the Pathfinder pilot which will be conducted centrally by DLUHC. Delivery insights gathered through this evaluation work will inform the design of future government funding programmes.

- 3.7 Members will be aware that the existing approved officer scheme of delegation allows decisions to be made up to a level of £1.5m. Reliance on the scheme will include consideration of any changes arising during the life of the various projects included in this combined pot of Government funding that equate to a financial value of £1.5m. This is a continuation of a practice already in existence. Any changes above that amount will be taken back to committee. Change controls would be submitted to DLUHC as part of the ongoing monitoring of the pilot. Any changes above £5m will require DLUHC to approve them.
- 3.8 An Investment Plan will need to set out how the Council will use the funding and include high-level information on the projects as well as an aggregate set of outcomes and outputs selected from the Investment Framework. The Plan must include a forecast for the amount of funding that will be invested each year across the identified interventions. This will be a separate document and will be taken to members within the permitted timescales by DLUHC.
- 3.9 This Investment Plan is essentially the reset point for the three current regeneration programmes. DLUHC has been clear however, that there is an expectation that the key activities, overall budgets, outputs and outcomes originally promised across all three funds will remain relatively consistent.

- 3.10 The Investment Plan will set out proposals for governance and assurance issues. An existing assurance framework prescribed by DLUHC is already in place and was established in 2020 to provide advice on the Towns Deal fund – the Town Deal Board. The Town Deal Board includes the Leader and some local councillors (the Chair of Economy Regeneration and Housing Committee and a Birkenhead Green Party councillor), and also a number of stakeholders (Wirral Met College, DLUHC, job centre plus, as well as representatives of local community groups) and as private sector representatives including the chair. The Council is required to establish a consolidated governance structure which will oversee the total portfolio of projects for the Simplification Pilot. The Council has the flexibility to set out how a consolidated governance will work for the pilot area and will include an overview of the chosen approach in the Investment Plan. Whilst there is no direct instruction to the Council, DLUHC have advised that the Pathfinder pilot would benefit from building on the positive role of Town Deal Board to date.
- 3.11 The proposed Board will have no decision-making power but will exercise strategic oversight over Pilot activity. The Investment Plan will consider the role of the Town Deal Board and how it might be reconstituted or expanded into the consolidated governance structure to give stakeholders the framework to exercise strategic oversight over the portfolio.
- 3.12 The Investment Plan will require consultation with stakeholders, including the existing Town Deal Board, elected members, local MPs and senior council officers. The Investment Plan will require approval from the S151 officer prior to submission. This will take place before it is taken to Committee for approval.
- 3.13 A single Memorandum of Understanding will replace the agreements in place for the three funding streams.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 This pilot delivery model is designed to deliver operational efficiencies and to extend the delivery deadline for all associated regeneration projects funded by Future High Street Fund and Levelling Up Fund, which have deadlines of March 2024 and March 2025 respectively, to March 2026. These deadlines increase the risk of clawback or withheld funds with regards to their challenging delivery timetable. Extending the deadline will mitigate this risk. There are no additional financial implications of joining the Pilot when compared to managing the three separate funds.

#### **5.0 LEGAL IMPLICATIONS**

- 5.1 It is proposed that a single Memorandum of Understanding (MOU) will replace the agreements in place for the three funding streams. Full consideration will be given to any associated legal implications both for the Council and in any external Grant Funding Agreements with third parties. At this stage there are no known legal implications arising that would influence Member's decision making regarding the recommendations of this report and it is recommended

that the finalising of this MOU is delegated to the Director of Regeneration and Place in consultation with the Director of Law and Governance.

## **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 As detailed in the background to this report there are operational efficiencies arising from the combined governance of the Pathfinder pilot as only one monthly claim will be submitted and reporting to DLUHC will be less frequent. However the compilation of the claim will still require the same level of resource by pulling together information from all the projects within the pilot.
- 6.2 Management of the extended Pathfinder Pilot board, if it is established, will require the same level of resource as the existing Towns Deal Board.

## **7.0 RELEVANT RISKS**

- 7.1 All specific project and programme risks, which remain unchanged by entering into the pilot, are captured in individual risk registers and reported to the Regeneration Project Management Office on a monthly basis. They are also highlighted at the Regeneration Portfolio Board and reported to the Investment and Change Board. A sub-committee of the Economy, Regeneration and Housing Committee was established in June 2022 and the remit of this group is to be extended to manage progress and risks for the overall regeneration programme. Entering into the pilot will mitigate a number of risks around spend deadlines and therefore project delivery but will not impact on other individual project and programme risks.
- 7.2 There are potential risks to project delivery arising under the current funding parameters, given the spend deadlines and the ability to deliver successful schemes in time to meet these deadlines. The three funding streams will all share a new completion date of March 2026 which will allow more time for project delivery. Currently the end date for FHSF is March 2024, LUF1 is March 2025 and Town Deal is March 2026. Joining the pilot will result in the spend deadline for all three funds being March 2026.
- 7.3 Entering the pilot will give more time and flexibility to deliver on complex and interdependent projects across the three funding streams, ensuring they are aligned and can be delivered with maximum benefit. The current arrangement exposes the Council to the possible clawback of significant grant allocations to the detriment of local regeneration projects and the benefits they potentially could have brought to Wirral by imposing earlier deadlines for spending the funding. For example, projects are progressed in some cases due to spend deadlines where a better approach would be to time project delivery to maximise the benefits to be achieved by those projects. If the council decides to join the pilot the risk of underspend or clawback will be significantly reduced compared to the current arrangement.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 The Investment Plan will require consultation with stakeholders, including the Council Leader, elected members including the Policy and Resources committee, MPs and the existing Town Deal Board. The Investment Plan will be presented to SLT and will require approval from the S151 officer prior to submission.
- 8.2 Existing successful governance structures will be utilised, building on the positive local role of Town Deal Board to provide an overview of the chosen approach in the Investment Plan. It will have no decision-making powers but will exercise strategic oversight and advice over pilot activity.
- 8.3 Full consideration will be given to build upon the successful use of “BirkenEd’s Place”, the “Have Your Say” web site and other social media platforms to keep people informed as the project development design and implementation stages proceed. This is no different to the existing arrangement with the three separate funds.

## **9.0 EQUALITY IMPLICATIONS**

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.
- 9.2 There are no direct Equality implications arising specifically from this report and no change from the individual Equality requirements of the three individual funds. However each individual project will address any implications arising to ensure no protected groups are adversely impacted by the implementation of regeneration activities as part of their normal considerations.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

- 10.1 None directly arising from this report however the regeneration schemes impacted do have climate change resilience measures and Biodiversity Net Gain proposals at the core of their designs and objectives to mitigate impacts.

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

- 11.1 Community Wealth Building reorganises local economies to be fairer and stops wealth flowing out of communities. Striving for a prosperous and inclusive economy where local people can get good jobs and achieve their aspirations, the Council’s aims to create an economy that benefits all of our residents and one which keeps money within Wirral. The Council’s Community Wealth Building Strategy is a key part of how this is achieved and makes a major contribution to improving the economic, social and health outcomes of the borough.

- 11.2 The projects within the Pathfinder Pilot programme will ensure that more wealth is invested and stays within the Borough. A number of the projects are being developed by local community interest companies which will help build a more resilient local community and support community organisations. Future procurement exercises will build the wealth of our local communities where we will strive to maximise social value activity through creation of local employment/ training opportunities and local labour/spend to maximise the Wirral pound.
- 11.3 Having more flexibility in delivery aspects ensures that community wealth benefits are more likely to be realised.

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**APPENDICES**  
**None**

**BACKGROUND PAPERS**

Simplification Pathfinder Pilot: Technical Guidance, Department for Levelling Up, Housing and Communities - 31<sup>st</sup> July 2023

<https://www.gov.uk/government/publications/simplification-pathfinder-pilot-technical-guidance/simplification-pathfinder-pilot-technical-guidance#:~:text=This%20stand%2Dalone%20pilot%20will,in%20partnership%20with%20local%20authorities>

Letter to Paul Satoor, Wirral Council Chief Executive, from DLUHC dated 30<sup>th</sup> June 2023 – Funding Simplification Pathfinder Pilot

**TERMS OF REFERENCE**

To provide strategic direction to the operation of the Council, including making decisions on policies and co-ordinating spend not reserved to full Council, and to maintain a strategic overview of outcomes, performance, risk management and budgets.

To provide a co-ordinating role across all other service committees and retain a ‘whole-council’ view of performance, budget monitoring and risk management, which includes responsibility for a decision which is deemed significant in terms of impact on the Council’s revenue or capital.

**SUBJECT HISTORY (last 3 years)**

Council Meeting	Date
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<b>Levelling Up Fund – Officer Decision Notice</b>	<b>17<sup>th</sup> Feb 2022</b>
<b>A Town Deal for Birkenhead – Approval of Full Business Cases (Tranche 2) – Officer Decision Notice</b>	<b>8<sup>th</sup> July 2022</b>
<b>Future High Street Fund – Economy, Regeneration and Development Committee</b>	<b>4th March 2021</b>