

# Morley Town Deal Heritage Investment Fund – approval of subsidy scheme

Date: 19<sup>th</sup> October 2023

Report of: Morley Town Deal Heritage Investment Fund project team

Report to: Director of City Development

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## Brief summary

- Following Executive Board delegation on 18<sup>th</sup> October 2023 to the Director of City Development to approve all project capital spend for the Morley Town Deal and to authorise entering into appropriate contracts or grant agreements required for delivery of the Heritage Investment Programme, and the injection of £1,787,206 into the capital programme (capital code 33393/MHI/000) for the Heritage Investment Fund project, the purpose of this report is to obtain approval from the Director of City Development to set up a Subsidy Scheme for the Heritage Investment Fund.
- A Subsidy Control assessment for a subsidy scheme has been completed and will be published on the BEIS subsidy database within three months of the approval date.
- This report sets out the proposed initial area of focus for the Fund, the review period of this area, the Subsidy Control Assessment position and delegations for future decisions related to the Fund.

## Recommendations

- a) Approve the launch of the Heritage Investment Fund subsidy scheme and note that details of the Subsidy Control Assessment for the scheme will be published on the BEIS subsidy database within three months of the approval date.
- b) Approve the initial phase of the Fund to focus on a specific geographic area of Morley, outlined within this report. Note that a 12-month review takes place to assess the take-up of the scheme and consider changes to scheme criteria.
- c) Note that future decisions on individual grants for shopfronts are approved by the Chief Officer for Asset Management and Regeneration, and are considered by the Heritage Grants Board, chaired by the Chief Planning Officer, in line with similar heritage grants schemes.
- d) Note future decisions on spend within the flexible fund of £275,000 will be considered by Morley Programme Board and approved by the Director of City Development.

## What is this report about?

- 1 The Heritage Investment Fund will operate as a grants programme, leveraging in match funding from property owners to physically improve a number of heritage buildings within the Morley conservation area.
- 2 As the conservation area is extensive, grants will be managed in a phased approach to ensure there is a focused and effective impact on regeneration in specific areas of Morley. The initial focus of the Fund will be on the Morley Bottoms area of the town centre, including the area of Chapel Hill, Cheapside and Brunswick Street at the junction with Queen Street, and heading south to the junction of Troy Road with Queen Street (outlined in Appendix 1). The grant uptake of property owners in this area will be reviewed 12 months from the launch of the Fund and consideration will be given to extending the boundary of the scheme to ensure funding can be allocated within the Town Deal period.
- 3 It is proposed that future decisions on individual shopfront improvement grants are approved by the Chief Officer for Asset Management and Regeneration, and are considered by the Heritage Grants Board, chaired by the Chief Planning Officer, in line with similar heritage grants schemes. Decisions on the flexible fund (£275,000) will be considered by the Morley Programme Board and approved by the Director of City Development.
- 4 A Subsidy Control assessment has been conducted for the individual shopfront grants element of the Fund, to set up a Subsidy Scheme. This will streamline the process for individual grants which, on the basis the grant falls within the Scheme criteria, will not require an individual Subsidy Control assessment. The value of each grant will be assessed on a case-by-case basis and individual subsidy control assessments conducted should any grant fall outside of the Scheme criteria.
- 5 The Subsidy Control assessment will be published on the BEIS subsidy database within three months of the approval date. The publication sets the limitation period for anyone objecting to the Scheme on subsidy control grounds, which they would do by applying for a Judicial Review, for one month from the date of publication.
- 6 A separate Subsidy Control assessment will be carried out for the £275,000 flexible fund element of the project when a use has been identified and costed.
- 7 The shop front grant scheme is intended to fund conservation standard works to buildings which otherwise may not be carried out in normal market conditions, to improve the streetscape while enhancing the character and visual regeneration of heritage buildings. A maximum of 85% of eligible works can be subject to grant funding, with the remaining costs match funded by the property owner.
- 8 The aid intensity rate of 75-85% of eligible costs is based upon a review of precedent schemes in Leeds, which in turn is informed by the guidance of national arm's length bodies such as Historic England and the Heritage Lottery Fund. This provides assurance that the aid intensity rate has been tested through practical delivery of heritage grants schemes and represents a proportionate level of subsidy for these types of projects.
- 9 An alternative approach is to undertake a before and after valuation exercise of a target property, based on a costed refurbishment scheme. The difference between the uplift in value generated by the improvements, and the eligible costs (including allowable profit) represents the conservation deficit. This approach is typically used for projects which include internal refurbishment works but is not typically used for enveloping schemes or schemes focused specifically on shopfront improvements. On this basis, it is proposed that a conservation deficit approach is used for larger grants, as set out below.

Type of grant	Value	Eligible works	Aid intensity	Security
Small	<£100,000	Enveloping (external)	75-85% intervention rate	None
Medium	£100,000-£250,000	External and internal	Conservation Deficit approach	Legal charge
Large	£250,000<	Feasibility to full refurbishment. Site/viability unlocking	Conservation Deficit approach	Legal charge

### What impact will this proposal have?

- 10 The Heritage Investment Fund will operate as a grants programme, leveraging in match funding from property owners to physically improve a number of heritage buildings within the Morley conservation area. The fund will support up to 25 properties, focusing on schemes that will unlock broader economic benefits, attracting new and diverse uses to the town centre.
- 11 The grant scheme is intended to fund conservation standard works to buildings which otherwise may not be carried out in normal market conditions, to improve the streetscape while enhancing the character and visual regeneration of heritage buildings. It is proposed that a maximum of 85% of the eligible works can be subject to grant funding, with the remaining costs match funded by the property owner. The rationale for the aid intensity rate is set out in the previous section of this report.
- 12 In addition to the financial support offered through the grant scheme a Conservation Area Appraisal and Management Plan and a Shopfront Design and Maintenance Guide have both been commissioned and produced as part of the Fund. These documents provide clear planning guidance to inform property owners on best practice for works on traditional shopfront designs and advise on maintaining and enhancing heritage detail to manage the development of the conservation area. This will enable the positive impact of the scheme to extend beyond the limitations of the grant funding, influencing wider improvements to, and management of, heritage buildings in the town.

### How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 13 The LCC Local Plan Core Strategy highlights the importance of the historic environment in placemaking and identity. Policy P11 sets out how the historic environment including historic buildings and townscapes will be conserved and enhanced, which includes promoting Conservation-led regeneration schemes as a catalyst for wider regeneration. This subsidy scheme directly pursues this policy by providing grants to property owners to refurbish and reinstate traditional shopfront designs within the Morley Conservation Area, to revitalise the economic heart of the town.
- 14 The scheme responds to the climate emergency as the reuse of buildings will contribute towards long-term survival and sustainability and contribute towards zero carbon ambitions through reducing the need for new carbon-generating construction and avoiding the negative impacts of potential demolition and embodied carbon.

## What consultation and engagement has taken place?

Wards affected: Morley North, Morley South.

Have ward members been consulted?  Yes  No

- 15 The Executive Member for Infrastructure and Climate as well as Ward Members and Morley Town Council are represented on the Morley Town Deal Board and the Town Centre, Culture and Working Group. They have been kept informed as proposals develop through those meetings.
- 16 Extensive consultation and engagement was carried out in the course of developing the Morley Town Investment Plan which is well documented elsewhere. The public consultation saw a significant level of support for bringing forwards interventions to support Morley's heritage buildings.
- 17 Specific consultation has been carried out as part of the project development for the Heritage Investment Fund. A leaflet drop was carried out by Council Officers in August 2021 seeking feedback on the desirability of a heritage grants schemes and conversations were held with individual shop owners. The leaflet directed business owners to a follow-up online survey where participants gave details on their property and the types of intervention required. The leaflet drop was followed up with a letter to businesses in the conservation area in November 2021 which has elicited further responses. This process has informed and will continue to inform the development of the grants scheme as it has indicated a high level of demand as well as properties with particular heritage value which is currently not being exploited.
- 18 The Morley Town Deal Board provide strategic oversight of the projects within the Morley Town Deal and have been kept informed regarding proposals as the Heritage Investment Fund project progresses. The Town Centre Placemaking and Culture working group Chaired by Councillor Hutchinson have been involved with the development of the Heritage Investment Fund and in-depth discussion relating to the conservation area and the St Mary's site. The proposals have been supported by the working group.
- 19 The Council's Legal Services were directly involved in the review of the Subsidy Control assessment and the assessment was provided to Executive Board on 18th October 2023.
- 20 Morley Programme Board was consulted on these proposals on 7th July 2023.

## What are the resource implications?

- 21 Grant funding for the scheme from DLUHC of £1,787,206 has been injected into the capital programme, into capital code 33393/MHI/000.
- 22 Grant will be paid in arrears: either at the end of the construction work (Practical Completion) or in stages as construction work progresses. During the construction works the Morley Regeneration Officer will arrange regular site visits to check how work is progressing. Stage payments can only be made for up to 90% of the grant awarded. 10% of the total grant will be withheld until the council is satisfied that all works have been completed to the required standard and has received a copy of the Practical Completion Certificate and Final Account.
- 23 The base costs of the scheme have been developed based on the provision of fixed grants estimated at an average of £35,000 to 25 historic properties and a flexible funding pot of £275,000 to fund additional works to other buildings, operated on an ad hoc basis. These figures were based on an assessment of the costs of previous heritage grants schemes during

the business case development period in 2020/21. Subsequent inflation is likely to have significantly increased the costs of potential schemes and it is possible that this will also have had an impact on the ability of property owners to invest match funding. In this context, it is proposed that the Council keeps scheme costs under review and assesses the potential impact of increased costs on outputs.

24 Contingency was applied at a rate of 10% of the capital works, which was benchmarked to similar schemes operated by the council over recent years. Allocations were made for professional fees, the appointment and salary of a heritage officer to oversee the delivery and project management fees for council staff, each based on percentage allocations and benchmarked to similar schemes.

### **What are the key risks and how are they being managed?**

25 Construction heritage projects with critical timeframes routinely carry a range of risks from their inception. The key risks as found through experience in other grant programmes are:

- Unwillingness of owners to apply for grants. Previous heritage projects have seen that shop owners are keen to work with the Council and understand the strategic vision for the area.
- Due to the specialist nature of the project the procured contractor may not fully understand the requirements. This will be mitigated through a thorough procurement process which will require a qualitative assessment and evidence of contractor experience of similar heritage projects. This will be a requirement of the business owner as set out by the Grant Agreement.
- Availability of materials and potential for delay or cost increases. Alternative supply or materials will be sourced wherever possible to mitigate this.

26 Project risks will be managed by the Heritage Officer via a risk register. These will be managed and assessed throughout the duration of the project. All risks which cannot be reduced below high risk will be reported to the LCC Programme Board as part of the Highlight Report.

27 Significant or cross cutting risks that impact other projects will be escalated to programme level. Where necessary, Exception Reports will be produced to notify the Board of risks which require urgent action. A risk workshop will be held at the start of each stage to monitor existing risks and identify any new risks that may have occurred. Once on site these risks will be managed and reported on monthly.

### **What are the legal implications?**

28 A Subsidy Control assessment has been conducted in conjunction with Legal Services for the individual shopfront grants element of the Fund, to set up a Subsidy Scheme. This will streamline the process for individual grants which, on the basis the grant falls within the Scheme criteria, will not require an individual Subsidy Control assessment. The value of each grant will be assessed on a case-by-case basis and individual subsidy control assessments conducted should any grant fall outside of the Scheme criteria.

29 The Subsidy Control assessment will be published on the BEIS subsidy database within three months of the approval date. The publication sets the limitation period for anyone objecting to the Scheme on subsidy control grounds, which they would do by applying for a Judicial Review, for one month from the date of publication.

30 A separate Subsidy Control assessment will be carried out for the £275,000 flexible fund element of the project when a use has been identified and costed.

31 Legal Services will be directly involved in the management of drafting and signing any grant agreement.

## **Options, timescales and measuring success**

### **What other options were considered?**

32 Extensive options testing took place during the Business Case process for the scheme in 2020/21 and a long list was refined to the four short list options below:

- 1. First come first served:
  - Strengths: Equitable and maximises opportunity
  - Weaknesses: Disparate and does not provide required uplift to high street
- 2. Single area targeted:
  - Strengths: Big impact on one area of the high street
  - Weaknesses: May not get buy in and limits opportunities in the future
- 3. Hybrid Approach:
  - Strengths: Provides meaningful uplift whilst giving the flexibility needed.
  - Weaknesses: May be more difficult to communicate
- 4. Priority 1,2,3,4:
  - Strengths: Greater control
  - Weaknesses: Inflexible, difficult to administer, requires strong engagement from businesses

The overall assessment of these four sub-options concluded that Option 3 was the best variant with the greatest strengths and the fewest weaknesses.

### **How will success be measured?**

33 Monitoring and evaluation outputs have been determined for the Morley Town Deal and specific estimated targets have been formulated for the Heritage Investment Fund as below:

- 50 jobs created or safeguarded through the scheme.
- 25 shopfronts improved through scheme.
- 16 vacant buildings targeted with new commercial tenants.
- 1000m<sup>2</sup> of new office space.
- 4420m<sup>2</sup> of floorspace repurposed.

### **What is the timetable and who will be responsible for implementation?**

34 Regeneration Officer, Liam Riley will be responsible for the implementation of the Fund. All projects must be completed by March 2026.

### **Appendices**

- Appendix 1 – Initial boundary
- Appendix 2 – Eligible Works
- Appendix 3 – EDCI Screening

### **Background papers**

- None.