

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

Date 26th July 2022

REPORT AUTHOR: Cllr David Selby, Cabinet Member for a More Prosperous Powys

REPORT TITLE: LUF0268 MONTGOMERY CANAL RESTORATION PROJECT

REPORT FOR: Decision

1. Purpose

- 1.1. The purpose of this report is to update Cabinet on the status of the successful Levelling Up Funding award for the Montgomery Canal Restoration project, outline the detail of the project, and seek approval to;
- 1.1.1. enter into a Service Level Agreement with the Canal & River Trust for the delivery of the Project
 - 1.1.2. delegate 'restricted' decision-making authority to a proposed 'partnership' based Montgomery Canal Restoration Project Board to oversee the delivery of the Project.
 - 1.1.3. authorise the Head of Legal & Democratic Services in consultation with the the Director of Economy & Environment, Head of Finance and Cabinet Member for a More Prosperous Powys , to make any necessary adjustments to the SLA to ensure swift progress of the project and to sign the final SLA on behalf of the Council.

2. Background

- 2.1** On 27 October 2021, HM Government confirmed that the Council were successful with the Levelling Up Funding ('LUF') bid for the Montgomery Canal Restoration Project which had been prepared and submitted in collaboration with the Canal & River Trust ('CRT')
- 2.2** In approving the application, the Department for Levelling Up, Housing and Communities ('DLUHC') agreed to allocate funding up to the value of £13,937,565.00 towards total project costs of £15,486,182.97, in accordance with the table below:

Financial Year	Total (£)
2021-22	425,524
2022-23	4,321,645
2023-24	9,190,396
2024-25	0
Total 2020-21 – 2024-25	13,937,565

- 2.3** The project will aim to revitalise the disused 4.4 mile section of the Montgomery Canal, between Llanymynech and Arddleen, with the longer term aim of connecting to the 12 miles already restored either side of Welshpool and to the national canal network itself.
- 2.4** The phased restoration will be an exemplar of sustainable development in North Powys, making a substantial contribution to the phased restoration and regeneration of the Canal as a flagship nature-based visitor attraction, providing long term economic, cultural, and outdoor recreational benefits to local communities.
- 2.5** Complementary infrastructure and improvement works will also be undertaken to the historic Y-Llanffa wharf building in Welshpool together with two, adjoining, canalside cottages all of which are listed and in the Council's ownership. The works will thereby create an improved, vibrant, community and cultural hub facility for the Welshpool town.
- 2.6** The Canal & River Trust will act as delivery lead for the canal restoration works between LLanymynach and Arddleen, whilst Powys County Council will act as delivery lead for the Welshpool Wharf Cultural Hub improvements.
- 2.7** The Council will retain overarching responsibility as 'lead authority' for grant administration, monitoring and reporting to DLUHC with the Director for Economy and Environment being the Senior Responsible Officer ('SRO') for the Project.
- 2.8** Responsibility for delivery of the multiple components of the Project is summarised as follows:
- 2.8.1 Canal & River Trust Projects (Total Cost - £14,029,042.20)**
- Rebuild Walls Bridge and Williams Bridge
 - Creation of three off-line water-based nature reserves alongside the canal to meet ecological requirements for restoration.
 - Dredging to remove the silt and weed growth and associated bank protection works to prevent collapse – including provision of and a sustainable cycling and walking route along the canal corridor.

- Aqueduct repairs, relining locks, repairing leaks and sluices, replace missing masonry and other infrastructure works to enable the utilisation of the Canal for the project purposes

2.8.2 **Powys County Council Project** (Total Cost - £1,457,140.77)

- Development and enhancement of the canal side community and cultural hub in Welshpool town centre through the renovation and reconfiguration of the Y Llanffa Building and two canal side cottages.

2.9 Together the complimentary activities will deliver significant benefits for the County and its residents. The benefits and 'Case for Investment' are outlined in extracts from the Application which are attached in Appendix A

2.10 The DLUHC and Powys County Council formally signed a 'Memorandum of Understanding' on 18th February 2022, enabling formal commencement of the project.

2.11 However, whilst the Council have been able to progress surveys, feasibility and design works relating to the Community & Cultural hub at Welshpool, the Canal & River Trust have been unable to fully progress canal restoration works in the absence of a delivery agreement/ SLA with PCC.

2.12 Delays have therefore resulted in the project being unable to meet the required LUF spend for 2021/2022 of £425,524.00. A request has been made to the DLUHC through the monitoring process to agree a revised end date of 31st December 2024 and to slip the underspend into subsequent years. A response is awaited.

2.13 In the absence of an agreed Service Level Agreement, and to mitigate further project delay, a Purchase Order has been raised with CRT (to a value of £75k) to enable commissioning of essential works and resource to maintain progress in accordance with programme.

3 Advice

3.1 Service Level Agreement: In accepting the LUF award, the Council is required to have the necessary governance and assurance arrangements in place to ensure all legal and other statutory obligations and consents are adhered to by all parties to delivery - including, but not solely, state aid / subsidy control, equalities duties, procurement, health and safety and fraud.

3.2 Furthermore, Clause 3.8 of the MOU requires 'the Council to evidence (on request) a constituted LUF delivery board (or that a pre-existing delivery board has formally adopted LUF governance within its Terms

of Reference). Integration into the 'full governance arrangements of the Council should be evident'

3.3 Mindful of these requirements, the substantial sums involved and the obligations placed upon the Council as 'lead applicant', Cabinet is advised that a Service Level Agreement be entered into with the Canal & River Trust that clearly establishes the terms, principles and practices that will apply to the working relationship between both parties for the administration and delivery of the Project.

3.4 A draft SLA is attached in Appendix B with the following core aspects highlighted:

- The SRO for the project is the Director of Economy & Environment.
- Both parties are to be responsible for the delivery of their respective elements of the project within the budget ceilings allocated (see s.4.1);
- Both parties agree the Governance Structure outlined in Appendix C and to establish a 'Project Board' that will oversee and deliver the Project.
- The Board will operate on the basis of 'restricted' authority to make decisions within the confines of scope, programme and costs outlined in the MOU, application and award process (refer to Appendix D for Full Terms of Reference)
- The Project Board will comprise of 2 senior representatives from PCC and 2 senior representatives from CRT and with the Chair of the Montgomery Canal Partnership attending in an advisory capacity.
- The Board will be chaired by the Head of Economy & Digital Services.
- Decisions will be made on a consensus basis.

3.5 The draft SLA in Appendix B is all but agreed but there are a few remaining issues to be resolved.

3.6 Cabinet is therefore asked to approve the draft SLA set out in Appendix B of the report and include delegated authority to the Head of Legal & Democratic Services, in consultation with the Director of Economy & Environment the Head of Finance and Cabinet Member for a More Prosperous Powys to finalise and approve any amendments with the Canal & River Trust.

3.7 The reasons for this advice are:

3.7.1 To enable officers to conclude SLA negotiations with the CRT and approve the agreement – providing CRT with the certainties necessary to fully initiate project activity.

3.7.2 To satisfy DLUHC requirements for a constituted Project Delivery Board that is fully integrated into the governance arrangements of the Council

3.7.3 To enable progress and mitigate any further potential underspend against the award.

4. Resource Implications

4.1 Budget & Grant Payment: LUF grant payments issued by DLUHC are for capital expenditure only. The breakdown of overall project costs, LUF funding and match allocations from the Council and the Canal & River Trust is as follows:

Funding Body	CRT Works	PCC Works	Total
LUF	£12,626,138.28	£1,311,426.72	£13,937,565.00
CRT	£774,308.99	£0.00	£774,308.99
PCC	£628,594.94	£145,714.05	£774,308.99
	£14,029,042.20	£1,457,140.77	£15,486,182.97

4.2 The Council's match funding is allocated from the Levelling Up reserve, approved for the purpose of application. The Budget for the project was included in the Capital Programme Report approved by Council on the 3rd March 2022. The CRT's match funding allocated to the project is provided from multiple capital investment budgets relevant to the works to be undertaken and is confirmed.

4.3 DLUHC will release payment of LUF grant to the Council in six monthly increments in January & July of each year. Payments will be based upon actual and forecast expenditure to March and September of the respective monitoring periods and subject to submission of a Section 151/95/114/54 Officer signed Statement of Grant Usage.

4.4 In accordance with the detail within the SLA, it has been proposed that release of grant to the Canal & River Trust for works undertaken are released on a similar basis (ie six monthly) and on receipt of Funds from DLUHC proportionate to the allocations specified in 4.1.

4.5. The Trust have indicated that this scheduling will cause problems with cashflow and have requested quarterly/monthly payment during design development and construction phases respectively. At construction stage, this could result in estimated financial exposure to the authority of between 3-4million.

4.6 This risk of DLUHC withholding payment to PCC of monies expended to CRT on a more frequent basis is considered extremely low but the issue of liability in this event and apportionment, remains an outstanding matter of detail to be resolved with CRT.

- 4.7 It is therefore recommended that Cabinet approve the recommendations in this report to approve the draft SLA but include delegating authority to the Head of Legal & Democratic Services in consultation with the Director of Economy & Environment, the Head of Finance and Cabinet Member for a More Prosperous Powys, to conclude this and other outstanding matters on the SLA.
- 4.8 Resource/Staffing: The Project is being delivered in partnership with the CRT. Under the terms of the SLA both parties are separately responsible for the provision of adequate project management resource and staffing to deliver the project elements specified in clause 2.8 of this report.
- 4.9 CRT resource will be in the form of reallocation of existing personnel and new appointments. CRT are currently undertaking interviews for five new posts necessary for delivery of the restoration elements of the project. Appointments will be confirmed once the SLA is agreed.
- 4.10 In its role as lead authority and administrator/custodian of LUF grant the Councils role is to ensure that resource allocated to CRT works is appropriate, dedicated to project activity and represents value for money.
- 4.11 The Council's obligations in respect of the overarching administration and management of the LUF project, and specific delivery of the Welshpool Community & Cultural Hub works will be met through the provision of the following roles:
- Programme Manager – 1 FTE
 - Project Support Officer – 1 FTE
 - Assistant Business Finance Partner – 0.5 FTE
 - Project Manager - 0.25 FTE
- 4.12 These core roles will be supported by the following members of staff, on a time charge basis: Capital & Financial Planning Accountant, Head of Service Economy & Digital Services, and Senior Manager Highways, Technical & Business Development.
- 4.13 Staffing requirements may be reviewed over the course of the project in response to the needs of the project phase.
- 4.14 The PCC allocation of Project Management costs within the award for the duration of the project to 31/3/2024 amounts to £371.5k. The estimated cost of PCC project staffing (as set out in s. 4.8) for the period stands at £314k, resulting in a healthy contingency of £57.5k.
- 4.15 However, project delays have resulted in a request to extend the project completion date to 31/12/2024. If the extension date is approved, resulting in additional staffing costs beyond the contingency available, a virement

between budget headings will be required. This is allowable under the funding terms, but subject to DLUHC notification.

4.16 The Head of Finance (Section 151 Officer) notes the content of the report and comments as follows:

4.16.1 Section 2.11 highlights that delays have resulted in the project being unable to meet the required LUF expenditure for 2021/2022. A request has been made to the DLUHC asking for a revised end date of 31st December 2024 and to slip the underspend into subsequent years. A response is awaited. This does carry some risk although it is considered to be a low risk.

4.16.2 Both of the LUF projects require match funding from the Council. A reserve has been set up to meet this contribution across the LUF projects, the reserve is not sufficient in itself to meet the totals required, therefore additional funding will need to be sourced.

4.16.3 Section 4.5 above highlights that the Trust will find it difficult to manage their cashflow based on the scheduled drawdown of funds from DLUHC and have requested more regular payments from the Council to be able to manage this. The council can accommodate this request but will carry the risk of meeting these costs prior to drawing the funding from DLUHC. Costs will be incurred due to the loss of interest on the cash or to support temporary borrowing if required.

5. Legal implications

5.1 Legal: the recommendations can be accepted from a legal point of view.

5.2 The Head of Legal and Democratic Services (Monitoring Officer) has commented as follows: " I note the legal comment and have nothing to add to the report".

6. Data Protection

6.1 During key project stages there will be a requirement to consult and engage with local communities, businesses, and residents. The project will retain surveying data attained from business and public surveys for evaluation and monitoring purposes.

6.2 All data collection, storage and security will follow corporate legal procedures, legislation and guidelines including the GDPR General Data Protection Regulation 2016/679 and the Data Protection Act 2018 to ensure we remain compliant with required data protection standards, and maintain the confidentiality and protection of all individual's data.

- 6.3 The project will also adhere and follow the guiding principles and obligations under the Freedom of Information Act 2000 including the Statutory Code issued under Section 45 of the Act and the Environment Information Regulations 2004 (the “Information Laws”)
- 6.4 The obligations relating to compliance with the Data Protection Act 1998 (DPA) and the General Data Protection Regulation 2016/679 apply to CRT through the terms of the SLA.

7. Comment from local member(s)

7.1 Comments received from local members as follows

7.2 Councillor Richard Church, Welshpool Castle - ‘The LUF award for the Montgomery Canal Restoration Project is an important investment for Welshpool and the people of Powys.’

‘It is important that the aims and outputs are clear and measurable. The funding arrangements can often appear confusing - especially where multiple funding streams are being referenced ie LUF, Mid Wales Growth Deal etc, they need clear explanation.

‘With regards the Y Lanfa works, I would expect to see the Town Council consulted over the aims of the project and local members such as myself consulted at every stage of the design development and construction.’

‘We also need to ensure that any improvements at Y Lanfa are future proofed and that they allow flexibility of use in the future.’

7.3 Cllr Arwell Jones, Llandysilio – ‘It is great to hear that the delivery of this project is moving forward. The project is a fantastic opportunity for Powys and the local communities that live and do business along this stretch of canal.

‘We must make sure that the affected communities and their representatives are consulted on a regular basis and their views taken into account. Especially where existing interests are directly impacted upon - such as the playpark area by Walls Bridge, that is managed by Carreghofa Community Council’

‘I would also like to see the restoration project reaching out to the local primary school to involve the pupils and their families in what will be a transformative project for the local area’

7.4 Cllr Lucy Roberts, Llandrinio – “Securing funding for substantial restoration works of the Canal between Llanymynach and Ardleen is a major achievement and opportunity for the Council, the Trust and its partners.”

‘Given the project forms part of wider aims for the long term restoration of the canal, it is important our messaging is clear on what will be achieved in this round of works and the specific benefits that will be delivered’

8. Integrated Impact Assessment

- 8.1 The Integrated Impact Assessment for the Montgomery Canal Restoration Project confirms compliance with all national, regional and corporate priorities plans and objectives, providing positive impact across a range of social, economic, environmental and health measures. (See Appendix E for full Impact Assessment)
- 8.2 The project will contribute positively towards several goals outlined in the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011, the Wellbeing of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure 2011. Likewise, contributing significantly towards Corporate Strategy and Plans. The Project does not cause any negative impacts.
- 8.3 In making a substantial contribution towards the restoration of the Canal between Llanymynach and Ardleen, the Project will, in itself, make a positive contribution to the visitor economy, wellbeing and health of businesses, visitors and residents.
- 8.4 As part of a longer term, phased approach, to deliver the full restoration of the Montgomery Canal, the project has the potential to contribute to additional benefits for communities and residents by providing momentum and a more compelling case for investment.

9. **Recommendation**

9.1 That Cabinet:

- 9.1.1 Agrees the draft Service Level Agreement with the Canal & River Trust set out in Appendix B, to deliver the project.
- 9.1.2 Authorises the Head of Legal & Democratic Services in consultation with the Director of Economy & Environment, the Head of Finance and Cabinet Member for a More Prosperous Powys, to make necessary adjustments to the draft SLA to ensure agreement with the Canal and River Trust and swift progress of the project.
- 9.1.3 Authorises the Head of Legal and Democratic Services to sign the final SLA on behalf of the Council.
- 9.1.4 Approves the Governance structure to oversee the delivery of the project as set out in Appendix C
- 9.1.5 Approves the delegation of powers to the 'Montgomery Canal Restoration Project Board' to oversee the delivery of the project with such delegation being 'restricted' to actions within the scope, costs and programme outlined in the Memorandum of Understanding, Application Bid, Project Management Update and associated bid documentation.
- 9.1.6 Approves the Terms of Reference for the Montgomery Canal Restoration Project Board as set out in Appendix D to the report.

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Appendix A – The Case for Investment

Appendix B - Service Level Agreement (Latest draft)

Appendix C - Project Governance & Delivery Structure

Appendix D - Project Board – Terms of Reference

Appendix E – IA (Latest draft)

