

**Report of Director of City Development**

**Report to Executive Board**

**Date: 21<sup>st</sup> April 2021**

**Subject: Responding to the Levelling Up Fund**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary**

**1. Main issues**

- The Levelling Up Fund (LUF) was released by government as part of the March 2021 Budget and the prospectus sets out an opportunity to bid for significant capital investment for delivery of projects from the 2021/22 financial year, that will deliver economic uplift.
- The investment themes of the LUF will enable consideration of projects that will improve the city's transport infrastructure, regenerate town centres and deliver investment and transformation in our cultural assets.
- There is an extremely short time period for assessing, prioritising, developing and submitting bids under Round 1 of the LUF. Bids must be submitted to government by 18<sup>th</sup> June, be capable of implementation from March 2022 and the April Executive Board is the only meeting before then to set out the Council's intended approach to responding to this opportunity and to ensure it can provide the appropriate oversight and mandate for this.
- The report sets out the structure of the national LUF, the basis on which bids can be made and the way in which the Council is to engage with key stakeholders to arrive at possible bid submissions for Round 1. It also outlines an approach to ongoing engagement and prioritisation of possible investments for future rounds of the LUF, for which a further report will be brought to Executive Board.
- The Director of City Development has existing delegations under which the Council's selection and submission of bids can be taken forward, in consultation

with relevant Executive Members where projects sit within or have relevance to their portfolios and other Council Members as appropriate.

## **2. Best Council Plan implications** (see the [latest version of the Best Council Plan](#))

- The broad scope of the LUF means this is a significant opportunity to secure investment against a range of existing or new project activities that could accelerate existing schemes or deliver support the delivery of new ambitions which are capable of implementation by end March 2024 (or March 2025 for exceptional large schemes). across all aspects of our Best Council Plan. Investments in infrastructure, assets or in town centre regeneration could have particular relevance to Inclusive Growth, Health & Well Being, the delivery of Sustainable Infrastructure, supporting our cultural assets and visitor economy (including the 2023 celebration of culture) and to the delivery of both Child Friendly and Age Friendly places.

## **3. Resource implications**

- There is potentially up to £160m available to the city through the LUF, subject to success through the competitive bidding process.
- The short timescales and nature of the bidding requirements for Round 1 is likely to place significant strain on existing staffing resources and it is proposed to commission some external assistance in the first instance to assist with this work.
- £125,000 revenue is being made available to the Council for support developing bids for future rounds of the LUF, which can be utilised to further develop and supplement internal capacity.

## **Recommendations**

- a) Note and support the approach to bringing forward bids to the Levelling Up Fund and agree that constituency MP's within the Leeds Metropolitan District boundary are asked to advise their priorities for investment for consideration by the Council;
- b) Agree that the Director of City Development undertakes an assessment and prioritisation of projects for the Levelling Up Fund in consultation with relevant Executive Members as set out in paras 3.4 – 3.11;
- c) Agree to consider proposals for Round 1 bids at an additional meeting of the Executive Board prior to the submission of any bid(s) before the 18<sup>th</sup> June deadline for the Levelling Up Fund;
- d) Note the intention to bring a further report to Executive Board in relation to the submission of bids to future rounds of the Levelling Up Fund and any changes to the government prospectus and guidance.

## **1. Purpose of this report**

- 1.1 The report sets out proposals for how the Council will respond to the government's Levelling Up Fund.

## **2. Background information**

- 2.1 In its March 2021 Budget, government announced the release of several funds to support its ambitions to 'level up' the country, support economic growth and social transition following the country's exit from the European Union.
- 2.2 The most significant of these is the Levelling Up Fund (LUF), a £4.8 billion capital programme to invest in infrastructure that improves everyday life across the UK, including regenerating town centres and high streets, upgrading local transport, and investing in cultural and heritage assets.
- 2.3 Alongside the LUF government has also announced the UK Community Renewal Fund (CRF), a £220m predominately revenue programme for project delivery in 2021/22 to help local areas prepare for the UK Shared Prosperity Fund that will be launched as the successor to EU Structural Funds in 2022. The CRF is intended to pilot new approaches to supporting skills development, community and place, local business support, and supporting people into employment.
- 2.4 Leeds has not been identified by government as a Priority Place for the CRF but is still in a position to submit bids for this funding, through the Combined Authority as the bidding authority.
- 2.5 This report summarises the scope of the LUF and sets out the proposed approach for the Council to adopt in assessing, prioritising and presenting potential bids back to Executive Board.
- 2.6 The submission of Round 1 bids under the LUF is required by 18<sup>th</sup> June and will be for funding and start of project delivery in the 2021/22 financial year. The April meeting of Executive Board is currently the only available opportunity before this deadline to set the Council's response and as such proposals are brought forward in this report to provide the Board with oversight and to seek approval to the approach outlined.
- 2.7 At national level the LUF programme will be jointly managed and appraised by three government departments - HM Treasury (HMT), the Department for Transport (DfT) and the Ministry of Housing, Communities and Local Government (MHCLG). The LUF prospectus is currently inviting bids for a first round of government investment in projects that will start to spend and deliver from 2021/22, within or across three main themes that reflect this new joined up government approach to co-ordinated investment in place:
  - 2.7.1 *Transport*

The LUF supersedes and incorporates the previous DfT Pinch Point Programme. Examples of potential projects given within the prospectus are: cycleways, bus priority, public transport facilities, accessibility improvements, local road schemes, structural maintenance.
  - 2.7.2 *Regeneration & Town Centre Investment*

The prospectus states that the LUF could address similar themes and aims to the Towns Fund, under which Morley was recently confirmed as being successful in securing £24.3m of investment. Examples of potential LUF projects given are:

leisure and retail sites, derelict site development, land acquisition and remediation, public realm and parks, or grouped Town Deal proposals for smaller towns.

### 2.7.3 *Cultural Investment*

The LUF prospectus recognises the quality of place, the importance of the cultural and visitor economy and the intrinsic value of heritage through historic buildings and cultural assets. Projects seeking investment under this theme should have alignment with existing cultural and heritage funding. Examples of potential projects given are: new/upgraded cultural, sports and creative spaces, community hubs and green spaces, acquisition or refurbishment of cultural and heritage sites.

- 2.8 For all the investment themes projects are expected to show strong alignment with net zero carbon targets, protection of natural assets and climate change resilience or mitigation, which will have a strong strategic fit with the Council's response to the Climate Emergency.
- 2.9 Local Authorities are the principle bodies for LUF bidding. Each authority is able to submit one project bid per parliamentary constituency wholly within its boundary. Where constituencies cross a boundary, co-operation between relevant Local Authorities is expected, with bids to be submitted under a single lead. Each bid can be for up to £20m of capital investment. It is indicated that larger transport projects can, by exception, be submitted for investment of up to £50m where pooled across constituency allocations. Combined Authorities can submit an additional bid in their role as Transport Authorities.
- 2.10 The prospectus states that constituency MP's will have a key role in being consulted and in prioritising bids but also notes that their support is not a pre-condition for funding. Bidding authorities should also consult an appropriate range of local stakeholders in developing proposed investments.
- 2.11 Bids can also be for 'packaged' projects that address more than one of the investment themes and which have clear positive relationships and alignment. This means it is unlikely that several smaller and unrelated projects could be submitted as one bid simply by being in the same constituency area, but multi-faceted packages focusing on the diverse and linked investment needs of identified places may be in scope.
- 2.12 The LUF is subject to competitive bidding, with submission by 18<sup>th</sup> June 2021 for funding confirmation in autumn 2021. Government will not approve schemes under this round that cannot commence delivery or spend funds by the end of March 2022. Arrangements for subsequent rounds of LUF are to be confirmed, though it is likely these will align with the following financial years and the prospectus and programme requirements may be refined or evolve in response to the first year of operation. All awarded funds must be spent by end March 2024 (or March 2025 for exceptional large schemes).
- 2.13 The next section of this report sets the proposed approach to be taken in responding to the prospectus.

## **3. Main issues**

- 3.1 Leeds has an opportunity to bid for up to £160m of capital funding through the LUF, based on seven investments of up to £20m reflecting the seven constituencies wholly within the district boundary and the one constituency that covers both Leeds and Wakefield. The amount of investment could be larger should a transport scheme of up to £50m be identified and prioritised for submission.

- 3.2 The themes of the LUF will enable consideration of projects that will improve the city's transport infrastructure, regenerate town centres and deliver investment and transformation in our cultural assets, which indicates a very strong fit with the Best Council Plan and Inclusive Growth Strategy ambitions. There is huge potential for highly beneficial investment across all parts of the Leeds district that could focus on thematic and/or focused and integrated place shaping projects, addressing connectivity challenges, supporting economic recovery and aligning with work in our Priority Neighbourhoods.
- 3.3 There is however a significant challenge in responding to the very tight timescales for submission of bids in the first round of the LUF, undertaking consultation and engagement, identifying and prioritising the necessary financial, officer and partner resources to support this bidding work and delivering it in a robust and diligent way such that it is compliant with the requirements of the programme meeting both Council and government assurance.
- 3.4 Project bids will need to be in the form of HMT 'Green Book' compliant business cases, which will require clear and robust evidence of how each proposed investment has been fully option assessed and will deliver quantifiable and measurable economic, social and environmental benefits. There is significant business case development to be undertaken in demonstrating these requirements following the '5 Cases' format setting out the strategic, economic, financial, commercial and management justification for public investment.
- 3.5 A clear and holistic approach is therefore expected, showing a strong strategic fit and demonstration that 'highest value' interventions are being proposed. Subject to fulfilling the requirements of the business case process, bids will be assessed against the following criteria:
- 3.5.1 *Characteristics of place* – all places across the country have been prior categorised by government into three tiers of assessed need. Leeds is Priority 1 representing the highest level of identified need for economic recovery, regeneration and improved connectivity. This would appear to have the effect of 'pre-loading' an assessment score against the place criteria.
- 3.5.2 *Deliverability* – as well as technical matters, bids are 'encouraged' to include a 10% local financial contribution and where there are private sector beneficiaries a contribution is also expected from them.
- 3.5.3 *Value for Money* – the overall impact on measures such as social value, local economic growth, environmental benefits, employment outcomes, reduced travel times, increased footfall and crime reduction. There is an expectation that transport projects will deliver the highest VFM.
- 3.6 The Council is open to proposals for investment bids and there is a live exercise underway to capture and long-list all potential LUF projects that are capable of meeting the criteria, which will be informed by engagement with Members, MP's and other stakeholders and key partners across the city.
- 3.7 Full consideration will be given to all ideas to prepare for both this bidding round and the development and prioritisation of projects, which support the Council's aspirations of the three core strategies of Inclusive Growth, Health and Wellbeing and Climate Emergency for submission in future years of the fund. Projects which can enhance, accelerate delivery of the city's ambitions and which involve collaboration with partners and communities to drive meaningful change on the levelling up agenda will be sought.

- 3.8 There may be many smaller scale but locally important projects that in themselves may not be of sufficient scale to meet the requirements of the LUF, but which could be considered as part of a packaged cross-themed investment approach to deliver multi-faceted and linked improvements to targeted priority places.
- 3.9 With particular regard to this first bidding round under the LUF, the timescale for submission of the bids, the need to demonstrate VFM, the requirement to start delivery in 2021/22 and all projects needing to be capable of completion by end March 2024 (or March 2025 for exceptional large schemes) means that there is very limited practical scope for new projects to be brought forward as bids that have not already had a significant level of development and are not somewhat close to being 'shovel-ready' for a start on site. Subject to fit with the aims of the LUF and with the city's own strategic plans, this will need to be a critical check in prioritising any bid submission in this round.
- 3.10 At this stage it is recognised that, due to existing funding streams secured, the city does have a mature infrastructure investment programme for transport related schemes. There are also scheme proposals focusing on investment and transformation in cultural assets within the civic estate. In each of these cases not all ambitions are funded through existing sources but there would be a strong and evidential strategic fit, with a clear path to commence delivery within 2021/22 based on project development and design work already undertaken.
- 3.11 In addition, it is recognised that there may be significant interest from Members, businesses and other stakeholders in regeneration schemes focusing on town centre investment outside of Leeds City Centre. The Council's recent engagement with partners and stakeholders on the successful Morley Town Deal indicates the need for significant time, funding and officer resource to be committed to the development of such comprehensive schemes. At this stage it is anticipated that any such proposals for other key centres across the district will need to be worked up in more detail over the next 6-12 months for submission in future rounds of the LUF, as and when these are announced. It will also be necessary to identify new resources to supplement staff already fully committed to work such as the Local Centre Programme, the Morley Town Deal, housing delivery and strategic infrastructure and growth projects across the district and meeting the match funding criteria.
- 3.12 In short listing projects for the first round there will be a detailed internal Council assessment against the LUF criteria, consultation with constituency MP's ward members and other relevant stakeholders, an appraisal of the added value to existing programmes, fit with cross sector and partner place plans, an Equality Impact Assessment and against the city's strategic policy ambitions for Inclusive Growth, Health and Well Being and our response to the Climate Emergency. Executive Board is asked to consider convening a special meeting out of its current planned cycle to consider short-listed proposals, to agree the submission of a bid or bids under this round and any resourcing and financing matters related to these.
- 3.13 Submissions under future rounds of LUF will be subject to a further report to Executive Board, once the updated guidance and bidding prospectus is available for those financial years.
- 3.14 Delegated decisions taken on the prioritisation and submission of bids will be in consultation and agreement with the Executive Member for Climate Change, Transport and Sustainability, and other Executive Members where project proposals cut across portfolios and other Council Members as appropriate

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 There has been a very short timeframe from the announcement of the LUF up to the drafting of this report to Executive Board, which has constrained the ability to undertake significant and meaningful early consultation on the scope of these funds or on the process through which the Council can bring forward proposals. Full guidance on the bidding approach was only available at the end of March at the time of finalising this report.
- 4.1.2 Executive Members have been briefed on the overall scope of the LUF and subject to the assessment approach set out in this report, Ward Members will be engaged where appropriate insofar as project proposals are related to their wards.
- 4.1.3 Each constituency MP will be contacted to establish their priorities for the fund to inform the assessment of potential submissions for the coming financial year and the live long-listing exercise.
- 4.1.4 In respect of the LUF and the constituency of Morley & Outwood which covers an area across both Leeds and Wakefield Districts, initial officer discussions have been undertaken between the two authorities to understand and align assessment of proposals and to establish the optimum prioritisation and timing of projects to deliver benefits in keeping with the aims and criteria of the fund and shared strategic objectives.

### **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 At this stage there is insufficient detail regarding the substance of the Council's response to the LUF bidding opportunities to identify any EDCI impacts. However EDCI considerations will be key in the assessment and prioritisation of projects proposed to form part of any bids.

### **4.3 Council policies and the Best Council Plan**

- 4.3.1 The LUF is a significant opportunity to secure investment against a range of existing or new project activities that could accelerate existing schemes or deliver new ambitions across all aspects of our Best Council Plan, but particularly:

*Inclusive growth* – investments in place, assets and infrastructure to support the city's economic recovery from COVID-19, and helping everyone benefit from the economy.

*Health and wellbeing* – investments in our transport infrastructure and public realm that would support active lifestyles and cycling/walking as means of travel.

*Sustainable infrastructure* – investments in green infrastructure to help tackle climate change risks, improve air quality and the city's transport and digital infrastructure.

*Child-friendly city & Age-friendly Leeds* – investments in the city centre and neighbourhoods to enhance amenity and create new community infrastructure.

*Culture* – investment in the city’s cultural assets or visitor attractions to enhance the image of Leeds through creative activities and visitor economy and to contribute to the 2023 cultural celebration.

#### Climate Emergency

4.3.2 The assessment of projects for submission under the LUF will include their impact on and contribution to the response to the climate emergency. LUF projects are required by government to demonstrate contribution to net zero carbon targets, protection of the environment and climate change resilience, so there is a clear fit in strategic intent across the national programme requirements and our local aims in this regard. The target themes for the LUF each have the potential to enable significant investment in assets, infrastructure or place that could have a significant positive impact on sustainable development of the city.

#### **4.4 Resources, procurement and value for money**

4.4.1 It is proposed initially to commission specific bid development expertise as an externally bought-in service to provide advice on the scoping and development of business cases for the LUF. This can initially be undertaken using existing departmental budgets but project bidding and development costs may be capitalised against future secured funds. Staff costs associated with onward project delivery and management may also be capitalised against LUF funded schemes.

4.4.2 £125,000 of capacity funding will be allocated by government as revenue grant to all eligible local authorities with the intention of supporting the development of bids for later rounds of the LUF. As a flat rate grant this will offer less support to Leeds than it will to those districts that have single or a small number of constituencies and commensurate grant allocation. The development of Green Book business cases and requirement to bring projects to shovel ready and spend status within the next 12 months will require significant commitment of fees – these can typically be 10-20% of project costs.

4.4.3 It is proposed to use the capacity funding to support the creation of a new post within the Regeneration Service, to focus on project development, testing and bidding for the LUF, and thereafter to source funding for regeneration projects across the district with the aim of being self-financing. In addition, given that there are 8 parliamentary constituencies in Leeds and recognising the resource requirements of developing bids, it is also proposed that resources from the investment to save revenue funding stream and the innovation funding are utilised where appropriate. This will ensure that the Council has a mature list of potential schemes under-development that meets the requirements of both the Council and Government in readiness for submission in future rounds.

#### **4.5 Legal implications, access to information, and call-in**

4.5.1 The proposals outlined in this report will be kept under review to ensure that they are compliant with the terms of the UK’s Trade and Co-operation Agreement (TCA) with the European Union, which currently governs what can and can’t be done by public bodies as regards the provision of subsidies to entities engaged in commercial activities.

- 4.5.2 In broad terms, certain matters will not be considered to be subsidies – a subsidy will only occur if it confers an economic advantage on the recipient that is not available on market terms and will affect international trade. Beyond that the TCA does allow for certain types of subsidy to be provided including subsidies of a social character that are targeted at final consumers rather than businesses.

Legal advice will be sought at the shortlisting stage in respect of each potential project to ensure compliance with these subsidy control provisions.

## **4.6 Risk management**

- 4.6.1 At this stage the key risks relate to staff and financial resources available to support the assessment, development and submission of business cases to form compelling bids into the first round of the LUF in such a short timescale. It is proposed to offset this in part through the short-term and long-term additional resources drawn into the programme as set out above.
- 4.6.2 It should also be noted that funding in relation to each constituency can only be secured once and as such where projects or packaged projects do not utilise the full £20m allocation, it does not currently appear possible to return with a future bid. Any prioritisation of bids for 2021/22 should therefore carefully consider the opportunity cost of not bidding to the maximum allocation and also consider the range of other project ambitions there may be within a constituency that could not then be subject to future bids, or packaged bids, unless pooled across the city.

## **5. Conclusions**

- 5.1 The LUF is an opportunity to draw in significant capital funding to the city for delivery of projects and interventions in the 2021/22 financial year that could hugely accelerate or supplement existing programmes and enable delivery of unfunded but well-developed projects and targeted improvements. It has the potential to drive innovative and creative responses to place challenges across the district through well considered and developed proposals for future rounds of the LUF, where initial proposals may not be robust enough to meet the assessment criteria for this first submission.
- 5.2 The Council proposes to act quickly and diligently to realise the benefits of this investment for the city in line with our strategic ambitions for Inclusive Growth, to support Health and Well Being and to address the Climate Emergency.
- 5.3 The prospectus places a large and unplanned for pressure on the Council to rapidly bring forward a transparent and robust project assessment and prioritisation exercise and to quickly develop compelling business cases for submission by 18<sup>th</sup> June. This is at a time of severe pressure on existing staff time and resources and it is proposed to engage external assistance as well as utilise available capacity funds to create new staffing capacity to support this work over the next 2-3 years.

## **6. Recommendations**

- 6.1 Executive Board is asked to:
- a) Note and support the approach to bringing forward bids to the Levelling Up Fund and agree that constituency MP's within the Leeds Metropolitan District

boundary are asked to advise their priorities for investment for consideration by the Council;

- b) Agree that the Director of City Development undertakes an assessment and prioritisation of projects for the Levelling Up Fund in consultation with relevant Executive Members as set out in paras 3.4 – 3.11;
- c) Agree to consider proposals for Round 1 bids at an additional meeting of the Executive Board prior to the submission of any bid(s) before the 18th June deadline for the Levelling Up Fund;
- d) Note the intention to bring a further report to Executive Board in relation to the submission of bids to future rounds of the Levelling Up Fund and any changes to the government prospectus and guidance.

## **7. Background documents<sup>1</sup>**

7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.