

Levelling Up Fund (LUF) in Leeds

Date: 20th April 2022

Report of: Director of City Development

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Wards Affected:

Have ward members been consulted? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- This report provides an update on the Levelling Up Fund (LUF), the Council's bids to government under Round 1 in 2021 and the anticipated approach to Round 2 in 2022, in advance of formal decision making for any future bid submissions.
- In March 2021 government initiated Round 1 of its £4.8bn LUF as an opportunity for identified priority Local Authorities to bid for significant capital investment in transport infrastructure, regeneration and cultural assets, where these will deliver economic uplift and realise positive change for people. Bids were invited in national competition for investment of up to £20m in projects in each parliamentary constituency, requiring the clear prioritised support of their respective MP's. As an identified 'Priority 1' area Leeds has 8 constituencies in-whole or in-part where bids could be considered.
- At its meetings of 21st April and 8th June 2021, Executive Board noted the opportunity to bring significant place and infrastructure investment into the city to deliver against our priorities and ambitions. It was also noted that the resources available, limited lead-in time and short timescale to develop project proposals posed a significant challenge, but that following intensive work and consultation with ward members and MP's it was agreed to submit two £20m LUF bids by the June deadline. These were Connecting West Leeds, a travel corridor scheme in Pudsey constituency and the redevelopment of Fearnville Wellbeing Centre in Leeds East constituency. Bids were made on the required 'Treasury Green Book' basis, to demonstrate a strong benefit cost ratio.
- In October 2021 the Council was advised that following appraisal the Connecting West Leeds bid was successful, whilst the Fearnville Wellbeing Centre was not. In keeping with the LUF requirements to start approved projects within that financial year, progress has been made to deliver the first phase of Connecting West Leeds and to consult widely on the details of further phases.
- The full assessment process and scoring of bids has not yet been shared by government but Council officers were advised informally that both of the Round 1 bids were strong, with Fearnville just failing to reach a high overall appraisal benchmark score.

- Under Round 1 c£1.7bn of the LUF was allocated by government. Of 293 valid bids across the UK, only 105 met with success, with less than half of the 123 local authority areas classified by Government as 'Priority 1' and just 15% of 'Priority 2' areas receiving funding. The average LUF grant awarded was £16m but grants for successful projects ranged from £800k to £20m, with a small number of major transport schemes awarded larger amounts.
- Most successful first round projects nationally related to the regeneration theme focusing on town and city centres including pedestrianisation schemes and public realm improvements, reflecting the government's prospectus requirement for 'visible impact' in local areas. A smaller proportion of funding went to transport, typically road improvement schemes and projects focusing on active travel. The lowest proportion of funds were allocated to culture and heritage investment including theatres, art galleries, leisure, and visitor destinations.
- Subsequent to the Round 1 LUF outcomes announcement, the government's Levelling Up White Paper was published in February, setting out its long-term plan for addressing economic and social inequality across the country by embedding systems shift in public policy. It articulates '12 key missions' covering the quality and economic performance of our places, health and well-being, education, skills and productivity. There is a strong read across from this to our own ambitions for Leeds relating to our established policies of Inclusive Growth, Health & Wellbeing and the Climate Emergency.
- The prospectus for Round 2 LUF was released following the Chancellor's Spring Statement on 23rd March. No clear timetable or indication of scope for Round 2 had previously been provided by government but it is now clear that Round 2 proposals will need to be submitted by July 6th and that the process and scale of funding available will be the same as Round 1. The bidding themes of transport, regeneration and town centre investment, and cultural investment remain the same, though it will be important to reflect the government's now more-defined approach to Levelling Up as set out in the White Paper within any bids to the LUF.
- Alongside the development and delivery of the Round 1 project bids the Council has continued dialogue with MP's and Ward Members to identify opportunities and priorities for potential project development and future bid submission under Round 2, assuming the same broad bidding requirements and prospectus would come forward. There is a continued expectation that MP's have a strong role in supporting and prioritising constituency bids. The opportunities and challenges in this regard are set out in this report.
- It is intended that a further report is brought to Executive Board in June prior to the deadline for submission of Round 2 project bids, to seek agreement to which, if any, are to be submitted for Leeds.

Recommendations

Executive Board is asked to:

- a) Note the outcomes of the Round 1 LUF bids and welcome the investment secured for the Pudsey constituency 'Connecting West Leeds' project.
- b) Support further development and public consultation for the 'Leeds West: Green, Healthy and Connected' project, to enable its consideration as a Round 2 bid for that constituency.
- c) Support the further development and refinement of the 'Leeds East: Fearnville Wellbeing Centre' project and its potential to be submitted as a Round 2 bid for that constituency.
- d) Note the need for further work in partnership with constituency MP's and Ward Members to define projects, undertake consultations and enable consideration of potential Round 2 bids in the Leeds Central, and Elmet & Rothwell constituencies.

- e) Note the opportunity to develop an additional city bid or bids alongside MP's prioritised constituency schemes and agree that in consultation with the Executive Member for Infrastructure & Climate the Director of City Development explores further potential schemes for submission to the LUF, which can be considered at the June Board for potential submission as necessary.
- f) Request a report be presented to the June Executive Board to agree which schemes are submitted as Round 2 LUF bids before the 6th July 2022 deadline.

Why is the proposal being put forward?

- 1 The LUF offers Leeds the opportunity to bid for capital investment of up to £20m for each of the parliamentary constituencies covering the city.
- 2 Leeds remains identified as a priority area for LUF investment and has again been invited to bid, in national competition, in Round 2, with a notional 'bid allowance' of up to £20m per constituency. There remains the expectation that MP's formally advise their priority support to submitted bids. Each project can bid for up to £20m of capital investment, for delivery of 'shovel-ready' projects that can start delivery in the FY 2022/23, that will meet the fund criteria and offer strong value for money. Where there are no constituency priorities identified there is scope to consider how the equivalent funding allocation to the city might be otherwise targeted to deliver benefits in line with the LUF prospectus.
- 3 The Round 2 LUF timetable requires submission of bids by 6th July 2022. This report sets out the work currently underway to scope projects and potential bids, in advance of a report to Executive Board in June, at which formal decisions can be taken as to what, if any, projects might be submitted for investment.

What impact will this proposal have?

- 4 In advance of decisions to submit bids it is not possible to identify the precise impacts that LUF investment may have. Nevertheless, following discussions from late Summer 2021 with MP's and Ward Members regarding prioritisation of projects for further development into potential bids, work has been progressing on the following constituency-based priorities:

Leeds East – 'Fearnville Wellbeing Centre'

Despite not being successful as a Round 1 bid, there was positive informal feedback from government officials and learning has been drawn from similar projects regionally that were successful in being funded. The development of a new wellbeing centre on the site of the current Fearnville Leisure Centre would deliver much-needed new swim and dry-side sports, health and community wellbeing facilities, serving a large area of the city with poor access to active leisure opportunities and containing some of the country's most deprived neighbourhoods, as measured by official government statistics. The project has been further developed and refined and is now able to offer more certainty on match funding, delivery and outcomes, should it go forward as a LUF bid. Further stakeholder engagement has also fed into the project and additional public consultation has been undertaken prior to submission of a planning application for the scheme, which will place the project in a much more advanced state of shovel-readiness than in Round 1.

Leeds West – ‘Green, Healthy and Connected’

- 5 Work has been progressed on a potential package of measures in Leeds West taking health and well being as their central theme to focus on improvements to key community parks, active travel connections and investment in the main retail and service centre, Armley Town Street. Public consultation on these is underway with further consultation planned. Intensive further work is required to ensure project design responds to feedback received so that a bid can be considered that has positive and sustainable impacts on the target places and meets the criteria of the LUF to place it well in the competitive assessment.

Leeds Central, and Elmet & Rothwell

- 6 Discussions have also been held with the constituency MP's and Ward Members in Leeds Central and Elmet & Rothwell. In both of these areas projects are less well advanced and further work is needed over the next 3 months to confirm priorities, undertake appropriate consultations, and consider the scope for robust bids that will meet the LUF criteria, including delivery timescales.

Projects within the LUF Bid Allowance

- 7 In addition to the above collaborative work with MP's to develop priority projects, the Round 2 LUF prospectus indicates scope for the Council to bid for funds within the 'LUF allowance' to the city that hasn't been allocated for specific constituency focused bids. This gives rise to an opportunity to consider how and where LUF may be sought to continue the extension, acceleration or scaling up of other major place projects in the city. Such bids can be brought forward in any part of the city with or without the explicit support of any or all MP's, but any grant awarded would be subtracted from future LUF allowance available to remaining constituency projects should a Round 3 of the fund come forward in future years.
- 8 It is proposed therefore that opportunities for an additional citywide project or constituency projects are explored, to be presented to Executive Board as potential for submission as bids under Round 2 of the LUF in line with the funding criteria, in order to maximise the opportunities presented by the scheme for the benefit of the city.
- 9 An Equality Impact Assessment has been undertaken and is enclosed at Appendix A.

What consultation and engagement has taken place?

- 10 The LUF requires that constituency MP's have a key role in being consulted on and in prioritising bids. Over the Course of 2021 the Council formally wrote to all eight MPs with constituencies wholly or partly covering the district, inviting their views and project ideas for LUF. There have been follow-up discussions between those MP's that have responded, Executive Members, the Chief Executive, the Director of City Development and other senior officers.
- 11 Richard Burgon MP (Leeds East) has confirmed Fearnville Well Being Centre as his priority for LUF. Rachel Reeves MP (Leeds West) has confirmed 'Green, Healthy and Connected' as her priority for LUF. Ward Members in those constituencies have been consulted and engaged in project development discussions and are supportive of these proposed projects.
- 12 Discussions are continuing with Hilary Benn MP (Leeds Central) regarding a potential project that will bring together a package of interventions focused on Holbeck and which could deliver against priorities set out in the community-driven and formally adopted Holbeck Neighbourhood Plan.

- 13 Discussions are also continuing with Alec Shelbrooke MP (Elmet & Rothwell) regarding a potential package of interventions focussing on the green assets and travel infrastructure through and to the river and canal corridor from the edge of the main urban area to include Rothwell, Woodlesford, Methley and Allerton Bywater.
- 14 In both latter constituencies a range of positive smaller scale local project ideas have been generated by Members. The challenge in moving these on as potential LUF bids has been the need to demonstrate tangible and measurable economic impact, and the limited time and resource available to properly test and develop project design and demonstrate deliverability against the LUF bidding criteria. A separate paper on the agenda for this meeting of Executive Board sets out the forthcoming opportunities in relation to the Shared Prosperity Fund and it may be more appropriate for many of the proposals put forward for LUF by Members to be tested as opportunities for development and funding through that route.
- 15 The Leader and the Executive Members for Infrastructure & Climate and Public Health and Active Lifestyles have both been regularly consulted as part of the Council's development of project proposals and Ward Members have been engaged in detailed project discussions where these have been possible to date.

What are the resource implications?

- 16 A cross-Council project team has been established with officers from City Development, Resources and Communities, Housing & Environment. In the absence of clarity from government on the scope of LUF Round 2 work has been progressed on the proposals as set out in this report on the assumption that the opportunity would be broadly similar to that set out in the prospectus for Round 1. Senior officer governance has been established, with a Programme Board chaired by the Director of City Development.
- 17 To support the development of LUF bids a £262,000 provision was made within the Council's existing Innovation Fund to provide advance budget towards the feasibility, technical inputs, planning and design work that would be necessary to develop projects and compile business cases in accordance with the HM Treasury 'Green Book' requirements. Expenditure committed to the successful Round 1 Leeds West bid has been retrospectively capitalised and recovered from the £20m LUF grant as a project cost. There is £219,250 remaining in the approved budget provision to support the development of Round 2 bids.
- 18 Specialist external consultant support is being drawn on through this budget to supplement the limited capacity within the internal Council team, using the pre-procured multi-disciplinary Highways core services contract with WSP and the Highways major services framework with Arup, AECOM and Mott Macdonald. Further fees can be capitalised where the LUF bids may be successful.
- 19 Any bids that Executive Board ultimately chooses to submit will be required to demonstrate certainty of at least a 10% match funding contribution from non-LUF sources towards overall costs. As further work is taken forward in the next 2-3 months, match funding availability towards potential submissions will be sought from existing internal funding sources, other public funding streams or sources such as s106 pooled sums. Details of the match funding requirements of any bids brought forward will be set out in the June paper.

What are the legal implications?

- 20 The Council has the power under the Localism Act 2011 to do anything an individual can do provided that it is not otherwise prohibited from doing so. Compliance with any restrictions that the Council is subject to in relation to the proposals outlined in this report will be monitored as matters progress but it is not believed that there are any restrictions that would prevent the Council from implementing the recommendations set out in this report.
- 21 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, as well as the other subsidy control obligations to which the UK is subject.
- 22 Legal advice has been and will be sought in respect of each potential project to ensure compliance with these subsidy control provisions.

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

- 23 In Round 1 nationally just over 1/3 of submitted bids were successful following assessment by government – submission of a bid is clearly no guarantee of funding. This is a national competition for a significant capital grant that many local authorities will see as a major opportunity to address long-standing well-thought out local priorities. Competition for funds can again be expected to be strong, as learning will have been gained from the Round 1 process, weaker projects may have been strengthened for resubmission and other projects that were not previously submitted will have had longer to be developed.
- 24 As with our experience in Round 1, whilst seeking to maximise the investment through any bids submitted it would be reasonable to consider a 50% success rate on bids as a good return for the city, particularly if they are up to or at the maximum level of £20m.
- 25 Successful bids will need to ensure spend and delivery starts in FY 2022/23 and completion by March 2025 – bids will need to reflect realistic delivery constraints and projects designed and managed according to these strict spend requirements.
- 26 The Council's LUF response is being managed through professional programme management staff in the Asset Management & Regeneration Service, with a programme client role from the Head of Regeneration, reporting risks into the Programme Board.
- 27 Work on the Fearnville proposal is well advanced and a 'shovel-ready' bid is easily capable of being developed in the time available. The Leeds West project requires public consultation over the next month but it is considered feasible to generate the required detail and certainty of delivery to inform a potential bid. At this stage there are risks associated with the need to rapidly agree projects focus and scope in Leeds Central and in Elmet & Rothwell, to allow time to properly test and develop detail and to prove deliverability, which would be central to any decision to submit bids for these areas. This may require these to be slightly smaller and more targeted interventions to get the right balance of local impact and bid strength in assessment by government.
- 28 As set out to Executive Board in June 2021 the potential submission of the Fearnville project as a LUF bid, which if successful would be required by government to deliver spend in FY2022/23 would require the Council to profile this in such a way as to not exceed its capital investment VAT thresholds in income generating facilities. This would effectively take the capacity available in the capital programme for managing this position and would prevent other income-generating projects from coming forward in the same period, including any that might be considered as LUF submissions.

Does this proposal support the council's 3 Key Pillars?

Inclusive Growth

Health and Wellbeing

Climate Emergency

- 29 The Council's LUF proposals will be subject to a future decision of Executive Board but there is potential to deliver significant one-off capital interventions that align with the ambitions of our Best Council Plan.
- 30 The LUF prospectus themes of Transport, Regeneration of Town Centres and Cultural & Heritage Assets align well with our Inclusive Growth, Health and Well Being and Climate Emergency policy framework. The proposals that are being developed as set out in this report are actively considering how and where capital investment can draw these themes together in project that will deliver new and improved active travel infrastructure, a strengthened role for key local social and economic destinations, improved opportunities for communities to access vital health and well-being services, improved access to and enhanced quality of parks and other green assets, enhanced community infrastructure for local access and benefit.

Options, timescales and measuring success

a) What other options were considered?

- 31 Executive Board is asked to agree continued work on the proposals set out in this report, further engagement with MP's and ward members where indicated, and appropriate public consultations to enable a decision to be taken at its June meeting on what may be submitted as LUF bids.
- 32 The other option available to the Council at this stage is to not proceed with this work and to rule out any bid submissions in Round 2 of the LUF. Given the scale of the funding opportunity, the positive work undertaken across the four constituency projects to date and the opportunity to continue delivery of the city's major infrastructure and regeneration programme, this is not recommended.
- 33 At its meeting in June 2021 Executive Board considered the opportunity for a 'Leeds Park City' bid that would target improvements to every park across the district. Whilst this has not developed as a specific proposal, a strong parks, green space and green assets theme has emerged through all the project development work described in this report.

b) How will success be measured?

- 34 Success will ultimately be measured through submission of bids to the LUF by the bid deadline, and thereafter by the award of LUF investment by the government and implementation of the projects to achieve their intended benefits within the time, budget and quality parameters set through their agreed governance arrangements.
- 35 Subject to fulfilling the requirements of the business case process, bids will be assessed by government against the following criteria, following the approach set out in HM Treasury's 'Green Book':
- Characteristics of place – Leeds remains identified as a 'Priority 1 place' representing the highest level of identified need for economic recovery, regeneration and improved connectivity.
 - Strategic Fit – how the bid supports the economic, community and cultural priorities of their local area and will further the area's long-term levelling up plans, complementing national (including delivering net zero carbon emissions and improving air quality),

regional and local strategies and investments. This should include recent levelling up investments (including Freeports, Towns and High Streets Funding), forthcoming Shared Prosperity Fund investment plans, and funding made available through the first round of the LUF. It should also include any relevant local strategies (such as local plans, local industrial strategies or local transport plans)

- Deliverability – the bids must demonstrate the Commercial, Financial and Management Cases.
- Economic Case – the overall public value to society with a strong VFM through measures such as social value, local economic growth, environmental benefits, employment outcomes, reduced travel times, increased footfall and crime reduction.

c) What is the timetable for implementation?

36 The table below highlights the LUF programme from its inception by government and the key milestones for the Council.

Activity	Timeline
LUF Round 2 Prospectus	23 rd March
Executive Board	20 th April
Project and business case development	April – July
Executive Board Bidding Decision	22 nd June
Senior Responsible Officer bid(s) sign off	w/c 27 th June
Round 2 bids submitted	6 th July
Round 2 bids outcome	Autumn 2022
Round 2 projects start delivery (if successful)	By March 2023
Round 2 project completion	By March 2025

Appendices

Appendix A – Equality Impact Assessment screening form

Background papers

N/A