

## Submission of Round 2 Levelling Up Fund (LUF) Bids

Date: 22<sup>nd</sup> June 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: Armley, Alwoodley, Adel & Wharfedale, Beeston & Holbeck, Bramley & Stanningley, Chapel Allerton, Farnley & Wortley, Garforth & Swillington, Gipton & Harehills, Kippax & Methley, Kirkstall, Moortown, Rothwell,**

### What is this report about?

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

- The Levelling Up Fund (LUF) offers Local Authorities the opportunity 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. It is a national competition fund for investment of up to £20m in projects in each parliamentary constituency (or for up to £50m for major transport investments). As an identified 'Priority 1' area Leeds has eight constituencies in-whole or in-part where bids could be considered.
- At its meeting in April 2022 Executive Board noted the outcome of the Council's bids for funding under Round 1 of the LUF, including the successful Connecting West Leeds bid for the Pudsey constituency, the progress that had been made on proposals for potential Round 2 bids in Leeds West and Leeds East and that further work was being undertaken to enable potential bids for projects in Leeds Central and Elmet & Rothwell.
- Executive Board also noted the opportunity to develop further projects within the city's 'bid allowance' and agreed that the Director of City Development explore further potential schemes for submission to the LUF in consultation with the Executive Member for Infrastructure & Climate, for consideration at this June meeting.
- The report sets out the position now reached on this work and the proposed submissions to be made to Round 2 of the LUF. They are as follows in each constituency, with more detail provided later in the report:
  - Leeds East – 'Fearnville Well Being Centre'
  - Leeds West – 'Green, Healthy and Connected'
  - Leeds Central – 'Heart of Holbeck'
  - Leeds North West – 'North West Leeds Employment Hub'
  - Leeds North East – 'Alwoodley Park & Ride and A61 Bus Corridor'
  - Elmet & Rothwell – 'Elmet & Rothwell Green Routes'
- The proposed bids reflect the real diversity of challenges and opportunity across the city and illustrate the importance of locally defined responses to Levelling Up when responding to the LUF bidding themes of transport, regeneration and town centre investment, and cultural

investment. The proposed bids show strong alignment with the themes and ‘missions’ in the government’s Levelling Up White Paper, particularly in relation to Health, Wellbeing and Pride in Place and accord strongly with our Best City ambitions as reflected through the three pillars of Health & Well Being, Inclusive Growth and Net Zero.

- The proposed bids also reflect the differing levels of project development and maturity across the constituencies, where in some cases project concepts have benefitted from long-lead in and development as longer standing priority projects (Leeds East, Leeds North West and Leeds North East), whilst in others rapid and intense work has been required to define and develop a project proposition in response to the LUF opportunity (Leeds West, Leeds Central and Elmet & Rothwell). Taken together the proposed bids present a strong offer to government as to how Levelling Up outcomes can be delivered across a large city in locally distinctive and impactful ways.
- For Leeds the number of bids we are eligible to submit has also posed a particular challenge to limited resources (officer time and project development budgets) in comparison to smaller districts with far fewer constituencies. However, the six proposed bids can be completed to sufficient detail and with levels of certainty that will put them in a good position against expected strong national competition. In addition, it is noted that, to date, the government has not given any indication of a further LUF round. Consequently, it is proposed that, where possible, the Council seeks to maximise the level of funding secured during the current bid period.
- The bid submission deadline for Round 2 of LUF is 6<sup>th</sup> July. Executive Board is asked to agree the projects listed above as those to be individually submitted by the Council, noting the further matters raised in the remainder of this report. Outcomes from Round 2 LUF bidding are expected to be advised to applicants in Autumn of 2022.

## **Recommendations**

Executive Board is asked to:

- a) Agree the projects listed at paras 5-10 to be submitted as the Council’s bids under Round 2 of the Levelling Up Fund and authorise the Director of City Development to undertake the necessary work to finalise and refine the bids to ensure submissions by the deadline of 6<sup>th</sup> July;
- b) Agree the use of the Council’s Capital Programme contingency funds as a source of match funding to the LUF bids and/or to use this to underwrite the unknown outcome of other external funding bids relating to the LUF projects, as set out in paras 24-30;
- c) In the event of bid success, agree that the Director of City Development undertakes the further work necessary to progress all required planning and other statutory approvals that will need to be in pace to enable delivery of the LUF-funded projects, in consultation with the Executive Member for Infrastructure & Climate and the Executive Member for Public Health and Active Lifestyles as appropriate and relevant in each case;
- d) Agree that the decisions taken in relation to this report be exempt from Call In due to the risk that the deadline for bid submission on the 6<sup>th</sup> July is missed.

## **Why is the proposal being put forward?**

- 1 The LUF offers Leeds the opportunity to bid for capital investment for each of the parliamentary constituencies covering the city.
- 2 Leeds was identified as a priority area for LUF Round 1 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. Constituency MP's must 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 financial year 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 Discussions with constituency MP's across the city have highlighted opportunities to bid for investment in projects in six areas, further to the Council's success in securing LUF under Round 1 bidding for the Pudsey constituency.

### **What impact will this proposal have?**

- 4 There are six proposed bids to be submitted under LUF Round 2, which are summarised as follows with the expected impacts in each case:

- 5 **Leeds East – 'Fearnville Well Being Centre'**

Following the unsuccessful Round 1 submission, this is an updated and revised bid for £20m of LUF to enable the redevelopment of the existing Fearnville Leisure Centre into a high quality Wellbeing Centre bringing together active indoor leisure (including replacement of the swimming pool), sports pitches, primary health care and community facilities. This investment will enhance the attractiveness, accessibility and sustainability of this important facility that serves a very wide area of east Leeds, supporting an increased number of people to take up active lifestyles and swimming and to contribute to improvements in public health, which can lead to longer term social and economic benefits for individuals, communities and this part of the city. The Council received good informal feedback on the Round 1 submission and it is known that a number of similar projects were funded across the country, learning from which have been drawn on for the resubmission.

- 6 **Leeds West – 'Green, Healthy and Connected'**

A package of related projects in a total bid of £20m LUF focusing on the quality and accessibility of important places that provide for community health, wellbeing and access to vital services in Leeds West. This comprises investments and upgrades to five community parks (Armley, Bramley Falls, Kirkstall Abbey, Stanningley and Western Flatts Cliff), improvements to the public realm and highway arrangements at Armley Town Street and improvements to the walking and cycling routes that connect these key activity points for communities from across the area. This investment will lead to greater use and sustainability of local green spaces across a diverse range of communities and users, improve health and wellbeing outcomes through supporting the attractiveness and uptake of active travel options, and improve the attractiveness and access to shopping and services at Town Street, supporting its vitality and viability and providing a basis for longer term partnership and regeneration work in one of the largest 'town centres' in the city.

- 7 **Leeds Central – 'Heart of Holbeck'**

A package of related projects in a total bid of £12.2m LUF focusing on the Holbeck Local Centre and its key community assets. This will comprise investment in the St Matthews Community Centre a prominent Grade II Listed former Church managed and operated by local charity Holbeck Together, to enable its long term sustainability and use and to diversify the range of uses it delivers including access to training and employment support. Complementing this is investment in the adjoining Holbeck Moor and public realm within the local centre to create high quality spaces for a range of uses that will support the vitality

and viability of local shopping and services. As part of this targeted upgrade it is proposed to include a further phase of the successful group repair works to improve privately owned traditional terraced housing immediately adjoining the Holbeck local centre, through thermal efficiency improvements, enveloping works, street scene and street/environmental improvements, complementing existing commitments made by the Council to its own stock in this area. This investment will deliver a 'whole place' regeneration uplift to Holbeck with positive impacts on health and economic outcomes for local people and businesses.

#### **8 Leeds North West – 'NW Leeds Employment Hub'**

A package of related projects in a total bid of £20m LUF to contribute to the delivery of new surface access infrastructure that will help to unlock the development of 36 ha of allocated employment land off Whitehouse Lane. The investment would contribute to the delivery of the Leeds Parkway train station, the connecting bus and road infrastructure to the airport and the initial access infrastructure for the employment site, which is in the joint ownership of the five West Yorkshire local authorities. This investment will deliver major economic benefits to this part of the city and the wider region through access improvements, development of employment land, job creation and will contribute to environmental improvements through modal shift in journeys in the local area.

#### **9 Leeds North East – 'Alwoodley Park & Ride and A61 Bus Corridor'**

A major transport investment including a £30m LUF contribution. This project would deliver the next scheme within the city's P&R programme, a new 500-space facility for commuters coming into Leeds from the Harrogate and North Yorkshire area via the A61 corridor. It would act as an intercept point for car-borne journeys and shift these to high frequency bus services, delivering journey improvement times and convenience, new services accessible to local people along the route and significant environmental benefits for those communities currently experiencing major through car-traffic at peak times. This would derive significant economic benefit for the city and public health benefits through air quality improvements for communities along the route, with opportunities to rebalance urban space away from car-related infrastructure towards public transport, people and active travel.

#### **10 Elmet & Rothwell – 'Elmet & Rothwell Green Routes'**

A package of related projects in a total bid expected to be around £10m LUF to focus on improvements to community green spaces and travel connections centred on the canal and river corridor through Rothwell, Woodlesford and Methley, as a basis for supporting an uplift of the local visitor economy. These green routes provide legible and sustainable travel corridors to established and growing employment locations including the Aire Valley, Stourton and Thorpe Park. The investment would target upgrades and accessibility to local parks and wetland areas (Springhead, Water Haigh, Skelton Lake, St Aiden's), improvements to the canal corridor and towpaths, joining up of greenways and local highway improvements, to provide a basis for longer term leisure-focused economic regeneration of this major set of green and blue assets, which in turn will provide local economic benefit by strengthening accessibility to visitor attractions, connectivity for local communities, more opportunities for active travel and leisure. The investment will deliver economic benefits and create a platform for longer term public and private investment in the visitor and leisure economy in this part of the city.

#### **11 An Equality Impact Assessment has been undertaken and is enclosed at Appendix A.**

## **What consultation and engagement has taken place?**

- 12 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.
- 13 In the case of each of the proposed bids the constituency MP's have advised their intent to formally confirm the respective project as the LUF priority for their area:
  - Richard Burgon MP (Leeds East) – 'Fearnville Well Being Centre'
  - Rachel Reeves MP (Leeds West) – 'Green, Healthy and Connected'
  - Hilary Benn MP (Leeds Central) – 'Heart of Holbeck'
  - Alex Sobel MP (Leeds North West) – 'North West Leeds Employment Hub'
  - Fabian Hamilton MP (Leeds North East) – 'Alwoodley P&R and A61 Corridor'
  - Alec Shelbrooke MP (Elmet & Rothwell) – 'Elmet & Rothwell Green Routes'
- 14 The nature of the LUF means that to meet the requirements set out by government and to demonstrate visible impacts, proposed investments cannot be spread very widely or thinly over whole constituencies. Much of the proposed investment is necessarily targeted geographically and will deliver capital spend in a limited number of places, albeit wider benefits would be expected to be realised through the uplift in public infrastructure and the urban realm for all residents or communities that may access them. Ward Members have been specifically engaged where they represent those places that would receive the capital investment.
- 15 The Leader and the Executive Members for Infrastructure & Climate and Public Health & Active Lifestyles have both been regularly consulted as part of the Council's development of project proposals.
- 16 The process and timeframe for the LUF has not however made for ideal conditions in which to engage fully with all stakeholders or to resolve all project details. The scope for project bidding was not known until the end of March and each project has required an element of 'quick wins' to be identified given the government requirement to demonstrate that each bid has aspects that can be 'shovel-ready' for delivery and spend this financial year, subject to confirmation of funds.
- 17 It is acknowledged that for some of these proposals many residents and stakeholders may feel they have not been offered sufficient opportunity to input or help shape proposals at this stage. If funding is confirmed for any of these projects there will be opportunities to engage in more depth and detail on project design and implementation. This would follow the approach for the Connecting West Leeds project, which had a similar short lead in for project definition and bidding and an early quick start phase following funding approval, but has allowed for detailed public consultation on the design of later phases following the award of funds.

## **What are the resource implications?**

- 18 A cross-Council project team has been established with officers from City Development, Resources and Communities, Housing & Environment. Senior officer governance has been established, with a Programme Board chaired by the Director of City Development.

- 19 To support the development of LUF bids a £362,000 provision has been 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 Pudsey bid has been retrospectively capitalised and recovered from the £20m LUF grant as a project cost. £319,250 of the approved budget provision has been drawn on to support the development of Round 2 bids.
- 20 Specialist external consultant support has been commissioned 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. Additional support has been commissioned on parks design and landscaping proposals through Groundwork and Reform. Further fees can be capitalised where the LUF bids may be successful.
- 21 Each bid submitted will be required to demonstrate match-funding of at least 10% of overall project costs. For packaged bids, each distinct element will need to show its own 10% contribution. Across the proposed bids there is some financial risk for the Council and the need for match-funding budget provision:
  - where project proposals are new in response to the LUF opportunity and there has been no pre-existing funding source identified, leading to a gap;
  - Where some existing budget provision exists but is not sufficient to meet the full match funding requirement, leading to a gap;
  - where other external funding may be possible but cannot yet be confirmed, leading to a potential requirement for the Council to underwrite that funding risk.
- 22 The Council's capital programme has £13.7m allocated to contingency which offers a potential source of match funding and underwriting where there are gaps in relation to each project. This contingency allocation will be fully available to draw on as a match for all successful projects if LUF is secured for Fearnville. However, if the Fearnville LUF bid is unsuccessful, consideration will need to be given to this contingency being fully utilised on that project in addition to a case for further borrowing requirement towards the full cost. In this scenario all the outstanding match funding requirements to be met for any other of the LUF bids that are successful will place an additional unfunded pressure on the Council's capital programme.
- 23 The indicative funding profile for each project at the time of report writing is set out in the table at Appendix B.
- 24 The total value of projects within the proposed bids is £221.2m, with the LUF request amounting to £110.9m, equating to 50% of the entire programme value. However the funding mix within each project varies and there is a total of up to £5m of public sector match funding and underwriting of other funding bids with currently unknown outcomes to be confirmed, which equates to 2.2% of the overall value of the proposed LUF projects. Executive Board is asked to confirm the following approach for each bid in relation to this public sector match funding requirement.
- 25 Fearnville – to offer certainty to the LUF bid, underwrite the currently unknown outcome of bids totalling at least £1m to the Football Foundation and Sport England and confirm an initial contribution of £3.7m from the capital programme contingency fund – a total potential contribution of £4.7m subject to the outcome of other external funding bids.
- 26 North West Leeds Employment Hub – there are no outstanding or new match funding requirements.
- 27 Leeds West: Green, Healthy and Connected - to offer certainty to the LUF bid confirm a contribution of £1.1m from the capital programme contingency fund, or where this becomes

unavailable to agree in-principle to the equivalent unfunded borrowing to match fund the LUF investment.

- 28 Heart of Holbeck - to offer certainty to the LUF bid confirm a contribution of £0.8m from the capital programme contingency fund, or where this becomes unavailable to agree in-principle to the equivalent unfunded borrowing to match fund the LUF investment.
- 29 Alwoodley P&R - to offer certainty to the LUF bid confirm a contribution of £1.5m from the capital programme contingency fund, or where this becomes unavailable to agree in-principle to the equivalent unfunded borrowing to match fund the LUF investment.
- 30 Elmet & Rothwell Green Routes - to offer certainty to the LUF bid confirm a contribution of £0.6m from the capital programme contingency fund, or where this becomes unavailable to agree in-principle to the equivalent unfunded borrowing to match fund the LUF investment.

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

- 31 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.
- 32 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.
- 33 Legal advice has been and will be sought in respect of each potential project to ensure compliance with these subsidy control provisions.
- 34 The decision to be made regarding the submission of bids is in advance of the deadline on the 6<sup>th</sup> July. The timescale between consideration of the report and the bid deadline is 13 days and it is therefore requested that the Board agree to the decisions from this report being exempted from the Call In process, as any delay could give rise to a situation where bid submission is delayed beyond the deadline and the opportunity to secure funds under Round 2 LUF would be missed.
- 35 The decision could not have been taken any earlier so as to have been eligible for Call In due to the timing of the Executive Board meeting cycle, the purdah period for the local elections and timescales available in which to develop and bring forward the proposed decision. Given that this matter is a Key Decision, as required, it has featured upon the List of Forthcoming Key Decisions for 28 clear days prior to the Board meeting.

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

- 36 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. A LUF team made up of services from across City Development, Communities, Housing & Environment and Resources has been working closely on project development and engaging regularly with the available government advisory services on the LUF process.
- 37 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.

- 38 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 very good return for the city.
- 39 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 will be designed and managed according to these strict spend requirements.
- 40 The projects are at differing stages of development, but it is considered that the level of detail available to support the bid in each case is proportionate to the funding request and sufficient to support a strong business case. Each project has identified shovel-ready elements to ensure the bid can be accepted through the pass/fail government gateway assessment of delivering spend in the current financial year.
- 41 As previously set out to Executive Board the 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.
- 42 Where projects have private sector match funding as part of their delivery profile, this injects some risk to certainty where this has yet to be fully confirmed. This can be mitigated to some extent through reference to the strength of partnerships between the Council and partners and track record in securing such contributions for similar interventions.
- 43 Should any of these projects not be successful in securing LUF support, the work undertaken in their development and in preparing the bids will place them in a good position to be ready for future funding opportunities that may arise, either in relation to a further round of LUF (there is no confirmation of this as yet from government) or other capital programmes that become available through direct or devolved government funding.

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

Inclusive Growth       Health and Wellbeing       Climate Emergency

- 44 There is potential to deliver significant one-off capital interventions that align with the ambitions of our Best Council Plan.
- 45 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 proposed bids cover a diverse range of challenges and opportunities across the district and offer scope for major investments in 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?**

- 46 A range of proposals were put forward by ward members and MP's and considered against the criteria of the LUF and in the context of the time available to test these, their

deliverability, availability of match funding, future revenue implications and further to these considerations, the likelihood of compelling business cases being developed for submission by the deadline. The proposed submissions set out in this report reflect the positions reached with the constituency MP in each case as the priority for this LUF Round 2 process.

**b) How will success be measured?**

- 47 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.
- 48 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?**

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

<b>Activity</b>	<b>Timeline</b>
Project and business case development	April – July
Executive Board Bidding Decision	22 <sup>nd</sup> June
Senior Responsible Officer bid(s) sign off	w/c 27 <sup>th</sup> June
Round 2 bids submitted	6 <sup>th</sup> July
Round 2 bids outcome	Autumn 2022
Round 2 projects detailed consultation and engagement	Autumn 2022
Round 2 projects start delivery (if successful)	By March 2023

Activity	Timeline
Round 2 project completion	By March 2025

## Appendices

50 Appendix A – Equality Impact Assessment screening form

51 Appendix B – Levelling Up Fund Round 2 Bid Funding Profile

## Background papers

52 None.