

WEST NORTHAMPTONSHIRE COUNCIL CABINET

14th June 2022

**Cabinet Member for Economic Development, Town Centre Regeneration
and Growth: Councillor Daniel Lister**

Report Title	UK Levelling Up Fund Round Two
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List of Appendices

Appendix A – Levelling Up Fund - Sift One and Sift Two Assessment Report

1. Purpose of Report

- 1.1. To approve two submissions for the UK Levelling Up Fund Round Two application ahead of the deadline of the 6 July 2022 as detailed in this report.
- 1.2. To update Cabinet on the activity made to date, timescales and next steps for the UK Levelling Up Fund application.

2. Executive Summary

- 2.1 The Levelling Up Fund (LUF) is designed to invest in infrastructure that improves everyday life across the UK. The £4.8 billion fund will support town centre and high street regeneration, local transport projects, and cultural and heritage assets.
- 2.2 Each bid submitted by Local Authorities can be a bid for an individual project or a package bid consisting of up to three projects. Bids for an individual project or package bids can be up to £20m of funding or £50m for transport projects. The deadline for submissions into round two of the Levelling Up Fund is 12 noon on 6 July.
- 2.3 This report sets out the activity to date in preparation for a bid into the LUF. The council has engaged with key stakeholders who have the capacity to deliver large capital projects, to identify projects that may be eligible for Levelling Up funding. To assist in the assessment of these projects, the council has appointed consultants, Avison Young, to assess each project on its eligibility for the LUF as part of a two-stage assessment framework.
- 2.4 A long list of 39 projects was developed and these were assessed by Avison Young (UK) Ltd. Sift one looked at assessing the projects against the gateway criteria of the fund such as whether the project is within the scope of the investment themes, the funding requested is within the LUF limits, whether the project spending profile is within the required window, and whether the request from LUF is capital only.
- 2.5 Following sift one, eight projects were recommended to proceed to a more detailed assessment. Two of these projects were discounted from the long list as they are being taken forward through other funding routes. This assessment rated the projects against a number of factors including the strategic case, economic case and deliverability to ensure its suitability for a bid into the LUF.
- 2.6 There are six projects being taken forwards for a bid into the Levelling Up Fund. Work is now focused around forming a submission to Government and the articulation of the HM Treasury required business case model for the application form.

3. Recommendations

- 3.1 It is recommended that the Cabinet:
 - a) Note the activity made to date, timescales and next steps for the Levelling Up Fund applications.

- b) Delegate Authority to the Executive Director of Place, Economy and Environment in consultation with the Executive Director of Finance and the Cabinet Member for Economic Development, Town Centre Regeneration and Growth to approve the final two bids being made to the LUF round two, subject to any Council funding contribution also being in place before submission.

4. Reason for Recommendations

- 4.1 The recommendation is being made to enable West Northamptonshire Council to make 2 submissions of up to £20m (up to £40m in total) of Government funding to improve infrastructure across the area for the communities that the council serves.

5. Report Background

- 5.1 The LUF is designed to invest in infrastructure that improves everyday life across the UK. The £4.8 billion fund will support town centre and high street regeneration, local transport projects, and cultural and heritage assets.
- 5.2 The first round of the LUF was announced at the 2020 Spending Review and round two of the fund was announced on the 23 March 2022, following the publication of the Levelling Up White Paper in February 2022.
- 5.3 WNC submitted a bid for £20m to round one of the LUF in 2021 for the North West Relief Road (NWRR.) The bid was considered a strong submission with a benefit to cost ratio in excess of five putting the project in the high value for money category. However, the submission was unsuccessful and the council has not yet received any formal feedback from Government on the reasoning for this.
- 5.4 Government has made £4.8 billion available for the period until March 2025 for when the fund will operate. No details have yet been made available with regards to a third round.
- 5.5 The second round of the fund will focus on the same three investment themes as the first round:
- Transport: Such as public transport improvements, active travel and road improvements.
 - Regeneration and town centre: Building on the Towns Fund framework to upgrade infrastructure, acquire and regenerate brownfield sites and bring accessible community spaces into town centres, improving the public realm including high streets and regenerating key leisure and retail sites.
 - Culture: Regenerating or repurposing existing cultural, creative, heritage and sporting assets, creating new cultural assets and associated green spaces that support the visitor economy.
- 5.6 The fund guidance allows bids of up to £20 million per area with the exception that large transport bids can be made up to £50m (must be at least 90 per cent transport focused) and Government will fund two large cultural and heritage investments that can be made up to £50m (must be at least 90 per cent culture focused). These projects must be flagship projects that focus on highly visible interventions that boost local pride in place. Bids can either be for one project up to £20m or a “package bid” of up to three projects up to £20m.

5.7 Government have put an emphasis on engagement with local stakeholders and MP's. MP's will need to provide priority support to one bid via a pro forma of priority support. The council can make up to five bids – one for each MP area as well as a transport bid as the local transport authority. All bids must be submitted by noon on Wednesday 6 July.

Government Assessment Process

5.8 Government has measured all places by an index of priority places that considers the need for regeneration, need for economic recovery and growth and the need for improved transport connectivity. West Northamptonshire Council has remained as a priority two area (with priority one being the highest level of need and priority three being the lowest.)

5.9 Projects need to demonstrate that they can start spending the funding in the 2022-23 financial year and Government expect all funding provided from the fund to be spend by 31 March 2025.

5.10 There is an emphasis on engagement with local stakeholders and MPs. MPs can also provide support to one bid via a proforma of priority support.

5.11 The assessment process of bids will focus on the following criteria:

- Characteristics of Place – West Northamptonshire is categorised as a priority two area.
- Deliverability - all bids will be assessed for evidence of robust management and delivery plans
- Strategic Fit - applications should set out how the bid supports the economic, community and cultural priorities of their local area as well as how proposals complement other funds such as the Towns Fund and Future High Streets Fund.
- Economic Case - bids should demonstrate how they represent public value to society

5.12 To identify potential projects that may meet the criteria of this funding, the council has engaged with key partners including health, police & fire, further and higher education, the South East Midlands Local Enterprise Partnership (SEMLEP), town council's and internal departments such as housing, adults, highways and communities. Given the requirements set by Government on the stage that projects need to be developed to and the timescales, the council engaged with partners that have the capacity to deliver large scale capital projects within the deliverable timeframe.

5.13 The full list of identified projects considered for the LUF can be seen in appendix A of this report.

5.14 To support the council in its Levelling Up submission, it has appointed consultants Avison Young, who are responsible for assessing each project within the identified project longlist, using a two-stage assessment framework. This assessment will conclude with a shortlisting of projects which are eligible for Levelling Up funding and the submission of a formal application from West Northamptonshire Council.

Sift One Assessment

5.15 Sift one looked at assessing the long list of projects against the gateway criteria of the LUF. All projects had to meet these criteria to be considered for further assessment. The criteria are:

- Whether the project theme is within the scope of LUF
- Whether the project is within the funding limits
- Whether the project spending profile will be spent by 31st March 2025

5.16 Following the conclusion of the sift one assessment, the following projects were shortlisted to be considered as part of the sift two assessment.

- **Moulton Health and Wellbeing Centre**
The creation of a new primary care health and wellbeing centre (formerly Moulton Surgery.) The expanded centre will be approximately three times larger than the existing facility and accommodate future needs of the community.
- **Moulton College – Development of Animal Welfare Centre and Associated Facilities**
This project is the construction of a specialist rural animal welfare building to replace existing facilities which are currently unable to provide adequate and inclusive learning environments for student learning. This will enable the college to offer clear progression pathways through a range of qualifications from apprenticeships and further to higher education, through from Level 1 and Level 6 and into work.
- **Weston Favell Health and Wellbeing Hub.**
This project is the development of a new health and wellbeing hub at Weston Favell with new leisure facilities, library, child and adult and health services to replace outdated and not fit for purpose facilities.
- **Maggie’s Northampton Centre – Cancer Support Clinic**
The construction of a new centre at Northampton General Hospital dedicated to providing support to those diagnosed with cancer, their family, friends and carers.
- **Delapre Abbey – Stable Blocks and Wellbeing Hub**
Repurposing of the 19th century stable blocks at Delapre Abbey to create a wellbeing hub. It will link the natural environment, heritage and culture of Delapre Abbey to improve the wellbeing of the community.
- **Northampton University Multi Sports Facility**
This project will deliver a multifunctional sports facility with a sports hall, accompanying laboratories, swimming pool, gymnasium and social facility which would serve a variety of purposes supporting the academic, student union, wider community and the activity quarter initiative in Northampton.

5.17 The sift one assessment report can be seen in appendix A of this report.

- 5.18 The sift two assessment provided a more robust assessment of the projects against the detailed framework set by Government. This included:
- Strategic Case – ensuring there is a developed outline or full business case for the scheme, alignment to wider strategic ambition, development of scheme designs, stakeholder engagement and MP support.
 - Economic Case – identifying scheme outputs and project costs, market analysis and demand assessments.
 - Deliverability – review of development appraisal, match funding, risks and dependencies.
- 5.19 The stage two assessment resulted in six projects being considered for a bid to the LUF.
- 5.20 Projects which have not made the shortlist for the LUF the projects will be recorded by the council on the pipeline projects register. This will allow it to retain the project level information and knowledge for when future funding opportunities are announced. The council will continue to work with partners who submitted projects to ensure the projects are further developed for when future funding opportunities arise.

Next Steps

- 5.21 The initial assessment of the projects has been completed and the projects to form a submission to Government have been identified, the current activity is further project development and the articulation of the five-case model for the application form.
- 5.22 Building the Case for Intervention, this includes:
- Review of local, regional and national policy to align interventions against policies
 - Quantitative socio-economic analysis of West Northamptonshire to demonstrate how the projects will address existing or anticipated future problems
 - Examination of existing community engagement collateral to understand how proposals respond to local sentiment
- 5.23 Value for Money Assessment
- This involves identifying the value for money presented by the bid as a whole, as well as the individual projects
 - Economic appraisal model for all projects identifying project outputs, costs and benefits
 - Quantifying the costs and benefits and value for money and also wider social benefits
- 5.22 Financial Case and Viability Assessment
- This involves setting out the information over costs, viability, and funding
- 5.23 Deliverability and Risk Assessment
- This involves setting out the information on the delivery approach for each project, risk allocation, commercial structure and procurement as well as ensuring risks are properly recorded and accounted for

- 5.24 Once the application form has been populated with all the relevant information to ensure it is the strongest case for funding then the council will ensure its different teams have the opportunity to review and input before submission on the 6 July.
- 5.24 It is important to note that as further work is being undertaken on the above projects to get the required level of information to the appropriate level for a submission, projects might not be in a fundable position for this year's submission given the tight timescales. The council is working hard with partners to ensure all information is available and up to date for a submission this year.

Weston Favell Health and Wellbeing Hub

- 5.25 A requirement of the LUF is that for all projects proposed the whole funding package has to be identified. Any gaps in the funding must be clearly identified and evidence provided of any wider public or private sector co-funding commitments (such as letters, contractual agreements.) To provide Government with confidence, where there is a gap in the funding package there needs to be an unambiguous commitment from the council that this will be met.
- 5.26 The Weston Favell Health and Wellbeing Hub project is the only project out of the six proposed for a submission which has an incomplete funding package.
- 5.27 The project is being led by WNC and the estimated cost of the hub is to be £41m. If successful in being awarded £20m from the Levelling Up Fund this would leave a funding gap of £21m. The remaining funding would be subject to Full Council consideration on 30 June, prior to the submission being made on 6 July.

6. Issues and Choices

- 6.1 To approve the submission of bids into the LUF to enable WNC the opportunity to be awarded £40m, which is the maximum WNC will be able to be awarded for the two bids set out in this report, from Government.
- 6.2 To not approve the submission of bids into the LUF. This will mean that the council will miss out on the opportunity to receive funding from round two of the LUF. There is no guarantee that there will be a third round of LUF and this would mean that WNC would receive no grant funding.

7. Implications (including financial implications)

7.1 Resources and Financial

- 7.1.1 West Northamptonshire Council will be the accountable body for the LUF grant. Of the six projects identified in this report, five of these have no impact on the council's finances. The council will effectively be passporting the grant from Government to these organisations to enable project delivery. The funds will be governed by a grant funding agreement between WNC and the partners and will be paid on the completion of milestones laid out in the agreement
- 7.1.2 The council's responsibility is the administration and monitoring of the grant funding. Passporting of funds is dependent on the achievement of milestones. All funding agreements

will ensure that any expenditure in excess of funding is met solely by the partner. There is no financial risk to the council in relation to these five projects.

7.1.3 Weston Favell Health and Wellbeing Hub currently has a funding gap of £21m if it was successful in being awarded £20m from the LUF. The funding gap will be the subject of a Full council report on the 30 June 2022. This will be subject to the necessary due diligence of the business case and the agreement of council funding. This will go through the formal approval processes as outlined in the capital strategy and Constitution. If the Levelling Up bid is not successful, then the requirement for gap funding will be withdrawn and the project put on hold.

7.2 Legal

7.2.1 Future reports will set out the governance arrangements for the delivery of any successful Levelling Up projects. Any governance arrangements must align to Government guidance and the specific funding terms and conditions for which the council will be the accountable body. Specific legal advice will be provided for any successful Levelling Up proposals which will include but will not be limited to subsidy control, procurement, taxation and land implications.

7.3 Risk

7.3.1 If the council did not approve the recommendations of this report, this may result in the following financial, reputational and political risks:

- Financial risks: failure to submit a LUF bid will result in West Northamptonshire not benefitting from up to £40million of funding that could be used to deliver strategic projects and invest in infrastructure to better serve our communities.
- Reputational risks: failure to submit a LUF bid will result in reputational damage to the council due to perceived inactivity and failure to capitalise on funding that would benefit the public. This weakens the council's position to leverage funding from Government in the future. It would also be a reputational hit with the key partners that the council has engaged with on the projects identified to take forward.
- Political risks: as a new authority, the council is under increased scrutiny from Government and the public to deliver outcomes for the communities it serves. Failure to submit a LUF bid will result in increased scrutiny due to perceived inactivity of the council to capitalise on funding that would benefit the public.

7.4 Consultation

7.4.1 As noted in point 5.12, the council has engaged with key stakeholders and partners to identify potential projects that may form a part of its LUF bid. These partners include health (The CCG, Northampton General Hospital), Northamptonshire Police and Fire, Moulton College, Northampton College, University of Northampton, SEMLEP, Northampton Town Council, Daventry Town Council, Brackley Town Council, Towcester Town Council as well as the council's internal departments such as housing, adults, highways and communities. Each individual project

considered has undertaken varying degrees of public consultation, dependant on the progression and refinement of each scheme

7.4.2 All six shortlisted projects have been informed by consultation with key stakeholders to ensure that the designs are appropriate. Any project that forms part of a successful Levelling Up funding bid will be subject to additional public consultation as part of its development phase.

7.5 **Consideration by Overview and Scrutiny**

7.5.1 Overview and Scrutiny will be considering this report on the 28 June 2022.

7.6 **Climate Impact**

7.6.1 Climate impact considerations are not applicable to this report at this stage. However, if funding is successfully leveraged, any proposed projects will be subject to environmental impact assessments.

7.7 **Community Impact**

7.7.1 If the council is successful with its LUF bids, any resulting project will be subject to engagement and consultations with local stakeholders and the public through all stages, including statutory consultations to take place during the planning stages

7.7.2 The council will undertake programme-wide level impact assessments, relevant project-level impact assessment and equality and impact assessments when required

7.8 **Communications**

7.8.1 The Communications and Engagement Team will be fully involved in any future consultation activity around individual projects, should the bids be approved.

7.8.2 If the bids are successful, these projects will be built into the council's regeneration strategy which will inform comprehensive communications planning in collaboration with the communications team.

7.8.3 This document has been checked for accessibility.

8. **Background Papers**

8.1 Levelling Up Funding Round Two Prospectus:
<https://www.gov.uk/government/publications/levelling-up-fund-round-2-prospectus/levelling-up-fund-round-2-prospectus>