

Report to the Cabinet

Meeting to be held on Thursday, 8 July 2021

Report of the Head of Service - Policy Information and Commissioning (Age Well)

Part I

Electoral Division affected:
(All Divisions);

Levelling Up Fund - Proposed Submission (Appendices 'A' and 'B' refer)

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Executive Summary

The Levelling Up Fund is a £4.8 billion competitive capital fund announced as part of the National Infrastructure Strategy in the 2020 Spending Review. This report provides details of the submission criteria to apply to the Fund including the financial implications and requests approval to submit an application to Round 2 of the process.

This is deemed to be a Key Decision and the provisions of Standing Order C19 have been complied with.

Recommendation

Cabinet is asked to:

- (i) Note the submission criteria to apply to the Fund.
- (ii) Approve development funding to cover design and business case-making costs in 2021/22.
- (iii) Underwrite a capital contribution to be made as local match funding to support a funding bid, estimated at up to £5 million.
- (iv) Subject to (ii) and (iii) above approve that a funding application be prepared for submission in Round 2 that is expected to be announced between November 2021 and March 2022 based on a local match funding contribution estimated at up to £5 million.
- (v) Approve that the priorities of inward investment, jobs, skills and tackling health inequalities, underpinned by local transport and access interventions, be the focus of the county council's bid to the Fund.

Background and Advice

The Levelling Up Fund is a £4.8 billion competitive capital fund announced as part of the National Infrastructure Strategy in the 2020 Spending Review. It is aimed at prioritising investment that not only brings economic benefits, but also helps bind communities together. It is aimed at having a visible, tangible impact on people and places and supporting economic recovery to create opportunity.

Bids will be prioritised that invest in regeneration and growth in places in need and areas of low productivity and connectivity. The Fund will run until 2024/25 across the UK with at least £800 million invested in Scotland, Wales and Northern Ireland.

County councils with transport powers can submit one transport bid for up to £50 million. A local 'match funding' contribution will be required towards the total scheme cost.

Local authorities can only have one successful bid. Local authorities are therefore encouraged to consider whether bids that they wish to submit for the first round of the Fund reflect their local priorities, or if they should wait until later rounds so that they have more time to consider and develop their proposals. Further details of the Fund are outlined at Appendix 'A'.

Two factors have counted against a submission in Round 1. The funding rules expect meaningful investment (works or land assembly) in the 2021/22 financial year which substantially limits the choice of schemes. Critically, a bid exceeding £20 million must be supported by an Outline Business Case. The county council presently has no schemes with a finalised Outline Business Case and the substantial work needed to produce one requires agreement for a specific budget, allocation of necessary resources and approximately 6 months of development work before a bid can be submitted.

The Government has indicated that there will be future opportunities to bid in subsequent rounds.

It is expected that all funding provided from the Fund will be spent by 31 March 2024 and exceptionally into 2024/25 for larger schemes.

Proposed Submission Arrangements

The exact date for Round 2 submissions has not been confirmed but is expected to be between November 2021 and March 2022, as the subject of a government announcement in an anticipated Comprehensive Spending Review later this year. Support will be required from external consultants to develop proposals. Based on recent experience, the development cost to cover design activity and business case preparation is estimated at between £0.5 million to £1million depending on the scale and nature of the scheme to be taken forward. It should be possible to recover these sunk costs from the capital provision under a successful funding submission.

Consultants have been commissioned using the county council's Professional Technical Framework to carry out initial work to compile baseline evidence and

undertake scheme identification and appraisal to inform the production of an Outline Business Case.

Lancashire Priorities for the Fund

A successful application will need to provide a robust Outline Business Case that satisfies the Fund's eligibility criteria; but also demonstrates delivery against the county council's priorities. Clearly, the five priorities in the Corporate Plan provide a useful foundation. However the Fund's requirements, together with the county council's eligibility as Local Transport Authority, mean that priorities with the best chance of success are those that relate to levelling-up issues that are particular to Lancashire; and that can be addressed through transport and access interventions.

The priorities in the Corporate Plan relating to inward investment, jobs and skills are likely to benefit most from transport and access interventions, whilst at the same time meeting the Fund's criteria. In turn, such priorities will also help to tackle inequalities in public health, as recommended in the report of the county council's Director of Public Health, 'Investing in Health and Wellbeing'.

Cabinet is asked to approve the priorities of inward investment, jobs, skills and tackling health inequalities, underpinned by local transport and access interventions, as the focus of the county council's bid to the Fund to help ensure it has the best chance of success.

Local Contribution

The Fund's Frequently Asked Questions state that the Government encourages a minimum contribution of 10% which can come from a local authority or other third party (public or private sector). This funding cannot be "in kind". Any contribution made must be in the form of an actual financial contribution. Cabinet is recommended to underwrite a capital contribution to be made as local match funding to support a funding bid, estimated at up to £5 million. The prospect for securing local funding from other parties will be a consideration in identifying and designing a preferred scheme and stakeholders will be approached to share this local match funding requirement.

Consultations

Discussions are being held with district authorities to understand whether they intend to bid to the Fund, the details of any intended bids, submission timescales and to understand whether support will be requested from the county council.

Subject to the Cabinet approving a submission to Round 2 of the process, further discussions will be arranged to ensure that, where appropriate, district bids and a county council bid are aligned and complementary to one another. Integration with other external funding programmes will also be made where possible (e.g. Urban Tree Fund).

A communication plan with county councillors and local Members of Parliament is also being developed.

Implications:

This item has the following implications, as indicated:

Risk management

Although Government has indicated that there will be future Rounds in which to submit an application there is a risk that this does not materialise. However, due to the stipulations of the Fund and the very short deadline for Round 1, it is recommended that the county council aims for a submission in Round 2 to have more time to consider and develop a robust proposal that offers a strong cost benefit position and credible business case.

Financial

Cabinet is recommended to underwrite a capital contribution to be made as local match funding to support a funding bid, estimated at up to £5 million. Stakeholders would be approached to offset this cost to the county council. However, there is a risk that any local contribution may need to be funded in full by the county council either by existing grant funding or borrowing.

There is also a possibility of district councils requesting match funding. At this stage the value of any potential requests is unknown.

Further financial implications are set out at Appendix 'B' and are deemed to be Part II as the appendix contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

Appendix 'B' is not for publication - Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The appendix contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.