

CABINET

8 JUNE 2021

LEVELLING-UP FUND AND COMMUNITY RENEWAL FUND BUSINESS CASE SUBMISSION

Portfolio Holder: Councillor Rodney Chambers OBE - Portfolio Holder for Strategic Regeneration, Inward Investment and Partnerships

Report from: Richard Hicks - Director of Place and Deputy Chief Executive

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Summary

This report seeks Cabinet approval of the business cases proposed for submission to central Government's Levelling-Up Fund and Community Renewal Fund.

1. Budget and policy framework

1.1. The proposed business cases for Levelling-Up Fund and Community Renewal Fund investment in Medway support all three established Council priorities, namely:

- People: supporting Medway's people to realise their potential
- Place: Medway – a place to be proud of
- Growth: Maximising regeneration and economic growth.

1.2. The business cases accord with all six priorities of Medway 2035, the Council's Regeneration Strategy:

- Destination and placemaking – putting Medway on the map as a smart and sustainable waterfront city of learning
- Inward investment – increasing high value businesses and expanding high-quality employment
- Innovation – continuing to support business creation and growth
- Business accommodation and digital connectivity – providing the right infrastructure for business success
- Sector growth – enhancing a strong mixed economy
- Improving employability – matching business demand and skills supply.

1.3. The submission of a bid for capital funding is a matter for Cabinet.

1.4. This Report has been circulated separately to the main agenda on the basis that business case development is taking place at pace and circulating the Report separately allows the Cabinet to be presented with the most up-to-date information available. The Cabinet is asked to accept this Report as urgent to enable timely consideration, as the deadline for submission of a bid to the Levelling-Up and Community Renewal Funds is 18 June 2021, which is before the next scheduled Cabinet meeting on 13 July 2021.

2. Background

2.1. The March 2021 Budget introduced two major new funding streams for the UK – the Community Renewal Fund (CRF) and Levelling-Up Fund (LUF).

Community Renewal Fund (CRF)

2.2. The CRF is intended to support innovative and pilot projects under the following themes:

- Skills
- Local business
- Communities and place
- Supporting people into employment.

2.3. The CRF will operate in 2021/22 only, with £204m for investment across the UK. Individual projects are advised to exceed £500K, with a cap of £3m.

2.4. The funding available is 90% revenue and 10% capital, and individual projects were asked to reflect this balance.

2.5. All projects should demonstrate a contribution to the Government's net zero or wider environmental considerations.

2.6. The CRF is a competitive process. Government has identified 100 priority places for receipt of CRF, based on an index of economic resilience. Priority places have received £20,000 capacity funding to develop their bids, and their bids will be prioritised during assessment. Medway is not a priority place.

2.7. Lead authorities were required to invite project proposals from a wide range of stakeholders, specifically including the voluntary and community sector, Jobcentre Plus and further and higher education institutions. Local authorities were able to submit their own bids for consideration.

2.8. Lead authorities then assessed projects against a substantial checklist of requirements relating to:

- Strategic fit
- Deliverability
- Effectiveness

- Efficiency.
- 2.9. Finally, lead authorities are required to produce a shortlist of projects for submission to Government, up to a maximum value of £3m. Medway's shortlist is shown in Appendix 1.
 - 2.10. In total, 17 full applications were received by the submission deadline of 14 May, totalling £7,503,475. 14 were submitted solely to Medway, with three intending to operate part of their project within wider Kent.
 - 2.11. Bids were assessed by an independent team of assessors against pre-set gateway and appraisal criteria. Bids were ranked from highest to lowest score, with those receiving the highest score within the overall budget available selected for submission to Government. The shortlist was approved by the Portfolio Holder for Strategic Regeneration, Inward Investment and Partnerships, and the Leader of the Council.
 - 2.12. Four bids did not pass the gateway criteria stage, meaning 13 proceeded to assessment.
 - 2.13. The Finance Team supported the assessment of project promoters' financial standing and delivery capacity, as set out in central Government guidance.
 - 2.14. Between 2–3 % of the CRF bid value will be granted to successful lead authorities to resource project assurance, monitoring, reporting and evaluation. This includes the setting up of grant agreements with project promoters. Medway Council will request 3% on the basis that this function does not currently exist within the authority, and our funding request is spread across a number of individual bids, leading to increased costs.
 - 2.15. The bid deadline is 18 June 2021.

The Levelling-Up Fund (LUF)

- 2.16. LUF focuses on capital investment in local infrastructure. Round one will focus on three themes:
 - Transport
 - Regeneration and town centres
 - Culture.

Bids can respond to one or more of these themes.

- 2.17. LUF projects must be delivered by 31 March 2024, although exceptional projects can continue until 31 March 2025.
- 2.18. Bids can consist of up to three aligned sub-projects, and total up to £20m.
- 2.19. The number of bids an authority can submit is related to the number of MP constituencies within its boundary, and the possession of transport powers.

2.20. Across all LUF rounds, Medway Council is eligible to submit:

- Three bids across any of the themes (one shared with Tonbridge and Malling Borough Council)
- One transport-focussed bid.

2.21. Future LUF rounds are expected, although Government has not confirmed when these will be launched. It is likely, although not guaranteed, that future rounds will target the same themes. Government has advised that the 31 March 2024 / 2025 deadline should be seen as a hard stop for future rounds.

2.22. MPs can formally back one bid which they deem to be a priority, but are able to informally support any number of bids.

2.23. All projects should demonstrate a contribution to the Government's net zero or wider environmental considerations.

2.24. LUF is a competitive process. The Government has divided bidding authorities in to three categories based on assessment of need. Medway is in category 2.

2.25. The overall LUF budget is £4.8bn over all funding rounds.

2.26. It is proposed to submit three LUF bids in this round, and one in a future round. Project summaries are set out in Appendix 2.

2.27. The business case submission deadline is 18 June 2021.

3. Options

Community Renewal Fund

3.1. Options are:

3.1.1. To submit the bids to the maximum value of £3m which have been most highly ranked by the independent assessment panel in line with the assessment methodology.

3.1.2. To take an alternative approach to bid selection.

3.1.3. Not to submit any CRF bids.

Levelling-Up Fund

3.2. Options are

3.2.1. To submit the business cases as set out in Appendix 2 to this round of LUF funding.

- 3.2.2. To delay submission of one or more of the business cases to a future LUF round.
- 3.2.3. To reject the submission of one or more of the business cases, and prepare (a) business case(s) reflecting alternative projects for future rounds.
- 3.2.4. Not to submit any business cases.

4. Advice and analysis

Community Renewal Fund

- 4.1. Government has encouraged all areas to submit CRF bids, regardless of priority status. The guidance notes that applications from non-priority places “that demonstrate a strong alignment with strategic fit and good delivery/effectiveness may also receive funding”. On this basis, the non-submission of bids (option 3.1.3) has been rejected.
- 4.2. Given the terms of the Technical Guidance published by Government, and Medway Council’s commitment to transparency and accountability, only option 3.1.1 is viable.

Levelling-Up Fund

- 4.3. The shortlisting process for determining which projects to progress has been robust, with the involvement of a range of Council teams, senior officers, elected Members, external stakeholders and our MPs. On this basis, the report recommends that the option set out under 3.2.3 is rejected.
- 4.4. It is also recommended that the non-submission of business cases (option 3.2.4) is rejected, given the potential contribution of LUF investment to Medway’s ambitious regeneration agenda.
- 4.5. Officers are confident that the proposed business cases can be fully developed before the bid deadline. There are notable advantages of submitting these bids in the first round, the principal of these being that Government is yet to announce the date of future LUF rounds, but has indicated that the end dates of March 2024 / 2025 will remain. Submitting in the first round therefore offers the maximum delivery window. A delay – if future LUF rounds do not follow swiftly – may mean that Medway’s proposed projects could not be delivered in the time allowed.
- 4.6. In addition, bids that are unsuccessful in round 1 can be refined and resubmitted to future rounds, enabling project promoters to further develop bids reflecting funder feedback.

5. Risk management

- 5.1. The principal risks are discussed below:

Risk	Description	Action to avoid or mitigate risk	Risk rating
Full suite of bids not submitted due to lack of development capacity	The workload of submitting four simultaneous business cases (three LUF, one CRF) is significant and will present challenges for a team with limited capacity. Other teams will be called on to provide information to exceedingly tight timescales. In certain cases, we are reliant on information being provided by third parties.	Dedicate limited team capacity solely to LUF and CRF for the period to 18 June. Reiterate timescales to partners at every stage of the process.	D2
Business case submission does not lead to funding award	Medway is not a priority place for CRF and is a category 2 area for LUF. There is £204m CRF available nationally, with 100 priority places across the UK and a £3m bid ceiling per place. Therefore, chances of a successful Medway CRF bid are very limited.	Submit highest quality bids optimally aligned to scheme criteria. Continue to be clear on prospects and parameters when developing / progressing projects. Be alert to other funding streams to which unsuccessful bids could be redirected (e.g. UK Shared Prosperity Fund.)	B2
Negative publicity	Limited prospects of success may not be fully understood and bid failure could be misconstrued.	Continue to ensure limited availability of funds is highlighted throughout project development and in communications.	D3
Successful projects do not deliver intended outputs / outcomes.	Projects cannot deliver their intended outputs within budget and / or to schedule, leading to a reduced opportunity to deliver the extent of identified schemes. This could lead to reputational damage. In the case of CRF, the liability for delivery rests with the local authority, and funding can be clawed back if project promoters default or perform poorly.	Effective partnership relationship management will be key to the successful delivery of CRF and LUF schemes, and has been costed within proposals. CRF: We have sought advice from Finance and Procurement regarding (a) evidence required to demonstrate the delivery capacity of project promoters and (b) the structuring of payment profiles, to minimise exposure to risk	D2

Risk	Description	Action to avoid or mitigate risk	Risk rating
	This represents a financial risk if suitable provision is not made to transfer this liability to the promoters, or if promoters default on this liability.	The effectiveness of individual CRF projects' proposed monitoring, assurance and evaluation processes will be considered as part of Medway Council's bid assessment process.	
Committed co-funding is withdrawn / not available.	The provision of at least 10% match funding is strongly recommended for both funds. In the case of LUF this needs to be provided as a cash contribution.	Partners must commit to providing the agreed match funding in a letter of support (LUF) or in the grant agreement (CRF).	E2

6. Consultation

Community Renewal Fund

6.1. Officers disseminated information about the CRF to local organisations through the following means:

- Creation of a dedicated webpage
- Direct invitation letter to skills, business, placemaking and VCS mailing lists
- Representation at two county-wide workshops
- On-going social media promotion
- Two articles in eMedway Matters
- Specific presentations to the VCS peer-to-peer network and the Economy and Infrastructure stakeholder group
- Press release.

Levelling-Up Fund

6.2. LUF proposals were consulted upon across a range of internal Council teams and with a number of external stakeholders whose project pipeline aspirations for Medway resonate with the Fund's investment themes.

6.3. Medway's MPs were briefed on the developing proposals in individual briefings in May, and collectively on progress at the end of the month.

6.4. Letters of support for the LUF bids have been received, or are expected from a range of institutions who stand to benefit from project delivery, including Higher and Further Education institutions, schools, town centre fora and amenity and user groups.

- 6.5. The Portfolio Holder for Strategic Regeneration, Inward Investment and Partnerships was engaged in regular dialogue on both CRF and LUF, via meetings with the Assistant Director and Strategy, Policy and Partnerships Manager.
- 6.6. The Deputy Leader and Portfolio Holder for Housing and Community Services, the Portfolio Holder for Planning, Economic Growth and Regulation, and the Portfolio Holder for Front Line Services received written briefings, and the Leader of the Council was updated throughout.

7. Climate change implications

- 7.1. Technical guidance for both funds sets out that projects should contribute to the Government's net zero or wider environmental considerations.
- 7.2. Medway's CRF assessment methodology states that in the event of a tied score, the project assessed as having the strongest contribution to net zero or wider environmental considerations would be ranked the highest.
- 7.3. The LUF application form has a specific question dedicated to the project's support for national policy objectives including net zero, and this will continue to be a key focus of bid development.

8. Financial implications

- 8.1. The award of CRF or LUF investment - and especially LUF - would have a significant, positive impact on Medway's regeneration programme.
- 8.2. Administration and delivery costs would be borne by the funds themselves. In the case of LUF, this would fully cover the recruitment of project management personnel.
- 8.3. Administration and delivery costs for CRF are set at 2–3 % of the overall successful bid value, and as such would range from £1,500, to £90,000 depending on how many of Medway's CRF projects are selected by Government for investment, and their individual values.
- 8.4. Match funding sources for the LUF bids are indicated in Appendix 2.
- 8.5. Match funding for CRF bids is the responsibility of the project promoters. Its provision will be governed by signed agreement between Medway Council and successful project promoters.
- 8.6. There is a risk of Government clawback of CRF funds if project promoters perform poorly or default, as set out in section 5 above. The risk to Medway Council is minimised by due diligence checks being performed on all project applicants, robust assessment processes and by structured payment profiles. Payment conditions will be clearly set out in a grant agreement.

9. Legal implications

- 9.1. Any award of LUF investment will be accompanied by a grant determination agreement which will enshrine the conditions of funding, and will be reviewed, signed and sealed by the Legal Team.
- 9.2. Likewise, any award of CRF funding will be accompanied by a grant determination agreement which will need to be signed by the local authority.
- 9.3. In order to minimise exposure to clawback, a mirror grant agreement will be prepared between Medway Council and project promoters, setting out the necessary conditions for onward payment of grant funding. This will be prepared / approved by the Legal Team.

10. Recommendations

- 10.1. The Cabinet is asked to approve the suite of Community Renewal Fund (CRF) and Levelling-Up Fund (LUF) business cases for submission to the Ministry of Housing, Communities and Local Government, as set out in Appendices 1 and 2.
- 10.2. The Cabinet is asked to agree to delegate authority to the Director of Place and Deputy Chief Executive, in consultation with the Portfolio Holder for Strategic Regeneration, Inward Investment and Partnerships to finalise and approve the business cases and submit them to the Ministry of Housing, Communities and Local Government by the 18 June deadline.

11. Suggested reasons for decisions

- 11.1. To enable the LUF and CRF bids to be submitted to government, in support of Medway Council's established regeneration priorities.

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Appendices

Appendix 1: List of Community Renewal Fund projects proposed for submission

Appendix 2: Summary of proposed Levelling-Up Fund business cases

Background papers

Community Renewal Fund Technical Note for Lead Authorities. Available at https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus?fbclid=IwAR3FdLO5zttUv9NHBg-4zk-GdP-Zf_G_T_WKecLJpnHgE5z2d4n3sChXqgk

Levelling-Up Fund Technical Note. Available at [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/974100/LUF Technical Note for Application Form.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/974100/LUF_Technical_Note_for_Application_Form.pdf)