

CABINET

7 JUNE 2022

LEVELLING-UP FUND ROUND 2

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

Report from: Sunny Ee – Assistant Director, Regeneration

Author: Jessica Jagpal – Strategy and Economic Investment Programme Manager

Summary

This report seeks Cabinet approval of the business cases proposed for submission to central Government's Levelling-Up Fund Round 2.

1. Budget and policy framework

1.1. The two proposed business cases for Levelling-Up Fund investment in Medway support all three established Council priorities:

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

1.2. The business cases accord with the priorities of the forthcoming newly refreshed Medway 2037 strategy set of documentation.

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

2. Background

2.1. The March 2021 Budget introduced the Levelling-Up Fund (LUF) as a major new funding stream for the UK. LUF is designed to invest capital in infrastructure that improves everyday life across the UK by giving people pride in their local communities, bringing more places across the UK closer to opportunity, and demonstrating that Government can visibly deliver against the diverse needs of all places and all geographies.

- 2.2. The £4.8 billion LUF aims to support town centre and high street regeneration, local transport projects, and cultural and heritage assets. LUF will run until 2024/25.
- 2.3. LUF Round 1 supported £1.7 billion of projects across the UK. Medway secured £14.4 million through LUF Round 1 for the Chatham Package of cultural projects; The Brook Theatre, The Docking Station and The Fitted Rigging House South.
- 2.4. The LUF Round 2 opportunity was announced in late March 2022. The fund has been refined, with a stronger focus on deliverability of outputs and outcomes.
- 2.5. LUF focuses on capital investment in local infrastructure, Round 2 focuses on the same themes as Round 1:
 - Transport
 - Regeneration and town centres
 - Culture.Bids can respond to one or more of these themes. Each bid can total up to £20 million.
- 2.6. 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. The Council is eligible to submit:
 - Three bids, across any of the themes (one shared with Tonbridge and Malling Borough Council) and
 - One transport-focussed bid.
- 2.7. Government has not confirmed whether further rounds of LUF will be launched at this stage and has encouraged projects to come forward under Round 2 submissions. Government has advised that the 31 March 2025 deadline should be seen as a hard stop for any future rounds.
- 2.8. MPs can formally back one bid which they deem to be a priority, but are able to informally support any number of bids.
- 2.9. LUF is a competitive process. The Government has divided bidding authorities into three categories based on assessment of need. Medway is in category 2, and is not an identified priority area.
- 2.10. It is proposed to submit two LUF bids in this round. The business case submission deadline is 6 July 2022.
- 2.11. Early iterations of both of the projects proposed were submitted to LUF Round 1 and although unsuccessful, received positive feedback from both the Department for Levelling Up, Housing and Communities (DLUHC) and Department for Transport (DfT). The concept to expand both of the projects

were also proposed to DLUHC, both were well-received and re-submission encouraged.

3. Options

3.1. Options for the LUF business case submissions are:

3.1.1. To submit the two business cases as set out in Appendix 1 to this round of LUF funding. **This is the recommended option.**

3.1.2. To delay submission of one or both of the business cases to a future LUF round.

3.1.3. To reject the submission of one or both of the business cases and prepare (a) business case(s) reflecting alternative projects for future rounds.

3.1.4. Not to submit any business cases.

4. Advice and analysis

4.1. The shortlisting process for determining which projects to progress for LUF Round 1 was robust, with the involvement of a range of Council teams, senior officers, elected Members, external stakeholders and our MPs. Re-submission of the two unsuccessful LUF Round 1 projects was encouraged by DLUHC. Given this advice and due to the timescales for bid submission for LUF Round 2, the Council focused resource on developing the expansion of the LUF Round 1 submissions and refinement following feedback. On this basis, the report recommends that the option set out under 3.1.3 is rejected.

4.2. It is also recommended that the non-submission of business cases (option 3.1.4) is rejected, given the opportunity and potential contribution of LUF investment to Medway's ambitious regeneration agenda.

4.3. 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 this round of LUF, the principal of these being that Government is yet to announce whether there will be future LUF rounds but has indicated that the end dates of March 2024 / 2025 will remain. Early iterations of the two proposed business cases were submitted to Round 1. Re-submitting in this round, therefore offers the maximum delivery window. A delay – if future LUF rounds are available and do not follow swiftly – may mean that Medway's proposed projects could not be delivered in the time allowed.

5. Risk management

5.1. The principal risks are discussed below:

Risk	Description	Action to avoid or mitigate risk	Risk rating
Full set of bids not submitted due to lack of development capacity	The workload of submitting the two LUF business cases is significant and will present challenges for a team with limited capacity. Government has also announced the Shared Prosperity Fund (SPF) and the required Investment Plan due over the same timescale. Consultants across the industry have limited resource due to both funds being live at the same time with Councils across the country in the same position.	Dedicate limited team capacity solely to LUF for the period to 6 July 2022.	D2
Business case submission does not lead to funding award	Medway is not a priority area for LUF.	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.	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.	Effective partnership relationship management will be key to the successful delivery of LUF schemes and has been costed within proposals.	D2
Committed match funding is withdrawn / not available.	The provision of at least 10% match funding is strongly recommended.	Partners must commit to providing the agreed match funding in a letter of support.	E2

6. Consultation

- 6.1. 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.
- 6.2. The relevant Medway's MPs were briefed on the developing proposals in May.
- 6.3. The Portfolio Holder for Strategic Regeneration, Inward Investment and Partnerships was engaged in regular dialogue on LUF via meetings with the Assistant Director, Regeneration and the Strategy and Economic Investment Programme Manager.
- 6.4. The Deputy Leader and Portfolio Holder for Housing and Community Services, the Portfolio Holder for Planning, Economic Growth and Regulation received written briefings, and the Leader of the Council was also updated.

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. 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 for both projects.

8. Financial implications

- 8.1. The award of LUF investment would have a significant, positive impact on Medway's regeneration programme.
- 8.2. Administration and delivery costs would be borne by the LUF projects, with the potential for LUF to fully cover the recruitment of project management personnel.
- 8.3. If successful, Medway's match funding would be the subject of a further capital additions report for approval by Cabinet and Council.

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.

10. Recommendations

- 10.1. The Cabinet is asked to approve the two Levelling-Up Fund (LUF) business cases for submission to the Department for Levelling Up Housing and Communities (DLUHC), as set out in Appendix 1, in support of Medway's regeneration priorities, and to accept the funds for successful projects.
- 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 for submission to DLUHC by the 6 July 2022 deadline.

11. Suggested reason for decisions

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

Lead officer contact

Jessica Jagpal
Strategy and Economic Investment Programme Manager
Jessica.Jagpal@medway.gov.uk

Appendices

Appendix 1 – Summary of proposed Levelling-Up Fund Round 2 business cases

Background papers

Levelling-Up Fund Round 2 Technical Note. Available at:
<https://www.gov.uk/government/publications/levelling-up-fund-round-2-technical-note/levelling-up-fund-round-2-technical-note>