

**CABINET
13 MAY 2021**

REPORT OF THE HEAD OF PLANNING, ECONOMY AND REGENERATION

LEVELLING UP FUND

Cabinet Member(s): Councillor Richard Chesterton, Cabinet Member for Planning and Regeneration
Responsible Officer: Mrs Jenny Clifford, Head of Planning, Economy and Regeneration

Reason for Report:

1. To inform Members about the Levelling Up Fund (LUF);
2. To set out the criteria and timescales with regard to bid submission;
3. To establish and agree the proposed basis and timing for bids

RECOMMENDATIONS:

That Cabinet agree the proposal

- i) **To submit a levelling up fund bid in respect of the gap funding required to deliver the Cullompton Town Centre Relief Road and grant delegated authority to the Head of Planning Economy and Regeneration in consultation with the Cabinet Member for Economic Development over:**
 - a) **departure from a round 1 bid in the event that it becomes evident that there is a greater chance of success in a later round, and**
 - b) **the extent of the inclusion within the bid of additional cycle, pedestrian and vehicular access content in relation to the Station Road corridor.**
- ii) **To investigate the potential to work up a bid in partnership with neighbouring authorities within the Central Devon Constituency on the themes of rural enterprise and digital connectivity for submission to a future round of the fund.**

Financial Implications:

Local areas can bid for up to £20 million capital funding for a range of local infrastructure projects. Although projects can be fully funded, bidding authorities are 'encouraged' to include local match funding amounting to 10% of total project costs – this could be in the form of developers contributions, or private sector match. For the Cullompton relief road, there is already a close connection with development financial contributions through Housing Infrastructure Fund recovery requirements and Devon County Council is acting as delivery partner. In relation to the Central Devon Constituency, this local match funding aspect will need further consideration as part of scheme investigation.

Budget and Policy Framework:

The Levelling Up Fund (LUF) is a vehicle for the Government's "levelling up" agenda, announced during the 2019 elections and set out in the Levelling Up Fund Prospectus. Projects put forward as part of a bid will need to demonstrate a strong strategic fit against national, regional and local priorities for growth as set out in the prospectus, the Heart of

the South West Local Industrial Strategy, and the Team Devon Recovery Prospectus. This report is not considered to raise policy framework implications.

A funding package is already in place for the Cullompton relief road scheme incorporating Housing Infrastructure Fund monies and future developer contributions. Allowance has already been made within the Capital Programme to provide forward funding until recovery via developer contributions. The LUF bid is to provide gap funding to supplement those funding sources already identified.

Legal Implications: Should bids be agreed, grant-funding agreements will be entered into. This will be in addition to the existing grant fund agreement with Homes England over the Housing Infrastructure Fund.

Risk Assessment:

LUF: Mid Devon is identified as a medium priority category 2 area for the LUF. Considerable time and effort will need to be invested in preparing suitable bids, one of which within a very short time-frame. There is no guarantee of success, however failure to develop and submit projects under this fund would represent a missed opportunity. In assessing prospective projects suitable to form the basis for bids, officers have considered which have the greatest chance of a successful outcome.

Wider risk: The Cullompton Town Centre Relief Road is considered to be a major strategic growth project. Its delivery will unlock environmental and air quality improvements within Cullompton town centre and Historic England has made it clear that that the award of the Heritage Action Zone monies in Cullompton is predicated by a clear expectation of its delivery. The relief road will also unlock early capacity at J28 M5 in advance of more significant junction intervention, allowing for planned growth within the adopted Local Plan to come forward. This planned growth is considered vital to sustain the pipeline of housing delivery in order to meet future Housing Delivery Test requirements and as such is also significant to the delivery of the recently adopted Local Plan. Failure to deliver homes within the required timeframe will significantly increase risk, with the prospect of unplanned development coming forward in other locations within the District.

There are critical next key steps for the relief road project such as land assembly. The project will need to be delivered in a timely manner to ensure that it fits with the requirements of each of the funding streams.

Equality Impact Assessment: Projects put forward as part of a submission will need to demonstrate how they will reduce economic and social inequalities, or promote wider growth and economic / job creation opportunities particularly as they impact the most vulnerable residents or hardest hit communities.

Relationship to Corporate Plan: The LUF provides an opportunity to contribute towards all four corporate priorities of economy, homes, community and environment and assist in the delivery of many of aims identified within the Corporate Plan.

Impact on Climate Change: Any project submitted as part of the LUF will need to demonstrate its contributions to carbon reduction targets as part of the assessment criteria. In particular, they expect transport investment projects to show how they will reduce carbon emissions, improve air quality, and cut congestion.

1.0 Background

- 1.1 The Government announced the creation of a LUF at the Autumn Spending Review, and published a prospectus in March this year. The fund will see £4.8 billion investment across the UK over four years (four rounds) in high-priority local infrastructure projects that will support regeneration and growth in places in need (including ex-industrial areas, deprived towns and coastal communities) and areas of low productivity and connectivity. The fund is set up jointly by the Treasury, Ministry for Housing, Communities and Local Government and Department for Transport and will operate until March 2024.
- 1.2 Bids of up to £20 million of capital funding are invited for high-priority infrastructure projects. Bidding authorities are 'encouraged' to include local match funding amounting to 10% of total project costs. Bids of up to £50 million may be acceptable for strategically important transport infrastructure projects (upper tier authorities only). Every local authority can submit at least one bid. In addition, County Councils can submit an additional transport bid.
- 1.3 Although this is a competitive funding programme open to all top tier and second tier local authorities, certain areas have been prioritised for investment under the Levelling Up agenda based on an index of economic and deprivation indicators. Priority areas, representing places with the highest levels of identified need, will receive capacity funding to develop high quality bids. Mid Devon, along with West Devon and Torridge in Devon, has been categorised under category 2 (2 out of 3 categories) and therefore not in the highest priority category.
- 1.4 The deadline for the first round of the fund is 18th June 2021. The first round will only allow projects that can ensure some LUF spend in the current financial year 2021-22. Dates for future rounds have not yet been announced, but all projects irrespective of their round must be delivered by March 2024.
- 1.5 It should be noted that, distinct from normal bid-based processes, the LUF mandates a parliamentary constituency geographic approach in the consideration of bids (see later sections of this report for more detail).

2.0 Investment Priorities:

- 2.1 The first round will focus on the following investment themes:
 - **Transport investments** including (but not limited to) public transport, active travel, bridge repairs, bus priority lanes, local road improvements and major structural maintenance, and accessibility improvements. We are requesting proposals for high-impact small, medium and by exception larger local transport schemes to reduce carbon emissions, improve air quality, cut congestion, support economic growth and improve the experience of transport users.
 - **Regeneration and town centre investment**, building on the Towns Fund framework to upgrade eyesore buildings and dated infrastructure, acquire and regenerate brownfield sites, invest in secure community infrastructure and crime reduction, and bring public services and safe community spaces into town and city centres.

- **Cultural investment** maintaining, regenerating, or creatively repurposing museums, galleries, visitor attractions (and associated green spaces) and heritage assets as well as creating new community-owned spaces to support the arts and serve as cultural spaces.

3.0 Assessment Criteria

Bids will be assessed against the following criteria

- **Characteristics of the place** – This is largely determined by the Government’s own categorisation of areas into category 1, 2 and 3 according to identified economic and deprivation needs. As mentioned, Mid Devon is in category 2. The published guidance indicates that to be considered, bids from category 2 and 3 authorities will need to be of ‘exceptionally high quality’.
- **Deliverability** – Bids will need to evidence clear and robust delivery and procurement plans, governance structures and project costings. Any delivery risks should be clearly explained alongside appropriate mitigating actions. Bids in the first round will need to demonstrate they can spend some LUF funds in financial year 2021-22. All projects will need to be delivered by March 2024.
- **Strategic fit with local and fund priorities** – Bidding authorities will need to demonstrate a strategic case for investment for the project and must include support from partners and stakeholders. It is expected that priority bids will be endorsed by the local MP.
- **Value for money** – an economic case should be submitted to explain the benefits of the bid and how it represents value for money.

4.0 Involvement of Local MPs and wider stakeholders

- 4.1 It is expected that the bidding authority will consult with the local Member of Parliament as part of their bid. MPs can only back one bid per round in their constituency that they see as a priority. The number of bids that a local authority can make will relate to the number of MPs in their area. Accordingly, local authorities can submit one bid for every MP whose constituency lies wholly within their boundary. Where an MP’s constituency crosses multiple local authorities, the prospectus makes it clear that one local authority should take responsibility as the lead bidder and local areas should work together to designate that lead bidder. Every local authority can submit at least one bid. For this Council, this means a maximum of two bids, one for each parliamentary constituency (Tiverton and Honiton and Central Devon constituencies).
- 4.2 The prospectus also makes it clear that bidding authorities should consult a range of local stakeholders across the full geography of a place in developing their proposed investments for the Fund.
- 4.3 Local authorities can only have one successful bid for each of their allocated number of bids over the lifecycle of the Fund. 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. Careful consideration is therefore required over the timing of bids and selection of projects with the best chance of success taking into account parliamentary constituency boundaries.

- 4.4 Full details can be found in the Levelling Up Fund prospectus, which is available on the Government website at <https://www.gov.uk/government/publications/levelling-up-fund-prospectus>

5.0 Assessment of Potential Projects

- 5.1 Given the exacting requirements as set out in the LUF prospectus, the basket of potential projects for consideration are inherently constrained to those that are at an advanced stage of development (round 1 submissions), of significant scale to take greatest advantage of the opportunity or of the right nature to fit with the fund objectives and assessment criteria. The assessment of potential projects has also considered other funding sources that are currently available for bid submission (including the Community Renewal Fund) in order to align projects with the funds that are of most relevance and best likelihood of success. MP endorsement also forms a vital component to bid submission.

Tiverton and Honiton Constituency

- 5.2 This parliamentary constituency also includes part of East Devon District necessitating an awareness of other prospective bids. The East Devon area has been identified as a lower priority (category 3) than Mid Devon (category 2). This would suggest greater chance of success for a well presented Mid Devon bid. This however would not preclude East Devon bid submissions. As the MP can only endorse one bid in each round, this would require any bids by the two Councils to be submitted in different rounds of the fund.
- 5.3 Initial discussion with Neil Parish MP and with Devon County Council suggests that the recommendation with respect to the Tiverton and Honiton proposed bid as set out in this report will be supported by both parties.
- 5.4 The Cullompton town centre relief road has planning permission, is already supported by Housing Infrastructure Funding with associated expectations of delivery and is of strategic significance to Mid Devon. The Cullompton Town Centre Relief Road is considered to be a major strategic growth project. As identified in the risk section of this report:
- Its delivery will unlock environmental and air quality improvements within Cullompton town centre
 - Historic England has made it clear that the award of the Heritage Action Zone monies in Cullompton is predicated by a clear expectation of its delivery.
 - It will unlock early capacity at J28 M5 in advance of more significant junction intervention, allowing for planned growth within the adopted Local Plan to come forward. This planned growth is considered vital to sustain the pipeline of housing delivery in order to meet future Housing Delivery Test

requirements and as such is also significant to the delivery of the recently adopted Local Plan.

- Failure to deliver homes within the required timeframe will significantly increase risk, with the prospect of unplanned development coming forward in other locations within the District.

- 5.5 It is able to start spend of LUF funds (if successful) within 21/22. Devon County Council supports the project and is acting as the delivery partner.
- 5.6 Projected project costs have been refined and indicate an increase. The project is now post planning, with the result that more information is now available and it has advanced to a more detailed stage. There is also known under recovery from development as a result of the planning appeal decision at the Siskin Chase development in Cullompton. These factors have resulted in a funding gap. An application under this fund provides a valuable opportunity to address this in order to ensure the delivery of the project.
- 5.7 This fund also affords the opportunity to progress associated work with regard to enhanced vehicular access, pedestrian and cycle provision in the Station Road corridor at the northern end of the relief road's connection with the existing road network. Inclusion of these aspects has an associated benefit to the realisation of connections along Station Road between the town centre, northern end of the relief road and proposed railway station site. Inclusion of these aspects will facilitate development of these proposals and their refinement.
- 5.8 The project assessment process has concluded that a bid aligned with this scheme would deliver the most strategically significant outcomes, represents the best chance of success and at time of writing, is considered to be sufficiently advanced for a round 1 bid. Nevertheless the submission at round 1 to meet the bid requirements and timescale will require a considerable commitment of capacity. Given the transport nature of the project, there is significant dependency upon assistance from Devon County Council to pull the bid together, however it is believed that such assistance will be made available. Given the tight timescales the bid work has had to start in advance of the consideration of this report.

Central Devon Constituency

- 5.9 This parliamentary constituency also includes parts of East Devon, Teignbridge and West Devon districts. Similar to Mid Devon, the West Devon area is also identified as a Category 2 area; whereas the Teignbridge and East Devon areas have been identified as a lower priority (category 3).
- 5.10 Officers have been in discussion with their counterparts in these districts. It would appear that there are no immediately obvious schemes of a significant magnitude or that have the right strategic fit to comply with the funding objectives and assessment criteria which would be ready for a first round bid. There would appear however to be an interest for a joint bid to pursue common themes across the constituency area regarding rural enterprise and digital connectivity. Digital connectivity is a problem common across the constituency area and the levelling up fund could provide an opportunity for fundamental investment to make a meaningful difference towards improvement and providing connectivity at levels that other parts of the country take for granted. Rural enterprises have suffered greatly as a result

of the pandemic and changes to access to external markets. Rural businesses have particular challenges which often mean that they are disadvantaged when compared to some of their more urban based competitors. The fund provides an opportunity to scope a project to seek to address these disparities.

- 5.11 The advantages of developing a bid in partnership for a common purpose is that it overcomes the difficulties associated with the geography of this constituency comprising parts of four different local authorities. Working in partnership will increase chances of success when compared to each authority seeking to pursue bids on a competitive basis. Early discussions indicate an emerging appetite for such a partnership approach with greatest opportunity to shape such a bid for submission in a later round. It is important to note that at this stage this is just a potential rather than a fully scoped and signed up project and there is a risk that a different project from another authority comes forward for submission with greater priority. As this project is not proposed for round one it does present opportunities for officers to continue to work with the other districts and the local MP and report back to members once there is greater clarity.

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Circulation of the Report: Cabinet Member

List of Background Papers:

Levelling Up Fund Prospectus

<https://www.gov.uk/government/publications/levelling-up-fund-prospectus>