

Executive

16 June 2022

Report of the Corporate Director for Place

Portfolio of the Executive Member for Finance and Performance and
Executive Member for Economy and Strategic Planning

Levelling Up Round 2 Funding and UK Shared Prosperity Fund

Summary

1. This report summarises two funding opportunities that have been made available by the Government to support the delivery of its Levelling Up Agenda, as set out in the Levelling Up White Paper released in February 2022.
2. The two opportunities are the second round of the Levelling Up Fund (LUF) and a newly announced UK Shared Prosperity Fund (UKSPF), brought in to replace the European Structural Investment Fund (ESIF), to which the UK no longer has access following Brexit. Detailed government guidance on both opportunities has recently been released, with the LUF being a competitive bid process for capital funding, with York being a tier 3 authority - a lowest priority area for funding. UKSPF meanwhile is a predominantly revenue funded programme with a sum automatically allocated to each local authority to administer over a 3 year period based on a local investment plan that is to be agreed with central government.
3. This report seeks approval to prepare and submit bids for LUF, and to prepare, consult and submit the investment plan required to draw down York's share of funding from the UKSPF.

Recommendations

4. The Executive is asked to:

- 1) Instruct officers to undertake the necessary work, including partner engagement and the preparation of an investment plan, to secure the drawdown of York's allocation of funding from the UKSPF.

Reason: To allow officers, in consultation with the relevant Executive Members, to prepare and submit an Investment Plan by the end of July 2022 to secure the drawdown of funding from the UKSPF.

- 2) Delegate authority to the Corporate Director for Place, in consultation with the Executive Member for Economy and Strategic Planning and the Executive Member for Finance and Performance, to submit the final Investment Plan required to draw down York's allocation of funding from the UKSPF.

Reason: To allow officers, in consultation with the relevant Executive Members, to prepare and submit an Investment Plan by the end of July 2022 to secure the drawdown of funding from the UKSPF.

- 3) Delegate authority to the Corporate Director for Place, in consultation with the Executive Member for Finance and Performance, to submit the round two funding bids identified in this report to the LUF.

Reason: To allow officers to prepare and submit the strongest possible bids to Government on the 6th July.

- 4) Note that a report on the final submissions will be brought to a future decision session of the Executive Member for Finance and Performance setting out the final bid submissions.

Reason: To confirm the final bid compositions that were submitted to Government.

Background

5. Levelling Up is a key agenda for the UK Government who released the Levelling Up White Paper on 2 February 2022. This sets out 12 Missions that the Government is prioritising to achieve to create equal opportunities across the UK by 2030, and funding sources available to support the delivery of these.

6. A central pillar of the UK government's Levelling Up agenda, and a significant component of its support for places across the UK, is the UK Shared Prosperity Fund (UKSPF).
7. The UKSPF will provide £2.6 billion of new funding for local investment by March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula, rather than through competition.
8. The allocation for York is £5,107,510, with an additional allocation of £741,291 specifically for the Multiply scheme. Multiply is a nationally defined adult numeracy programme which will have some elements of local delivery and some scope for local innovation.
9. In the prospectus, the government state that the fund "will help places right across the country deliver enhanced outcomes and recognises that even the most affluent parts of the UK contain pockets of deprivation and need support".
10. The LUF was announced in the 2020 Spending Review, and is a competitive fund run by the UK Government to invest in infrastructure across the UK. The first round of funding from the LUF awarded £1.7 billion to support the delivery of 105 projects across the UK.
11. The second round of the LUF was also announced as part of the delivery of the 12 Levelling Up Missions. The prospectus was released on the 23 March 2022, setting out key investment themes and eligibility requirements for the next round of capital funding applications. This remains a competitive bidding process, with local authorities being placed in priority tiers for funding based on the government's perception of Levelling Up need. York is a tier 3 authority, the lowest of the priority areas.
12. The second round remains broadly unchanged from the first round. Where there have been changes, these have been summarised later in the report.
13. The Council submitted a strong first round LUF bid to support the delivery of three key city centre regeneration projects. Although this bid was unsuccessful, detailed feedback from central government was positive, with the submission scoring well across the three main assessment criteria which was; strategic fit; value for money; and deliverability. The council were encouraged to re-submit this bid in round two, and it was noted that although York is a tier three authority this did

not preclude being successful, and nationally there were 6 successful bids from tier 3 authorities representing 4% of the total financial allocation.

UK Shared Prosperity

14. The prospectus sets out the Government's ambitions for the fund – to build pride in place and increase life chances across the country.
15. The UKSPF intends to achieve this through the three priorities of:
 - Community and Place
 - Supporting Local Business
 - People and Skills
16. The funding for the first two priorities will commence in 2022/23, while the 'People and Skills' priority will commence in 2024/25. The prospectus encourages lead authorities to work across boundaries and with different levels of local government to agree and commission provision across a wider geography, especially for employment and skills provision.
17. Every part of the UK will receive an allocation for the years 2022-23, 2023-24 and 2024-25, for both the core UK Shared Prosperity Fund (UKSPF) and for the adult numeracy programme, Multiply.
18. In 2022-23 funding will be paid once local investment plans are signed off. In 2023-24 and 2024-25, funding will be released at the start of the financial year. Lead local authorities will be asked to return any underspends at the end of each financial year.
19. Interventions should be delivered by March 2025 or have a break clause allowing for closure by March 2025.
20. Funding investment can commence from 1 April 2022. However, interventions that commence before investment plan sign off will be done at risk.
21. Lead authorities will have responsibility for managing the fund, assessing and approving applications, processing payments and day-to-day monitoring. In partnership with local stakeholders, they will determine

the scale of each intervention. Lead authorities can use competition, commissioning, procurement or in house delivery.

22. Lead authorities will receive £20,000 to prepare investment plans. Lead authorities will take responsibility for the fund over their strategic and council area and 4% of the fund can be allocated for administration. Administrative and preparations costs can be incurred from 1 April 2022.
23. In order to access local allocations, all lead authorities will need to develop their investment plan in partnership with a 'local partnership group' which should include as wide a range of stakeholders and partners as possible, including MP's.
24. Organisations that can receive funding can include local authorities, public sector organisations, higher and further education institutions, private sector companies, community and voluntary sector organisations and registered charities.
25. The investment plans will need to be signed off by both the lead authorities and Department of Levelling Up, Housing and Communities (DLUHC) and will consist of the following three aspects:
 - Local context
 - Selection of outcomes and interventions
 - Delivery
26. The window for submissions is between 30 June and 1 August. Following this, plans will be agreed between government and lead authorities to unlock the allocations.
27. UKSPF replaces the European Structural Investment Funds (ESIF), and across the UK projects previously funded from that source are looking to their local Investment Plans for continuation funding. In York, we have accessed ESIF through both the Leeds City Region and York, North Yorkshire and East Riding geographies. A summary of projects which have been supported to deliver in part or wholly in York through the last ESIF allocation is provided at Annex A.
28. As can be seen in the Annex, the total potential investment in York over the period 2014-23 was £12,887,465. In practice, much of the delivery of those projects has been in those areas which have now been prioritised for LUF. The maximum annual budget for York was thus £1.4m, although

in practice less than £1m was being spent in the average year from ESIF. In contrast, York now has an annual budget of £2.8m from UKSPF.

29. While there are a number of ongoing ESIF projects providing support to York businesses and residents, all of which complete in the current year, the only specific York provision is through three Leeds City Region projects with local staff. The Apprenticeship Hub and Growth Hub projects include staff in CYC, while the Ad:Venture business start-up programme has York delivery through the Chamber of Commerce.
30. Development of the York UKSPF Investment Plan will take as a starting point the recently adopted My City Centre strategy, Cultural strategy and York Skills Plan, together with the emerging York Economic Strategy, Health and Wellbeing strategy and Climate Change strategy. This will ensure that the funding aligns with already approved local strategies. A partnership group will be brought together to ensure that there is widespread support for the identified actions.

Levelling Up

31. The second round of the LUF has seen a few minor changes to the round one bidding guidance. These relate specifically to the application process, the index of priority places, the additional category of larger bids for culture and heritage, and finally the detail of the themes.
32. An online application portal has been introduced for the submission of round 2 bids, with more standardised pro forma documents to streamline the evidence requirements for the application.
33. The Index of priority places has also been updated to take account of the latest available data and the economic impact of COVID 19. This resulted in a number of areas becoming moved up in to tier 1 and tier 2. However, York remains a tier 3 local authority, which is the lowest priority grouping. While this does not exclude the City from applying for funding from the LUF, the low prioritisation means that it is likely that only very well developed, eye catching and innovative projects that align with all guidance will be successful.
34. In round 2, two projects across the UK will be awarded up to £50m towards larger cultural and heritage projects but these are likely to be in priority tier areas.

35. Finally, the detail of the themes of the funding has been updated to more closely align to the 12 Levelling Missions. This includes more specific reference to crime and antisocial behaviour, and accessibility improvements.
36. The investment themes remain the same as the first round of funding, however the detail within the themes is slightly different reflecting more of the wider Levelling up White Paper Missions.
37. These investment themes for the LUF are:
 - town centre and high street regeneration;
 - local transport projects; and
 - support for maintaining and expanding UK cultural and heritage assets
38. Other than those referenced above, the rest of the detail of the fund in round 2 remains unchanged from the first round.
39. As a local authority with two MPs, York Central and York Outer, City of York Council is able to submit two bids that deliver in line with one or more of the LUF investment themes. These bids can each be up to £20m in value and can contain up to three inter-linked projects as a package bid.
40. City of York Council is also a Transport Authority and therefore can submit a third bid that is at least 90% transport related. This bid can by exception be up to £50m.
41. MPs can only formally support one bid each as a priority. This means only two of York's LUF bids – including the transport bid - can have priority MP support. Both MPs can support the same single bid, they can also offer informal stakeholder support to an unlimited number of other bids.
42. All funding is expected to be spent by 31 March 2025, and 2025-2026 on an exceptional basis. There is also a requirement for some early spend in the 2022-23 financial year, which applies to all the funding bids.
43. There is a requirement for the Local Authority to evidence a minimum of 10% funding toward each project. This match funding must be set out in

principle in the bid, but would be subject to a future Executive approval should the bid be successful and the council chooses to accept the funding.

44. The deadline for submission of round two bids is the 6th July 2022, with successful bids expected to be announced in autumn 2022.

Proposed Levelling Up Round Two Bids

Bid one - regeneration

45. Under the first round of the LUF the Council submitted one single bid to revitalise the city centre, which included three linked projects: 1. Castle and Eye of York, 2. Coney Street and the Riverside Quarter, and 3. Parliament Street.
46. This bid sought £19,116,234 funding from the LUF with match funding from the Local Authority and the West Yorkshire Combined Authority through the West Yorkshire Transport Fund. This funding would also leverage in a significant private sector investment to the Riverside Quarter.
47. Project 1 of the bid sought £10m to deliver the Castle and Eye of York scheme, to create world class public realm and event space through the removal of a surface level car park. This would improve the setting of nationally significant heritage assets, improve pedestrian and cycle routes, and create a space for increased cultural events. As part of the early delivery in the first round of the LUF, the public realm to the rear of the Museum was included as part of this project. In the Castle Gateway masterplan, this forms a part of the Castle Mills scheme.
48. Project 2 sought £4m to invest in Coney Street & the Riverside Walkway, the city's main shopping street, improving the pedestrian environment to underpin the viability of commercial investment, whilst creating an exciting new riverside walkway and dynamic new amenity spaces. This would provide a vibrant leisure environment and river frontage, allowing redundant large floorplate buildings to become dual-facing and be redeveloped, and opening up vacant upper floors for residential and commercial use.
49. Project 3 sought £5m to radically upgrade Parliament Street & St Sampson Square, a space which currently hosts events and accommodates secondary retail uses. The Council's delivery partner,

Make it York, identified a long-term downward trend in visitor numbers even before the pandemic, and the space is tired, underused and needs comprehensive re-imagining. Investing would improve accessibility and meet the needs of communities and visitors, providing fit-for-purpose infrastructure for events, a cornerstone of the city's visitor economy.

50. Investing in the three related spaces would create a coherent and resurgent city centre environment: The Castle project would provide a new cultural anchor space at the southern edge of the City Centre, complimenting commercially oriented events in an improved Parliament Street, with investment at Coney Street supporting the retail core and creating a complementary riverside leisure environment. Investment at Coney Street and Parliament Street would be designed to facilitate new mixed uses into the high street, diversifying and adding vibrancy to the City Centre in the wake of significant retail losses.
51. Although unsuccessful, feedback was that the bid was well prepared; was robust with strong strategic fit with the fund priorities; and evidenced good value for money and deliverability. In addition to this positive feedback from the Department for Business, Environment, Innovation, and Sustainability (BEIS), they also identified areas where improvements could be made to strengthen a future bid.
52. BEIS encouraged the resubmission of the first round bid, taking in to consideration the slight changes to the requirements of the bid and building on the areas that required improvement.
53. It is therefore proposed that this bid is resubmitted with refinements to encompass any changes to the schemes since the first round bid and to recalibrate the focus in response to the Levelling Up white paper and 12 Missions.
54. The main changes to the schemes are a result of further work that has been undertaken, particularly engagement and the approval of the My City Centre vision and city centre access improvements, and work on the subsequent delivery strategies, with the My City Centre Delivery Strategy due to be considered at July Executive. The My City Centre vision and delivery strategy propose a wide ranging package of strategic interventions within the City Centre, which collectively will improve its social, economic and environmental performance, through placing residents and families at the heart of a revitalised and flexible city centre. The projects proposed in the regeneration based LUF bid are at the heart

of this vision and drive a wide range of positive change, whilst acting as a catalyst for the wider vision as a whole.

55. Project 1, Castle and Eye of York has continued to progress since the first round submission. Since last June, further design and consultation work has been undertaken and a planning application has been submitted. Although the bid will no longer include the rear of the Castle Museum due to deliverability within the required programme, this project remains strong in terms of deliverable benefits and value for money.
56. Both Project 2 and 3, are also in stronger positions since the first round submission. The adopted My City Centre Vision, and subsequent delivery strategy, and City Centre Access strategy and action plan, are based on extensive public and stakeholder engagement and set out clear, tangible projects of which funding from the LUF would support delivery.
57. The Riverside Quarter project (project 2) has been worked up in more detail by the Helmsley Group, and is currently in pre-application discussions with planning, with a public consultation to launch shortly ahead of planning submission. Parliament Street proposals have been evolved through discussions with key Council teams including transport and highways, and external partners including Make it York, to iterate the project scope, and drive additional benefits and deliverables. A full public consultation will take place on confirmation of funding.
58. Included in both the Riverside Quarter and Parliament Street projects are additional access improvements including improved level access and public realm, and consideration of strategic sustainable transport routes through the city, as identified as priorities in the both City Centre Vision and Access Strategy. Whilst these were an intrinsic part of the round 1 submission, we are now in a better position to articulate the potential approaches, benefits and outcomes, following the extensive public and stakeholder consultation, and establishment of wider vision and strategy.
59. The occupier strategy for the Riverside Quarter has also progressed since the first round bid, with more information certainty emerging around some of the use types, particularly those with strong public benefit and the potential for early delivery. As part of this, an opportunity has been identified to attract a major public sector anchor tenant to the scheme, through LUF funding support. The (currently confidential) occupier could drive out significant additional community and economic benefits, and the business case for funding support is being explored at pace to allow consideration of inclusion within the round 2 bid. The occupier strategy

for the Riverside Quarter has also progressed since the first round bid, with more information around some of the use types, particularly those with strong public benefit and the potential for early delivery.

60. Due to the projects progressing at different rates since Round One, the Parliament Street and Riverside Quarter projects will provide elements of early delivery in the Round Two submission, instead of the public park to the rear of the museum which had previously been included in the round one bid, but will be removed in the round two bid.

Bid 2 - Transport

61. A proposed Transport orientated bid to the LUF is proposed seeking approximately £5m to augment the proposed Haxby Station by improving active travel to neighbouring communities improving accessibility to and from the local vicinity. Linked to this project, the bid will include proposals to improve the sustainable active travel connections in Haxby and Wigginton, to improve the onward connectivity beyond those proposed as part of the Haxby Station project.
62. The new station itself is expected to be majority funded from the Department for Transport's New Stations / Restoring Your Railways Fund which has programme entry and is subject to a satisfactory business case to be submitted later this year.
63. Significant investment is proposed in the Scarborough to York line corridor with complimentary LUF proposals from both North Yorkshire County Council and the City of York Council. Overall investment into the Scarborough to York line corridor is proposed in the region of £36m, with an additional £5m into the East Coast Main Line. This investment directly connects into national rail projects maximising the wider regional and local benefits and will help modal shift to rail reducing car traffic in the city centre.
64. Following the recent public consultation for the Haxby Station project, there is strong evidence from the responses received that one key area that would be widely supported by potential patrons is sustainable connectivity from the station site to/from the neighbouring villages, particularly Strensall.
65. As well as the new route, the existing walking or cycling routes could be improved making them more attractive to potential users. Public Transport Improvements to link with the station site are also part of the

bid also be undertaken to, and also no bus routes which currently pass the new station site.

66. The LUF bid proposes to create off-highway cycle and pedestrian paths to the station site from Haxby; and also from Strensall, where the proposals would be to improve the route mainly adjacent to the River Foss to make it suitable and safe for cyclists and pedestrians. Improvements are also proposed to the existing routes in Haxby and Wigginton, improving connectivity to the centres as well as linking up with the proposed routes to the station.
67. A series of public transport improvements are proposed to the local bus routes to serve the new station. Furthermore a range of road safety improvements to the full length of Towthorpe Road is proposed, including a re-design of the difficult junction at its eastern extent, with Strensall Road.
68. This Transport focused bid has strong alignment with the themes of the LUF, which include investment in cycling provision, enhanced public transport facilities, enhancing and upgrading local road networks and enhancing transport across modes.

Third bid opportunity

69. It is not proposed that a third bid be submitted. York remains a tier 3 local authority, the low prioritisation meaning that it is likely that only very well developed, eye catching and innovative projects that align with the guidance will be successful. Only 6 projects, 4% of the financial allocation, was given to priority 3 areas in round one.
70. Preparing a bid also takes a significant level of officer time and would require consultant support to prepare a sound economic case. MPs can only give priority support to one project each, therefore one of the three bids would not have priority MP support. Consequently it is proposed to focus all efforts on preparing the strongest regeneration and transport bids possible to give the best chance of securing funding.
71. It is requested that authority to approve the final detail of both bids be delegated to the Corporate Director for the Corporate Director for Place, in consultation with relevant Executive Members. The final composition will be reported to a future Executive member decision session.

Council Plan

72. Securing external funding and delivering the proposals outlined above will support a number of outcomes outlined in the Council Plan 2019-2023:
- **Well-paid Jobs and an Inclusive Economy** – The proposals with supporting hard hit retail, leisure and tourism sectors to recover from COVID 19, whilst diversifying the high street to benefit York's economy, and support lowest paid sectors, alongside longer term plans to facilitate growth in higher value sectors.
 - **A Greener and Cleaner City** – Investment in pedestrian and cycling provision and new and improved open spaces in the river corridors will help to create a greener and cleaner city.
 - **Getting around Sustainably** – The proposals create new cycling and walking infrastructure to encourage active travel in and around the city enhanced public transport facilities, and enhancing sustainable transport across modes.
 - **Creating Homes and World-class Infrastructure** – the proposals will transform public realm in key city centre locations and provide a world class events space that improves the setting of York's historic monuments and buildings, enhance and upgrade local road networks
 - **Safe Communities and Culture for All** – The proposals will improve existing and create new spaces across the city centre for cultural activation and community activity.

Implications

73. The report must demonstrate that all relevant implications of the proposals have been considered.
- **Financial**
74. **Levelling Up Fund** – requires a minimum of 10% CYC contribution to the project costs. The council has budgets already in the capital programme to support the various bids including the Castle Gateway Scheme, Haxby Station scheme and Highway budgets which can be used to contribute towards the levelling up bids. There should therefore not be any additional budgets required if successful. Should the bid be successful a detailed funding package will need to be considered by Executive.
75. **Levelling Up Fund** – to complete the bids it is necessary to update the economic case for projects which was prepared for the first round of the

LUF. The work to update the economic cases will cost up to [£10k]. This can be delivered within current budgets.

76. **UK Shared Prosperity** – Lead authorities receive £20,000 to prepare investment plans and 4% of the fund can be allocated for administration over the lifetime of the funding. This 4% is to cover administration of the funding. There will therefore be no additional cost to the council in administering the fund.

77. **UK Shared Prosperity** - In 2022-23 funding will be paid once local investment plans are signed off. In 2023-24 and 2024-25, funding will be released at the start of the financial year. Lead local authorities will be asked to return any underspends at the end of each financial year.

- **One Planet Council / Equalities**

78. Any consultation will need to take into account the Public Sector Equality Duty under Section 149 of the Equality Act 2010 (to have due regard to the need to eliminate discrimination, harassment, victimisation and any other prohibited conduct; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it in the exercise of a public authority's functions).

79. An Equalities Impact Assessment is attached at Annex A.

- **Legal
Levelling Up Fund**

80. The projects in the application for the second round of the LUF will be largely the same as in Round One, but with the removal of the proposals in relation to the rear of the Castle Museum. In relation to the Riverside Quarter project (project 2) officers will continue to work with the private sector riverside property owners to shape the emerging riverside walkway proposals and negotiate any necessary commercial relationships with neighbouring landowners and developers. Care needs to be given in developing the relationship between the Council and the private sector riverside property owners to ensure this remains in accordance with public sector procurement legislation.

81. The application for the transport orientated bid to the LUF is in relation to Haxby Station, specifically the improvement of active travel and sustainable connectivity.

82. Should the application(s) to the LUF be successful the Council will develop procurement strategies to ensure the funding is used compliantly in accordance with the Public Contracts Regulations 2015 and subsidy control requirements (previously known as State aid).
83. Any commercial arrangements around the associated development scheme would need to be framed to ensure best value requirements are met.
84. Legal Services officers will work closely with project officers to ensure compliance with public sector procurement legislation and to consider the subsidy control implications of the funding of the individual projects.

UK Shared Prosperity Fund

85. It is noted that lead authorities will have responsibility for managing and monitoring the UKSPF and will determine funding interventions in partnership with local stakeholders. Lead authorities will be able to use competition, commissioning, procurement or in house delivery to distribute the funding. The Council will therefore need to develop strategies to ensure the funding is applied compliantly in accordance with the Public Contracts Regulations 2015 and subsidy control requirements.
 - **Human Resources (HR) – none**
 - **Crime and Disorder – none**
 - **Information Technology (IT) – none**
 - **Property – covered in the report**

Risk Management

86. Both internal and external resource is required to prepare any bid for external funding. This work is undertaken at risk and should the bid be unsuccessful this work is mostly abortive. This risk is managed by only submitting two bids to the LUF, instead of working up a third bid from scratch. The positive feedback received on the round one bid and the relatively small amount of work required to update and resubmit this bid, coupled with the size of the opportunity, offsets this risk.
87. Successful bids need CYC contribution funding, which can be evidenced through existing proposed funding strategies. Should the LUF

bids be successful, a report will be brought back to Executive to take the decision whether to accept the funding and proceed with the delivery of the projects.

Contact Details

Author:

Katie Peeke-Vout

Regeneration Project Manager
Regeneration and Economy
3364

Chief Officer Responsible for the report:

Tracey Carter

Director of Housing, Economy &
Regeneration, Information and
Communication Technology

Report
Approved



Date 06/06/2022

Specialist Implications Officers

Financial:-

Patrick Looker
Finance Manager
Tel No.

Legal:-

Cathryn Moore
Legal Manager - Projects
01904 552487

Wards Affected: [List wards or tick box to indicate all]

All



For further information please contact the author of the report

Background Papers:

City of York Council Recovery and Renewal Strategy – April Update – 22nd
April 2021

Corporate Director Decision Notice - Submission of York Levelling Up Fund
Bid – 18/06/2021

Levelling Up – Round Two:

[Prospectus](#)

[Application Guidance](#)

[Technical Note](#)

Annexes

Annex A – UKSPF List of European Structural Fund investments

Annex B – Equalities Impact Assessment

List of Abbreviations Used in this Report

BEIS – Department for Business, Environment, Innovation, and Sustainability

DLUHC – Department for Levelling Up, Housing and Communities

LUF – Levelling Up Fund

UKSPF – UK Shared Prosperity Fund