

## **Item: 12**

**Policy and Resources Committee: 1 March 2022.**

**UK Government – Levelling Up Fund.**

**Joint Report by Corporate Director for Enterprise and Sustainable Regeneration and Corporate Director for Education, Leisure and Housing.**

### **1. Purpose of Report**

To consider the submission of bids to the UK Government's Levelling Up Fund.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That, on 22 June 2021, when considering an update on the UK Government's Levelling Up Fund and a proposed strategy for submission of future applications, together with the human resources required to support development of bids to the Fund, the Policy and Resources Committee noted:

- That the UK Government had launched a Levelling Up Fund of £4.8 billion to support infrastructure and transportation projects across the UK.
- That councils were the lead authorities to apply to the Levelling Up Fund, with Orkney having eligibility to submit up to two bids, one for each of the infrastructure and transportation elements of funding.
- That councils could be successful in only one bid for each category during the four year lifetime of the Levelling Up Fund.
- That there were to be a number of rounds of funding bids to be invited by the UK Government, with the first round closing on 18 June 2021, and a further round anticipated later in 2021, with decisions in time for projects to commence at the start of financial year 2022/23.
- That the UK Government would provide capacity funding of £125,000 to the Council, which could be utilised to support development of bids to the Levelling Up Fund, including staff resource.

#### **2.2.**

The Committee recommended:

- That the Council should not submit a bid to the first round of applications to the UK Government Levelling Up Fund, which were due for submission by 18 June 2021.

- That a temporary post of Projects and Funding Officer, G8, be established, for a period of up to 18 months, to be funded from the capacity funding to be provided by the UK Government, in order to lead in the preparation of bids to the Levelling Up Fund, with the target for that work to be submission of bids to the next round of funding, expected to be late 2021 or early 2022.

### **2.3.**

That, to date, there has been no announcement by the UK Government regarding a launch date for a second round of bids, but it has been indicated that bids will now be invited in Spring 2022.

### **2.4.**

That, despite three rounds of open advertising and an uplift in salary grade, it has not been possible to attract a suitable candidate for the post of Projects and Funding Officer.

### **2.5.**

That officers have subsequently been in discussion with representatives of Hub North Scotland, who have assisted a number of other local authorities with the submission of Round 1 bids to the UK Levelling Up Fund.

### **2.6.**

That, although as yet unconfirmed, it is anticipated that, as for Round 1, Orkney will have the opportunity to submit two successful bids over the lifetime of the Levelling Up Fund, namely a transport-related bid and one other infrastructure bid.

### **2.7.**

That draft outline project proposals for submission to the Levelling Up Fund were invited from across the Council, to be submitted initially to the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services by 6 January 2022, with two project proposals subsequently received, namely:

- Upgrading harbour infrastructure at Papa Westray, North Ronaldsay and Graemsay to accommodate the existing ro-ro fleet.
- Orkney's Cultural Nexus.

### **2.8.**

That a further proposal regarding establishment of a fixed link between two of the North Isles and/or replacement of one of the existing ferries with a new vessel fuelled by a low carbon fuel, is also under consideration as a potential bid to a future funding round.

## **2.9.**

That, as Orkney's Cultural Nexus is in the early stages of development, it is not considered that the proposal can be adequately developed, with a full understanding of the revenue implications, for submission to Round 2 of the Levelling Up Fund.

## **2.10.**

That, in January 2022, Hub North Scotland was contracted to prepare two bids to the Levelling Up Fund, with preparation of bids due to commence on 7 February 2022 with completion proposed by 30 April 2022.

**It is recommended:**

## **2.11.**

That Hub North Scotland should cease further development of the Orkney's Cultural Nexus proposal at this time, but continue to prepare the project relating to upgrading harbour infrastructure at Papa Westray, North Ronaldsay and Graemsay, to accommodate the existing ro-ro fleet, for submission to Round 2 of the Levelling Up Fund.

## **2.12.**

That Hub North Scotland should be engaged to develop a bid, for a subsequent round of the Levelling Up Fund, in respect of a fixed link between two of the North Isles and/or replacement of one of the existing ferries with a new vessel fuelled by a low carbon fuel.

## **2.13.**

That the Corporate Director for Enterprise and Sustainable Regeneration should thereafter submit a report, to the Policy and Resources Committee in due course, on options for a Round 3 bid to the Levelling Up Fund, including the following:

- Establishment of a fixed link between two of the North Isles.
- Replacement of one of the existing ferries with a new vessel fuelled by a low carbon fuel.
- Orkney's Cultural Nexus.

## **2.14.**

That, due to the undefined submission timetable, the Chief Executive be authorised to submit the bid in respect of upgrading harbour infrastructure at Papa Westray, North Ronaldsay and Graemsay, to accommodate the existing ro-ro fleet, to Round 2 of the UK Levelling Up Fund.

## **3. Introduction**

### **3.1.**

On 22 June 2021, when considering an update on the UK Government's Levelling Up Fund and a proposed strategy for submission of future applications, together with the human resources required to support development of bids to the Fund, the Policy and Resources Committee noted:

- That the UK Government had launched a Levelling Up Fund of £4.8 billion to support infrastructure and transportation projects across the UK.
- That councils were the lead authorities to apply to the Levelling Up Fund, with Orkney having eligibility to submit up to two bids, one for each of the infrastructure and transportation elements of funding.
- That councils could be successful in only one bid for each category during the four year lifetime of the Levelling Up Fund.
- That there were to be a number of rounds of funding bids to be invited by the UK Government, with the first round closing on 18 June 2021, and a further round anticipated later in 2021, with decisions in time for projects to commence at the start of financial year 2022/23.
- That the UK Government would provide capacity funding of £125,000 to the Council, which could be utilised to support development of bids to the Levelling Up Fund, including staff resource.
- That, in order to ensure appropriate governance and the highest quality and most beneficial projects were identified, it was proposed that the Council should not submit bids for the first phase of the Levelling Up Fund, which had a closing date of 18 June 2021.
- The proposal that a temporary post of Projects and Funding Officer be established, to be funded from the capacity funding of £125,000 to be provided by the UK Government, in order to lead on the preparation of bids to the Levelling Up Fund, with the target for that work to be submission of bids to the anticipated late 2021/early 2022 round of funding.

### **3.2.**

The Committee recommended:

- That the Council should not submit a bid to the first round of applications to the UK Government Levelling Up Fund, which were due for submission by 18 June 2021.
- That a temporary post of Projects and Funding Officer, G8, be established, for a period of up to 18 months, to be funded from the capacity funding to be provided by the UK Government, in order to lead in the preparation of bids to the Levelling Up Fund, with the target for that work to be submission of bids to the next round of funding, expected to be late 2021 or early 2022.

- That the Executive Director of Development and Infrastructure should submit a report, to the meeting of the Committee to be held on 23 November 2021, setting out draft project options, proposed funding options for the minimum 10% contribution to project costs and a proposed stakeholder engagement plan.

## **4. Background**

### **4.1.**

The stated purpose of the Levelling Up Fund is to support investment in places where it can make the biggest difference to everyday life, including ex-industrial areas, deprived towns and coastal communities. The Fund establishes priority places across the UK based on various economic criteria. Unfortunately, Orkney is one of seven Scottish local authorities which are in the lowest group of three priority categories. However, the UK Government confirmed that bids can be submitted from all local authority areas and that the best bids will prevail through the process.

### **4.2.**

To date there has been no announcement by the UK Government regarding a launch date for a second round of bids, although it has been indicated that bids will be invited in Spring 2022.

### **4.3.**

Despite three rounds of open advertising and an uplift in salary grade, no suitable candidate for the vacancy of a temporary post of Projects and Funding Officer was identified.

### **4.4.**

Officers have subsequently been in discussion with representatives of Hub North Scotland, who have assisted a number of other Local Authorities with the submission of round-1 bids to the UK Levelling Up Fund, including four successful bids. Hub North Scotland agreed to submit a proposal to engage with Council officers and to prepare bids in respect of prospective projects and, in January 2022, they were contracted to prepare two bids.

### **4.5.**

Hub North Scotland comprises 16 public sector organisations, including the Council, the Scottish Futures Trust and private sector partners in a joint venture company. Hub North Scotland were due to commence preparation of bids on 7 February 2022 with completion proposed by 30 April 2022.

### **4.6.**

It is hoped, that, as for round-1, Orkney will still have the opportunity to secure two successful bids over the lifetime of the Fund – one under the heading of strategic transport, plus one other infrastructure project under the heading of: local transport; regeneration of town centres and high streets; and/or cultural and heritage assets. Previous discussions with senior UK Government civil servants have emphasised

the importance of the “quality” of bids being submitted. This is considered important in the context that authorities can only be successful in securing one offer under each of the two headings.

#### **4.7.**

Round-1 bids were capped at £20 million and, in the event of the same criteria being applicable to round-2, there might also be the opportunity to promote the requirements of Orkney’s lifeline transport needs to qualify for an enhanced allocation of up to £50 million towards an exceptional package of investment under that heading. A minimum 10% contribution (local authority or other public/private sector funded) towards total project costs is expected. The minimum 10% must be a financial contribution and cannot be in-kind funding.

#### **4.8.**

During engagement with the UK Government Civil Servants promoting the Levelling Up Fund in 2021, the Council had been advised to concentrate on a single bid rather than submitting multiple bids and it was also suggested that a joint bid with Shetland may have been looked upon more favourably than a bid from a single authority. Shetland, however, submitted a bid for funding for a new Fair Isle Ferry to the first round of the Fund.

#### **4.9.**

Draft outline project proposals for submission to the Levelling Up Fund were invited from across the Council, to be submitted to the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services by 6 January 2022. Two projects were submitted for further consideration, as outlined at sections 5.1 and 5.2 below. A further project, detailed at section 5.3 below, has since also been proposed.

## **5. Potential Projects**

### **5.1. Orkney Internal Transport (1)**

This project refers to the levelling up of the inter-isles ferry services by upgrading harbour infrastructure at Papa Westray, North Ronaldsay and Graemsay to accommodate the existing ro-ro fleet. The request is for capital funding of £50 million towards projects costs, provisionally estimated at £70 million. Following the recent completion of the Orkney Inter Island Transport Study Outline Business Case Phase-2 report, the proposals in respect of Papa Westray and North Ronaldsay are at a more advanced stage than is currently the case for Graemsay.

### **5.2. Orkney’s Cultural Nexus**

#### **5.2.1.**

This proposal, which is for an ambitious cultural project, is for funding of £20 million towards project costs, estimated at £31.7 million, in respect of an overarching project comprising seven key elements at varying stages of development:

- A flagship museum of the Isles.
- A Collections and Conservation Centre of Excellence, in which all of Orkney's historic collections are cared for, researched, and understood.
- An innovative, world-class STEAM (Science, Technology, Engineering, Arts, Maths) Laboratory.
- Orkney Museum regeneration.
- Community Cultural Regeneration, including the Pier Arts Centre's Creative Arts Hub (Stromness) and Residency Centre (Birsay); plus, an extension to Stromness Museum.
- An Islands Ecomuseum.
- Enhanced interpretation and orientation, including wayfinding throughout Orkney.

### **5.2.2.**

The revenue funding implications and source of funding to meet any shortfall of a significant cultural development involving new buildings would require to be clarified prior to finalising a bid. As the project, as a whole, is still in the early stages of development, it is not recommended that it be submitted to Round 2 of the Fund although, following further development work, might be considered for submission to a future round.

### **5.3. Orkney Internal Transport (2)**

This project considers the possibility of establishing a fixed link between two of the North Isles and/or the replacement of one of the existing ferries with a new vessel fuelled by a low carbon fuel. Further development of this proposal is necessary, and a funding bid could be submitted to a future round.

### **5.4.**

The projects outlined at sections 5.1 and 5.2 above were reviewed by Hub North Scotland representatives at a virtual workshop on 7 February 2022 and thereafter have been assessed against the eligibility criteria specified by the Levelling Up Fund. The project described at section 5.3 above has not yet been assessed for eligibility.

### **5.5.**

An appropriate Procurement Plan has been completed in terms of the Council's Sustainable Procurement Policy. In recognising that applications will not be completed before the pre-election period in respect of the Local Government election scheduled for May 2022 begins, it is recommended that the Chief Executive be authorised to submit a bid to the UK Levelling Up Fund in respect of the project outlined at 5.1 above, within the timeframe yet to be established.

### **5.6.**

The levelling up of opportunities through improvements to the transportation infrastructure may be greater for remote communities than the potential investment in cultural assets.

## **6. Corporate Governance**

This report relates to the Council complying with governance and financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **7. Financial Implications**

### **7.1.**

Services have been procured from Hub North Scotland Limited and will be funded from a Levelling Up Fund allocation of £125,000 received as capacity funding from the UK Government.

### **7.2.**

The submission of bids to the Levelling Up Fund does not commit the Council to funding any projects at this stage.

### **7.3.**

If bids are successful and the projects are developed by the Council, the projects would require to be progressed through the Council's capital project appraisal process. This would include an assessment of both the capital and associated revenue implications, including an assessment of the affordability of each bid.

## **8. Legal Aspects**

There are no significant legal implications arising from the recommendations contained in this report.

## **9. Contact Officers**

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