

Policy and Sustainability Committee

10.00am, Thursday, 10 June 2021

UK Levelling Up Fund

**Executive/routine
Wards
Council Commitments**

**Executive
All**

1. Recommendations

- 1.1 It is recommended that Policy and Sustainability Committee:
 - 1.1.1 Note the criteria and application processes set out by UK Government for the UK Levelling Up Fund;
 - 1.1.2 Note the process and guidelines used by officers to develop a proposed portfolio of Edinburgh capital investment projects to be developed as bids for UK Levelling Up fund; and
 - 1.1.3 Agree the projects proposed as Council priorities for Rounds 1 and 2 applications.

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Report

UK Levelling Up Fund

2. Executive Summary

- 2.1 UK Government have opened application processes for a 2021/22 funding round through the new UK Levelling Up fund. The fund aims to provide capital investment in local infrastructure to encourage economic recovery and growth.
- 2.2 City of Edinburgh Council is eligible for a maximum of six funded projects over the four-year life of the programme – one project per Westminster constituency, plus one city wide transport project. All projects must have endorsement from a relevant local Member of Parliament (MP).
- 2.3 Successful projects must pass through a competitive open bidding process with assessment against key criteria of need for support, strategic fit, deliverability, and value for money. In addition to these, successful bids for the current round of funding must be ready for capital expenditure in 2021/22.
- 2.4 Based on these criteria, the paper proposes six projects for inclusion in the currently planned funding rounds for applications in June 2021 and September 2021.

3. Background

- 3.1 The Levelling Up Fund was announced by UK Government at the 2020 Spending Review as a £4.8bn package of funding to provide capital investment in local infrastructure projects over four years from 2021-22 to 2024-25. Funds will be allocated through a competitive bidding process open to all UK Local Authorities. For the first round of funding, covering 2021-22, at least 9% of total UK allocations will be set aside for projects in Scotland.
- 3.2 All Scottish Local Authorities will receive a flat amount of £125,000 in capacity funding to support bid development. This funding is expected to be made available in late June 2021.
- 3.3 Local Authorities are encouraged to ensure bids include a local financial contribution representing at least 10% of total costs.
- 3.4 A bidding process for projects which can begin capital expenditure in 2021/22 is now underway, with a deadline for bid applications of 18 June 2021. Successful projects are expected to be notified by late summer, with budget transfers planned to be complete by Autumn 2021.

- 3.5 No formal details are yet available on future bidding rounds. UK Government guidance notes that *“detail on how future rounds of the Fund will operate from 2022-23 onwards will be set out later this year”*.

Fund aims and priorities

- 3.6 The Levelling Up Fund aims to invest in local infrastructure by providing capital finance for projects up to £20m (or £20-50m for large high-value transport projects).
- 3.7 The fund will prioritise areas in need of economic recovery and growth, and aims to support projects (in this current funding round) that will have a visible impact on people and places across three priority themes:
- 3.7.1 **Transport** (including public transport, active travel, bridge repairs, bus priority lanes, local road improvements, major structural maintenance, and accessibility improvements);
 - 3.7.2 **Regeneration and Town Centre Investment** (including upgrading eyesore buildings and dated infrastructure, acquiring and regenerating brownfield sites, investing in secure community infrastructure, and bringing public services and safe community spaces into town and city centres), and
 - 3.7.3 **Culture** (including maintaining, regenerating or creatively repurposing museums, galleries, visitor attractions and heritage assets, as well as creating new community-owned spaces to support the arts).

Eligible Bids and the role of Members of Parliament

- 3.8 Local Authorities are eligible for a maximum of one successful funded project per Westminster constituency in their area, plus one area wide transport only bid, across the four-year life of the programme. For Edinburgh, this means a maximum of six funded projects could be supported through this fund across the four-year life of the programme.
- 3.9 There are no limits on the number of bids an authority can make, and bids that are unsuccessful in one round, can be redeveloped and submitted again in future rounds.
- 3.10 In developing a package of bids, UK Government guidance notes that local authorities should seek potential projects that are *“spread fairly and equitably within the authority boundary and across their full range of constituencies, targeting pockets of deprivation as appropriate.”*
- 3.11 As part of the bid process, MPs will be asked to back one bid that they see as a priority. UK Government guidance for the bid process notes that *“We expect bidding authorities to consult local Members of Parliament as part of their bid”*, and that *“When considering the weighting given to bids, the expectation is that an MP will back one bid which they see as a priority.”*
- 3.12 The fund will support a maximum of one successful bid from each Edinburgh constituency area, plus one city-wide large transport project, across the four-year life of the programme.

- 3.13 In line with this, the application process requires that all bids be accompanied by a signed letter of endorsement from the relevant local MP.

Bid Assessment Criteria

- 3.14 The first stage is a pass/fail gateway criterion, where bids will be assessed against whether they can deliver expenditure in 2021/22. Bids that do not meet this gateway criteria will not be assessed further and will not be eligible to be considered for funding in this round.
- 3.15 Following this gateway, bids will be evaluated against four further criteria all carrying an equal weighting:
- 3.15.1 An area's **need for support** in economic recovery and regeneration (the placed based criteria);
 - 3.15.2 **Strategic fit** – including MP endorsement, stakeholder support, strategic case for investment and fit with local and national priorities;
 - 3.15.3 **Value for money** – including analysis of monetised costs and benefits, and
 - 3.15.4 **Deliverability** – including details of processes for financial management, procurement, and monitoring and evaluation for the project.
- 3.16 For the first of these – the place based criteria – UK Government have categorised every eligible local authority into one of three groups, based on available data indicating their need for economic recovery, need for regeneration and need for improved transport connectivity. Whether a place is in category 1 (highest need), 2 or 3 (lowest need) using this method will be taken into account as part of the assessment process.
- 3.17 City of Edinburgh has been placed in the lowest priority category (category 3) for this criteria. This does not affect the Council's eligibility to bid, or the number of bids available but, in a competitive bidding process, the guidance does note that in order to be successful, bids from category 2 and 3 areas will need to be of "*exceptionally high quality*" on the criteria of strategic fit, value for money, and deliverability.

4. Main report

- 4.1 The UK Levelling Up Fund was launched by UK Government on 11 March 2021, with full technical guidance for applications published on 30 April 2021.
- 4.2 Since then, work has been underway to develop a portfolio of capital infrastructure projects in Edinburgh with the potential to be supported by the fund. In doing so, officers have engaged with local MPs and other stakeholders to identify projects for investment which:
- 4.2.1 Have the potential to deliver high visible impact in the city, and meet the need for projects to be of '*exceptionally high quality*' in a UK wide competitive bidding process;
 - 4.2.2 Provide an appropriate geographical spread across all areas of the city, while also targeting areas of deprivation;

4.2.3 Have potential to significantly progress key strategic priorities for the city, and/or create opportunities for further future development and investment, and

4.2.4 Are sufficiently well developed to be considered ready for application for either Round 1 bidding (deadline 18 June 2021), or Round 2 bidding (deadline to be confirmed, but expected to be September 2021).

4.3 Using this approach, officers recommend a total of six projects for inclusion in Round 1 and (subject to confirmation from UK Government on timescales and criteria) Round 2 bid packages for Edinburgh. These include one project in each Parliamentary Constituency, and one city-wide transport project. The six projects are:

Recommended projects for inclusion in Levelling Up Fund bids			
Project	Theme	Constituency	Status
Pennywell / North Edinburgh Arts	Regeneration/ Culture	Edinburgh West	Formerly the Pennywell Culture and Learning Hub, this project will provide a proposed new creative and community hub at MacMillan Square in Pennywell. It will deliver enhanced arts space, a café, a library, an early years centre, a learning and skills hub, and affordable housing. The Council and North Edinburgh Arts (NEA) are working in partnership to design and deliver the new hub; once operational, it would be jointly managed between the Council and NEA. Council Officers are working to develop a bid for Levelling Up Fund round 1.
Granton Gas Holder	Regeneration	Edinburgh North and Leith	Restoring the gas holder structure, removal of the bell and site wide remediation and landscaping. This would form a key catalyst to delivering phase one of the wider regeneration programme and also unlock surrounding sites earmarked for key infrastructure and services. Council Officers are working to develop a bid for Levelling Up Fund round 1.
Wester Hailes Regeneration	Regeneration	Edinburgh South West	The Council is in the process of commissioning a Regeneration and Development Framework for the Wester Hailes area. This will set out a comprehensive, phased regeneration plan for the next 10 to 15 years and will incorporate the aspirations as set out by the community in the Local Place Plan. Plans for the area will be firmly rooted around the 20-minute neighbourhood principles. Not ready for round 1 bid timescales. Council Officers are working to develop a bid for Levelling Up Fund round 2.
Inch Park Regeneration	Regeneration/ Culture	Edinburgh South	A proposed project for the development of a sports and community hub in Inch Park, including improvement to infrastructure for sporting, social, childcare and other facilities. Council officers will work with local partners to develop a bid for Levelling Up Fund round 2 applications.

Recommended projects for inclusion in Levelling Up Fund bids			
Project	Theme	Constituency	Status
Craigmillar Town Centre Regenerations	Regeneration	Edinburgh East	A proposed project for the regeneration and development Craigmillar Town Centre. This will set out a comprehensive, long term regeneration plan for the area and will incorporate the aspirations as set out by the community in the Local Place Plan. Plans for the area will be firmly rooted around the 20-minute neighbourhood principles. Not ready for round 1 bid timescales. Council Officers are working to develop a bid for Levelling Up Fund round 2.
City-wide active travel	Large, City Wide Transport	All Constituencies	Building on the vision and objectives set out in the City Mobility Plan, the active travel investment programme will create a safe, attractive and coherent walking, cycling and wheeling network. This will include a flagship package of active travel schemes across Edinburgh, incorporating five major investment projects: i) George Street and First New Town, ii) Roseburn to Union Canal, iii) City Centre West East Link, iv) Meadows to George Street, v) West Edinburgh Link. In addition, it will deliver other smaller-scale strategic connections, city-wide rolling improvements as well as the expansion of the city-wide bike hire scheme. Council Officers are working to develop a bid for Levelling Up Fund round 1.

- 4.4 Noting the need for MP endorsement for any application, it is proposed that three projects are adopted as City of Edinburgh Council priorities for application in Round 1 of this funding programme (case studies for each project are included in Appendix 1).
- 4.5 Bid for the remaining three projects will be progressed in preparation for submission in Round 2.
- 4.6 In parallel with development of this portfolio, additional work has been underway to:
- 4.6.1 Identify and secure technical consultancy support where needed in development of technical aspects of business case and bid preparation. All costs associated with such work will be covered by bid development funds provided by UK Government for this purpose; and
 - 4.6.2 Engage with and seek support from appropriate MPs for the proposed projects and application process.

5. Next Steps

- 5.1 Work is underway in preparation of bids for funding from the Levelling Up Fund. If Committee agree the projects set out above and detailed in Appendix 1, officers will:
- 5.1.1 Secure endorsement from MPs for bids to be submitted in the current funding round;
 - 5.1.2 Prepare Round 1 applications for submission by 18 June 2021; and

5.1.3 Continue to develop applications for Round 2 submission in preparation for expected September 2021 deadlines.

5.2 Continue to engage with UK Government and colleagues in development of bids for future funding rounds.

6. Financial impact

6.1 No additional costs are associated with preparation of bids for this funding round. All bid development costs are covered by funds provided by UK Government.

6.2 As set out in paragraph 3.2, the Council will need to provide match funding of at least 10% for every successful bid from its capital budget.

6.3 As proposed projects are aligned with the Council's strategic priorities, Council match-funding for the Pennywell Hub and City-wide active travel is contained within existing general fund and HRA capital budgets. However, existing funding is not available for every project proposed for future rounds of funding, It will therefore be necessary to review and reprioritise capital budgets, in order that sufficient match-funding can be committed to projects.

7. Stakeholder/Community Impact

7.1 Details of community and stakeholder involvement in development of individual project bids will be provided in the final bid documents.

8. Background reading/external references

8.1 [Levelling Up Fund: Prospectus](#)

8.2 [Levelling Up Fund: Frequently asked questions](#)

8.3 [Levelling Up Fund: Additional Documents](#)

9. Appendices

9.1 Appendix 1 – Case Study Overviews for Round 1 projects

Appendix 1: Round 1 bid case studies

1. Pennywell / North Edinburgh Arts

Background

The project seeks to deliver a multi-use community hub in partnership with North Edinburgh Arts (NEA) at MacMillan Square, North Edinburgh. Macmillan Square is the centrepiece of the wider Pennywell/Muirhouse regeneration programme, creating a civic centre for new and existing residents. A working title of MacMillan Hub has been adopted.

The new hub will see arts and learning brought together under one roof in a striking new building offering communities in North Edinburgh (Forth, Almond and Inverleith wards) an extensive range of services. These include

- new enterprise, workshop, learning and creative studio space;
- an expanded café, youth area and shared atrium;
- new library and skills centre;
- new early years centre supporting 185 local children; and
- new affordable homes including outdoor amenity space.

The first of its kind in the city, the hub will focus on being accessible and offering services and activities to those who live locally. The new building is a unique partnership which will provide key Council services whilst keeping NEA at the centre of a creative, connected and inspired community.

Ask from the Levelling Up Fund (LUF)

The current construction costs are estimated at £15.9 million with around £11.6 million secured through Council capital programmes and grant support. There will be additional costs on top of the construction costs for the design and development phase.

LUF funding for the shortfall of £4-5 million would effectively de-risk the project delivery in advance of a construction contract being let, allow the new building to be completed within the programmed timescale and in line with the much needed Early Years funding programme. The hub offers a once in a generation opportunity to make a lasting impact on North Edinburgh and complement the existing investment in the area. The Muirhouse area is within the 5% most deprived in Scotland according to most recent SIMD results.

Next steps

Delivery timescales are aligned with the requirements of the LUF. A planning application (planning ref. 21/02923/AMC) was submitted in May 2021. Enabling works including demolition of existing buildings will commence in late summer followed by a site start in early 2022 and completion in mid 2023.



2. Granton Gas Holder Restoration

Background

Granton Waterfront is a post-industrial brownfield site in north west Edinburgh that has been subject to slow piecemeal development over the past two decades. The site is surrounded by communities within the 5% most deprived in Scotland (SIMD 2020).

In 2018, the Council purchased the former gas work in Granton, known as Forthquarter to help accelerate regeneration. The gas holder was acquired as part of this purchase, with a condition of the sale being the restoration of this historic structure.

The acquisition of this land, together with land already in Council ownership, brought land holdings to over 50 Hectares and provides an opportunity to set the standard for place-based regeneration through exemplar design. A Development Framework was approved by the Council's Planning Committee on 26 February 2020, as non-statutory guidance setting out the parameters for all development activity in Granton and is intended to guide investment and service delivery decision making. Current proposals are set to deliver over 3,500 net zero carbon homes alongside culture, leisure, commercial and key services, setting the standard for future development whilst delivering on key local and national priorities.

Ask from Levelling up Fund

Updated costs for the restoration and decontamination of the gas holder site have been provided by a cost plan consultant who has based their estimates on previous surveys and site investigations. A total cost of approximately £18.3m has been estimated based on restoring the structure of the frame, removing the bell and carrying out site remediation. A bid to secure 90% of the cost (£16.5m) through the Levelling Up Fund with the remaining

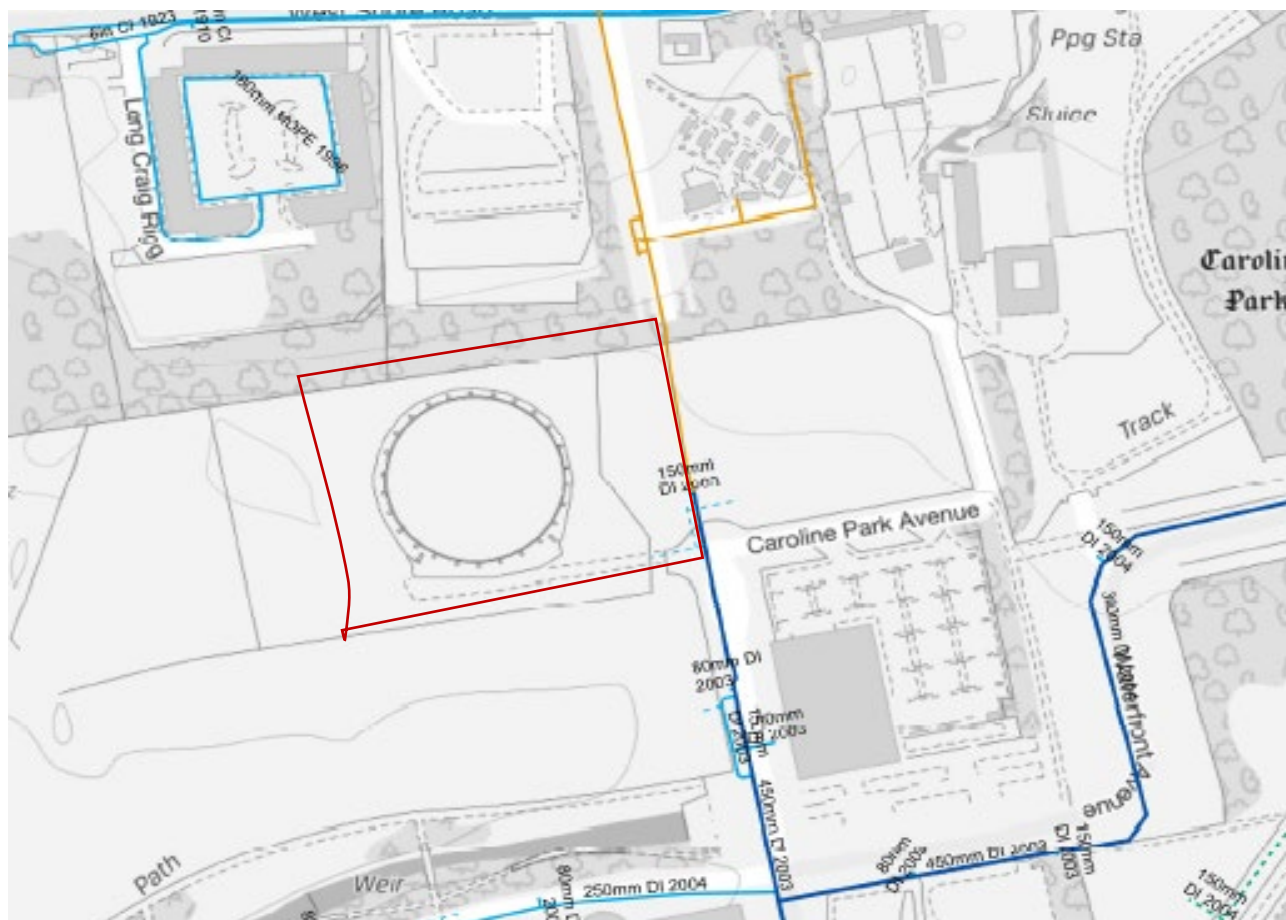
10% funded through the Council's capital investment programme (£1.8m) would aid in unlocking delivery of phase one of the wider regeneration programme.

Next steps

The OBC to deliver the Development Framework and wider programme of regeneration, will be presented to Policy and Sustainability Committee for approval in autumn 2021 with the recommendation to proceed to Full Business Case (FBC) for delivery of phase 1. Granton gas holder forms part of phase1 which will create the 'heart of Granton'. Being able to progress the restoration of the gasholder will act as a catalyst to deliver phase 1 and unlock surrounding sites earmarked for key infrastructure and services required to bring about the place making of the wider area.

There is potential to accelerate the delivery of this restoration project through appointment of a contractor through an existing procurement framework. This would allow preconstruction works to be undertaken in parallel with the submission of the bid with the option to proceed seamlessly to construction if a successful bid for funding is secured, meeting key criteria of delivery by 2024.

Site Boundary





3. City-wide active travel network

Overarching Vision

Over the past twenty-five years, Edinburgh has made significant progress in creating a transport system designed for all, regardless of location, economic circumstances, gender, culture or abilities. We have been on a journey to improve our transport system, to make it cleaner and more sustainable and, through investment, to enhance our streets, community life and health and wellbeing. There is a clear acknowledgement that by better connecting our city, we can transform our places.

Edinburgh's recently adopted City Mobility Plan (CMP) acknowledges that now is the time for bolder, more transformational action and sets out a path to a safer and more inclusive carbon neutral transport system. A system where sustainable transport - walking, wheeling, cycling and public transport – is the first choice for everyone across Edinburgh

Building on the vision and objectives set out in the plan, the Active Travel Investment Programme (ATINP) seeks to create a safe, attractive and coherent walking, cycling and wheeling network connecting people and places. By increasing the levels of walking, cycling and wheeling in Edinburgh, delivery of the ATINP:

- Will lead to improved health, equality and inclusion;
- Will support inclusive and sustainable economic growth;
- Will protect and enhance the environment contributing towards achieving the Council's net zero ambitions; and
- Will contribute to the post-pandemic recovery of the city.

Purpose of project / background

The ATINP is a city-wide, multi-year programme of investment in walking, cycling and wheeling infrastructure that has a transformational role in how people move around the city. The key themes of the programme are:

- Targeting areas of social deprivation, where the availability of active travel options is currently low and access to other transport modes is limited, addressing the inherent inequalities in the city. These include large regeneration areas such as Granton and Muirhouse.
- Creating connections into and through the city centre.
- Creating connections to Strategic Development Areas within the Local Development Plan, such as the significant employment cluster of Gyle / Edinburgh Park.
- Addressing strategic missing links towards local centres including Leith and Craigmillar.

The Levelling Up Fund would help deliver the interventions under the ATINP, including:

- Five flagship schemes, some of which are at an advanced stage of development. It is worth noting that the construction stage of City Centre West East Link (CCWEL) is scheduled to commence in August 2021.
- Other smaller-scale strategic connections.
- City-wide rolling improvements, such as delivering dropped kerbs and raised crossings to improve the quality of the network or the provision of secure on-street cycle parking.
- Installation of a new rollout of the city-wide bike hire scheme.

Headline budget items / ask from LUF

The total cost projection for the delivery of the ATINP between 2019/20 and 2025/26 is £172.8m, with total funding of £134.2m already committed to date.

Therefore, the cumulative funding pressure for the ATINP up to financial year 2025/26 is £38.6m. LUF funding to this amount would ensure the financial deliverability of the proposed ATINP within the planned timescales.

Next steps

Delivery timescales are aligned with the requirements of the LUF with a first phase of delivery being ready for construction.

