

Meeting: Cabinet **Date:** 14 June 2022

Wards affected: All wards

Report Title: Levelling Up Fund Round 2 and UK Shared Prosperity Fund

When does the decision need to be implemented? 14th June

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1. Purpose of Report

1.1 Government has recently announced Round 2 of Levelling Up Fund and UK Shared Prosperity Fund (Core UK SPF and Multiply). The objectives of the Funds and a recommended way forward are summarised below.

Current Position

1.2 The **Levelling Up** Round 1 bid focussed on expanding Brixham Fish Market and developing an Electronics and Photonics Production Park. This was unsuccessful however feedback from government indicated that despite the failure, it was a strong bid. This report sets out below how the issues of the earlier bid will be addressed and the approach to allow for a revised bid for submission which is needed by **6th July**.

1.3 Concerns were received regarding the Brixham Fish Market element of the programme particularly around the impact on the Yacht Club therefore a revised option has been developed by the Harbour Master. Recent discussions with the Yacht Club are positive about the revised option. The revised option is set out in Appendix 1 to the report. Feedback from Department for Levelling Up, Communities and Homes officials also highlighted that rather than the measure of productivity gain (Gross Value Added) the economic impact of the scheme on land values is the metric that they require. This will be included in the revised bid.

1.4 Cabinet are asked to note that like Round 1, there will be a requirement for Torbay Council to provide match funding but until projects have been fully costed, the amount of borrowing required cannot be finalised.

1.5 Torbay Council has received £125,000 of capacity funding to support Levelling Up Round 2 bids. This funding will be used to procure relevant services in support of the bid.

1.6 Government has also released guidance on **UK Shared Prosperity Fund (UKSPF)**. This is predominantly a revenue fund and replaces the EU Structural Funds. Torbay has been allocated £1.76M under the core UKSPF programme with an additional allocation of £614,000 for the Multiply element focusing on adult numeracy. Torbay's allocation is recognised locally as being insufficient to address the challenges facing Torbay's economy.

1.7 UKSPF has 3 investment priorities that are:

- Communities and place – enabling places to invest to restore community spaces and relationships and create the foundation for economic development at the neighbourhood level
- Supporting local business – create jobs and boost community cohesion through investment in existing industries and institutions
- People and skills – boost core skills and support adults to progress in work

1.8 To secure the funding, Torbay Council is required to develop an Investment Plan, setting out how Torbay intends to use and deliver the funding based on local need and opportunities. Torbay Council has been allocated £20,000 of capacity funding to develop the Investment Plan. This funding will be used to support the development of the Investment Plan. **Deadline for submission is 1st August.**

1.9 As the Investment Plan will have to demonstrate need, this report recommends that the emerging Economic Strategy should be used to inform the Investment Plan however some of the available UKSPF interventions are outside of the emerging economic strategy (e.g., tackling energy efficiency, fuel poverty and climate emergency) meaning that there will be work with services and external partners to develop the strongest possible plan. However, the insufficient allocation will be referenced in the Investment Plan.

1.10 Government has also released guidance on **Multiply**. This is a component of UKSPF designed to tackle adult numeracy. Torbay has been allocated £614,000. As this is a component of UKSPF, Torbay Council is required to develop an Investment Plan, setting out how it intends to use and deliver the funding. The capacity funding referenced above would cover the cost, in terms of time and professional services, to support the development of this Investment Plan. **Deadline for submission is 30th June.**

1.11 Both UKSPF and Multiply have menu of interventions to select from (see background document links for further information). These are pre-determined interventions government wants to see rather than locally determined ones that we can select from. The investment plans will identify the most appropriate interventions based on need and available funding for both funds.

2. Reason for Proposal and its benefits

2.1 We want Torbay and its residents to thrive.

2.2 We want Torbay to be a place where we have turned the tide on poverty and tackled inequalities; where our children and older people will have high aspirations and where there are quality jobs, good pay and affordable housing for our residents.

2.3 We want Torbay to be the premier resort in the UK, with a vibrant arts and cultural offer for our residents and visitors to enjoy; where our built and natural environment is celebrated and where we play our part in addressing the climate change emergency.

2.4 Both Levelling Up Fund and UKSPF are designed to level up opportunity and prosperity, develop places and communities. These focus on infrastructure that will drive regeneration, build pride in place, create high quality skills training, support pay, employment and productivity growth. The emerging Economic Strategy should be the principal policy used to inform the Investment Plans however some interventions on the menu fall outside (e.g., tackling energy efficiency, fuel poverty and climate emergency) of the focus meaning that there will need to be work with services and external partners to develop a broadly supported bid.

3. Recommendation(s) / Proposed Decision

3.1 That (subject to the outcome of the Harbour Committee on 8 June 2022), Cabinet accept the Harbour Committee's recommendation to invest in port infrastructure at Brixham Harbour, as set out in appendix 1 and that the Divisional Director of Economy, Environment and Infrastructure instructs TDA to develop a revised application for Levelling Up Fund Round 2.

3.2 That £125,000 capacity funding be utilised to procure services in support of the development of the Levelling Up Fund Round 2 application.

3.3 That the Divisional Director of Economy, Environment and Infrastructure instructs TDA to develop the UKSPF Investment Plans using, principally but not exclusively, the emerging Economic Strategy as the foundation for this Plans.

3.4 That the £20,000 UKSPF capacity funding be utilised to develop the UKSPF Investment Plans

3.5 That, in order to meet the deadlines for the funding bids, the Director of Finance, in consultation with the Leader of the Council, be requested to exercise his delegated authority

(under paragraph 5.5 of Financial Regulations) to approve the revised application for Round 2 Levelling Up Fund and the Divisional Director of Economy, Environment and Infrastructure be given delegated authority, in consultation with Cabinet Member for Regeneration, Tourism and Housing and the Section 151 Officer, to approve the UKSPF Investment Plans.

Appendices

Appendix 1: Harbour Committee Report - Developing Commercial Fishing Capacity at Brixham Harbour

Background Documents

UKSPF Guidance - [UK Shared Prosperity Fund: prospectus - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/644242/UKSPF_Guidance.pdf)

UKSPF Menu of Interventions - [Interventions list for England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/644242/UKSPF_Menu_of_Interventions.pdf)

Multiply Guidance - [Multiply Investment Prospectus \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/644242/Multiply_Guidance.pdf)

Levelling Up Fund Guidance - [Levelling Up Fund Round 2: prospectus - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/644242/Levelling_Up_Fund_Round_2_prospectus.pdf)

1. Introduction

Levelling Up Fund – project overview

The Levelling Up Fund is a £4.8Bn UK wide fund which will be allocated over 4 years and is designed to drive growth and regeneration in places that Government has assessed need it most to reduce economic inequality. Funding proposals are to be led by Local Authorities with support and endorsement from stakeholders, particularly MPs.

The Government's Spring Statement saw the launch of Levelling Up Fund Round 2.

Torbay's unsuccessful Round 1 bid was for a programme of two projects including investment at Brixham to improve the capability and capacity at the fish quay through a market extension and a complementary electronics and photonics production park to provide grow on and production space for this key sector. The projects are summarised below;

- Fish Market
 - Deliver 7,000 sq. m of new quay side
 - 1200 sq. m of new fish market space – doubling the current size
 - Create 150 new jobs
 - £20M of extra catch into Brixham
 - Potential income of £560,000 per annum
 - £11M GVA per annum

- Electronics and Photonics Production Park
 - 2,000 sq. m of production space for EFFECT Photonics
 - Infrastructure that will enable a further 3,700 sq. m of production space
 - 175 new jobs from EFFECT Photonics
 - £18M GVA per annum
 - Minimum of 100 further jobs

Feedback from Government officials on the Round 1 bid was that, despite its failure, the bid was strong with a clear strategic rationale for the investment that made sense at a local, regional and national level. The weaknesses of the bid were in the selection of one of the key metrics, GVA was used whereas Government required land value uplift, and some queries over the required investment for the production park. Each of these issues can be easily remedied.

There are risks with the Fish Market project in that several objections were received from Brixham Yacht Club from Round 1 and a campaign has been mobilised by an interest group "Build Back a Better Devon" who have written to all members. The Yacht Club's key objection was that they

wanted to see the Northern Arm developed ahead of this project. This has been discounted as there is no current business case for a Northern Arm. The campaign from Build Back a Better Devon sets out objections centred around environmental concerns of the impact of fisheries also querying engagement with partners on the bid. The Harbourmaster has identified ways to improve the round 1 bid in respect of the impact on the yacht club and this is currently being developed.

A further risk is the level of cost inflation being experienced by projects for materials, labour and the willingness of contractors to accept risk. The nature of this project, requiring land reclamation in a marine environment, means that there is inherently risk and the cost of the scheme will be kept under constant review to ensure that it is able to deliver within available funding.

Torbay Council has received £125,000 capacity funding to aid the development of the Levelling Up Fund application. TDA requests that this funding is released to appoint a consultant to write the funding bid and where required procure technical services in support of the bid. Alternatively, allocated economic development spend could be used to support the development of this bid but money would be moved away from activity planned in the Economic Repositioning Plan to accommodate this.

Deadline for application is 6th July.

UK Share Prosperity Fund

UKSPF will provide £2.6Bn over three years until March 2025, It will replace European Structural Investment Funding and Local Growth Funding and provide a mix of revenue (approx. 90%) and capital (approx. 10%) funding with the primary goal to build pride in place and increase life chances across the UK by reducing geographical inequalities. Local authorities have been given responsibility for:

- Developing an Investment Plan for approval by the UK government
- Receiving an area's allocation to manage
- Assessing and approving project applications
- Processing payments and day-to-day monitoring

Torbay has been allocated £1,764,043 of core UKSPF over 3 years.

UKSPF has 3 investment priorities that are:

- Communities and place – enabling places to invest to restore community spaces and relationships and create the foundation for economic development at the neighbourhood level
- Supporting local business – create jobs and boost community cohesion through investment in existing industries and institutions
- People and skills – boost core skills and support adults to progress in work

To secure the funding, Torbay Council is required to develop an Investment Plan, setting out how Torbay intends to use and deliver the funding based on local need and opportunities.

Investment Plans can be submitted between 30th June and 1st August. £20,000 of capacity funding will be made available to Torbay Council to undertake preparatory work and acquire professional services/ resource to help prepare the investment plan. In addition, up to 4% (£70,561) of the allocated core funding can be used to support the administration, management and monitoring of the fund during the delivery.

Government has provided a menu of interventions against each theme and are encouraging places to identify activities from this menu. As the Investment Plan will have to demonstrate need, this report recommends that the emerging Economic Strategy should be the principal policy used to inform the Investment Plan however some interventions on the menu fall outside (e.g., tackling energy efficiency and fuel poverty) of the focus meaning that there will need to be work with services and external partners to develop a broadly supported bid.

There will also be an expectation of alignment with Devon partners through the County Deal.

It is recommended that TDA is instructed to develop the Investment Plan using the Economic Evidence Base and emerging Economic Strategy to inform the Plan. TDA will ensure that interventions related to fairer employment, reflecting the needs of the turning the tide on poverty recommendations, are considered, as are climate emergency interventions.

TDA requests that the capacity funding is released to support the development of the Investment Plan.

Deadline for submission of the Investment Plan is 1st August.

Multiply

In addition to this core funding, Torbay has been allocated a further £613,959 of UKSPF to deliver the Multiply programme aimed specifically at tackling adult (19+) numeracy skills. This funding is part of the £2.6Bn UKSPF programme but will require a separate Investment Plan.

Again, a menu of interventions are provided, and areas are encouraged to identify activities from this menu.

TDA is leading on this Investment Plan and requests that the capacity funding is released to support the development of the Plan. This will be developed in partnership with Children's Services to join up with the post 16 agenda.

Deadline for submission of the investment Plan is 30th June.

2. Options under consideration

- 2.1 To commission out to external provider to develop on behalf of Torbay Council however they will not have the local knowledge or partnership links needed. Furthermore, the procurement process will further delay progress.
- 2.2 Adopt the recommendations set out.

3. Financial Opportunities and Implications

- 3.1 Capacity funding is available to enable the development of the Levelling Up Fund application and the 2 Investment Plans for UKSPF and Multiply.
- 3.2 Subsidy control (state aid) assessment will be needed for the capital projects in the Levelling Up Fund application. Based on the outcome, there is likely to be a requirement for the Council to borrow money to support the projects and ensure their compliance. The amount will not be known until the assessment has been done. To note, the Council agreed to borrow circa £3M to support the Round 1 application.
- 3.3 Torbay has been allocated £1.76M of UK Shared Prosperity Fund (core funding) over 3 years, subject to government agreeing the investment Plan, that could be used to support the delivery of the Economic Strategy Action Plan.
- 3.4 Torbay has been allocated £0.61M of UK Shared Prosperity Funding (Multiply funding), subject to government agreeing the investment Plan, to tackle adult numeracy.

4. Legal Implications

- 4.1 There will be a requirement to ensure both Levelling Up Fund Application and Investment Plans are subsidy control compliant (previously state aid).

5. Engagement and Consultation

- 5.1 Consultation with business and community groups has taken place through the development of the Economic Strategy, further engagement with these partners in respect of UK Shared Prosperity Fund will take place alongside work with Council services, stakeholders and community groups.
- 5.3 In respect of the Levelling Up Fund Brixham partners including the Town Council, Chamber of Commerce and Yacht Club will be briefed on the proposals alongside the Torbay Hi Tech Cluster.
- 5.4 Torbay Place Board will be engaged in respect of all three aspects with the Levelling Up Fund bid being a request for support whereas for the UKSPF investment plan the Place Board will be given the opportunity to help identify gaps based on the work of the Place Board over the past 12 months.
- 5.5 The Levelling Up Fund Application will need the support of Torbay MP's.

6. Purchasing or Hiring of Goods and/or Services

- 6.1 TDA intends to procure a consultant to support with the Levelling Up Fund application. Given the timescale, we would intend to use a Devon Framework of approved Economic Development Consultants.

- 6.2 Legal advice will be needed to ensure legal requirements around subsidy control are met.
- 6.3 Further professional services may be required to develop the business case for the fish market project.

7. Tackling Climate Change

- 7.1 Projects within the Levelling Up Fund Application will need to address the issue of environmental sustainability as this will be a direct question within the application, an environmental impact assessment will not be possible at this stage of design, but the application will set out the potential issues and mitigations leading to a further assessment as the design develops.
- 7.2 UKSPF presents an opportunity to develop a project that directly tackles climate emergency. Discussions are underway with Torbay Council's Climate Emergency Officer to identify the most relevant intervention(s).

8. Associated Risks

- 8.1 Concerns raised regarding the fish market project in Brixham present a risk. However, the initial objections that came from the Yacht Club appear to have been overcome with the revised option being developed by the Harbour Master. Recent concerns appear to be coming from environmental campaigners, possibly outside of Brixham. It is possible that if significant objections remain, this might impact upon the bid outcome.
- 8.2 Given the timescales for the bids, a decision not to allow delegated authority for sign off will impact upon our ability to develop the bids in a planned way.
- 8.3 The work required to take forward the Levelling Up Fund Application and the Investment Plans will impact upon work being delivered. As a result, planned and reactive work will likely be delayed.
- 8.4 Cost inflation presents a risk for the Council as costs will inevitably change as the projects develop particularly in respect of the Levelling Up Fund capital projects. The project teams will continue to review advice, seek to identify additional capital investment to allow for the schemes to be delivered.

9. Equality Impacts - Identify the potential positive and negative impacts on specific groups

Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
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Older or younger people	Positive impact through interventions, through UKSPF		
People with caring Responsibilities			No differential impact
People with a disability			No differential impact
Women or men			No differential impact
People who are black or from a minority ethnic background (BME) (Please note Gypsies / Roma are within this community)			No differential impact
Religion or belief (including lack of belief)			No differential impact
People who are lesbian, gay or bisexual			No differential impact
People who are transgendered			No differential impact
People who are in a marriage or civil partnership			No differential impact
Women who are pregnant / on maternity leave			No differential impact
Socio-economic impacts (Including impact on child poverty issues and deprivation)	UKSPF will positively impact here		
Public Health impacts (How will your proposal impact on the general health of the population of Torbay)	UKSPF will positively impact here.		

10. Cumulative Council Impact

None

11. Cumulative Community Impacts

None

