

Cabinet

15 June 2022

Levelling Up Fund: Round 2

Key Decision No: REG/05/22



Report of Corporate Management Team

Geoff Paul, Interim Corporate Director of Regeneration, Economy and Growth

Councillor Elizabeth Scott, Cabinet Portfolio Holder for Economy and Partnerships

Councillor James Rowlandson, Cabinet Portfolio Holder for Resources, Investment and Assets

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide an overview of the guidance and bidding requirements to access Round 2 of the Levelling Up Fund.
- 2 This report seeks approval for the submission of five proposals across County Durham for the following parliamentary constituencies: City of Durham, Easington, North Durham, North West Durham and Sedgefield.
- 3 The report outlines each submission for Round 2 and identifies a match funding requirement, including £10 million of Council funding to lever an initial £92 million Levelling Up Fund investment towards the five Levelling Up schemes with a total expenditure of £117 million.

Executive summary

- 4 In the 2021 Budget, Central Government announced the Levelling Up Fund (LUF), to provide investment in regeneration and growth in places with low productivity and poor connectivity.
- 5 As detailed within the Cabinet Report on 15 June 2021, County Durham has been identified as one of the areas of greatest need of levelling up in the UK and has been classified as a Tier 1 area by Central

Government. The Round 1 submission for the Bishop Auckland Parliamentary Constituency: Rural Connectivity and Cultural Connectivity, was successfully awarded £20 million Levelling Up Funding in the Autumn Statement, October 2021. The LUF is a competitive fund totalling £4.8 billion nationally, with £1.7 billion awarded to successful applicants in Round 1. This leaves £3.1 billion for future rounds.

- 6 Beyond the announcement of the LUF, the Government White Paper released in February 2022 confirmed the wider approach to Levelling Up. The Council will continue to develop its approach and champion priorities for investment to support levelling up within the county.
- 7 Further guidance for Round 2 Levelling Up bids was released in March 2022 (see Appendix 2). This confirmed that the funding criteria was broadly in line with the previous round. Each parliamentary constituency within the Local Authority area can submit one bid for Government grant of £20 million. County Durham, with six parliamentary constituencies, can submit up to six bids in total. The Government guidance states that a minimum of 10 percent match funding is required to support each bid. Cabinet agreed in February 2022, as part of the MTFP(12) process, that up to £10 million funding could be allocated to lever in further LUF investment. A £5 million capital budget will be created to enable a match funding budget. It is forecast that if all Levelling Up bids are successful that a further £5 million will be required in MTFP(13). This is in addition to other Council funding, already identified and allocated, as detailed in the report.
- 8 Local authorities are the accountable body for all bids and the guidance is clear that engagement with, and the support of, the local Member of Parliament for each area is required.
- 9 The bids can include a maximum of three cohesively connected projects, with capital spend in financial year 2022/2023 with Government grant expended by March 2025. Business cases must demonstrate need, deliverability, strategic fit and value for money. The three priority areas for scheme investment remain as the following:
 - Transport;
 - Regeneration and town centres;
 - Cultural investment.
- 10 The deadline for submitting Round 2 proposals for 2022/23 funding awards is **6 July 2022**, and priority will be given to projects that can commence capital spend in 2022/23. It is thought likely successful bids

will be announced in the Autumn Statement 2022. There will be time pressures to ensure that bids are delivery ready by this point.

- 11 Although Government announced that there would be three bidding rounds when Round 1 was announced, the most recent Levelling Up White Paper and subsequent guidance on Round 2 are silent on the issue. The working assumption is therefore, that there will not be a Round 3.
- 12 Local authorities, as Responsible Bodies for developing the bids, have received £125,000 capacity funding to support the development of future bids. However, the development costs of a full programme of levelling up proposals will be substantially higher overall. Cabinet has earmarked reserves to accommodate the estimated costs of developing robust bids.
- 13 This approach has considered existing priorities, substantial masterplanning across several towns, local councillor, MP and stakeholder engagement. A range of potential schemes has been developed across the remaining parliamentary constituencies to support transport connectivity, culture, heritage and regeneration in the city, town centres and villages.
- 14 Given the tight timescales for Round 2 since funding criteria announcement in March 2022, gateway criteria within the LUF requirements and the quantifiable economic benefits that need to be demonstrated, considerable work is underway to develop a further 5 bids. It is proposed that five bids are submitted by the 6 July 2022 deadline. These proposals address socio-economic needs, transport barriers and cultural ambitions within each locality. A summary of each parliamentary constituency area bid is outlined as follows:

City of Durham: Enhance and Maintain Transport Assets to Support Durham City's Economy

- 15 A £20 million Levelling Up government grant is being sought to contribute to the delivery of three schemes that will collectively enhance and maintain Durham City's economy. The schemes support economic development through transport and cultural led regeneration. The schemes proposed are:
 - (a) Bowburn Relief Road – tackling traffic capacity constraints to bring forward Phase 3 of Integra 61, by reassigning traffic away from Junction 61 and Bowburn village (A177);
 - (b) City Centre active mode connectivity, linking new and existing cultural attractions;

- (c) Stabilisation of A690 – ensuring the A690 remains open and there are no adverse impacts on the A1 or the wider city.
- 16 The bid will generate strong labour supply, transport, active mode, amenity, land value and cultural benefits. The MP has shown support for economic growth and job creation within the parliamentary constituency. These proposals enhance the county’s ambition as part of the City of Culture 2025 campaign by enhancing existing connectivity between the city’s cultural assets, promoting the natural environment within the city centre and boosting the riverbanks as a destination.
- 17 The total forecast cost for the three investments is £31.5 million. £20 million of LUF Government grant will be bid for and a remaining £11.5 million mix of private and public match funding will be secured. The report seeks approval for a further £2 million capital investment in support of these proposals, with a MTFP12 request approved in February 2022 for this amount.

Easington: Horden Regeneration - Wellbeing and Quality of Life

- 18 A £20 million Levelling Up grant is being sought to contribute to the delivery of three schemes that will support wellbeing and quality of life improvements as part of a longer-term approach to housing led regeneration within Horden. This long term plan has previously enjoyed support from local residents and a detailed report on the regeneration strategy, phases to be delivered, acquisition and demolition strategy, funding opportunities and partner procurement will be presented to Cabinet in the Autumn.

The Levelling Up schemes support regeneration through the new and enhanced community assets on brownfield land, improving local streets and enabling housing development land. The schemes proposed are:

- (a) Enabled Residential Land to provide land for social housing to support the rehousing of residents impacted by regeneration plans;
 - (b) Community assets on brownfield land including a woodland plantation, nature reserve and new community building;
 - (c) Improving local streets to encourage modal shift to non private car use.
- 19 The bid will generate strong wellbeing, cultural, active mode, amenity and land value benefits. The MP has shown strong support for housing led regeneration in Horden. These proposals will enhance the approach for longer term housing regeneration within this community, supporting the housing mix and choice available to residents.

- 20 The total forecast cost for three investment is £22 million. The report seeks approval for a £2 million capital investment in support of these proposals, with a MTFP12 request approved in February 2022 for this amount. This will be in addition to a £20 million Government grant requirement.

North Durham: Stanley Regeneration

- 21 A £20 million Levelling Up government grant is being sought to contribute to the delivery of three schemes that will support high street regeneration, boost economic growth, encourage modal shift and tackle known congestion issues on the A693. The schemes proposed are:
- (a) High street regeneration - bring buildings back to life within town centre through the introduction of new managed workspace, public realm, enhancement of the wellbeing offer at the Louisa Centre and bus station revitalisation;
 - (b) Decongestion improvements along the A693, including at the Asda Roundabout and Oxhill junction, also allowing for improved public transport journey times and punctuality;
 - (c) Active mode improvements – linking key nodes such as the Academy and High Street with residential areas. The town will be better connected to the Coast 2 Coast route.
- 22 The bid will generate significant transport, journey quality, active mode, amenity, land value, health and wellbeing and labour supply benefits. The MP has shown support for regeneration within the town. These proposals will enhance the regeneration approach outlined within the Stanley Regeneration Masterplan.
- 23 The total forecast cost for three investment is £27.9 million. This includes Council funding of £5.93 million and a £20 million LUF government grant. The report seeks approval for a further £2 million capital investment in support of these proposals, with a MTFP12 request approved in February 2022 for this amount.

North West Durham: 3 Towns Regeneration – Strong, Connected and Active Towns

- 25 A £12 million Levelling Up government grant is being sought to contribute to the delivery of three schemes that will enhance recreational facilities, support wellbeing, improve active mode provision, grow the local economy and boost high street regeneration across the three towns of Crook, Willington and Tow Law. The schemes proposed are:

- (a) Town Parks and Leisure – range of improvements across the towns including a new community hub, improved parks, Multi Use Games Areas (MUGAs), event spaces, BMX track and skate park;
 - (b) Stronger Towns through high street regeneration and employment growth – enabling infrastructure to support development at Low Willington Industrial Estate, targeted improvement for the high street, wayfinding and public realm;
 - (c) Active mode and Sustainable Streets – new and upgraded cycling and walking routes within and between the three settlements. New EV charging infrastructure to support and encourage sustainable travel.
- 26 The schemes' designs, costs and benefits are being refined however will deliver wellbeing, active mode, amenity, land value and cultural benefits. The MP has shown support for regeneration across the three towns.
- 27 The total forecast cost for three investment is £14 million. The report seeks approval for a further £2 million capital investment in support of these proposals, with a MTFP12 request approved in February 2020 for this amount.

Sedgefield: Newton Aycliffe Regeneration

- 29 A £20 million Government grant is being sought to contribute to the delivery of three schemes that will support high street regeneration, improvement public transport provision, improve culture and wellbeing and enhance active mode connectivity within the town. The schemes proposed are:
- (a) High street regeneration – repurposing land and buildings at the within the town centre to provide improved flexible and amenity space, a public transport interchange, reprovision of surface level car parking and improved commercial buildings;
 - (b) Enhancement of active mode routes across the town linking employment locations, rail stations, green spaces, parks and residential areas;
 - (c) Improved cultural and wellbeing offer within the town centre to enhance provision and provide a cultural family attraction alongside the existing leisure and library services.
- 30 The schemes will generate strong transport journey quality, active mode, amenity, land value and cultural benefits. The MP has shown strong support for regeneration within the town. These proposals will enhance the regeneration approach within the town Masterplan.

- 31 The total forecast cost for three investment is £22 million. The report seeks approval for a further £2 million capital investment in support of these proposals, with a MTFP12 request approved in February 2020 for this amount. This will be in addition to a £20 million government grant requirement.

Finalising the Funding Proposals

- 32 Final costings and economic analysis as part of business case development are being refined ahead of the LUF submission deadline for all five bids on 6 July 2022. In summary, the total financial requirement and contributions across all five proposed proposals are outlined in the table below. The potential DCC match required is £10 million to lever £92 million of LUF resources.

| Parliamentary Constituency | LUF Grant | Existing DCC Match | New DCC Match Requested | Private Match | Total |
|----------------------------|-----------|-----------------------|-------------------------|---------------|---------|
| City of Durham | £20m | £4m* £1.5m** | £2m | £4m | £31.5m |
| Easington | £20m | | £2m | | £22m |
| North Durham | £20m | £1.4m*** £4.5m**** | £2m | | £27.9m |
| North West Durham | £12m | | £2m | | £14m |
| Sedgefield | £20m | | £2m | TBD | £22m |
| Total | £92m | £11.4m | £10m | £4m | £117.4m |

*£4m from DCC highway maintenance allocations

** existing £1.5mm of highway maintenance funding

*** includes £1.4m of maintenance funding for the Louisa Centre

**** funded either as part of the Accommodation Programme or from capital contingencies

- 33 The Council will be required to continue to develop projects at risk whilst the funding bids are assessed by Central Government. If the Council does not commit to this continued investment at risk then it may mean that the overall programme of projects is not then deliverable to the Government's timetable for implementation. A programme is being developed across all projects which will determine key milestones and expenditure required, in line with earmarked reserves available to develop submitted bids to ensure that they are delivery ready if funding is awarded.

- 34 In view of the complexity of the work involved and the tight deadline for bid submissions detailed work will continue to develop the proposals after the Cabinet meeting and delegated authority is sought to finalise the bids to government.

Recommendation(s)

- 35 Cabinet is recommended to:
- (a) agree draft outline approach for the Levelling Up submission for Round Two and support the five proposals for investment across the City of Durham, Easington, North Durham, North West Durham and Sedgefield parliamentary constituencies;
 - (b) note the anticipated bid costs estimated of £117.4 million, including £92 million of LUF government grant to be bid for;
 - (c) utilise £5 million of Capital funding approved in February 2022 as part of the MTFP(12) process and if all Levelling Up bids are successful, recognise that a further £5 million will be required in MTFP(13) to meet match funding requirements;
 - (d) £11.4 million of match funding required and how this will be funded;
 - (e) note that earmarked reserves are available to develop submitted bids to ensure that they are delivery ready if funding is awarded. This meets the requirement to commence delivery prior to March 2023;
 - (f) recognise that further design work and costings is to be finalised and this could influence the final LUF request for government grant. The business case development underway will further shape proposals and time scales are very tight and pressured to develop all five proposals in time for the deadline; and
 - (g) delegate authority to the Corporate Director for Regeneration, Economy and Growth and Corporate Director of Resources, in consultation with the Cabinet Portfolio Holder for Economy and Partnerships and the Cabinet Portfolio Holder for Resources Investments and Assets and Deputy Leader and Cabinet Portfolio Holder for Finance to take all such decisions necessary to progress and finalise Levelling Up proposals for Round 2 ready for the submission deadlines on 6 July 2022.

Background

- 36 In the 2021 Budget, Central Government announced the Levelling Up Fund (LUF), to provide investment in regeneration and growth in places with low productivity and poor connectivity.
- 36 As detailed within the Cabinet Report on 15 June 2021, County Durham has been identified as one of the areas of greatest need of levelling up in the UK and has been classified as a Tier 1 area by Central Government. The Round 1 submission for the Bishop Auckland Parliamentary Constituency: Rural Connectivity and Cultural Connectivity, was successfully awarded £20 million Levelling Up Funding in the Autumn Statement, October 2021. The LUF is a competitive fund totalling £4.8 billion nationally, with £1.7 billion awarded to successful applicants in Round 1. This leaves £3.1 billion for future rounds.
- 37 Beyond the announcement of the LUF, the Government White Paper released in February 2022 confirmed the wider approach to Levelling Up. The Council will continue to develop its approach and champion priorities for investment to support levelling up within the county. This will require a blend of investments that create different outcomes for communities, make the best use of national funds such as Levelling Up Fund, Shared Prosperity Fund UK and the potential of a County Deal for County Durham. This will include place-based regeneration that improves the quality of our city, towns and villages, alongside broader investments to unlock sites for housing and employment and support the labour market.
- 38 Further guidance for Round 2 levelling up bids was released in March 2022. This confirmed that the funding criteria was broadly in line with the previous round. Each parliamentary constituency within the local authority area can submit one bid for Government grant of £20 million. County Durham, with six parliamentary constituencies, would be in a position to be able to submit six bids to lever in up to £120 million of Government grant. The Government guidance states that a minimum of 10 percent match funding is required to support each bid. Cabinet agreed in February 2022, as part of the MTFP process, that up to £10 million funding could be allocated to lever in further LUF investment. A £5 million capital budget will be created to enable a match funding budget. It is forecast that if all Levelling Up bids are successful that a further £5 million will be required in MTFP(13). This is in addition to other Council funding, already identified and allocated, as detailed in the report.

- 39 Local authorities are the accountable body for all bids and the guidance is clear that engagement with, and the support of, the local Member of Parliament for each area is required. There is also an opportunity for a wider regional transport bid or cultural bid of up to £50 million.
- 40 Bids of up to £20 million per parliamentary constituency can include a maximum of three cohesively connected projects, must commence spend by March 2023 and be delivered with financial completion by March 2025. Business cases must demonstrate need, deliverability, strategic fit and value for money. The three priority areas for scheme investment remain as the following:
- **Transport** - public transport, active travel, bridge repairs, bus priority lanes, local road improvements, major structural maintenance, and accessibility improvements;
 - **Regeneration and town centre** - upgrade eyesore buildings and dated infrastructure, acquire and regenerate brownfield sites, invest in secure community infrastructure and crime reduction, and bring public services and safe community spaces into town and city centres; and
 - **Cultural** - regenerating, or creatively repurposing museums, galleries, visitor attractions (and associated green spaces) and heritage assets as well as creating new community-owned spaces to support the arts and serve as cultural spaces.
- 41 The Government has specified that projects should target improvements in pockets of deprivation and contribute towards carbon net zero targets.
- 42 The deadline for submitting Round 2 proposals for 2022/23 funding awards is **6 July 2022**, and priority will be given to projects that can commence capital spend on the ground in 2022/23. Successful bids will be announced in the Autumn Statement 2022.
- 43 Government has been very clear that projects must be ready to deliver and have an advanced business case for this deadline, which realistically means that only those projects that were already at an advanced stage could reasonably be submitted.
- 44 Although Government announced that there would be three bidding rounds when Round 1 was announced, the most recent Levelling Up White Paper and subsequent guidance on Round 2 are silent on the issue. The working assumption is therefore, that there will not be a Round 3.

- 45 Local authorities, as Responsible Bodies for developing the bids, have received £125,000 capacity funding to support the development of future bids, however, the development costs of a full programme of levelling up proposals will be substantially higher overall. Cabinet earmarked reserves to accommodate the estimated cost of developing robust bids. Some of this funding could be capitalised should the bids be approved and confirmation by the Department for Levelling Up, Housing and Communities (DLUHC).

Developing a Levelling Up Pipeline, Shortlist and Determining Priorities

- 46 Since July 2021, officers have considered the development of potential schemes in line with anticipated funding criteria for Round 2.
- 47 This approach has considered existing priorities, desk top review, benefits assessments, substantial masterplanning across several towns, local councillor, MP and stakeholder engagement. A range of appropriate schemes have been developed across the remaining parliamentary constituencies to support transport connectivity, culture, heritage and regeneration in the city, town centres and villages. These have accounted for the need to be aligned to the LUF criteria and gateway assessment, being able to commence delivery in 2022/23 and achieve financial completion by March 2025.
- 48 Given the tight timescales for Round 2 since the funding criteria announcement in March 2022, gateway criteria within the LUF requirements and the quantifiable economic benefits that need to be demonstrated, considerable work is underway to develop a further five bids. It is proposed that five bids are submitted by the 6 July 2022 deadline. These proposals address socio-economic needs, transport barriers and cultural ambitions within each locality. A summary of each parliamentary constituency area bid is outlined as follows:

City of Durham: Enhance and Maintain Transport Assets to Support Durham City's Economy

- 49 A £20 million Levelling Up government grant is being sought to contribute to the delivery of three schemes that will collectively enhance and maintain Durham City's economy. The schemes support economic development through transport and cultural led regeneration. The schemes proposed are:
- (a) Bowburn Relief Road – tackling traffic capacity constraints to bring forward Phase 3 of Integra 61, by reassigning traffic away from Junction 61 and Bowburn village (A177). This will be achieved with a new road, routing through the Integra Site and

routing parallel to the Leamside Line, linking the A688 south of Integra 61 and the A177 north of Bowburn village. A link will be provided under the Leamside Line connecting to Integra Phase 3;

- (b) City Centre active mode connectivity, linking new and existing cultural attractions. Cultural attractions including the DLI, Wharton Park, Crook Hall, Elvet Park, Peninsula, and the Riverbanks will be better linked for visitors. Health and wellbeing will be enhanced through active mode connectivity linking residential areas with the city centre;
- (c) Stabilisation of A690 – ensuring the A690 remains open and there are no adverse impacts on the A1(M) or the wider city.

50 The schemes have strong labour supply, transport, active mode, amenity, land value and cultural benefits. The logic chain in Appendix 3 illustrates how the levelling up proposals will tackle problems, meet strategic objectives and deliver levelling up outcomes for the constituency. The MP has shown support for economic growth and job creation within the parliamentary constituency. These proposals will enhance the county's approach and ambition to secure the City of Culture 2025 by enhancing existing cultural assets connectivity, promoting the natural environment within the city centre and boosting the riverbanks as a destination.

51 The total forecast cost for three investment is £31.5 million. There is a private sector commitment for £4 million match, with £4 million to be allocated from allocated Council Highway Maintenance funding. A further £1.5 million match is already in place for highways maintenance works on the Peninsula which will be utilised as match funding. In addition, £20 million of LUF Government grant will be bid for. The report seeks approval for a further £2 million capital investment in support of these proposals, with a MTFP12 request approved in February for this amount. The table below outlines the estimated funding profile and match funding requirements:

| Proposed Schemes | LUF Grant | DCC Match | Private Match | Total |
|--|------------------|------------------|----------------------|--------------|
| Bowburn relief road | £7m | | £4m | £11m |
| Active mode connectivity to cultural attractions | £8m | £1.5m* | | £9.5m |
| Stabilisation A690 | £5m | £2m + £4m** | | £11m |
| Total | £20m | £7.5m | £4m | £31.5m |

*Existing DCC Highways commitment

** DCC highways (£4m over 2 years)

52 The main issues and risks to developing and delivering these packages as part of a Round 2 submission are as follows:

- agreeing options with landowners to enable acquisition and land assembly;
- interdependencies with private landowners and developers plans.

53 A mitigation strategy is being developed and programmes for all projects will determine milestones and expenditure requirements both for development and delivery of the proposed proposal for this constituency.

Easington: Horden Regeneration - Wellbeing and Quality of Life

54 A £20 million Levelling Up grant is being sought to contribute to the delivery of three schemes that will support wellbeing and quality of life improvements as part of a longer-term approach to housing led regeneration within Horden. The schemes support regeneration through the new and enhanced community assets on brownfield land, improving local streets and enabling housing development land. The long term plan for Horden has previously enjoyed support from local residents and a detailed report on the regeneration strategy, phases to be delivered, acquisition and demolition strategy, funding opportunities and partner procurement will be presented to Cabinet in the Autumn. The Levelling Up schemes proposed are:

- (a) Enabled Residential Land to provide land for social housing and the ability to rehouse residents from existing homes in order to allow for the proposed demolition in the numbered streets area of Horden. The two sites are under consideration;
- (b) Community Assets on brownfield land. This will include a woodland plantation and a nature reserve site, linking to active

mode routes as well as the Heritage Coast. A new community building will provide flexible space and gardens for community use to enhance existing provision;

- (c) Improving local streets, which are to remain after the masterplan. This will target neighbourhoods that will benefit most from an uplift in the streets where people live. It will encourage modal shift to non private car use with active mode routes, including connectivity improvements from Horden Rail Station to Peterlee town centre. The addition of street trees and landscaping will improve environmental standards. Signing will be reviewed to reduce clutter, improve direction signing and replace street names.

55 The bid will generate strong wellbeing, cultural, active mode, amenity and land value benefits. The MP has shown strong support for housing led regeneration in Horden. These proposals will enhance the approach for longer term housing regeneration within this community, supporting the housing mix and choice available to residents. A visit from the DLUHC identified they were supportive of the approach with the LUF criteria for this Round 2 proposal.

56 The total forecast cost for these three investments is £22 million. The report seeks approval for a £2 million capital investment in support of these proposals, with a MTFP12 request approved in February 2022 for this amount. This will be in addition to a requirement for £20 million Government grant. The table below outlines the estimated funding profile and match funding requirements:

| Proposed Schemes | LUF Grant | DCC Match | Total |
|-----------------------------------|------------------|------------------|--------------|
| Enabled residential land | £20m | £2m | £22m |
| New and Improved community assets | | | |
| Improving connectivity | | | |
| Total | £20m | £2m | £22m |

57 The main issues and risks to developing and delivering these packages as part of a Round 2 submission are as follows:

- land condition of DCC owned land to deliver enabled land;
- capacity and viability to incorporate enabled land within the Council Housing Programme to deliver social housing via this route;

- demand, operational, revenue requirements and subsidy control implications for the delivery of the new community facility;
- community consultation, interdependencies and messaging aligned to the housing led regeneration planned for the numbered streets areas within Horden.

- 57 A mitigation strategy is being developed and programmes for all projects will determine milestones and expenditure requirements both for development and delivery of the proposed proposal for this constituency.
- 58 The Council remain committed to the longer term housing led regeneration within Horden and have committed £ 6 million toward this work. Proposals in the numbered streets include the replacement of poor quality housing with new, high quality and a better mix of homes, new community facilities, improved public spaces and better connectivity with parks, green space and walking and cycling routes. A delivery strategy that includes how best to phase the work and what the initial investment of the £ 6 million will be spent on is expected to be complete in Autumn 2022. Consultation is taking place between 26 May and 10 June 2022 to provide an update on the Levelling Up proposals and the wider housing masterplan.

North Durham: Stanley Regeneration

- 59 A £20 million Levelling Up government grant is being sought to contribute to the delivery of three schemes that will support high street regeneration, boost economic growth, encourage modal shift and tackle known congestion issues on the A693. The schemes proposed are:
- (a) High street regeneration - will bring a range of buildings back to life and into use to revitalise the town centre. Improve the wellbeing and cultural offer at the Louisa Centre, enhance public realm, provide managed workspace and flexible events space. The refurbishment of the bus station will also be included to improve public transport user journey when visiting and arriving to the town;
 - (b) Decongestion improvements along the A693, including at the Asda Roundabout and Oxhill junction, also allowing for improved public transport journey times and punctuality;
 - (c) Active mode improvements – linking key nodes such as the Academy and High Street with residential areas. The town will be better connected to the Coast 2 Coast route, promoting the town centre as a stop off point, including a new cycle hub near to the Louisa Centre.

- 60 The bid will generate significant transport, journey quality, active mode, amenity, land value, health and wellbeing and labour supply benefits. The MP has shown support for regeneration within the town. These proposals will enhance the regeneration approach outlined within the Stanley Regeneration Masterplan.
- 61 The total forecast cost for three investment is £27.9 million. This includes £4.5 million funded either as part of the Council's Accommodation Programme or from capital contingencies, £1.4 million from the Council for the maintenance of the Louisa Centre, and a £20m LUF government grant requirement. The report seeks approval for a further £2 million capital investment in support of these proposals, with a MTFP12 request approved in February for this amount. The table below outlines the estimated funding profile and match funding requirements:

| Proposed Schemes | LUF Grant | Existing DCC Match | New DCC Match | Total |
|---------------------------|------------------|---------------------------|----------------------|--------------|
| High street regeneration | £14.25m | £4.5m* £1.4m** | | £20.15m |
| Decongestion improvements | £4.5m | | £1m | £5.5m |
| Active Mode | £1.25m | | £1m | £2.25m |
| Total | £20m | £5.9m | £2m | £27.9m |

* Funded either as part of Accommodation Programme or from capital contingencies

**Existing DCC Leisure commitment for refurbishment of Louisa Centre

- 62 The main issues and risks to developing and delivering these packages as part of a Round 2 submission are as follows:
- securing option agreements, land acquisition and land assembly to deliver high street regeneration proposals in line with delivery timescales;
 - interdependencies with the Leisure Transformation Programme delivery at the Louisa Centre;
 - package of several projects as part of the high street regeneration as opposed to one project could be viewed as a programme;
 - considering packages due to estimate costs versus benefits and therefore subject to change within the three areas outlined.

67 A mitigation strategy is being developed and programmes for all projects will determine milestones and expenditure requirements both for development and delivery of the proposed proposal for this constituency.

North West Durham: 3 Towns Regeneration - Strong, Connected and Active Towns

68 A £12 million Levelling Up government grant is being sought to contribute to the delivery of three schemes that will enhance recreational facilities, support wellbeing, improve active mode provision and boost high street regeneration across the three towns of Crook, Willington and Tow Law. The schemes proposed are:

- (a) Town Park and Leisure – improvements across the towns with a new community hub and park in Crook, new MUGA and events space at Willington Park and MUGA, football pitch improvements, BMX track and skate park at Tow Law;
- (b) Stronger Towns through High street regeneration and employment growth – enabling infrastructure to support development at Low Willington Industrial Estate, targeted improvement for the high street, wayfinding and public realm;
- (c) Active mode and sustainable streets – new and upgraded cycling and walking routes between Crook and Willington, and better connecting onto longer distance routes connecting to Durham and Bishop Auckland. Active mode improvements within each of the three settlements will also be implemented. New EV charging infrastructure in key locations across all three settlements to support and encourage sustainable travel.

69 The schemes’ designs, costs and benefits are being refined however will deliver wellbeing, active mode, amenity, land value and cultural benefits. The MP has shown support regeneration across the three towns.

70 The total forecast cost for three investments is £14 million. This report seeks approval for £2 million match funding to realise the proposed investment. The table below outlines the estimated funding profile and match funding requirements:

| Proposed Schemes | LUF Grant | DCC Match | Total |
|-------------------------------------|------------------|------------------|--------------|
| Town Parks and Leisure | £12m | £2m | £14m |
| High Street Regeneration | | | |
| Active Mode and Sustainable Streets | | | |

| | | | |
|-------|-------------|-----|------|
| Total | £12m | £2m | £14m |
|-------|-------------|-----|------|

71 The main issues and risks to developing and delivering these packages as part of a Round 2 submission are as follows:

- thematic and packages of projects approach may weaken the bid position. Strong narrative but does look like a programme. Preferred Towns Deal approach was no longer feasible due to the omission from the Round 2 funding criteria;
- demand, operational, revenue requirements and subsidy control implications for the delivery of new community facilities.

72 A mitigation strategy is being developed and programmes for all projects will determine milestones and expenditure requirements both for development and delivery of the proposed proposal for this constituency.

Sedgefield: Newton Aycliffe Regeneration

73 A £20 million Government grant is being sought to contribute to the delivery of three schemes that will support high street regeneration, improved public transport provision, improve culture and wellbeing and enhance active mode connectivity within the town. The schemes proposed are:

- (a) High street regeneration – repurposing land and buildings within the town centre to provide improved flexible and amenity space, public transport interchange, reprovision of surface level car parking and improved commercial buildings. This will improve visibility and enhance the current inward-looking nature of the town centre;
- (b) Enhancement of active mode routes across the town linking employment locations, rail stations, green spaces, parks and residential areas;
- (c) New Cultural and Wellbeing offer within the town centre to enhance service provision, attracting more footfall and providing a cultural family attraction alongside the existing leisure and library services within the town.

74 The schemes will generate strong transport journey quality, active mode, amenity, land value and cultural benefits. The MP has shown strong support for regeneration within the town. These proposals will enhance the regeneration approach the town Masterplan.

75 The total forecast cost for three investment is £22 million. The report seeks approval for a further £2 million capital investment in support of these proposals, with a MTFP12 request approved in February 2022 for this amount. This will be in addition to a £20 million government grant requirement. The table below outlines the estimated funding profile and match funding requirements:

| Proposed Schemes | LUF Grant | DCC Match | Total |
|----------------------------|-------------|-----------|-------|
| High street regeneration | £9m | | £9m |
| Active mode | £7m | | £7m |
| Cultural and Wellbeing Hub | £4m | £2m | £2m |
| Total | £20m | £2m | £22m |

78 The main issues and risks to developing and delivering these packages as part of a Round 2 submission are as follows:

- land assembly to enable high street and cultural and wellbeing proposals within the town centre in line with the LUF delivery criteria;
- subsidy control implications and operational models to enable high street and cultural and wellbeing proposals within the town centre in line with the LUF delivery criteria;
- interdependencies with the Leisure Transformation Programme delivery at Newton Aycliffe Leisure Centre;
- securing delivery partners and lease arrangements to deliver a new family based cultural attraction and wellbeing services in line with the LUF delivery criteria.

79 A mitigation strategy is being developed and programmes for all projects will determine milestones and expenditure requirements both for development and delivery of the proposed proposal for this constituency.

Finalising the Funding Proposals

80 Final costings and economic analysis as part of business case development are being refined ahead of the LUF submission deadline for all five bids on **6 July 2022**. In summary, the total financial requirement and contributions across all five proposed proposals are

outlined in the table below. The potential Council match required is £10 million to lever £92 million of LUF resources.

- 81 In summary, the total financial requirement and contributions across all five proposed proposals are outlined below:

| Parliamentary Constituency | LUF Grant | Existing DCC Match | New DCC Match Requested | Private Match | Total |
|-----------------------------------|------------------|---------------------------|--------------------------------|----------------------|--------------|
| City of Durham | £20m | £4m* £1.5m** | £2m | £4m | £31.5m |
| Easington | £20m | | £2m | | £22m |
| North Durham | £20m | £1.4m*** £4.5m**** | £2m | | £27.9m |
| North West Durham | £12m | | £2m | | £14m |
| Sedgefield | £20m | | £2m | TBD | £22m |
| Total | £92m | £11.4m | £10m | £4m | £117.4m |

*£4m from DCC highway maintenance allocations

** existing £1.5mm of highway maintenance funding

*** includes £1.4m of maintenance funding for the Louisa Centre

**** funded either as part of Accommodation Programme or from capital contingencies

- 82 The Council will be required to continue to develop projects at risk whilst the funding bids are assessed by Central Government. If the Council does not commit to this continued investment at risk then it may mean that the overall programme of projects is not then deliverable to the Government's timetable for implementation.
- 83 Cabinet have earmarked reserves to accommodate the estimated costs of developing robust bids. This required development funding is additional to the 10% match funding for each of the Constituency bids, with a total of £10 million. A £5 million capital budget will be created to enable a match funding budget as part of MTFP(12). It is forecast that if all Levelling Up bids are successful that a further £5 million will be required in MTFP(13).
- 84 It is not believed preparatory work to produce the bids could be claimed back, should the bids be successful. However, where possible development funding would be capitalised should the bids be successful. This would be subject to approval and confirmation by DLUHC.

Next Steps and Development Programme

- 85 The next steps are to finalise the five LUF bids and business cases, undertake briefings with Cabinet Member leads, local stakeholders, public engagement and further engagement with MPs to ensure the best possible case for the proposal is submitted ready for the Round 2 deadline on 6 July 2021. Significant detailed work will be undertaken between the Cabinet meeting and submission.
- 86 This report seeks delegated authority for the Corporate Director of Regeneration, Economy and Growth and Corporate Director of Resources, in consultation with the Cabinet Portfolio Holder for Economy and Partnerships and the Cabinet Portfolio Holder for Resources, Investments and Assets and Deputy Leader and Cabinet Portfolio Holder for Finance to take all such decisions necessary to progress and finalise the Levelling Up proposal for Round 2 in advance of the 6 July 2022 submission deadline.

Background papers

Cabinet Report: 15 June 2021 – Levelling Up Fund

Other useful documents

[Levelling Up Fund Round 2: prospectus - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/95442/levelling-up-fund-round-2-prospectus.pdf)

[Levelling Up Fund Round 2: technical note - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/95443/levelling-up-fund-round-2-technical-note.pdf)

[Levelling Up Fund Round 2: application guidance \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/95444/levelling-up-fund-round-2-application-guidance.pdf)

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Appendix 1: Implications

Legal Implications

Specialist advice for Subsidy Control has been sought across all five proposals. It is a requirement of all bids to state any subsidy control implications and as proposals incorporate private sector partners, various models of delivery and are not providing open access infrastructure, external expertise has been required.

Durham County Council does not own all the land associated with proposed LUF proposals. Consideration for land acquisitions and/or development arrangements to work alongside partners is being considered as part of each specific project proposal. Associated costs and risks to deliver desired ambitions for each specific scheme has been considered.

Demand, operational, revenue requirements and subsidy control implications for the delivery of the new community facilities are being considered as part of each specific project proposal.

Finance

The business case development process, economic modelling and financial assessment is being undertaken to ensure a robust approach to detailed costings and justifying the benefit cost ratio for the scheme proposals. Round 2 proposals need to commence capital costs in 2022/23 in order to meet gateway criteria and achieve financial completion by March 2025.

The total project costs for the five proposals is £117.4 million, inclusive of 15 percent quantified risk assessment value (consistent with project development stage) with £92 million sought through LUF and £10 million as match DCC funding.

The match funding agreed by Cabinet in February 2022 as part of the Medium Term Financial Plan (12) and this comfortably exceeds the 10 percent recommended match funding criteria set out in the LUF guidance. A £5 million capital budget will be created to enable a match funding budget. It is forecast that if all Levelling Up bids are successful that a further £5 million will be required in MTFP(13).

If the LUF grant is awarded, any eligible development costs would be included. Any overspend on the projects contained in the awarded schemes would have to be underwritten by the Council in line with other Government funded programmes. This represents a risk to the Council.

Whilst the Council has received £125,000 capacity funding to support the development of future bids, development costs of a full programme of five

Levelling Up proposals will be substantially higher overall. Earmarked reserves have been identified to support the development of the Levelling Up Fund bids. This required development funding is additional to 10% match funding for each of the Constituency bids.

Consultation

As part of the Levelling Up Fund criteria all proposals must undergo effective consultation with the local community and stakeholders.

As part of the development of proposals, Masterplan consultation has taken place with the community to consider local priorities, needs and potential improvements. Some schemes, such as Horden have undertaken consultation over a longer period and this evidence will provide further context and justification for local priorities.

Existing priorities and consultation as part of wider engagement through the Area Action Partnerships have helped to inform area proposals.

Local Councillor engagement sessions were held in September 2021 and April 2022 to consider LUF priorities, direction of travel and fit of potential proposals. Further engagement has taken place with assigned Cabinet leads for each of the proposals.

MPs have been consulted throughout the proposal development process.

Stakeholder consultation has taken place through specific stakeholder groups and will continue until the end of June 2022. Additional public engagement is underway and will conclude in June 2022, seeking further local support and demonstrating the remit of the proposals.

Equality and Diversity / Public Sector Equality Duty

The Council is committed to improving the quality of life for all. The Council will consider its Public Sector Equality Duty and how it is discharged on a proposal and project by project basis.

All design and works included will adhere to design standards and national policies for construction and highways. Consultation on proposals will seek to engage and represent a broad spectrum of stakeholders and the community.

Climate Change

The Levelling Up Fund criteria prioritises the need to contribute towards net zero carbon output. All proposals will consider a quality-built environment and seek to use clean technologies and approaches that minimise carbon emissions, encourage active travel and the reduction of motorised vehicles.

Human Rights

All tenants, landowners and existing site occupier rights will be considered in line with existing licence agreements, with appropriate consultation and notice periods provided as stipulated for each individual agreement/licence.

Crime and Disorder

No issues have been raised to date. During the master planning stages associated with project development proposals and business case development, appropriate consultation and crime and disorder risks will be considered and designed out or mitigated in conjunction with Durham Constabulary where possible.

Staffing

Project development and management resources has been provided by the Regeneration, Economy and Growth Service Grouping where possible. Associated design and management costs will be built into proposals where feasible and claimed as eligible spend if funds are awarded. Additional external expertise has been sought as needed to support masterplans, economic modelling, specialist surveys and assessment to support both the development and delivery of proposals.

Need to consider the staffing implications for delivery if proposals are successful. Some costs will be built into proposals, however there will be capacity constraints and demands on support services to facilitate delivery. This will be compounded if all 5 are successful and alongside existing delivery commitments through funded programmes such as Stronger Towns.

Accommodation

None.

Risk

A detailed project risk register will be developed for each individual Levelling Up proposal and is integral to each business case developed.

The main risks to consider for the Levelling Up approach and project development are:

- (a) financial risk to the Council if projects were to incur cost overruns. Estimates have been developed with all add on costs, including inflation and 15 percent quantified risk assessment value (consistent with project development stage) based on preliminary design and bill of quantities;
- (b) potential delays and increased costs for acquiring land if proposals are not in Council ownership, programmes allow for this and discussions

are already underway with the land owners across all scheme proposals;

- (c) reputational risk should any LUF bid that is submitted be unsuccessful;
- (d) reputational risk due to timing of submission of bids for individual areas linked to varying degrees of readiness to meet LUF bidding criteria and capacity issues to develop bids to sufficient standards within the timescales laid out in the guidance;
- (e) revenue and running costs for new cultural and community-based proposals.

Procurement

Design and delivery will be procured through either internal Council teams or established frameworks, aligned to funding timeframes and funding criteria.

Appendix 2: Headline Levelling Up Funding Criteria

| Criteria | Levelling-Up Fund |
|-----------------------------|---|
| Timescales | Delivery to 31 March 2025 |
| Funding | £4.8bn (£4bn for England) |
| Size of bids | Up to £20m. Transport projects and large scale Cultural Projects can be above £20m and up to £50m Each local authority can submit proposal up to the number of MPs in the LA area. |
| Bidding process | Competitive; projects or packages with up to 3 complementary elements across the themes. LAs can only have one successful bid for each of their allocated number of bids over the lifecycle of the Fund. Durham can have 6 parliamentary bids. |
| Bid deadline | 6 July 2022 (successful bids announced in Autumn 2022) |
| Themes | <ul style="list-style-type: none"> • Local transport projects • Town centres / high streets • Culture |
| Assessment criteria | <ul style="list-style-type: none"> • Need (recovery, growth, connectivity, regeneration) • Deliverability • Strategic fit • Value for money • Leverage; at least 10% of costs |
| Lead department | Department for Levelling Up, Housing and Communities (and HM Treasury and Department for Transport) |
| Responsible bodies | Local authorities |
| County Durham status | Category 1 (highest need) of 3 |
| Spatial focus | UK-wide |

| Criteria | Levelling-Up Fund |
|----------------------------|---|
| Additional criteria | <ul style="list-style-type: none">• Priority will be given to delivery on ground in 2022-23.• Government expects bids to be backed by local MPs.• Bids needs to be supported by local stakeholders• Bids should target pockets of deprivation• Bids should contribute to net zero |
| More details | <p>Levelling Up Fund Round 2: prospectus - GOV.UK (www.gov.uk)</p> <p>Levelling Up Fund Round 2: technical note - GOV.UK (www.gov.uk)</p> <p>Levelling Up Fund Round 2: application guidance (publishing.service.gov.uk)</p> |

Appendix 3: Example Logic Chain for Durham City Bid



