

Southend-on-Sea City Council

Report of Interim Executive Director (Growth & Housing)

To

Cabinet

On

1 July 2022

Report prepared by:

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Agenda
Item No.

3

Levelling Up Fund Round 2

Relevant Scrutiny Committee: Place Scrutiny Committee
Cabinet Members: Councillor Ian Gilbert and Councillor Paul Collins
Part 1 (Public Agenda Item)

1. Purpose of Report

- 1.1 The report sets out the proposed approach to applications to the Government's Levelling-Up Fund (LUF) round 2 and the outcomes that would be achieved by successful bids.

2. Recommendations

That Cabinet;

- 2.1 **agree to submit a bid to the Levelling-Up Fund (LUF) for highways noting the associated capital and revenue costs;**
- 2.2 **agree to submit a bid to the Levelling-Up Fund (LUF) for culture-led city centre regeneration noting the capital and revenue costs for the Council;**
- 2.3 **agree if these bids are successful, relevant legal agreements are entered into to draw down the funding;**
- 2.4 **recommend to Council that if bids are successful, they be included in the Capital Investment Programme, subject to a reprioritisation of the existing programme to ensure that there is no additional net cost to the capital investment programme after including the LUF schemes.**

3. Background

- 3.1 On 13 April 2022 the Levelling-Up Fund (LUF) round 2 prospectus was published thereby opening the fund for bids. It set out the principles for applications as follows:

- i. There are three investment themes; transport, cultural investment, and regeneration and town centres - bids must be focused on at least one of these;
- ii. Each bid can be for an individual project or a package of up to 3 projects. Package bids must clearly explain how their components represent a coherent set of interventions;
- iii. Maximum bid value of £20m, with at least 10% match funding. If successful, funds must be spent by March 2025;
- iv. Successful applications must be well-developed, all projects must have outline design and be to Treasury Green Book Appraisal standard, they must also begin delivery and spend before the end of the financial year;
- v. The number of bids that a local authority in the first category can make relates to the number of MPs in their area. One bid can be submitted for every MP whose constituency lies wholly within a boundary. Where an MP's constituency crosses multiple local authorities, one local authority should take responsibility as the lead bidder and local areas should work together to designate that lead bidder;
- vi. Local authorities can only have one successful bid for each of their allocated number of bids over the lifecycle of LUF;
- vii. Local Authorities should consult local Members of Parliament and a range of local stakeholders across the full geography of a place during the development of the bid; MP support is not a condition of success,
- viii. Projects should be aligned to and support Net Zero goals; and
- ix. Deadline for submission of round 2 bids is midday 6 July 2022.

3.2 Local Authorities across Great Britain have been assessed and categorised as priority 1, 2 or 3 based on Government methodology. Southend is a priority 1 location - one which will most benefit from levelling-up. Rochford is a priority 2 location. As the Southend East and Rochford parliamentary constituency crosses two local authorities, discussion has taken place with Rochford District Council as to the approach; both parties agreed that a joint round two bid is not practical. It is understood that Rochford District Council is not planning a separate bid for this LUF round.

3.3 As Southend-on-Sea City Council was successful in round one with its Visitor Economy bid it may only submit one further non-highways bid across the two parliamentary constituencies in round 2. As a highways authority the Council is also eligible to make an additional application for a highways only scheme.

4. Proposed Bids

4.1 This section of the report seeks to outline the planned focuses, outcomes, timing and values of the bids.

Highways Bid

- 4.2** The round one Highways bid did not secure a funding allocation in LUF round one. It is proposed that the Department of Transport (DfT) feedback on the bid be taken on board, the bid refined and resubmitted in this round. The Council had developed a package of schemes for pinch point¹ funding, following engagement with Councillors in December 2019. The proposed schemes are considered key improvements to maintain junction capacity. These schemes have been repackaged for LUF submission and support decisions that the council has made in terms of bringing forward significant regeneration projects. These are:
- 4.2.1 A127 – westbound – extra lane from around Bellhouse Lane/Road to just beyond Progress Road. There will be active travel improvements with the addition of toucan crossings promoting walking and cycling along the route.
 - 4.2.2 A127 – Fairfax Drive/Priory Crescent to East Street/West Street – This will provide a right turn into Fairfax Drive from Victoria Avenue and the right turn lane into West Street will be extended. Victoria Avenue northbound the bus stop will be put into a layby and pull out via a new set of signals. This will prevent the current situation of buses causing congestion due to it stopping on the main carriageway (lane 1).
 - 4.2.3 Harp House Roundabout – This will add active travel amendments to the Warners Bridge to Manners Way arm of the roundabout and some general lane improvements to the roundabout. This will improve accessibility to the airport and retail park and include improved pedestrian crossing points.
- 4.3** The interrelated junctions are linked via the A127 and the A1159. These routes form part of Southend's key vehicular corridors carrying inbound and outbound commuter and leisure traffic and freight across the city and are located on Southend's Major Road Network (MRN) and Primary Distributer Routes. The schemes have been designed to complement completed pinch point schemes within the city and to improve bus reliability rates.
- 4.4** Investment at these junctions is critical in delivering the infrastructure necessary to support background and planned growth across Southend. Building on the previous interventions, the schemes are intended to further smooth the flow of traffic on the strategic highway network, improving safety and lowering journey times for businesses, visitors and residents alike. In addition, these schemes will have a positive impact on air quality and assist with meeting challenging national CO₂ targets reductions as acceleration and idling events will be reduced which in turn reduce particulate matter and nitrogen dioxide emissions from vehicles. In doing so they also contribute to delivery of the Southend 2050 outcomes and the Council's recovery priorities around travel and transport, and major schemes.
- 4.5** The Council is using other mechanisms to unlock additional active travel solutions including walking and cycling opportunities. This includes Tranche 2 of the Active Travel Fund, and ASELA sustainable transport and active travel collaborative work to link initiatives across the city with the aim of connecting employment and housing via transport hubs. As part of Tranche 2 of the DfT's

¹ [Local pinch point fund: guidance for applicants - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/guidance/local-pinch-point-fund)

Active Travel Fund there will be an audit of the existing cycle network that identifies the gaps and improvements that are required. The improvements will link to the schemes in the LUF transport bid and are explained in the bid narrative.

- 4.6** The total cost of the highways works proposed is £15.4m . The highways bid therefore seeks £14m LUF funding over 3 financial years which will be matched by £1.4m council funding to be identified, if the bid is successful, following a reprioritisation of the current capital programme to include this scheme.
- 4.7** This bid is considered to meet the LUF criteria. The prospectus states that the fund is looking for proposals for high-impact small and medium schemes which, among other outputs, cut congestion, support economic growth and improve the experience of transport users with “*enhancements and upgrades to local road networks (e.g. by-passes and junction improvements)*” given as an example of the type of project welcomed by the scheme. An all-Member workshop was held prior to the pinch point submission to assist and inform the locations chosen for further consideration and the various schemes were also discussed at a well-attended all-member briefing on 27 June prior to the publication of this report.

Culture Led Regeneration

- 4.8** The culture-led regeneration bid comes directly from the emerging City Centre Strategy & Investment Plan and the extensive consultation and engagement undertaken to identify priority activity for the city centre.
- 4.9** The emerging City Centre Strategy & Investment Plan will be presented in the September 2022 Cabinet cycle for discussion and endorsement. It has been led by the Engineerroom, a cross-sector partnership focused on the future of the city centre. Consultation with stakeholders and the public on city centre priorities and how changes can be affected has been detailed and wide-ranging with general consensus on activities and approach.
- 4.10** The bid will deliver three projects that use culture and leisure to support the diversification of uses in the city centre, activating previously un-used or under-used spaces and helping the central area to evolve to meet changing demand.

4.10.1 New Creative Workplaces (c£6m)

It is well understood that the future of the high street depends upon diversifying uses, mixing retail with leisure, community, learning and residential uses. This investment in 90 High Street and the Victoria Centre will create new creative workspace which will bring in new businesses to the City Centre and activate unused or underused spaces. It will deliver new leisure, performance and community spaces in previously retail only locations. The city centre need for additional capacity for creative and cultural work and performance space has been established through the city centre strategy, engagement with our growing creative business base, and workspace studies like that undertaken by the Creative Estuary Programme.

The 90 High Street investment includes potential acquisition, lift works to improve access to upper floors and remedial works to upper floors to create usable units for occupation by creative enterprises.

The proposed Victoria Shopping Centre investment includes, works to secure a new leisure operator and to further diversify uses in the centre, works to open-up historically un-used space to create safe and lettable units which will be for creative uses including business space for creatives, gallery and performance space.

Match funding of £0.6m for this project has been identified in the capital programme through existing allocations for the Victoria Centre.

4.10.2 Performance Space and Activating the High Street (c£4m)

Building on Elmer Square phase 1 works, this project will improve links from the high street to Elmer Square and create new community and performance space. Investment in public realm improvements to Elmer Square including lighting, seating and planting will deliver a brand-new outdoor performance space in our learning quarter. The investment will improve the look and feel of the city centre, enabling public performances during the day and into the evening. It will improve vibrancy and dwell times in the city centre, provide much needed community, education and professional outside performance space, and create a greater sense of community safety.

£0.4m new council match funding will be identified through reprioritisation of the capital investment programme to ensure there is no net cost to the programme by including the LUF schemes

4.10.3 Seafront (c£2.5m)

This project will create a new visitor attraction 'Southend Air': a big wheel and viewing platform with outstanding views across the estuary and the city at Adventure Island. This will increase visitor numbers, dwell time and spend on the seafront and central area, as well as encourage over-night stays. It will showcase other heritage and cultural assets across the city centre from the viewing platform and encourage visitors to enjoy the seafront and to venture further afield to explore the city's rich heritage and visitor offer. This will be coupled with improved illuminations which will also draw visitors to other parts of the seafront and city and improve community safety. Full colour changing displays, plus light shows will be installed at the Funicular Lift; Pier Hill Gardens and Lift and the Pier bridge, and City Beach Garden. 'Southend Air' brings £1m private match funding to this project and offsets the need for the Council to identify further match funding and aligns well with the Luminocity festival which has proved to be a fantastic new cultural attraction.

Stockvale – the owner of Adventure Island has committed in writing to show case other attractions in the city from 'Southend Air' and to work with the Council to add value to the city-wide cultural programme, this might include linking to and promoting festivals and events such as Luminocity, carnivals and parades.

- 4.11** If the bid is successful, work will commence during 2022/23 and will be completed prior to 31 March 2025.
- 4.12** This amount of focus and investment in culture-led regeneration in the city centre reflects the priority it has as part of the Southend 2050 ambition and the underpinning role it plays across several 2050 themes and outcomes. Southend city centre is a widely recognised priority for Southend. Building on the success of the City Centre is recognised through the Southend 2050 outcomes, is supported through the recovery priorities and has been the focus of a joint in-depth scrutiny project in recent years. It has benefitted from a range of funding but, like town and city centres across the country, continues to be challenged by national trends including the effects of the pandemic. The ambition for a thriving, evolving and vibrant city centre still holds true and has been reinforced by recent work exploring and promoting the role of culture-led regeneration.
- 4.13** Evidence highlights that culture-led regeneration can have positive effects on myriad socio-economic factors including health and well-being, skills and learning, commercial opportunity, investment, and social connection. It underpins and adds value to a number of the 2050 outcomes and recovery priorities. Outcomes from this bid will include investment in and activation of space in the city centre, increasing the opportunities for residents, visitors and businesses to engage with the cultural sector, growth of employment and skills in the sector, and anchoring Southend in Thames Estuary Production Corridor (TEPC) bringing further profile, pride and investment, raising footfall and dwell times in the city centre and will provide further opportunity to raise the profile of the City of Southend through an exciting programme of events.
- 4.14** The total cost of the proposals in the Culture-led regeneration bid is £12.5m . The Culture-led regeneration bid seeks £10.5m LUF investment and will require at least 10% match funding across each project. The seafront project is supported by £1m private sector match from Stockvale. The Council will need to provide match-funding of £1m across the other two projects, of which £0.6m is already identified in the capital programme for investment in the Victoria Centre in the capital programme. The balance of £0.4m will require a reprioritisation of the capital investment programme if the bid is successful to ensure there is no net cost to the programme by including the culture-led regeneration LUF schemes.
- 4.15** This package of measures is considered to meet the LUF criteria providing a cohesive narrative across the investments aligned with the priority investment themes. Some projects previously mooted for inclusion in a round 2 package are not sufficiently developed to meet the Treasury Green Book Appraisal requirements or did not meet the stringent requirements of the funding criteria.

5. Other Options

- 5.1 There is no requirement to submit LUF applications. The Council could decide not to submit bids. This would ease pressure on the capital programme. However, not making applications would be detrimental to Southend as it would then miss potential external funding to deliver existing Southend 2050 and economic recovery priorities. It could also be reputationally damaging if the Council is not seen to be pursuing funding for levelling-up which can realise growth ambitions. It is currently unclear if there will be future LUF rounds.
- 5.2 A project or elements of projects could be removed from the bids. The package of proposals as currently configured deliver value for money, and meets both the narrative and eligibility requirements of the funding. Taking elements out of the overall packages would have a detrimental impact on the overall bids and given the submission deadline is 6 July 2020, there would not be time to adjust the bid and meet the submission deadline.
- 5.3 It is not possible at this stage to bring new projects into the packages as tight timescales mean it will not be able to meet the Treasury Green Book appraisal requirements and the eligibility criteria for the funding.

6. Reasons for Recommendations

- 6.1 The bids are based on stakeholder feedback, contribution to Southend 2050 outcomes and recovery priorities. They are grounded in extensive work setting out the nature of the work to be done and the impact it will have.
- 6.2 The bids recommended for submission in the second round are considered by officers, are compliant with the LUF criteria and make a compelling case.

7. Corporate Implications

7.1 Contribution to the Southend 2050 Road Map

The outcomes and benefits to be gained from the bids cut across many of the Southend 2050 outcomes as set out below. If successful, the projects will support some of Southend's key sectors, drive up footfall and spend, thereby safeguarding and potentially creating jobs. They will also enhance the visitor offer, deliver improvements to traffic flows, and have positive environmental, community safety and community cohesion impacts.

- 7.1.1 **There is a tangible sense of pride in the place and local people are actively, and knowledgeably, talking up Southend.** Through investment in visible improvements to the city centre there will be positive impact on pride in place.
- 7.1.2 **The variety and quality of our outstanding cultural and leisure offer has increased for our residents and visitors and we have become - the region's first choice coastal tourism destination.** Through investing in new cultural and leisure opportunities we are expanding the offer for both residents and visitors.

- 7.1.3 **Our streets and public spaces are valued and support the mental and physical wellbeing of residents and visitors.** The city centre is a public space for which people have great affinity. Investing in public realm and other reasons to spend more time there is evidenced to drive up footfall so increasing numbers of people and city centre business benefit.
- 7.1.4 **Southenders are ... well enough to enjoy fulfilling lives, throughout their lives.** Engagement with culture is proven to contribute towards an individual's health and wellbeing.
- 7.1.5 **We act as a Green City with outstanding examples of energy efficient and carbon neutral buildings, streets, transport and Recycling.** Contributing towards Net Zero is an expectation within bidding guidance.
- 7.1.6 **Even more Southenders agree that people from different backgrounds are valued and get on well together.** Cultural assets and activities can create times and spaces which support community wellbeing and understanding.
- 7.1.7 **Residents are routinely involved in the design and delivery of services.**
Evidence of meaningful consultation and engagement with residents and stakeholders is a key tenant of the LUF prospectus and since February 2022 there has been extensive consultation and engagement with residents, businesses and stakeholders in the emerging City Centre Strategy & Investment Plan.
- 7.1.8 **We have a fast-evolving, re-imagined and thriving city centre, with an inviting mix of shops, homes, culture and leisure opportunities.** The city centre is to be the focus of a bid building on work already undertaken and currently underway.
- 7.1.9 **Our children are school and life ready and young people are ready for further education, training or employment.** Engagement with culture plays a significant role in enriching learning experiences and presents a viable, vibrant career choice.
- 7.1.10 **Southend is a place that is renowned for its creative industries, where new businesses thrive and where established employers and others invest for the long term.** Specifically seeking opportunities to create and activate spaces for the creative industry and supports new businesses and entrepreneurs in the sector. Improved road networks facilitate movement around the city for work, residents, visitors and businesses.
- 7.1.11 **Southend provides fulfilling careers for our residents, and enough job roles to match the needs of the population.** Investing in the cultural economy, and therefore attracting more visitors and greater spend, should thereby create more and a wider variety of jobs. Similarly, the creative sector offers an exciting and growing range of career opportunities.

- 7.1.12 **People have a wide choice of transport options.** This includes investing in highways to ensure they operate well and investing to improve bus reliability rates.
- 7.1.13 **Southend is a leading digital city with world class infrastructure that reflects equity of digital provision for the young, vulnerable and disadvantaged.** Digital is a growing part of the creative sector and must be considered when investing in the sector.

8. Financial Implications

8.1 Highways Bid

The Highways bid will be for £14m LUF funding matched by £1.4m council funding. The total project value will be added to the capital investment programme if successful and match funding identified through a reprioritisation of the existing programme to ensure there is no further net cost to the Council's capital investment programme by including the Highways scheme.

8.2 Culture-led Regeneration Bid

The Culture-led regeneration bid will be for £10.5m LUF matched by £1m privately secured investment from Stockvale. A further £1m match is required from the council, of which £0.6m is already identified in the capital programme for Victoria Centre investment, a further £0.4m will be identified through a reprioritisation of the existing capital investment programme to ensure there is no further net cost to the Council's capital investment programme by including the Culture-led Regeneration schemes.

- 8.3 The associated revenue costs of creative workspace will be offset by predicted income generated from them. It is estimated the annual revenue cost will be £10,000 per year, £5,000 for maintenance and £5,000 for LED utility costs. All other maintenance and running costs for the other culture-led regeneration and highways schemes will need to be met from within existing budgets by reprioritising revenue spend accordingly.

9. Legal Implications

- 9.1 If successful, the projects will have to be delivered in compliance with LUF terms and conditions with a grant funding agreement or equivalent in place setting these out. Delivery of these interventions will present a range of legal implications from procurement compliance to appropriate notices for works. These will be factored in to project plans and then monitored through corresponding governance arrangements.
- 9.2 Legal advice has been sought on Subsidy Control (previously State Aid), notably around supporting 'Southend Air'. Subsidy Control is relatively new and untested, as such there are grey areas with limited precedent to draw on. Advice suggests supporting Southend Air is low risk of being found to constitute unlawful subsidy assuming a case can be made around how the investment responds to market failure. If in the future this was challenged and found

unlawful the recipient of the subsidy (Stockvale), is required to repay funding, this limits financial risk to the council, however, the reputational risk of granting unlawful subsidy remains. Stockvale have been notified in writing and have acknowledged that should the risk of repaying funding be realised that it will be incumbent upon them to repay any unlawful subsidy provided.

10. People Implications

10.1 Developing the bids has and will be undertaken through a combination of officer time, procured specialists and stakeholder engagement. If successful, delivery of the projects will have a sizable draw on officer time which will be a consideration for capacity to deliver in the context of the totality of the capital programme and other interventions. Dedicated resource will be built into the bids where possible and appropriate.

11. Property Implications

11.1 There are several property implications across the bids if successful. These include premises and sites in Council ownership such as the Victoria Shopping Centre and the highway, and acquisition of property. These will be managed through the appropriate routes ensuring consents are in place, assets are protected, and maintenance considerations built in for the future. It is expected that there will also be considerations for city centre properties not in Council ownership. These will be identified through the bid development.

12. Consultation

12.1 Consultation with MPs and a wide range of stakeholders is a requirement for LUF. Both Members of Parliament for Southend have been briefed on the proposed approach and have provided their views which are supportive of some elements of the proposed bids but will require further dialogue on other elements before bid submission if the bids are to be submitted with their full support. It might be necessary for the Council to submit the bids in advance of MP endorsement with a view to providing that subsequently.

12.2 Extensive consultation has been undertaken establishing the need and opportunity relating to culture-led regeneration and the city centre through the emerging City Centre Strategy & Investment Plan.

12.3 Consultation on the Highways proposal was undertaken in 2019 ahead of a bid for pinch point funding. The scheme was endorsed at that time and has subsequently been refined taking on board DfT feedback.

13. Equalities and Diversity Implications

- 13.1** The Levelling-Up agenda will contribute significantly towards addressing issues in areas of deprivation. Three of the City's most deprived wards connect to the city centre area and a culture led regeneration project will support opportunities for marginalised members of the community. An accessible culture programme has already begun, and significant work led by Focal Point Gallery shows how culture can play a leading role in changing attitudes.
- 13.2** If bids are successful the bids will require an Equalities Analysis to assess equalities and diversities impact. It is anticipated that projects will have a particularly positive socio-economic impact as they will increase businesses and number of jobs in the city centre.

14. Risk Assessment

- 14.1** Southend is a priority 1 area and as such bids submitted will be prioritised over those from priority 2 and 3 areas, however LUF2 is expected to be oversubscribed with more bids submitted than funds available, it will therefore be a highly competitive fund. There is a significant risk that the bids will be unsuccessful.
- 14.2** The addition of grant funding plus match funding to the capital programme over the next 3 years will require a rebalancing or rephasing of the programme to ensure there is sufficient capacity to enable these projects, and the rest of the capital programme, to be delivered.
- 14.3** The risk of granting unlawful subsidy is referred to above in the legal considerations. The financial risk of granting unlawful subsidy rests with the recipient, they are required to repay any unlawful state aid, Stockvale is aware of this condition and have acknowledged it in writing. The reputational risk in having granted unlawful subsidy rests with the council. Legal advice received suggests the risk of providing unlawful subsidy is low.
- 14.4** Discussions are ongoing with Stockvale regarding accessibility to 'Southend Air'. Stockvale have been asked to review accessibility and all-year opening hours to improve outcomes for residents and visitors. There is however a risk that at certain times of the year this attraction will not be active. Stockvale has committed in writing to showcasing other attractions and working with the council to add value to the city-wide cultural programming.
- 14.5** If successful each project will have its own risk register.

15. Value for Money

- 15.1** A value for money assessment is a requirement of the bid. The proposals must be able to demonstrate a benefit-cost ration (BCR) of a minimum of 1.5:1 but preferably 2:1. The BCR is an output of the detailed economic modelling work which has not yet been completed.

16. Community Safety Implications

- 16.1** Activation of public and cultural space in the city centre will improve the look and feel of the space resulting in higher footfall and increased sense of community safety, particularly at night.

17. Environmental Impact

- 17.1** As referenced in 3.1 viii above, the contribution towards net zero and the wider environmental agenda are considered within the LUF prospectus and will be addressed as part of the business cases.

18. Background Papers

Cabinet Paper Levelling Up Fund June 2021

Levelling Up Fund Round 2 Guidance [Levelling Up Fund Round 2: application guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/levelling-up-fund-round-2-application-guidance)

19. Appendices

None