

REPORT TO CABINET

Open		Would any decisions proposed:			
Any especially affected Wards	Discretionary	Be entirely within Cabinet's powers to decide		YES/NO	
		Need to be recommendations to Council		YES /NO	
		Is it a Key Decision		YES/NO	
Lead Member: Cllr Stuart Dark E-mail: cllr.stuart.dark@west-norfolk.gov.uk			Other Cabinet Members consulted: Cllr Angie Dickinson		
Lead Officer: Lorraine Gore E-mail: Lorraine.gore@west-norfolk.gov.uk			Other Members consulted:		
Lead Officer: Lorraine Gore E-mail: Lorraine.gore@west-norfolk.gov.uk			Other Officers consulted: S151 Officer, Monitoring Officer		
Financial Implications YES	Policy/ Personnel Implications NO	Statutory Implications NO	Equal Impact Assessment YES If YES: Pre-screening	Risk Management Implications YES	Environmental Considerations YES

Date of meeting: 24 June 2022

LEVELLING UP FUND APPLICATION

Summary

This report provides an overview of the government's Levelling Up Fund round 2 prospectus and requirements and opportunity for the Borough Council to submit an application, as a category, location by 6th July 2022.

Recommendations

1. To approve submission of the Oasis project under round 2 of the Levelling Up Fund as set out in the report.
2. Delegated authority is granted to the Chief Executive and S151 Officer, in consultation with the Leader, Deputy Leader and Portfolio Holder for Finance to agree the final application to be submitted to government by 6 July 2022.
3. To approve the budget as set out in the report to undertake further due diligence and development of project delivery requirements for the Oasis project in the period up to the outcome of the bid which is expected at the end of 2022.
4. Subject to the successful outcome of the bid, a separate report to be brought to Cabinet to approve the final scope of the Oasis project and to amend the capital programme for 2022-26 to incorporate the match funding and delivery requirements of the project.

Reason for Decision

To secure investment in the borough to support the ambitions to level up West Norfolk.

1 Background

- 1.1 In March 2022, the government launched round 2 of the Levelling Up Fund (LUF), designed to invest in infrastructure that improves everyday life across the UK. The £4.8 billion fund will support town centre and high street regeneration, local transport projects, and cultural and heritage assets.
- 1.2 The LUF forms part of the package of government's fiscal measures to support the [Levelling Up White Paper](#) published on 2 February 2022 to level up every corner of the UK. It is underpinned by 12 ambitious missions over 10 years and tracked by an annual report that will monitor levelling up progress aimed at addressing regional disparities across the UK, reduce crime in the worst-affected areas, put more money in the pockets of those who need it most, and transform the UK economy by generating higher paid, higher skilled jobs and new investment.
- 1.3 Round 2 of LUF will focus on the same three investment themes as the first round, in particular, the Fund will look to support:
 - **Transport investments** including (but not limited to) public transport, active travel, bridge repairs, bus priority, local road improvements and major structural maintenance, and accessibility improvements. The government are seeking proposals for high-impact small, medium and, by exception, large local transport schemes to reduce carbon emissions, improve air quality, cut congestion, support economic growth, and improve the safety, security and overall experience of transport users.
 - **Regeneration and town centre investment**, 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, accessible community spaces into town and city centres.
 - **Cultural investment** maintaining, regenerating, or creatively repurposing existing cultural, creative, heritage and sporting assets, or creating new assets that serve those purposes including theatres, museums, galleries, production facilities, libraries, visitor attractions (and associated green spaces), sports and athletics facilities, heritage buildings and sites, and assets that support the visitor economy.
- 1.4 LUF is a single stage, competitive funding programme for all of the UK and is expected to be highly competitive and oversubscribed, particularly for places that have not been eligible for other funding programmes like Towns Fund. Each bid can apply for up to £20m. Eligible applications must submit their full bids for this second round, with all supporting documentation by Wednesday 6 July.
- 1.5 Authorities have been encouraged to submit the most robust and deliverable projects as possible. It is important that bids which will have the greatest likelihood of success as judged against strict eligibility criteria are prioritised.

- 1.6 Government have applied an 'Index of Priority Places' recognising the level of need required to 'level up.' West Norfolk has been identified as a category 1 area and as a result has received £125,000 of capacity funding to support the preparation of an application to round 2 of LUF. Due to tight timescales and no capacity funding being provided under round 1, it was agreed with Cabinet not to submit a West Norfolk bid in 2021 but plan towards a submission to a subsequent round.
- 1.7 Given the current focus on submission of the business cases for securing the £25m Town Fund projects and limited officer the capacity, the officers view was to look to consider opportunities to bid for projects in subsequent rounds of LUF. However, we now understand that there may not be any further rounds and it is considered prudent to submit a bid to round 2 to be in with a chance of securing funding, rather than miss round 2 and find that there are no future rounds.
- 1.8 The applications will be the strongest possible given the tight timescales.
- 1.9 Upper tier authorities can apply under a separate 'Transport only' strand of LUF for up to £50m. Discussion have been on going with Norfolk County Council on their proposals for LUF. A separate report on the agenda outlines the Norfolk County council LUF bid which is focused on West Norfolk will be presented.

2 Levelling Up Fund Criteria

- 2.1 An applicant may submit a bid for an individual project or a package bid, consisting of up to a maximum of three projects. Package bids must clearly explain how their component elements are aligned with each other and represent a coherent set of interventions. They can include a mix of projects from the Fund's three investment themes set out in section 1.3 equivalent to the total number of whole and partial constituencies within their boundaries; for West Norfolk it is 2.
- 2.2 MPs have a formal role in the bidding process to reflect their valuable local perspective. All MPs can provide formal priority support to **one** bid. In West Norfolk's case, the district covers 2 constituencies for North West Norfolk (James Wild MP) and South West Norfolk (Elizabeth Truss MP); therefore entitling the council to make 2 bids. However, South West Norfolk constituency also covers the partial district area of Breckland; it is understood that Elizabeth Truss MP is supporting an application by Breckland District Council under this round. Early engagement with James Wild MP on potential bid for the North West Norfolk constituency has been undertaken in preparation of the proposals.
- 2.3 Investment proposals should focus on supporting high priority and high impact projects that will make a visible positive difference to local areas. There will be a three staged approach to assessment and decision making;

Stage 1 – Gateway

- Pass/Fail against minimum criteria including bid amount, spend in 2022/23, subsidy control and S151 Sign off.

Stage 2 Assessment & Shortlisting

- **Characteristics of place;** the priority of place index (category 1 for West Norfolk), representing the area of highest need.
- **Economic Case:** how the bid represents good value for money. A range of benefits can be considered in a value for money appraisal of projects, including both quantitative and qualitative benefits. This includes the potential to boost local economic growth, environmental benefits (including contribution to achieving the UK government's net zero carbon commitments and improving local air quality), greater employment opportunities, reduced travel times to key services, increased footfall in town and city centres, crime reduction, improved health and wellbeing, and social value to local communities.
- **Deliverability;** evidence of robust management and delivery plans including a procurement strategy, project management (including skills and experience) governance structures, risk management, project costings, and monitoring and evaluation. Project spend can start in 2022/23 and projects are to be completed by 31 March 2025. In circumstances by exception this could be 2026.
- **Strategic fit;** how the bid supports the economic, community and cultural priorities of the local area and will further the area's long-term levelling up plans, complementing national (including delivering net zero carbon emissions and improving air quality), regional and local strategies and investments. Evidence of engagement and stakeholder support for the proposal.

Stage 3 Decision Making: once bids have been assessed and moderated, and the shortlist is drawn up, Ministers will make funding decisions.

3 West Norfolk LUF Preferred Option

- 3.1 It is recommended to Cabinet that a replacement for the Oasis leisure centre in Hunstanton is submitted under round 2 of the Levelling Up Fund. This project would provide a new leisure and entertainment centre on a new site which would include and expand on the existing provision to meet the needs of the growing local communities and serve to support, grow and extend the season for the extremely important tourism economy of the area.
- 3.2 Appendix 1 sets out the key areas for this project which are required to be included in the business case.
- 3.3 The project fits the cultural investment theme of the Levelling Up fund with particular emphasis on:
 - creating new sporting assets including visitor attractions, sports and athletics facilities and assets that support the visitor economy.
- 3.4 The replacement for the Oasis is a high priority for this council. It has already been identified that this aging building, which was originally built as a seasonal facility, will require significant investment in maintenance over the short-medium term. A new building, built to modern standards, will provide environmental benefits which will contribute to the borough's net zero carbon commitments. The financial benefits in reduced running costs will achieve

year on year savings and the extended range of activities provided will generate additional income.

- 3.5 The replacement Oasis project will make a visible positive difference to the local area and the wider borough. The new facility will serve the growing local community, reducing travel distances and associated costs to other leisure facilities in King's Lynn, and hence making a positive impact on the environment. Plus an anticipated increase in participation levels from the more local provision with a positive impact on social value and isolation for local communities. The new facility will continue to be operated by Alive West Norfolk under the current arrangements and it can be expected that there will be a positive financial impact to the overall arrangements.
- 3.6 The project, alongside other interventions being considered to support local cycling and walking, can also help to make Hunstanton a year-round visitor destination, having a positive impact on employment opportunities.
- 3.7 The covid pandemic has highlighted health and well-being challenges for our local communities and it is considered that the replacement Oasis project, with no loss of current facilities and an extended offer of new activities will have a positive impact on health and well-being.
- 3.8 The replacement for the Oasis leisure facility is in line with the Hunstanton Town Centre and Southern Seafront Masterplan (2008) and Hunstanton Prospectus (2017) and supports government's Net Zero policy.
- 3.9 The project is in line with the Corporate Business Plan objectives:
- Delivering growth in the economy and with local housing
 - Protecting and enhancing the environment including tackling climate change
 - Creating and maintaining good quality places that make a positive difference to people's lives
 - Helping to improve the health and wellbeing of our communities
- 3.10 This project to deliver a replacement leisure and entertainment facility on a new site provides potential to open-up the existing site for inward investment and transformational change. A further report will be required to Cabinet for any proposals for the existing site.
- 3.11 The existing Oasis will continue to operate during the construction of the new facility therefore there will be no loss of provision. The application will include provision for the new facility on a site owned by the Borough Council, but this does not preclude the examination of alternative sites as the further due diligence and project development is undertaken in the period up to the outcome. In addition, the aspiration is to provide further leisure and entertainment facilities as part of the project when future scoping demonstrates a financial return or funding opportunities allow.
- 3.12 This project requires a significant estimated financial commitment of £29m. There are no other funding pots currently available to support this level of funding for this type of project and this is a further reason that it is considered that this project should be recommended to be submitted under round 2 of the Levelling Up Fund.

3.13 In early engagement with James Wild, MP it was highlighted that due to the Towns Fund investment of £25m in King's Lynn there was a preference for a project to be brought forward which secured investment outside King's Lynn. The project for the replacement of the Oasis leisure facility has the support of James Wild, MP.

3.14 A recent consultation exercise with the public on the proposed project for a replacement for the Oasis leisure centre closed on 12th June. 1040 responses were received in just 2 weeks, with 625 (64%) keen to be engaged on future development. This is a very high level of engagement in a survey which demonstrates the local engagement and support for this project and a strong platform for future engagement. Initial engagement headlines are set out below. The full consultation findings report is currently being finalised and will be published as supplementary information for the Regeneration and Development Panel and Cabinet ahead of these meetings on 23rd and 24th June respectively:

- **Interest and appetite for engagement:**
This consultation has seen significant interest and engagement with over 1,000 people taking part in just over two weeks. This indicates that there is significant interest in the Oasis and its future development, a sentiment reinforced by the large number of people who want to continue to be informed and involved.
- **Case for improvement:**
There is clearly a case for improving the Oasis with feedback that highlights negative and neutral perceptions of the facilities quality and choice. Qualitative feedback is also themed around enhancing the current offer in terms of the building, the facilities, the classes, and the overall experience.
- **Potential:**
Coupled with the case for improvement is the potential to increase usage and satisfaction. The consultation reveals that a percentage of respondents never or rarely use the Oasis; through improving the centre and its offer, there is opportunity to attract new users and increase the frequency of visits amongst existing users.
- **Swimming:**
Swimming is the main reason for use amongst respondents, and alongside that, it is one of the main areas of focus for improvements within the feedback.
- **Non-users:**
The key theme why people do not use the Oasis is around its lack of appeal. Remarks emerged around it being tired, old, rundown, and in need of an upgrade. The swimming facilities also emerged as a significant theme, being in need of enhancement. Distance, cost, and parking were mentioned by respondents, and a sense emerged that the standard of the Oasis did not merit the travel and in some cases, the cost involved.

- 3.15 Hunstanton Town Council and the Hunstanton Advisory Group have also been consulted and are supportive of a replacement for the Oasis leisure centre.
- 3.16 The draft application form, which includes sections covering strategic fit, economic case and delivery (management, financial and commercial cases) is currently being prepared with the resourcing assistance of Norfolk County Council and it is anticipated that this information will be available week commencing 20 June 2022 and will be published as late supplementary information for the Regeneration and Development Panel and Cabinet ahead of these meetings on 23rd and 24th June respectively.
- 3.17 In order to undertake the further due diligence and development of project delivery requirements on the preferred project in the period up to the outcome of the bid it is recommended that £100,000 is allocated from existing reserves set aside for resourcing and project development work. There are existing topographical surveys for the identified site which were undertaken as part of the One Public Estate work in 2018 which would either still be relevant or can be updated rather than needing to start from scratch, thus reducing costs.

4 Other Options Considered

- 4.1 The Nar Ouse infrastructure project would facilitate the provision of the western highway infrastructure and remediation of employment land for the final plots E and F. The project would produce an 'oven ready' development platform in demand from developers and business occupiers.
- 4.2 Appendix 1 sets out the key areas for this project which are required to be included in the business case.
- 4.3 The project fits the regeneration and town centre investment theme of the Levelling Up fund with particular emphasis on:
- Regenerate brownfield sites
- 4.4 The Nar Ouse infrastructure project is in line with the vision and objectives set out in the King's Lynn Town Investment Plan, approved by government in 2021 under the mission to;
- *'new opportunities for skills and jobs for our young people and all those affected by covid-19 – needing to reskill, linked to demand from local employers and opportunities in local sectors.'*
 - *'growing innovative businesses – attracted by our connectivity and high quality of life and supported by the networks and collaborative support that businesses need.'*
- 4.5 The project is in line with the Corporate Business Plan objectives:
- Delivering growth in the economy and with local housing
 - Creating and maintaining good quality places that make a positive difference to people's lives.

- 4.6 The Nar Ouse infrastructure project will provide the potential to boost local economic growth and employment opportunities within an existing identified key brown field site in King's Lynn. The potential for new business development and business expansion will have a positive financial impact in growth of business rates. The opportunity to open-up development land for new business premises to be built incorporating modern methods of construction will contribute to the borough's net zero carbon commitments.
- 4.7 This Nar Ouse infrastructure project requires an estimated financial commitment of £8m. It has been identified that there are other potential funding opportunities, including Brownfield Land release Fund (Closed in April but likely to open again next year) which may be more suitable to bid to for this project rather than submit this project to the 2nd round of the Levelling Up Fund.
- 4.8 The Nar Ouse infrastructure project is not supported as the preferred project by James Wild, MP, for submission to the 2nd round of the Levelling Up Fund.
- 4.9 There is existing stakeholder consultation which was undertaken as part of the feasibility work for the Innovation and Collaborator (ICI) undertaken in July 2021 which is relevant to the Nar Ouse infrastructure project, in particular there is a very limited speculative development pipeline other than the Nar Ouse Enterprise Zone
- 4.10 The draft application form, which includes sections covering strategic fit, economic case and delivery (management, financial and commercial cases) is currently being prepared with the resourcing assistance of Norfolk County Council and it is anticipated that this information will be available week commencing 20 June 2022 and will be published as late supplementary information for the Regeneration and Development Panel and Cabinet ahead of these meetings on 23rd and 24th June respectively.
- 4.11 The Nar Ouse infrastructure project is not the preferred option for submission to the 2nd round of the Levelling Up Fund, but this project will continue to be developed and alternative funding opportunities sought for delivery of the project, subject to further reports to Cabinet.
- 4.12 The ICI project was an approved project under the original Town Deal Heads of Terms offer from government, but due the stage of development at that time, it was agreed not to be confirmed for progression under the Town Deal. The ICI project has also not been progressed as an option for submission to the 2nd round of the Levelling Up Fund. This project will continue to be developed and alternative funding opportunities sought for delivery of the project, subject to further reports to Cabinet.

5 Financial Implications

- 5.1 A requirement of LUF is to demonstrate a minimum of 10% financial match contribution to the projects. The capital programme will require amending to accommodate any match funding required and will need to follow the necessary governance process for approval. Any increase to the capital programme places an additional burden on the revenue budget as legislation requires the Council to set aside a minimum provision to repay debt.

5.2 Each bid is up to a value of £20m. Any costs in excess of this must be met by the Council. This is a significant risk to the council in light of the increase in costs and inflation that the economy is currently experiencing. The council is currently estimating a gap in the revenue budget in 2025/2026 so needs to ensure appropriate mitigations are in place to prevent placing additional burden on the council's finances.

5.3 The funding implications for the preferred project to replace the Oasis leisure centre are set out in the table below:

Project	Estimated Cost	Minimum 10% Contribution Required	Estimated funding required to support project
Oasis	£29m	£2.9m	£9m

5.4 The council will need to explore options for the additional funding required which will be undertaken as part of the further due diligence work required. However, to provide some understanding of the financial requirements, if the council were to borrow from PWLB, the cost of the loan over 25 years would be as follows:

Loan Type	Annual payment	Total Cost	PWLB Interest Rate	Notes
Annuity	£531.4k	£13.3m	3.25%	Equal payment method where the principle increases each year with corresponding reduction in interest payments
Maturity	£298.0k	£16.4m	3.31%	Interest only payments assuming principle is repaid at end of the loan period
Equal Instalment Plan	£648k reducing to £371.5k	£12.7m	3.2%	Payment method where equal principle payment is made but interest payment reduces over time

5.5 The above figures are based on current PWLB rates at the time of producing this report but provide an indication of the cost of borrowing at this level. However, it should be noted that interest rates are forecast to increase further in the short term and this will need to be taken into account when developing the detailed financials around this proposal.

5.6 It is not yet clear what the financial impact will be to ongoing revenue budgets. There is an expectation that due to a potential reduction in operating costs of a new facility, there will be year on year savings. In addition to this, it is anticipated that due to the extended offer at the proposed new facility, this will generate an additional income stream. The financials will be set out in more detail in the development of the final business case.

5.7 Any impact in the current financial year will need financial resources identified. £100k has been identified from reserves to support the development of the business case as already set out in this report. Once the business case is developed, a further report will be presented to Cabinet which will set out any further financial implications for both capital and

revenue budgets for consideration and incorporation into the Council's Budget and Medium-Term Financial Plan.

- 5.8 There are also other funding organisations that provide grant support to the Leisure and Culture sector which may meet the terms and conditions for match funding of the Levelling Up Fund. Officers will therefore seek to explore other third-party funding opportunities where possible to support the business case.

6 Personnel Implications

- 6.1 A key consideration in the development and assessment of the bids by government is the Council's capacity to deliver the project. Given the existing significant scale of the Town Deal programme already underway, to be delivered by March 2026, it is anticipated that additional internal and external resources will be required to undertake further due diligence and development of the project delivery requirements for the preferred project as set out above. These resourcing costs to be met from the budget set out at 3.17 above.

7 Environmental Considerations

- 7.1 Government policy and bids must demonstrate the importance of consideration to net zero in the development and delivery of all projects, consider promoting clean growth investment to deliver decarbonisation, improved air quality and health and economic growth objectives in their design, to contribute to the council's Climate Change policy and move towards carbon reduction.

8 Statutory Considerations

- 8.1 If the bid is approved, all appropriate permissions and consents required to implement the project will be sought and obtained in line with statutory requirements.

9 Equality Impact Assessment (EIA)

- 9.1 Equality Impact Assessment pre-screening form is attached to this report. This shows that a full impact assessment is not required at this stage.

10 Risk Management Implications

- 10.1 Given the focus on submission of the business cases for securing the £25m Town Fund projects the capacity to submit a West Norfolk bid to round 2 had been considered challenging and that a bid would therefore be developed for a subsequent round. However, we now understand that there may not be any further rounds. With resourcing assistance from Norfolk County Council, business cases as outlined in the report have been developed to enable a bid to be submitted by the deadline of 6th July 2022.
- 10.2 It is considered prudent to submit a bid to round 2 to be in with a chance of securing funding, rather than miss round 2 and find that there are no future rounds. However, it should be noted that given the short timescales to complete the business cases there will still be further due diligence and development of project delivery requirements work to undertake. This work will continue following submission to Government on 6th July 2022 and leading up to the announcement of the outcome of round 2 expected by the end of the year. Subject to the successful outcome of the bid, a separate report will be brought to Cabinet to approve the final scope of the Oasis project and to amend the capital programme for 2022-26 to incorporate the match funding and delivery requirements of the project.

10.2 Key risks to be considered;

Risk	Impact/Mitigation	Likelihood
Project Due Diligence	<p>Insufficient time to develop project comprehensively results in insufficient level of due diligence that may result in impact on costs, deliverability and project risks later down the line.</p> <p>Mitigation: Further due diligence and development of project delivery requirements work will be undertaken. This work will continue following submission to Government on 6th July 2022 and leading up to the announcement of the outcome of round 2 expected by the end of the year. A further report will be required to Cabinet. Topographical surveys were previous undertaken as detailed in the report. A budget to be allocated to fund this work as detailed in the report.</p>	High
Project Costs and overruns	<p>Insufficient time to develop project comprehensively through detailed feasibility to assess constraints and risks associated with project and ensure a robust cost plan is prepared. Result in potential cost overruns on project if project budget not scoped sufficiently to cover unknown risks and constraints.</p> <p>Mitigation: ensure costs are continually monitored at key milestones before proceeding to next stage. Consider options to scale projects. See also comments under project due diligence.</p>	Medium

Risk	Impact/Mitigation	Likelihood
Affordability	<p>Scheme not had sufficient time to complete thorough costs, due diligence and funding package assessments, resulting in increased costs that cannot be funded or are not affordable within the Council's financial constraints.</p> <p>Mitigation: ensure costs are continually monitored at key milestones before proceeding to next stage. Consider options to scale projects. See also comments under project due diligence.</p>	Medium
Managing stakeholder expectations	<p>Expectations of public and stakeholders are raised and will need to be managed if the projects do not progress.</p> <p>Mitigation: Ensure that expectations are managed in all comms around the LUF bid process.</p>	Medium
Impact on revenue implications	<p>Insufficient time to complete comprehensive due diligence results in high level assumptions on future revenue costs that may not be sufficient, resulting in unaffordable/revenue implications later on in the project.</p> <p>Mitigation: Ensure costs are continually monitored at key milestones before proceeding to next stage. Consider options to scale projects. See also comments under project due diligence.</p>	High
Economic conditions	<p>Wider economic conditions creates uncertainty on level of contingency and inflation to be applied for projects that need to be delivered by 2025. Results in potentially higher costs and insufficient funding to cover shortfall, impacts on project scope and deliverability.</p> <p>Mitigation: ensure projects are developed in sufficient time to have been market tested with up to date costs and intelligence with available contractors and suppliers. See also comments under project due diligence.</p>	High

**Pre-Screening Equality Impact
Assessment**

Borough Council of
**King's Lynn &
West Norfolk**



Name of policy/service/function	King's Lynn Town Deal				
Is this a new or existing policy/service/function?	Existing				
Brief summary/description of the main aims of the policy/service/function being screened. Please state if this policy/service is rigidly constrained by statutory obligations	Submission of a funding application to a national competitive funding programme for project(s) that would support the government's levelling up agenda.				
Question	Answer				
<p>1. Is there any reason to believe that the policy/service/function could have a specific impact on people from one or more of the following groups according to their different protected characteristic, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service?</p> <p>Please tick the relevant box for each group.</p> <p>NB. Equality neutral means no negative impact on any group.</p>		Positive	Negative	Neutral	Unsure
	Age			✓	
	Disability	✓			
	Gender			✓	
	Gender Re-assignment			✓	
	Marriage/civil partnership			✓	
	Pregnancy & maternity			✓	
	Race			✓	
	Religion or belief			✓	
	Sexual orientation			✓	
	Other (eg low income)	✓			

