

<b>Report of:</b>	Director of Regeneration
<b>Relevant Executive Member:</b>	Executive Member for Regeneration
<b>Submitted to:</b>	Executive
<b>Date:</b>	14 February 2024
<b>Title:</b>	Levelling Up Partnership
<b>Report for:</b>	Decision
<b>Status:</b>	Public
<b>Strategic priority:</b>	Quality of service
<b>Key decision:</b>	Yes
<b>Why:</b>	Decision(s) will incur expenditure or savings above £250,000
<b>Subject to call in?:</b>	Yes
<b>Why:</b>	Non-urgent Report, and place on Executive Forward Work Programme.

**Executive summary**

This report seeks an Executive decision for Middlesbrough Council to agree to a package of projects to be delivered through Levelling Up Partnership capital funding.

Middlesbrough was identified in the Spring Budget of 2023 as one of 20 Levelling up Partnership areas; based on deprivation indices. Each area was to receive enhanced capital funding support of up to £20.816m to invest in initiatives which would impact some of the most pervasive and pernicious issues which limit the life chances of Middlesbrough residents.

Following a desktop exercise conducted by the Department of Levelling Up, Housing and Communities (DLUHC), internal and external stakeholders were engaged to identify the most pressing issues facing Middlesbrough and develop a deliverable package of interventions.

The decision being sought to invest is a key decision with the value of proposed investment exceeding the £250,000 threshold.

## Purpose

1. The purpose of the report is to seek Executive approval for Middlesbrough Council to accept £20.816 million of Levelling Up Partnership (LUP) funding and agree as the Accountable Body to deliver and enable local partners to deliver the package of proposed projects.
2. Having been identified as an area of need by Government, Middlesbrough Council has been working alongside the Department for Levelling Up Homes and Community (DLUHC) to develop a series of projects to be delivered by 31<sup>st</sup> March 2025, to address Middlesbrough's greatest areas of need. The funding will be provided under a S31 grant to the authority, and is expected to be provided in two tranches of approximately £9.900m in 2023 -2024 and £10.916 in 2024 - 2025 financial years. The first payment of £9.9m was received in December 2023.

## Background & relevant information

3. Levelling up partnerships aim to bring the collective power of Government to provide bespoke place-based regeneration in twenty of England's areas in greatest need of levelling up over 2023-24 and 2024-25.
4. Middlesbrough has been selected based on the analysis in the levelling up White Paper which considered places in England against four key metrics: the percentage of adults with Level 3+ qualifications; gross value added (GVA) per hour worked; median gross weekly pay; and healthy life expectancy.
5. There is up to £20.816m capital resource available for the Levelling Up Partnership in FY 2023 - 2024 and 2024 - 2025. Total funding allocated will depend on the policies agreed and subject to business case approvals.
6. Awarded capital resource can cover expenditure on assets, investment in existing assets and capital grants to third parties, with respect to this programme this will be delivered via capital grant from Central Government which will fund capital costs of delivering bespoke local programmes.
7. Revenue resource spending is money that is spent on day-to-day resources (i.e. spent on goods or services that are consumed within one financial year). Revenue budgets are very limited and also fund the delivery of the programme internally. DLUHC are not providing accountable bodies with revenue unless there is a strong case that it is a) deemed strategically critical, b) is not intended to meet Business as Usual (BAU) pressures, c) is non-recurrent. Modest amounts of LUP revenue may be made available in specific cases to enable faster delivery of capital funding.
8. DLUHC ministers will make the final decisions on all funding proposals and policy interventions in each Levelling Up Partnership Location.
9. All funding proposals will require a business case which has been approved through DLUHC and His Majesty's Treasury (HMT) clearance processes. DLUHC will produce business cases but will rely on local authorities and other local partners to provide information on their internal governance and commercial processes and on the delivery and value for money parameters of the specific projects being considered.
10. Subject to approved business cases, grants will be given as a direct award to Partnerships on an allocative basis as a S31 unringfenced grant payment. Grants will be

directly awarded to each of the Accountable Bodies. Accountable Bodies are responsible for ensuring the delivery of the programmes in accordance with the funding conditions issued by DLUHC in their Grant Determination Letter. Grant recipients will primarily be local authorities.

11. DLUHC expect that interventions will be delivered through non-ringfenced section 31 grants to local authorities acting as the Accountable Body. These will be administered by the relevant lower-tier local authority (i.e., unitary, borough or district) in line with the terms of its existing procurement, delivery and governance structures and constitutional arrangements. Grant Determination Letters, will set out how DLUHC expect local authorities to spend the funding provided and how they will monitor and report delivery.
12. Where interventions are being delivered by local authorities, DLUHC will work with them to agree what milestones should be set on the package as a means of monitoring progress and to ensure projects are being delivered to schedule. There will be a minimum expectation of a quarterly check point between DLUHC and the local authority on progress and learning for the first year and then move to six monthly reviews. This will be done as part of wider DLUHC engagement wherever possible.
13. Once policies are agreed and approved, DLUHC will agree a final list of priority outcomes for the Council for monitoring and evaluation purposes, which reflect the overall theory of change for the partnership and the specific interventions agreed.
14. In order for the DLUHC Accounting Officer to be able to sign-off on grant funding to local authorities, they require assurance through certification of the Grant Determination Letter from the Section 151 officer at the Council that if they were to receive funds they would be utilised to honour the programme of works agreed as interventions. The respective annual funding must be defrayed by the end of each relevant financial year. The strict definition of 'defrayal' in accounting terms means that the funds must have been expended from the Council's bank account by the 31 March each financial year.
15. As we are well into the 2023 - 2024 financial year at the time of this report. It is extremely difficult to defray funds against the prescribed programme interventions. However, as a S31 grant payment, the funding can be used to off-set alternative Council spend against the capital programme, on the understanding that this off-set funds the agreed LUP programme interventions at the earliest opportunity. The programme delivery package should be complete by 31 March 2025. The Finance Department confirms that there is sufficient Capital programme spend in both 2023 - 2024 and 2024 - 2025 to legitimately offset the LUP funding, should it be required.
16. This provides the Interim Director of Finance(S151), with the appropriate comfort and authority to apply the grant to alternative Capital commitments, allowing for the LUP programme package to be delivered compliantly.

## **Proposed Programme**

17. Through Middlesbrough's selection as a Levelling Up Partnership, DLUHC firstly led on a piece of research to understand the most immediate needs of the towns. This was achieved though the study of data and discussions with key stakeholders, which included Council departments and external organisations.

18. Findings were then presented to Middlesbrough Council and a long list of projects was established to address the areas of greatest need, as well as tackling regional issues such as skills requirements for projects such as Teesworks.

19. Full details of the programme can be found in Appendix A, an overview can be seen below:

Project	Indicative Spend Profile		
	2023 – 2024 £m	2024 - 2025 £m	Total £m
Live Well Centre Relocation	0.500	3.500	4.000
Live Well East	0.500	0.650	1.150
New Employment Hub in Cleveland Shopping Centre	0.200	1.050	1.250
Middlesbrough College improvements	2.200	0.000	2.200
Middlesbrough College expansion (purchase of 100 Russell Street)	3.700	0.000	3.700
Family Hubs facilities	0.000	1.100	1.100*
Crime and ASB improvements	0.400	1.500	1.900
House of Fraser refurbishment pilot	0.500	1.500	2.000
Playzones	0.000	0.125	0.125*
The Junction	0.500	0.500	1.000*
The International Centre	0.000	0.250	0.250*
Increase Temporary Accommodation stock	1.400	0.741	2.141
	<b>10.000</b>	<b>10.9166</b>	<b>20.816</b>

\*budget will be adjusted subject to match funding from various sources – maximum programme resource £20.816m.

### What decision(s) are being recommended?

20. That Executive:

- a) approves the Levelling Up Partnership Programme as set out in appendix A;
- b) approves the acceptance of funding and Council status as accountable body for the funds – on the basis that the the formal grant offer letter is in the form of an unringfenced S31 Capital grant and funding conditions being achievable; and, formally approved by the Director of Finance (S151); and,
- c) approves that the submission of any programme amendments / change control processes with DLUHC be delegated to the Director of Regeneration and Culture, and Director of Finance (S151), subject to consultation with the relevant Executive members.

### Rationale for the recommended decision(s)

21. The LUP funding provides the opportunity to carry out a range of interventions that would not be possible without external funding. Each project has been designed to address an evidence-based need within the town, that will benefit a wide number of residents.

## **Other potential decision(s) and why these have not been recommended**

### ***Do nothing***

22. Not accepting the funding would represent a missed opportunity to provide new facilities, improve existing ones and create new opportunities for Middlesbrough residents.

### **Impact(s) of the recommended decision(s)**

23. To successfully deliver the above programme the Section 151 Officer is required to assure that Middlesbrough can defray capital of £9.900m and £10.916m (equivalent to the grant received) in each of the 2023 - 2024 and 2024 - 2025 financial years, whilst undertaking to deliver the programme interventions, with the balance allocated. The Council's current, and projected, capital programme has sufficient capacity to off-set the required capital balances.

### ***Legal***

24. The investment of Levelling Up Partnership funds would be subject to a funding agreement with the Department for Levelling Up Homes and Communities.

## ***Strategic priorities and risks***

25. The proposal does not require any change to the Council's existing policy framework.
26. The proposal accords with the strategic aims for town centre regeneration and contributes positively towards the vision for Middlesbrough – creating employment opportunities, driving enterprise and generating economic activity within the Borough.
27. The programme of projects is at risk of not being able to defray the funding within the prescribed delivery timescales. As we are well into the 2023 - 2024 financial year at the time of this report. It is extremely difficult to defray funds against the prescribed programme interventions. However, as a S31 grant payment, the funding can be used to off-set alternative Council spend against the capital programme, on the strict understanding that this off-set funds the agreed LUP programme interventions at the earliest opportunity. The Finance Department confirms that there is sufficient Capital programme spend in both 2023 - 2024 and 2024 - 2025 to legitimately offset the LUP funding, should it be required.

## **Human rights, equality and data protection**

28. There will be no negative, differential impact on protected groups and communities.
29. The Council's building control, licensing and development control processes would also serve to ensure that any future use proposed would be appropriate for the estate.
30. The proposed decision does not involve the collation and use of personal data.

## **Financial**

31. The financial package will be structured as follows:
  - a) 100% Capital funding (save for minor, incidental revenue overheads – by agreement);
  - b) administered under an unringfenced, Section 31 grant payment.
  - c) profiled £9.900m 2023 - 2024 and £10.916m 2024 - 2025, respectively.

- d) there is an expectation that the funding is fully defrayed in the relevant financial year therefore permitted flexible use of this capital resources can off-set alternative Council capital spend in the short term, insofar as the Council undertakes to deliver the agreed package of interventions and allocations; and,
  - e) that the Chief Financial Officer / Section 151 will be required to assure that such all S31 spending criteria is met.
32. There are revenue implications in respect of a number of the proposals, these are further detailed below.
33. The Live Well, Family Hubs and Employment Hub projects will be funded via existing service revenue / grant expenditure being incurred at their current locations.
34. Revenue expenditure associated with the external projects, Middlesbrough College and The Junction, will be met from the respective grant recipients. This will be a specific condition within the funding agreements that they will be required to enter into with the Council. This would also be the case for any capital cost overruns within their projects.
35. A business case is under development in relation to the House of Fraser refurbishment pilot. The business case must prove to be financially viable, to be reviewed and financially assured by Finance to ensure that the Council is not exposed to additional revenue costs.
36. There will be ongoing maintenance costs associated with the Temporary Accommodation project. However, these costs are considered to be far outweighed by the savings the Council will achieve through ensuring that such “in-house” accommodation is available, reducing costs that external providers are currently charging.
37. The envisaged overall costs for the use of the grant is currently overprogrammed by £1.066m. However, both The Junction Foundation and Middlesbrough College seeking further match funding from the Department for Education which if successful will reduce the requirement from the Levelling Up Partnership fund. Should this funding not transpire, the overall programme will be reviewed and reduced in order to stay within the £20.816m grant provided.

**Actions to be taken to implement the recommended decision(s)**

Action	Responsible Officer	Deadline
Subject to Executive approval, officers will  a) Implement the LUP programme for Middlesbrough	Sam Gilmore	Ends March 2025

**Appendices**

<b>A</b>	Levelling Up Partnership Programme
----------	------------------------------------

**Background papers**

Levelling Up White Paper Executive Summary - [Levelling Up the United Kingdom: Executive Summary \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/92421/levelling-up-white-paper-executive-summary.pdf)