

STRATEGIC OVERVIEW AND SCRUTINY COMMITTEE

23 MARCH 2023

RUTLAND AND MELTON LEVELLING UP FUND GRANT AWARD

Report of the Strategic Director of Places

Strategic Aim:	A Special Place Sustainable Lives Healthy and Well A Modern and Effective Council		
Exempt Information	No		
Cabinet Member(s) Responsible:	Cllr Lucy Stephenson, Leader of the Council and Portfolio Holder for Policy, Strategy, Partnerships and Economy		
Contact Officer(s):	Penny Sharp, Strategic Director of Places	07973 854906	psharp@rutland.gov.uk
Ward Councillors	All		

DECISION RECOMMENDATIONS

That the Committee:

- Notes that a report will be presented to Council on 27 March 2023 with these proposed draft recommendations:
 - Approves the Memorandum of Understanding for the Rutland and Melton 'Rural Innovation in Place' Levelling Up Funding (LUF) grant from the Department of Levelling Up, Housing and Communities and delegates authority to the Chief Executive and Director of Resources in consultation with the Portfolio Holder for Policy, Strategy, Partnerships and Economy and Portfolio Holder for Resources to sign the agreement on behalf of Rutland County Council.
 - Approves that Rutland County Council acts as the grant administrator (Accountable Body) for the Levelling Up Fund capital grant and delegates authority to the Director of Resources (s151 Officer) to manage the Accountable Body function.
 - Delegates authority to the Chief Executive and Director of Places in consultation with the Portfolio Holder for Policy, Strategy, Partnerships and Economy to finalise and enter into a grant agreement between Rutland County Council (as Accountable Body) and Melton Borough Council (as grant recipient) to apportion responsibility for delivering the requirements of the Levelling Up Fund Memorandum of Understanding.

D) Approves the use of Developer Contributions to provide £1.2 million match funding to contribute to the Rutland element of the Levelling Up Fund proposition as identified in the indicative allocations previously agreed by Cabinet.

E) Delegates to the Director of Resources (Section 151 Officer) and Director of Places the administration and implementation (including project delivery) of the Levelling Up Fund grant requirements and monitoring returns.

2. Advises of any additional issues or areas of concerns that Council may need to consider in making an informed decision about the acceptance of the Levelling Up Fund capital grant and Rutland County Council acting as Accountable Body.

1 PURPOSE OF THE REPORT

1.1 The purpose of this report is to provide Overview and Scrutiny Committee with a summary of the successful Rutland and Melton Levelling Up Fund bid and the recommendations that will be made to Council on 27th March 2023.

1.2 Overview and Scrutiny Committee is requested to advise of any additional issues or areas of concerns that Council may need to consider in making an informed decision about the acceptance of the Levelling Up Fund capital grant.

2 BACKGROUND AND MAIN CONSIDERATIONS

Levelling Up Fund – Round 2 Application

2.1 In March 2022, the Government launched Round 2 of the Levelling Up Fund (LUF). LUF is a competitive capital grant funding programme for capital investment in infrastructure intended to support local communities to 'level up' through regenerating town centre and high streets, upgrading local transport and investing in cultural and heritage assets.

2.2 Following Round 1 of LUF Rutland County Council and Melton Borough Council agreed to develop a joint LUF bid under round 2 given the similarities in the rural market town economies and the shared MP constituency. A formal indication of MP support has been a requirement for LUF applications.

2.3 The original deadline for LUF bid submissions was 6 July 2022. This subsequently extended to 2 August 2022 due to technical issues at the Department of Levelling Up, Housing and Communities (DLUHC).

2.4 At its meeting on 14 June 2022, Cabinet considered the application for LUF grant funding (<https://rutlandcounty.moderngov.co.uk/ieListDocuments.aspx?CIId=133&MIId=2589>). It resolved:

2.5 That Cabinet:

1. APPROVED the submission of a joint application by Rutland County Council and Melton Borough Council for Round 2 of Levelling Up Funding, in line with the Councils Constitution Financial Procedure Rules.

2. Authority be DELEGATED to the Strategic Director – Places in consultation with the Leader and Portfolio Holder for Economic Development to agree with Melton

Borough Council which organisation acts as nominated Lead Local Authority for the Levelling Up Funding bid. The Lead Local Authority function should be undertaken on a full cost recovery basis and a formal agreement between the two local authorities governing the working arrangements including a partnership governance structure.

3. Authority be DELEGATED to the Section 151 Officer and Strategic Director – Places in consultation with the Leader and Portfolio Holder for Economic Development and Portfolio Holder for Resources to include indicative match funding in the bid so long as it has no direct impact on the Council’s Medium Term Financial Plan and subject to formal Council approval should the LUF bid prove successful.
4. NOTED that the joint application was submitted on the basis that a detailed discussion regarding funding included any ongoing financial implications would be required should the Council be successful in securing the bid. Any discussions would result in a Full Council decision to accept or reject funding offered.

Considerations for Council

- 2.6 Rutland and Melton Councils submitted a joint bid for £22,950,690 Levelling Up Funding Round 2 capital grant to support the delivery of the ‘Rural Innovation in Place – Levelling Up Proposition for Rutland and Melton from 2023 to 2026’. The report to Council will seek approval for Rutland County Council to accept the approximately £23m LUF award for Rutland and Melton.
- 2.7 The total value of the Rutland and Melton LUF proposal was £26,185,290 reflecting additional investment the successful bid is expected to leverage. For Rutland, this included £1.2m of match funding from developer contributions (identified in the indicative allocations agreed by Cabinet in December 2022. <https://rutlandcounty.moderngov.co.uk/documents/g2611/Public%20reports%20pack%2013th-Dec-2022%2010.00%20Cabinet.pdf?T=10>). The report to Council will seek approval to commit the £1.2m match funding towards the Rutland elements of the LUF programme.
- 2.8 The Rutland and Melton LUF bid was submitted on the understanding that Rutland County Council (RCC) would act as the grant administrator (Accountable Body) for the funding and that associated costs and delivery responsibilities would be apportioned to Melton Borough Council (MBC). This was determined by the transport element of the bid. As a district council Melton Borough Council has no responsibility or resource to manage transport-related initiatives. The Council report will seek approval and confirmation that RCC can act as Accountable Body. It will also seek delegated approval to finalise and enter into a ‘back-to-back’ grant agreement with Melton Borough Council to apportion responsibilities.
- 2.9 The LUF grant is subject to a Memorandum of Understanding between the Department for Levelling Up, Housing and Communities (DLUHC) and Rutland County Council (RCC) that references the expected outputs up to 2026. The Council report will seek approval for Rutland County Council to sign the Memorandum of Understanding on behalf of Rutland and Melton. The Memorandum of Understanding and Exempt legal advice on the Memorandum of Understanding will be available to Councillors alongside the Council report to inform their decision-making.

- 2.10 The Council report will also seek delegated authority for the administration and implementation of the LUF grant requirements including project delivery, monitoring and reporting.
- 2.11 To support Councillors in making an informed decision at the Council meeting on 27 March 2023, this additional information will be available:
- Redacted bid submission (will be published)
 - Exempt bid submission (including financials)
 - Memorandum of Understanding
 - Exempt Legal Advice on Memorandum of Understanding and associated risks.

Overview of Rutland and Melton LUF Programme

- 2.12 Appendix A includes a summary of the Rutland and Melton LUF bid, 'Rural Innovation in Place: A Levelling Up Proposition for Rutland and Melton.' This includes an overview of the:
- Vision
 - Issues and Opportunities
 - LOGIC Model – the rationale, approach and impact anticipated from the capital investment
 - Brief Summary of Specific Projects:
 - Rutland
 - o Medi-Tech Research and Development Enterprise Centre
 - o Digitalisation of Heritage Assets – Sea Dragon and Roman Mosaic
 - o Integrated Local Transport – a transport hub ('Mobi-hub') and new demand responsive transport routes connecting Oakham and Melton
 - Melton
 - o Stockyard Redevelopment – Food Enterprise
 - o College Campus Theatre
 - Benefits and anticipated impact of investment
 - Funding profile
 - Milestones
 - Proposed Governance Structure

- 2.13 LUF bids were limited to 3 projects. For the Rutland and Melton bid, the 3 investment areas were health, transport and food innovation and enterprise. LUF investment within Rutland is intended to deliver:

Medi-tech digital innovation centre – this will be a commercially operated enterprise centre focused on developing health and care technologies that can benefit residents and the wider population. Located at Rutland Memorial Hospital (RMH) site it will have the added benefit of acting as a catalyst for the further integration of health and social care and support the consolidation of a 'health and care campus' with the potential to link Oakham Medical Practice, RMH and land in Council ownership. In addition, the facility could add to the attractiveness for health and care professionals to work in Rutland and support workforce development.

Integrated transport – the LUF investment is intended to address issues with connectivity and accessibility between market towns and services, particularly health. The funding will provide a new integrated transport hub (a 'mobi-hub') for

public transport, cycling and in close proximity to Oakham railway station. In addition, the funding will secure two new demand responsive transport routes between Oakham and Melton, connecting some villages not currently served by public transport.

Enhanced digital visitor experience – the investment will enable the digital interpretation of the recent internationally significant finds of the Ichthyosaur and the roman mosaic allowing the historic assets to be widely accessed by visitors and transforming the County's visitor offer. The digital interpretation is intended to be a mobile exhibition enabling it to be hosted in various locations. The LUF funding will also provide for some capital investment into a building to host the digital exhibition.

Case for Investment

2.14 The Council has developed a detailed evidence base to underpin its developing economic strategy, the UK Shared Prosperity Fund and the LUF bid. We now have a more granular and detailed understanding of Rutland's economy.

2.15 The key headlines of the evidence base were discussed at an All Member briefing in January and have been the focus of Scrutiny's Economy Task and Finish Group. The County has many strengths, including skill levels, health, resident earnings, entrepreneurial culture and the natural environment which provide opportunities for increasing economic sustainability and productivity.

2.16 There are also some trends that suggest intervention is required:

- The County's economy is contracting and has done so year on year between 2010-2019. The value of Rutland's economy fell by 8.8% compared with a fall in the UK economy of 2.2% (2015-2020). In comparison, Melton's economy has grown by 20% and South Kesteven by 5%.
- Rutland is the 10th lowest for growth of the economy of all UK local authorities.
- The County is the 18th worst in the UK for social mobility.
- In 2020/21 foodbank usage per head of population was 4.5% in Rutland compared to 2.6% in the East Midlands and 3.2% in England.
- Average wages within the County are £1600 less than the national average
- Productivity is lower than the England average; Gross Value Added (GVA) per hour worked in Rutland is £30.35 compared to the England average of £38.29

2.17 In addition to the economic context there are other challenges that the LUF investment is intended to help address:

- Health inequalities linked to a high proportion of vulnerable older people.
- Challenging health and economic outcomes for women, with wages significantly lower than the national.
- Declining business competitiveness in terms of the area's ranking on the national index.

- Nationally significant numbers of veterans a proportion of whom face mental health and physical health problems.
- Low level of access to services driven by the rural nature of the area

2.18 The Rutland and Melton LUF bid recognised that the area is a good place for successful people to live in but not such a good place for people to earn a living.

2.19 The Rutland and Melton 'Rural Innovation in Place' proposition made the case that investment in health, enterprise, culture and transport could help deliver a step-change for the place and prove a demonstrator for other rural economies.

2.20 Only 1 in 5 of those areas that bid in Round 2 of LUF were awarded funding.

Contribution to Corporate Priorities

2.21 The LUF investment is intended to provide capital funding and a catalyst to enable the delivery of corporate priorities set out in the Council's Corporate Plan and reflected in the Transformation Programme.

2.22 **A special place:** Sustaining a vibrant rural county that harnesses the enterprise of its businesses, the ambition and creativity of its residents, and the passion of its local communities.

Inclusive growth: We will support our economy to recover, tackling economic inequality and low social mobility. An increase in new businesses and local job opportunities. – **LUF Medi-tech Enterprise Centre**

Heritage and culture: We will enable a thriving, diverse, sustainable heritage and cultural offer with increased community leadership. An increase in visitors and associated economic benefits. More community led services supported by volunteers. – **LUF Digital Interpretation of Cultural Assets**

2.23 **Sustainable lives:** Living sustainably and combatting the climate crisis through the power of choice, the removal of barriers, and real collective action.

Net zero carbon: We will support the reduction of Rutland's carbon footprint and impact on the local environment. Reduction in the Carbon footprint of the Council and the County. – **LUF Electric Demand Responsive Transport**

Connected communities: We will support sustainable methods of transport through cycle routes, bridleways, public footpaths and community led transport. Greater use of electrical vehicles in the county. Increase the number of people walking and cycling. – **LUF Electric Demand Responsive Transport**

2.24 **Healthy and well:** Promoting health, happiness and wellbeing for people of all ages and backgrounds.

2.25 **Joined up care:** We will work with partners and neighbouring counties to develop local integrated services which are responsive to community health and care needs. Better Care programme outcomes achieved. People are able to die in preferred place of care - **LUF Medi-tech Enterprise Centre**

2.26 **Health and wellbeing infrastructure:** We will work with health partners to improve our

health and wellbeing infrastructure to maximise access and the delivery of care closer to home. Improved access to joined up care locally - **LUF Electric Demand Responsive Transport**

- 2.27 Reducing health inequalities: We will work with partners to ensure all of Rutland has the opportunity to achieve the best health and wellbeing that they can. There is a reduction in health inequalities in the County - **LUF Medi-tech Enterprise Centre**
- 2.28 **A modern and effective Council:** Transforming the way we work to deliver effective and efficient services fit for the future.
- 2.29 Financially sustainable: We will take further action to ensure the council lives within its financial means. The Council has a balanced budget and can continue to deliver services the community needs. The Council and public infrastructure needs will be met. – **LUF capital investment will provide significant external funding to deliver on priorities that the Council may otherwise have to resource itself.**

Risks and Mitigations

- 2.30 An ambitious programme has risks. The key risks and mitigations identified within the LUF bid are summarised in Appendix B.
- 2.31 Since the award of LUF funding some additional risks have materialised that are also summarised in Appendix B. The report to Council will be supported by Exempt legal advice on the risks associated with the LUF Memorandum of Understanding.
- 2.32 A robust programme governance structure will be in place, building on the Executive Board that provided oversight of the LUF bid. This includes:
- Executive Programme Board – including the Leaders, Chief Executives, Portfolio Holders, Section 151 Officers and Lead Officers from Rutland and Melton Councils
 - LUF Programme Team – comprising Lead Officers, Finance, Programme Manager from both Rutland and Melton Councils
 - Projects Boards/Teams for each of the specific projects – composition to reflect the nature of the project.

3 CONSULTATION

- 3.1 The Rutland and Melton LUF bid was firmly positioned and based on the feedback from the Future Rutland Conversation.
- 3.2 The outcomes from the Future Rutland (FR) consultation identified the following priorities in relation to transport needs and access to services:
- The overwhelming majority of health-related comments made in response to the FR consultation desired better or easier access to primary care services – particularly in Oakham. The importance of access to emergency health services and in-county services was also reiterated. A key driver across all priorities mentioned was enhanced health provision, particularly in relation to transport access.

- In terms of wider economic development FR respondents felt that emphasis should be placed on innovation and creativity as a means of attracting businesses and investment into Rutland. The importance of high skilled/high pay jobs (particularly for young people) was also mentioned.
- In addition to the Future Rutland Consultation, Scrutiny’s Economy Task and Finish Group has also been reviewing the evidence base and the implications for the new economic strategy. The Economy Task and Finish Group has suggested the economic strategy should be bold and ambitious, focusing on innovation, diversifying the visitor economy, attracting investment and supporting local businesses to grow.

4 ALTERNATIVE OPTIONS

4.1 The alternative option is that Overview and Scrutiny Committee chooses not to make any comments or advise on the LUF report for March Council.

5 FINANCIAL IMPLICATIONS

5.1 The overall LUF programme funding profile is summarised in the table below.

TOTAL PACKAGE PROJECTS COMBINED				
Total LUF Grant (PROJECTS 1,2,3)		£22,950,690		88%
Total Match Contribution		£3,234,600		12%
Total Project Costs		£26,185,290		100%
Funding Profile Entered:				
Year	Grant	Match	Total	
1	2022/23	£3,559,915	£430,641	£3,990,557
2	2023/24	£12,393,169	£1,761,979	£14,155,149
3	2024/25	£6,997,605	£1,041,979	£8,039,584
4	2025/26	£0	£0	£0
5	2026/27	N/A	£0	£0
Totals:		£22,950,690	£3,234,600	£26,185,290
		88%	12%	100%

5.2 The funding profile and cost assumptions are currently being refreshed due to the Government delays in the LUF programme and the changed economic context. As identified in the risks and mitigations, the programme will be adjusted as necessary to deliver within the available capital budget.

5.3 The LUF bid was submitted on the basis that there would be no direct impact on the Council’s revenue budget. This remains the position. As identified in the risk assessment and mitigations robust governance, oversight and programme management will be vigilant in safeguarding the Council’s Medium Term Financial Plan.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

6.1 External legal advice was provided during the development and assessment of the

Rutland and Melton LUF bid in relation to Subsidy Control (previously State Aid). This was necessary to provide assurance that any grant will not distort the competitive market. This is currently being refreshed at the request of DLUHC to all successful bidders.

- 6.2 External legal advisors have been appointed to review the LUF Memorandum of Understanding and provide advice for Council on its implications. The legal advisors are also drafting a 'back-to-back' grant agreement that will apportion accountabilities, risk and financial responsibilities between Rutland County Council as Accountable Body and Melton Borough Council.
- 6.3 The cost of legal advice is funded through external funding and existing budget provision with no additional pressure on the Council's revenue position.

7 CONCLUSION

- 7.1 Overview and Scrutiny Committee is invited to advise of any additional issues or areas of concerns that Council may need to consider in making an informed decision about the acceptance of the Levelling Up Fund capital grant and acting as Accountable Body.

8 APPENDICES

- 8.1 Appendix A – Summary of the 'Rural Innovation in Place: A Levelling Up Proposition for Rutland and Melton'
- 8.2 Appendix B – Risks and Mitigations of the Rutland and Melton LUF Programme

9 BACKGROUND PAPERS

- 9.1 Rutland and Melton LUF Portal Bud Submission – EXEMPT
- 9.2 Rutland and Melton LUF Workbook - EXEMPT

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

Appendix B – Rutland and Melton LUF Programme Risks and Mitigations

Risk	Implications	Risk Assessment High – H; Medium – M; Low - L			Mitigation
		Probability	Impact	Overall Risk Rating	
Governance					
Discord amongst delivery partners	Partners fail to agree on the implementation approach	L	M	M	A clear delivery programme will structure the work and minimise the scope for misinterpretation. If there are ongoing issues mediation will be deployed.
Challenges to the management capacity of the programme delivery activities	Staff leave, get sick or fail to perform	M	M	M	The breadth of the partnership, comprising two authorities with associated other supporting third-party organisations should enable these challenges to be managed and provide resilience. Additional staff resources will be recruited to support programme management and the Accountable Body function. These will be funded through the LUF programme.
Delivery and Implementation					
Individual project failure	The implications will be determined to an extent by the reason for failure, this could involve: capacity, financial failure and fail to comply with conditions	L	H	M	The programme management structure will enable the development of issues of this gravity to be identified and corrective actions put in place to mitigate impact as it develops. In the eventuality of terminal issues arising detailed liaison with DLHUC will be put in place as a means of mitigating impact

Risk	Implications	Risk Assessment High – H; Medium – M; Low - L			Mitigation
		Probability	Impact	Overall Risk Rating	
Individual project sponsor failure	There is scope for partners to change their status and focus. This could have a negative impact on the delivery of the projects in scope	L	H	M	The detailed liaison by accountable officers with individual projects will enable delivery failure to be identified and mitigated. The 'back to back' agreement with Melton Borough Council will apportion appropriate accountabilities and scope to identify alternative suppliers or ultimately close down projects if there are no alternative options
Failure to deliver agreed outputs	This could lead to changes to the Value for Money delivered by the project and in the most extreme case would cause reputational damage and ceasing of LUF grant payments	L	M	M	<p>Governance structure and robust programme management will support early identification of any potential issues to enable their effective management.</p> <p>The 'back to back' grant agreement with Melton Borough Council will provide clarity on accountabilities for delivery outputs.</p> <p>A formative evaluation framework will be developed and implemented at the early stages of the programme to provide clarity on reporting and monitoring requirements and a focus on outputs.</p>
Financial Risks					
Cost over-runs due to inflation	Inflation is currently running at 10% unforeseen financial shocks and any delays	H	M	H	A prudent contingency budget has been built in for each project ranging from 5-12.5% depending on the scale and nature of the project.

Risk	Implications	Risk Assessment High – H; Medium – M; Low - L			Mitigation
		Probability	Impact	Overall Risk Rating	
	to project delivery could cause costs to escalate out of control				<p>Project costs are currently being reappraised given the Government delays to LUF Round 2 and the programme will be adjusted accordingly e.g. redesign/value engineering.</p> <p>The planned programme management approach and detailed monitoring of project delivery will enable a proactive and robust ability to manage this risk.</p>
Failure to meet spending profile	Over or underspend in an uncontrolled way runs the risk of unauthorised or cancelled expenditure and overall programme failure	M	H	H	The Accountable Body and programme management function backed by the ultimate sanction of clawback within the 'back-to-back' funding agreement with Melton Borough Council and agreements for the delivery of the individual aspects of each project provides the protection required for this risk to be managed effectively.
Revenue challenges impair the successful ongoing operation of the facilities funded	If the revenue planning for the take up of the services provided is less than anticipated value for money will be affected and potentially the ongoing viability of some of the projects will be challenged	M	H	H	<p>A robust process of initial business planning has been undertaken. The cost assumptions and projects are currently being re-appraised given the impact of Government delays means the original plans are now over 8months old.</p> <p>There are rigorous quarterly monitoring arrangements which will identify the</p>

Risk	Implications	Risk Assessment High – H; Medium – M; Low - L			Mitigation
		Probability	Impact	Overall Risk Rating	
					issues concerning operational viability as they arise and provide scope for escalation and problem solving within the wider project delivery structures and ultimately at the Executive Programme Board

Additional Risks Arising from Successful LUF Award – The report to Council will provide exempt legal advice on these risks

Risk	Implications	Risk Assessment High – H; Medium – M; Low - L			Mitigation
		Probability	Impact	Overall Risk Rating	
One or other Council does not agree to accept the grant funding	Potential impact on the delivery of the entirety of the LUF programme and to meet the requirements of the Memorandum of Understanding	L	H	M	Discussion with Department of Levelling Up, Housing and Communities about whether elements of the Rutland and Melton LUF programme could continue. Ultimately the LUF award could be declined.
Rutland County Council does not agree to be the Accountable Body	Impact on meeting the requirements of the Memorandum of Understanding and delivery of the projects, particularly the transport element	M	H	H	Discussion with Department of Levelling Up, Housing and Communities (DLUHC) about whether alternative arrangements could be put in place. Ultimately the LUF award could be declined.
Memorandum of	There is no legal	L	H	L/M	LUF is expected to be released in 6-

<p>Understanding (MoU) is not contractually binding</p>	<p>obligation for either Government or the Council's to fulfil the requirements of the MoU</p>				<p>month tranches – 3 months in arrears and 3 months in advance. This should limit the risk of financial exposure/cashflow issues.</p> <p>The 'back-to-back' grant agreement with Melton Borough Council will set out the accountabilities and limitations of financial risk for RCC.</p>
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