

## COUNCIL

27 MARCH 2023

### RUTLAND AND MELTON LEVELLING UP FUND GRANT

Report of the Leader of the Council and Portfolio Holder for Policy, Strategy, Partnerships and Economy

Strategic Aim:	A Special Place  Sustainable Lives  Healthy and Well  A Modern and Effective Council	
Exempt Information	Yes  Exempt Appendix – Memorandum of Understanding with Department of Levelling Up, Housing and Communities  Exempt Appendix – Legal Advice on Memorandum of Understanding with Department of Levelling Up, Housing and Communities  Exempt Appendix – Draft ‘Back to Back’ Agreement between Rutland County Council and Melton Borough Council	
Cabinet Member(s) Responsible:	Cllr Lucy Stephenson, Leader of the Council and Portfolio Holder for Policy, Strategy, Partnerships and Economy	
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Ward Councillors	All	

## DECISION RECOMMENDATIONS

That Council:

1. 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 (DLUHC) and delegates authority to the Chief Executive and Strategic Director of Resources (section 151 Officer) in consultation with the Portfolio Holder for Policy, Strategy, Partnerships and Economy and Portfolio Holder for Finance, Governance and Performance, Change and Transformation to sign the agreement on behalf of Rutland County Council.
2. Approves that Rutland County Council acts as the grant administrator (Accountable Body) for the Levelling Up Fund capital grant and delegates authority to the Strategic Director of Resources (s151 Officer) to manage the Accountable Body function and report to DLUHC in line with its Levelling Up Funds Local Authority Assurance Framework.
3. Delegates authority to the Chief Executive and Strategic Director of Resources in consultation with the Portfolio Holder for Policy, Strategy, Partnerships and Economy and Portfolio Holder for Finance, Governance and Performance, Change and Transformation to finalise and enter into a "Back to Back" agreement between Rutland County Council (as Accountable Body) and Melton Borough Council (as grant recipient) to apportion responsibility for managing, delivering and reporting the requirements of the Levelling Up Fund Memorandum of Understanding and DLUHC Levelling Up Funds Local Authority Assurance Framework.
4. Delegates authority to the Chief Executive and Strategic Director of Resources in consultation with the Portfolio Holder for Policy, Strategy, Partnerships and Economy and Portfolio Holder for Finance, Governance and Performance, Change and Transformation to finalise updated baseline data including project costings, outputs, outcomes and project milestones and submit to DLUHC.
5. Delegates to the Strategic Director of Resources (Section 151 Officer) and Strategic Director of Places the administration and implementation (including project delivery) of the Levelling Up Fund grant requirements and reporting in accordance with the Memorandum of Understanding and DLUHC's monitoring returns DLUHC Levelling Up Funds Local Authority Assurance Framework.
6. Notes the governance structure developed in accordance line with the Corporate Project Framework and that decision-making for the LUF programme will be the responsibility of Cabinet.
7. Notes that decisions relating to the approval, procurement, and development of specific projects will be taken in accordance with the Constitution and Financial Procedure Rules.
8. Notes that a report will be brought to a future meeting of Council to consider the business case for complementary investment in health provision within the County and the use of £1.2m Developer Contributions as identified in the indicative allocations agreed by Cabinet in December 2022. Subject to approval this investment will provide £1.2 million match funding to contribute to the Rutland element of the Levelling Up Fund proposition.

## **1 PURPOSE OF THE REPORT**

- 1.0 The purpose of this report is to seek approval for Council to approve the terms and conditions of the 'Rutland and Melton: Innovation in Place' Levelling Up Funding (LUF) grant set out in the Memorandum of Understanding with the Department of Levelling Up, Housing and Communities (DLUHC).
- 1.1 The decision to submit the Rutland and Melton LUF bid was made by Cabinet in June 2022 in line with the Constitution. Having been successful in securing the grant award it is a Council decision to accept the associated terms and conditions.
- 1.2 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. This report seeks approval and confirmation that RCC can act as Accountable Body.
- 1.3 The report also seeks delegated approval to finalise and enter into a 'Back to Back' agreement with Melton Borough Council to apportion responsibilities for managing delivery, finances, risk and reporting for its elements of the LUF programme.
- 1.4 The report seeks delegated authority for the administration, implementation, delivery and reporting to meet the requirements of the Memorandum of Understanding and DLUHC's Levelling Up Funds Local Authority Assurance Framework.

## **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 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 was 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>).
- 2.5 It resolved:  
"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.”

### **Rutland and Melton: Rural Innovation in Place LUF Bid**

- 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'.
- 2.7 In mid-January 2023 the Government announced that the Rutland and Melton LUF bid was one of 111 successful Round 2 applications and secured the full award. Only 1 in 5 of those areas that bid in Round 2 of LUF were awarded funding.
- 2.8 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>).
- 2.9 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.
- 2.10 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

- Medi-Tech Research and Development Enterprise Centre
- Digitalisation of Heritage Assets – Sea Dragon and Roman Mosaic
- Integrated Local Transport – a transport hub ('Mobi-hub') and new demand responsive transport routes connecting Oakham and Melton

Melton

- Stockyard Redevelopment – Food Enterprise
- College Campus Theatre
- Benefits and anticipated impact of investment
- Funding profile
- Milestones
- Proposed Governance Structure

2.11 LUF bids were limited to 3 projects. For the Rutland and Melton bid, the 3 investment areas were innovation and enterprise in health, transport and food/culture. 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 that can be hosted in various locations. The LUF funding will also provide for some capital investment into a building(s) to host the digital exhibition.

### **Contribution to Corporate Priorities**

2.12 The LUF investment will provide capital funding to achieve key elements of the Future Rutland vision – enterprise, accessible services and health improvements. The capital investment will unlock the delivery of corporate priorities set out in the Council's Corporate Plan and reflected in the Transformation Programme. The contribution of the different elements of LUF investment to corporate priorities is summarised in Appendix B.

### **Case for Investment**

- 2.13 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.
- 2.14 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.
- 2.15 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 10<sup>th</sup> lowest for growth of the economy of all UK local authorities.
  - The County is the 18<sup>th</sup> 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 £1,600 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
- 2.16 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 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.
  - Low level of access to services driven by the rural nature of the area
- 2.17 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.
- 2.18 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.

### **3 LUF TERMS AND CONDITIONS**

- 3.1 Any ambitious grant funded programme will have risks and the terms and conditions of that grant scheme plays a key role in the council's ability to manage those risks.
- 3.2 There are 3 elements to the Terms and Conditions that govern the effective

management of the Rutland and Melton LUF programme and provide assurance to both DLUHC as grant provider and Rutland County Council as grant administrator. These are:

- 1) Memorandum of Understanding between DLUHC and Rutland County Council
- 2) DLUHC's Levelling Up Funds Local Authority Assurance Framework
- 3) 'Back to Back' Agreement between Rutland County Council as Accountable Body and Melton Borough Council as grant recipient

- 3.3 A summary of the LUF Assurance Framework is provided in Appendix C.
- 3.4 The Memorandum of Understanding (MoU) is included in Appendix E – redacted version. Exempt Appendix F contains the full MoU including financial details that are commercially sensitive.
- 3.5 Exempt Appendix G contains independent legal advice to Council on the MoU.
- 3.6 To aid Council the four key risks of grant funding programmes such as this are outlined below and how the terms of the MoU mitigate or add to the risk of the programme.
- 3.7 A broader summary of key risks and mitigations identified within the LUF bid is included in Appendix H.

**Financial forecasts, outputs and delivery milestones in the bid are no longer valid.**

- 3.8 Like many government grant funding programmes there was delay in the announcement of LUF awards. Inevitably financial forecasts, outputs and delivery milestones will have changed. This creates risks for grant recipients being held to account against the submitted programme. While there is a change process built into the programme, DLUHC have requested local authorities complete a 'project management update' that provides updated financial forecasts, outputs and delivery milestones.
- 3.9 Technical advisors are currently undertaking a review and a refresh of cost profiles, milestones and subsidy control for both Rutland and Melton projects. The updated baseline data will be approved by the Rutland and Melton Executive Programme Delivery Board prior to submission (see section 3.15 below).
- 3.10 The report seeks delegated approval to finalise the updated baseline data and submit to DLUHC to supplement the MoU.

**Issues during the programme delivery mean the programme cannot secure agreed outputs or outcomes.**

- 3.11 Programmes can encounter problems that affect the delivery of the outputs and outcomes the Council is held to by any legal agreements associated with the grant. For this grant the DLUHC's Assurance Framework expects effective governance arrangements, programme management approach and the project team to be in place to manage risks in the programme. In addition, RCC's Internal Audit will be requested to undertake periodic reviews of the LUF programme to provide assurance of effective delivery, financial management and compliance.

- 3.12 For this grant the MoU is not a legally binding contract on either party and is intended to provide an understanding of how the LUF capital funding will be used. The MOU allows for flexibility and anticipates a constructive and ongoing dialogue between RCC and DLUHC in the administration and delivery of the programme. The Council can, if required, submit a request to change the profile of the programme, although there is no obligation on DLUHC to agree to this. However, the MOU does not legally bind the council to the delivery of the programme outputs or outcomes and there is no clawback facility within the MOU.
- 3.13 This does also mean DLUHC has no binding obligation to release the funding. At certain points in the programme funding commitments will mean the council would be more exposed. Cabinet and/or Council (whichever is appropriate in the circumstances) will be involved at key gateways to approve implementation of projects and limit any financial exposure. The MoU allows for it to be terminated by either party subject to written agreement. Should the Council find itself unable to fulfil the requirements of the MoU it would seek to renegotiate terms or ultimately terminate the agreement.
- 3.14 The signed MoU has to be submitted by April 2023. This report seeks approval of the MoU and delegated authority to sign on behalf of RCC.

#### **Other grant recipients fail to deliver the outputs and outcomes of their projects**

- 3.15 Rutland will be the accountable body for this programme with Melton Borough Council being a grant recipient. There is a risk that Melton Borough Council does not meet its obligations in the programme, which Rutland is accountable for.
- 3.16 To manage this a 'Back to Back' agreement that apportions responsibilities, risk and financial and delivery obligations to Melton will be put in place. Melton will be wholly responsible for managing, delivering, reporting and administering the projects within its boundaries. This includes responsibility for managing cashflow and any necessary grant agreements required with third parties.
- 3.17 This agreement limits Rutland County Council's responsibilities to fulfilling the MoU requirements for the effective management of the programme as Accountable Body function and delivering the outcomes of the Rutland-specific projects.
- 3.18 The draft 'Back to Back agreement' is in Exempt Appendix. This report seeks delegated authority to finalise and agree the 'Back to Back' agreement with Melton Borough Council.

#### **There is not the requisite capacity or expertise to effectively Administer or deliver the programme.**

- 3.19 Rutland has consciously integrated the LUF programme within the Council's Transformation programme. This means the project teams that are supporting culture, transport and integrated health transformation workstreams will be in a position to use the LUF capital investment to help deliver the broader ambitions as well as meet the specific grant requirements.
- 3.20 The overall programme to develop the County's economy with a focus on innovation and enterprise, visitor economy and accessibility enables the Council to use existing revenue funding as well as other grant funds such as UK Shared Prosperity Funding and the Rural England Prosperity Fund to support and complement the



administration and delivery of the LUF capital programme. In addition, some project costs can be capitalised and funded directly through the programme.

- 3.21 For RCC the proposed Governance and Programme Management structure for LUF is in Appendix J. The Chief Finance Officers (section 151 Officers) for both Rutland and Melton will be members of the LUF Executive Programme Delivery Board.

## **4 CONSULTATION**

- 4.1 The Rutland and Melton LUF bid was firmly positioned and based on the feedback from the Future Rutland Conversation.

- 4.2 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.

## **5 ALTERNATIVE OPTIONS**

- 5.1 The alternative option would be for Council not to approve the LUF terms and conditions.

- 5.2 In the short term the implications of not signing the Memorandum of Understanding would result in the loss of significant capital investment in both Rutland and Melton local authority areas.

- 5.3 For Rutland, the Council would need to find alternative sources of capital financing/funds to deliver its ambitions for the economy and to transform public transport and health. If this is not an option services will have to be reduced.

- 5.4 In the longer term, the reputational damage of declining Government investment could restrict the Council's ability to secure capital funding for its future corporate plans.

## **6 FINANCIAL IMPLICATIONS**

- 6.1 The original overall LUF programme funding profile is summarised in the table below, with £22.9m of grant awarded for schemes with a total value of £26.2m

between both Councils.

	<b>Grant £000</b>	<b>Match £000</b>	<b>Total £000</b>
Medi-Tech Digital Innovation Centre	5,792	1,200	6,992
Enhanced digital Visitor Experience	2,000	-	2,000
Integrated Transport	3,000	-	3,000
<b>Total Project with RCC as Lead</b>	<b>10,792</b>	<b>1,200</b>	<b>11,992</b>
Melton Town Centre Regeneration	12,159	2,035	14,194
<b>Total LUF Programme</b>	<b>22,951</b>	<b>3,235</b>	<b>26,186</b>

- 6.2 The following tables provide an overview of the profile of the schemes as provided in the bid. However, due to Government delays in the LUF programme and the changed economic context since the bid was submitted, the funding profile and cost assumptions are being refreshed with completion in line with the governance on updating and changing the programme. The programme will be adjusted as necessary to deliver within the available capital budget i.e. the financial management of the programme to be within the funding available, see key risks and mitigations in Appendix H.
- 6.3 As outlined in section 3.8 above, the cost profiles of the schemes are to be updated to reflect and capture any changes in the assumptions on costs. In order for the bid to be based on appropriate costing assumptions the Council made use of external expertise in the formation of the costing profiles contained in the bid. Included as part of these cost profiles was an allocation of contingency costs for each scheme, which range from 5% to 9% of total costs depending upon the project. As the costing profiles are updated the Council will refresh its assessment of the impact on the MTFS assumptions. This type of review will form part of the overall project control and governance process as the programme progresses through each stage, for example the supplier contracting stage and the receipt of quotes from suppliers which need to be in line with the assumptions made in the bid and MTFS resulting in decision points to proceed with the programme or not.
- 6.4 The bid submission used external expertise in the costing of the proposals and the project costs include an element of contingency for each scheme, which range from 5% to 9% of total costs depending upon the project. As the projects progress through the governance steps, and project management controls, the project costs will be further refined and considered as a whole ie contracting arrangements with suppliers and resulting decision point.

<b>Project 1 - Medi-Tech Digital Innovation Centre</b>			
<b>Financial Year</b>	<b>Grant £000</b>	<b>Match £000</b>	<b>Total £000</b>
2022/23	579	120	699
2023/24	4,344	900	5,244
2024/25	869	180	1,049
2025/26	-	-	-
<b>Total</b>	<b>5,792</b>	<b>1,200</b>	<b>6,992</b>

<b>Project 2 - Enhanced Digital Visitor Experience</b>			
<b>Financial Year</b>	<b>Grant £000</b>	<b>Match £000</b>	<b>Total £000</b>
2022/23	200	-	200
2023/24	800	-	800
2024/25	1,000	-	1,000
2025/26	-	-	-
<b>Total</b>	<b>2,000</b>	<b>0</b>	<b>2,000</b>

<b>Project 3 - Integrated Transport</b>			
<b>Financial Year</b>	<b>Grant £000</b>	<b>Match £000</b>	<b>Total £000</b>
2022/23	2,251	-	2,251
2023/24	505	-	505
2024/25	244	-	244
2025/26	-	-	-
<b>Total</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>

<b>Project 4 - Melton Town Centre Regeneration</b>			
<b>Financial Year</b>	<b>Grant £000</b>	<b>Match £000</b>	<b>Total £000</b>
2022/23	529	311	840
2023/24	6,745	862	7,607
2024/25	4,885	862	5,747
2025/26	-	-	-
<b>Total</b>	<b>12,159</b>	<b>2,035</b>	<b>14,194</b>

<b>Total LUF</b>			
<b>Financial Year</b>	<b>Grant £000</b>	<b>Match £000</b>	<b>Total £000</b>
2022/23	3,559	431	3,990
2023/24	12,394	1,762	14,156
2024/25	6,998	1,042	8,040
2025/26	-	-	-
<b>Total</b>	<b>22,951</b>	<b>3,235</b>	<b>26,186</b>

- 6.5 If approved by Council these projects will be added to the Capital Programme and will follow the Council's programme management procedures, this will include a project team (RCC Projects) and a joint project board between RCC and Melton Appendix I shows the proposed governance structure. The members of the board will be aligned to the requirements in the MoU. As a minimum these projects will be reported on alongside the regular reporting of the Capital Programme in line with the Councils Financial Procedure Rules.
- 6.6 The LUF bid was submitted on the basis that there would be no direct impact on the Council's revenue budget. As such the Medium-Term Financial Strategy (MTFS) assumes no further revenue impact of these schemes outside the usual approach to risk management and mitigation activity. The Council will adhere to its existing financial management and control environment as a minimum, and the robust governance, oversight and programme management will be vigilant in safeguarding the Council's financial position in accordance with the MTFS.
- 6.7 As the accountable body for the funds, further monitoring and reporting requirements are placed upon the Council. These are set out in the 'First Line of Defence Assurance Review Guidance' (see Appendix D) and require the Chief Finance officer to have in place processes that ensure proper administration of financial affairs relating to the funded projects. This requirement is in line with the specific role and responsibilities of a Council's S151 and the way the Council manages its finances. The Council has a proven strong track record with external audit in this regard, and particularly evidenced recently with the receipt of additional Covid grant funding, whereby the Council ensured terms and conditions of the funding were met through application of a relevant control and procedure environment.
- 6.8 The Council has estimated the cashflow impact of the receipt of these funds along with the expenditure profiles. The original profile of the programme did not create an impact that would significantly change the assumptions made in the Treasury Management Strategy and is in line with existing processes for cash management.
- 6.9 The LUF bid identified £1.2m of developer contributions to provide match funding for the Rutland projects and to leverage wider investment in health facilities. An indicative allocation of developer contributions for health was approved by Cabinet in December 2022. A report will be brought to a future meeting of Council to consider the business case for complementary investment in health provision within the County and the use of £1.2m Developer. Subject to approval this investment will provide £1.2 million match funding to contribute to the Rutland element of the Levelling Up Fund proposition.

## **7 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 7.1 The overall governance framework for the Rutland and Melton LUF Programme is made up of a number of components: The MoU; the Assurance Framework; the 'Back to Back' Agreement; and the Council's Corporate Management Framework. The first three of these are summarised at section 3 above.
- 7.2 As to the fourth, the Rutland and Melton LUF Programme has been risk-assessed in line with the Council's Corporate Projects Management Framework and has been assessed as 'High Risk' which means Cabinet is responsible for decision-making in relation to the management of the LUF programme and approval of governance

arrangements and programme documentation.

- 7.3 Council is asked to note the programme governance arrangements in accordance with the corporate projects management framework (Appendix J). The relevant Portfolio Holders will be appointed to the Executive Programme Delivery Board and Board membership will be updated following Annual Council. This is consistent with the dynamic management of the programme permitted by the MoU.
- 7.4 The commissioning, procurement and implementation of the Rutland elements of the LUF programme will be in accordance with the Council's Constitution, including the Contract Procedure Rules and Financial Procedure Rules. Cabinet and/or Council (whichever is appropriate in the circumstances) will be involved at key gateways to approve implementation of projects and limit any financial exposure.
- 7.5 During the development and assessment of the Rutland and Melton LUF bid specialist legal advice was obtained on the Subsidy Control implications of the bid – specifically on compliance with the Subsidy Control rules contained within the Subsidy Control Act 2022 (Note: the Subsidy Control regime has replaced the previous rules on State Aid). It was a DLUHC requirement of all bidders to provide assurance that any grant would be compliant with the Subsidy Control rules and would not distort the competitive market. DLUHC has requested all successful bidders to provide fresh assurance and for that reason the Council's legal advice is currently being refreshed, although there is no reason to believe the updated advice will depart from the original advice.
- 7.6 The cost of legal advice has been funded through external funding and existing budget provision with no additional pressure on the Council's revenue position.

## **8 DATA PROTECTION IMPLICATIONS**

- 8.1 A Data Protection Impact Assessments (DPIA) has not been completed for the following reasons because there are no identified risks/issues to the rights and freedoms of natural persons.

## **9 EQUALITY IMPACT ASSESSMENT**

- 9.1 An Equality Impact Assessment (EqIA) has not been completed because there are no identified risks/issues for equalities or protected groups.

## **10 COMMUNITY SAFETY IMPLICATIONS**

- 10.1 No direct implications arising from this report.

## **11 HEALTH AND WELLBEING IMPLICATIONS**

- 11.1 For Rutland the LUF investment will leverage capital investment and commitment from health partners. The bid was supported by Leicestershire Partnership NHS Trust and Leicester, Leicestershire and Rutland Integrated Care Board.
- 11.2 It provides a catalyst to unlock investment in the Rutland Memorial Hospital site and develop the potential for a health and care campus. This will complement and enhance the work of the Health and Care Collaborative and provides an opportunity to further enhance integration and delivery of local health and care services.

- 11.3 The LUF investment will complement the Council's Transformation Programme and the Health and Care Collaborative workstream.

## **12 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 12.1 In January 2023, Government announced that the Rutland and Melton 'Rural Innovation in Place – Levelling Up Proposition for Rutland and Melton from 2023 to 2026' was one of 111 successful LUF Round 2 bids to be awarded capital grant investment. To access the funding the Accountable Body (Rutland County Council) is required to sign a Memorandum of Understanding with DLUHC.
- 12.2 The MoU is intended to set the framework for an effective working relationship between DLUHC and Rutland County Council as the Accountable Body in managing the capital grant funding and achieving the aspirations of the bid.
- 12.3 The MoU is not a legally binding contract on either party and is intended to provide an understanding of how the LUF capital funding will be used. The MoU allows for it to be terminated by either party subject to written agreement. There is no provision for clawback within the MoU.
- 12.4 The LUF bid was submitted on the basis that there would be no direct impact on the Council's revenue budget. The Council will adhere to its existing financial management and control environment as a minimum, and the robust governance, oversight and programme management will be vigilant in safeguarding the Council's financial position in accordance with the MTFS.
- 12.5 The commissioning, procurement and implementation of the Rutland elements of the LUF programme will be in accordance with the Council's Constitution, including the Contract Procedure Rules and Financial Procedure Rules. Cabinet and/or Council (whichever is appropriate in the circumstances) will be involved at key gateways to approve implementation of projects and limit any financial exposure.
- 12.6 This report seeks approval for signing the MoU, for RCC to act as Accountable Body and for the delegated authority to manage, administer and implement the LUF programme including submitting updated baseline data (project costings, milestones and outcomes) to DLUHC.
- 12.7 A 'Back to Back' agreement between RCC as Accountable Body and Melton Borough Council as grant recipient has been drafted by the Council's external legal advisers. This 'Back to Back' agreement apportions responsibilities, risk and financial and delivery obligations to the appropriate parties. The report seeks delegated authority to finalise and agree the 'Back to Back' agreement with Melton Borough Council.
- 12.8 The Rutland and Melton LUF Programme has been risk-assessed in line with the Council's Corporate Projects Management Framework and has been assessed as 'High Risk' which means Cabinet is responsible for decision-making in relation to the management of the LUF programme and approval of governance arrangements and programme documentation.

## **13 BACKGROUND PAPERS**

Rutland and Melton LUF Portal Bid Submission – **EXEMPT**

**14 APPENDICES**

- 14.1 Appendix A – Summary of the ‘Rural Innovation in Place: A Levelling Up Proposition for Rutland and Melton’
- 14.2 Appendix B – Summary of LUF Contribution to the Council’s Corporate Priorities
- 14.3 Appendix C - Summary of LUF Assurance Framework
- 14.4 Appendix D - Department for Levelling Up, Housing and Communities Levelling Up Funds Local Authority Assurance Framework
- 14.5 Appendix E - Redacted Memorandum of Understanding with the Department for Levelling Up, Housing and Communities
- 14.6 **Exempt** Appendix F – Unredacted Memorandum of Understanding with the Department for Levelling Up, Housing and Communities
- 14.7 **Exempt** Appendix G – Legal Advice to RCC on the Memorandum of Understanding
- 14.8 Appendix H – Key Risks and Mitigations of the Rutland and Melton LUF Programme
- 14.9 **Exempt** Appendix I – Draft ‘Back to Back’ Agreement between RCC and Melton Borough Council
- 14.10 Appendix J – Proposed LUF Governance and Programme Management Structure

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