

UK LEVELLING UP FUND – GOVERNMENT FEEDBACK

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides a copy of the feedback from the UK Government (attached at **Appendix 1** and **2** of this briefing) on the two bids that were submitted by the Council to the UK Government. The report also provides an overview of the Lessons Learned session undertaken with the group of officers who were developing the two bids.
- 1.2 It is understood that the UK Government are shortly to announce a third round of Levelling Up Funds and have signaled a new approach will be taken. This may mean the ending of the competitive bids process and a direct allocation to each eligible area. At the time of writing this report there is no indication on what the level of these funds will be and what criteria will be applied to the funds. It should be noted that the last round of Levelling Up distributed £2.3 bn and it is further understood there may be around £1bn of funding left. Although this may change if the Government decides to increase the monies available.
- 1.3 The report, therefore, looks to prepare for a future round three by seeking delegated authority to move forward promptly and to authorise expenditure on future consultant support to assist in the bidding/project preparation process. In addition, the report identifies projects that are considered by officers of the council to have the best chance of success in relation to existing criteria and welcomes Members' views on what project areas they would like to see explored further and targeted for the next round of funding.

RECOMMENDATIONS

It is recommended that Members:-

- a) Consider the feedback by the UK Government on the two submitted Levelling Up Bids.
- b) Agree the principle of prioritising a single project from elements previously identified in Round 2 as a Round 3 submission of the UK Government Levelling Up Fund.

- c) Agree that the Chief Executive and the two Executive Directors are delegated authority to approve the final bid submissions after consultation with the Leader, Depute Leader and Leader of the largest Opposition Group.
- d) Agree that the funds previously allocated by the Council in the sum of £150k be utilised to support the use of consultants to help with Bid/Project preparation.

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2.0 INTRODUCTION

- 2.1 This report brings Members up to date with the feedback from the UK Government on the two Levelling Up Bids that were submitted last year as part of round two of the fund. The feedback is contained in **Appendix 1** and **2** of this report together with the findings of Officer feedback in **Appendix 3** of this report.
- 2.2 A further round of funding (round 3), will be announced by the UK Government imminently, although at the time of writing this report it is unclear if it will be a competitive process or more likely an allocation of funds. There is also no certainty on the criteria to be applied or the amount of funding that will be available which makes the choosing of future projects challenging. Allocated funds would have to comply with Treasury 5 Business cases that require a considerable amount of evidence and justification to score highly.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members:-
- a) Consider the feedback by the UK Government on the two submitted Levelling Up Bids.
 - b) Agree the principle of prioritising a single project from elements previously identified in round 2 as a Round 3 submission of the UK Government Levelling UP Fund.
 - c) Agree that the Chief Executive and the two Executive Directors are delegated authority to approve the final bid submissions after consultation with the Leader, Depute Leader and Leader of the largest Opposition Group.
 - d) Agree that the funds previously allocated by the Council in the sum of £150k be utilised to support the use of consultants to help with Bid/Project preparation.

4.0 DETAILS

4.1 FEEDBACK FROM THE UK GOVERNMENT

The Council chose to submit two bids to the UK Government in round Two of the Levelling Up competitive bid process after choosing not to submit in round one. The UK Government provided £125k to assist with the bidding process and this helped prepare our bids internally with assistance of external consultants as appropriate. The total bids submitted was circa £70m focussing on regeneration in Rothesay and Dunoon (Western Seaboard Marine Gateways) together with a transport bid (Connected Argyll) focussing on Islay/Jura and North Lorn. Unfortunately, both our bids were ultimately not successful.

The Council received feedback from the UK Government on each bid, in March of this year, and this feedback was provided to the ELT and Policy Leads of the council. The Executive Director also had further discussion with UK Officials at a separate meeting and feedback on this is included in the report.

The levelling Up assessment process was undertaken by numerous teams from the UK Government and feedback has focused on areas of strength and areas that can be improved on. Each feedback document is attached at **Appendix 1** and **2** of this report and is summarised in para. 4.5.

4.2 LESSONS LEARNED

Prior to the feedback from Government a session took place with a number of officers on the 3rd November 2022 and was Chaired by the Executive Director with responsibility for Development and Economic Growth. Officers were provided with a Miro Board link a number of weeks in advance of the meeting, and were asked to provide comments in relation to four questions posed. Officers were also given time during the meeting to discuss the questions, and the comments submitted.

The four questions were as follows:-

- What do you think went well;
- What do you think could have gone better;
- What actions do you think we should take from this; and
- What do you think we should change for any future rounds of funding/bids.

List of the officers comments are attached to this report at **Appendix 3**.

4.3 FEEDBACK SESSION WITH GOVERNMENT LEVELLING UP FUND TEAM – MARCH 2023

The Executive Director attended a session with the Government's Levelling Up Team where they shared their analysis of Scottish bids submitted to Round 2

of the Levelling Up Fund, and asked for insight from those in attendance into how they could help Local Authorities across Scotland to develop stronger bids and increase success in future funding rounds. Some comments from the session are noted below:-

- Scotland had 54 bids:-
 - 19 failed economic case
 - 11 failed value for money
 - 13 failed on deliverability
 - 30 bids passed the assessment
 - 24 in total failed

- Suggestion that Scotland was not as good at submitting a robust green book business case.
- Round 3 is likely to be an allocative funds process, it will however still be linked to green book business case.
- The LUF team are keen to look at what were the issues and what would help to bring Scotland's overall scores up.
- It was suggested that for the successful bids in Scotland, officers had recently attended a Green Book Business Training Course (Argyll and Bute Council officers had also done this – please see 2.4 below).
- It was unclear whether our scores were influenced due to our submission being a package bid split over a number of different areas and project elements.

4.4 TREASURY GREEN BOOK

The Green Book is guidance issued by HM Treasury on how to appraise policies, programmes and projects. It also provides guidance on the design and use of monitoring and evaluation before, during and after implementation. Appraisal of alternative policy options is an inseparable part of detailed policy development and design. This guidance concerns the provision of objective advice by public servants to decision makers, which in central government means advice to ministers.

A number of our staff attended the Treasury Green Book training course in March 2019. The view of officers was that this course was too theory based and lacked practical application of the theory, where examples in Argyll and Bute Council could have been used. It should be noted however we employed consultants with extensive experience in the Green Book process to help Officers with the bids.

4.5 SUMMARY OF FEEDBACK

Officers have summarized the feedback from the UK Government below and this is being used to inform our next steps. It should be noted that is very difficult for the council to demonstrate as a rural authority the economic and social outcomes required by a Treasury 5 Business case which ultimately

impacts on the overall score that can be achieved.

In terms of the Regeneration Western Seaboard Marine Gateways Bid limited feedback was given and whilst there was a lot of positive comments relating to the strategic fit of the bid a number of significant weaknesses were identified.

- Limited evidence of alignment with cultural and heritage strategies.
- More details required on demonstrating Net Zero.
- The evidence and analysis was limited to high level statistics.
- There was no evidence of match funding provided, even from the private sector party who were expected to contribute around £1.3m worth of funding.
- No overarching delivery plan was provided.

Overall the issue with the two elements of this bid was it was very difficult to provide the necessary economic and social outcomes required given the split over two communities/locations.

In terms of the Transport Connected Argyll bid.

- There is a need to undertake an economic appraisal of the highway schemes that is in line with TAG, for example the impact on journey times and accidents.
- There is a need to undertake economic appraisal of the active mode schemes, for example using active mode appraisal toolkit (AMAT).
- There is a need to deliver a spend profile across the full construction period for capital expenditure. This should include an appropriate level of inflation for each year that costs are incurred and be discounted to the PVC base year.
- Applying optimism bias at a level that aligns with TAG.
- There were significant gaps in the deliverability section of the bid that needed to be evidenced to strengthen the bid. The budget needed more detail and more evidence on how we were to secure the match funding.
- The procurement approach evidenced was too general and a more specific strategy for the bid with a detailed project delivery plan would have strengthened it.
- While the bidder evidenced a track record of delivering projects of this type and scale, there was insufficient information attached to the delivery plan

included with the bid and details on this and the background, roles and responsibilities of the project team were expected.

- The monitoring and evaluation (M&E) element of the bid could be improved by providing detailed metrics for data collection (for example, how will a reduction in congestion or carbon be measured?)
- Providing details on how the data to be collected will be used to monitor the impact of the scheme and whether it will be measured against baseline conditions or a counterfactual scenario would also have improved the M&E, as would providing timescales for data collection that are sufficient to capture the full impact of the anticipated outcomes.

4.6 NEXT STEPS

The UK Government have confirmed that there will be a future round three of Levelling Up Funding. However this funding is to be distributed (bidding process, or allocation) it will have to comply with treasury Five Business cases, require a level of at least 10% match funding, and timescales for preparation will be tight. Consequently, it is right to start preparations for this process now despite no clarity on the amount of monies available or criteria. Looking at our previous bids and taking into account feedback received internally, and externally, there is a need to consolidate our project list and address the identified gaps in our submitted business cases. The level of bids we went for is certainly a factor we need to take account of as no Authority in Scotland received anything close to the £70m that the Council applied for. The Council needs to recognize that there is a greater chance of success to bid for a lesser amount and that there will consequently be a requirement to focus on a single element of our previous bids with the best chance of success aligned to UK Government criteria, as yet unpublished. If the round three criteria does however change other project ideas may have to be considered.

Officers consider that the projects with the best chance of success are elements of the Dunbeg Corridor and the UAV Hub that both enjoy match funding and have progressed significantly since the submission of round 2 with further economic justification, environmental studies and transport analysis. Alternately, the development of the Jura Ferry and Port improvements could be a bid on its own right. In terms of the regeneration projects, there would be a need to focus on one specific location and add value to the bid previously presented and also secure match funding which in itself is challenging for the council at this time.

To help us prepare for the round three announcement it's requested:-

- Members agree the principle of prioritising a single project from elements previously identified in round 2 as a Round 3 submission of the UK Government Levelling UP Fund;
- That the funds previously allocated by the Council in the sum of £150k be utilised to support the use of consultants to help with Bid/Project preparation.; and

- That the Chief Executive and the two Executive Directors are delegated authority to approve the final bid submissions after consultation with the Leader, Depute Leader and Leader of the largest Opposition Group

5.0 CONCLUSION

- 5.1 This report provides the feedback from the UK Government on both bids submitted by the Council (contained in **Appendices 1 and 2**) together with officer observations of the process undertaken in **Appendix 3**. The report also provides an update on the Levelling Up Fund Lessons Learned session attended by the Executive Director in March 2023 with UK Government levelling Up Civil servants.
- 5.2 The feedback, also summarized in the body of the report, reflects the huge efforts by Officers and our consultants made to submit the bids on time to the UK Government given the scale of the information and justification required. It seems that our use of package bids proved very challenging to deliver the economic/social outcomes the Government required and this needs to be a factor to be taken into account when considering new projects. The availability of council, and external consultant resources, to help with this process is another significant factor to be taken into consideration and this is why the report seeks approval for £150k funding to secure consultants to help with the process. There is also a need to seek delegated authority to ELT, the Leader of the Council the Depute leader, and the Leader of the main opposition to help speed up the process as timelines will no doubt be very tight going forward.

6.0 IMPLICATIONS

- 6.1 Policy – Levelling Up Bids will need to align with Government criteria and the priorities of the Council.
- 6.2 Financial – This report requests £150k of funding to employ consultants as necessary to help the bidding/project preparation process as appropriate. This funding will be taken from council priorities fund. The last round of funding required a minimum of 10% of match capital funding. No match funding is however requested through this report and every effort will be made to align bids with existing revenue/capital commitments.
- 6.3 Legal – None.
- 6.4 HR – Internal staff resources will be required together with external consultant support as required. 6.5 Fairer Scotland Duty:
- 6.5.1 Equalities - protected characteristics - None as yet as no projects have been identified.
- 6.5.2 Socio-economic Duty – None as yet as no projects have been identified.

- 6.5.3 Islands – None as yet as no projects have been identified.
- 6.6 Climate Change – Projects will have to comply with the need to deliver net zero.
- 6.7 Risk – The risk relates to the costs of submitting unsuccessful bids.
- 6.8 Customer Service – None.

Kirsty Flanagan, Executive Director with responsibility for Roads and Infrastructure and Development and Economic Growth

APPENDICES

Appendix 1 – Feedback from the UK Government on Connected Argyll and Bute Bid

Appendix 2 – Feedback from the UK Government on Western Seaboard Marine Gateways Initiative

Appendix 3 – Officers Lessons Learned Feedback