

**Supplement to the agenda for**

# **Cabinet**

**Wednesday 29 June 2022**

**5.00 pm**

**The Conference Room, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE**

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# Levelling Up Fund Bid Submission to Government

**Decision maker: Cabinet**

**Decision date: Wednesday 29 June 2022**

**Report by: Cabinet member environment and economy;**

## **Classification**

Open

## **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

## **Wards affected**

Aylestone Hill, Belmont Rural, Bobblestock, Central, College, Dinedor Hill, Eign Hill, Greyfriars, Hinton and Hunderton, Holmer, Kings Acre, Ledbury North, Leominster East, Newton Farm, Red Hill, Ross East, Saxon Gate, Tupsley, Whitecross.(All Wards);

## **Purpose**

To approve submission to government of three bids to the Levelling Up Fund by the deadline of the 6th July 2022.

## Recommendations

That:

- a) **The submission of bids to the government Levelling Up Fund by the 6<sup>th</sup> July 2022 is approved for:**
  - i. **A package of public realm improvements in Leominster and Ledbury town centres and enhancements to the Leominster Old Priory building;**
  - ii. **Development of the site infrastructure and development plots for the Ross Enterprise Park; and**
  - iii. **A package of transport and active travel measures in and around Hereford city;**
- b) **Authority to make technical amendments to the final bid submissions is delegated to the Corporate Director for Economy and Environment and;**
- c) **Authority is delegated to the Section 151 officer to formally submit the bids by the 6<sup>th</sup> July 2022 deadline.**

## Alternative options

1. Alternative Option 1 – Not to endorse the submission of the three bids to the Levelling Up Fund (the Fund).
2. Advantage – there are considered to be no advantages to this approach.
3. Disadvantage – the Fund is a considerable opportunity to secure external government funding to help advance projects across the county which make a collective contribution to the delivery of the County Plan and implementation of Market Town Investment plans. Significant partnership work between the council and the various town councils across Herefordshire has been invested in the production of the Market Town Investment Plans and the council not endorsing the submission would represent a significant departure from the ambition to deliver these plans in partnership with local communities. Not making a submission would mean Herefordshire missing out on the potential to secure up to £46.137m of government investment to assist in economic regeneration, with associated reputational consequences.
4. This option is not recommended because of the loss of a potential source of grant income that will deliver projects within the county that help to deliver the council's County Plan and Market Town Investment Plans.
5. Alternative option 2 – To submit the proposed projects at a reduced value.
6. Advantage – Reduce the public funding requirement including the required match funding contribution.
7. Disadvantage – Reducing the proposed projects would make them unviable, and lead to minimal impacts. A Benefit Cost Ratio of 1:1 is the minimum requirement for Levelling Up Fund consideration.
8. This option is not recommended because of the higher risk of being unsuccessful in securing finance through the Fund.

## Key considerations

9. Herefordshire has the lowest county tier Gross Value Added (GVA) of any county in England and is the second lowest in the UK (second to our neighbour Powys)<sup>1</sup>. Average weekly wages are 20% below the national average, 39% of residents have a NVQ level 4 or above qualification compared to a national average of 43%, 24% of the population are aged over 65 , and the county is a Higher Education and social mobility 'cold spot'<sup>2</sup>. As younger generations reach higher education age they have tended to move away to access university education, and we don't have the higher level jobs to attract them back.
10. Herefordshire is responding strongly to these challenges. Recent and upcoming investment in the NMITE, Hereford Enterprise Zone, Hereford Towns Fund programme and Leominster Heritage Action Zone demonstrate significant opportunities that the proposed Levelling Up Fund bids will add value to. The county and council are encouraging a move towards a greater higher education provision, stronger investment in jobs and productivity, and partnership working on key infrastructure priorities. The Levelling Up Fund is an opportunity to secure external funding to help support the county's economic future.
11. The Levelling Up Fund is a component of the government's wider Levelling Up agenda. The UK Government committed an initial £4 billion for the Levelling Up Fund (the Fund) for England over the period up to 2024-25). Funding will be delivered through Local Authorities.
12. The Fund is open to all local areas. The amount of funding each area receives will be determined on a competitive bidding basis to ensure value for money.
13. The number of bids that a local authority can make to the Fund relates to the number of MPs in their area. Local authorities can submit one bid for every MP whose constituency lies wholly within their boundary, plus one further transport focused bid. Accordingly Herefordshire can submit two constituency bids plus one transport focused bid.
14. The Fund focuses investment on projects that require up to £20m of funding. Bids above £20m and below £50m will be accepted for transport projects only, such as road schemes, and can be submitted by any bidding local authority.
15. Investment proposals should focus on supporting high priority projects that will make a visible impact in local areas, recognising that what constitutes priority investment will vary across local authorities and geographies, including in rural areas of the UK.
16. Each bid submitted by local authorities can be a bid for an individual project or a package bid consisting of multiple projects. Bids for an individual project or package bids can both request up to £20 million of funding.
17. The guidance from government is that a package bid could be made up of two or three projects from one applicant. Package bids must clearly explain how their component elements are aligned with each other and represent a coherent set of interventions. They will be assessed together at the bid level rather than as individual projects. Applicants must present a coherent set of interventions in line with the aims of the Fund.
18. Bid submissions must complete a set application form that the government has drafted. The deadline for applications to the Fund is noon on 6th July. It is expected that the outcome of the bidding process will be announced in the autumn but it should be noted that a condition of the grant is that projects will have to commence and have some element of spend in financial year

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<sup>1</sup> [Mapping inequality in the UK \(ons.gov.uk\)](https://ons.gov.uk)

<sup>2</sup> [Economy & place - Understanding Herefordshire](#)

2022/23, and projects should be completed by end of March 2025. The projects have been assessed against their ability to deliver to this timeframe.

19. Fund guidance states that the Fund assessment process will focus on the following key criteria:
  - Characteristics of the place – each local authority will be sorted into category 1, 2 or 3 based on our assessment metrics, with category 1 representing the highest level of identified need. Herefordshire is a category 1 area.
  - Deliverability - will be based on supplementary finance, management and commercial cases, with bids able to demonstrate investment or which begin delivery on the ground in 2022-23 financial year prioritised in the first round of funding.
  - Strategic fit with local and Fund priorities – this should be addressed in the strategic case of submissions and should include support from stakeholders.
  - Value for money – an economic case should be submitted to explain the benefits of the bid and how it represents value for money.
20. To provide the required level of expertise and capacity to undertake the project selection process and bid submissions for the constituency bids, the council appointed the commercial real estate consultancy firm CBRE via the Crown Commercial Services framework in compliance with the council's procurement requirements. In addition, to support the development of the transport bid consultancy firm WSP have been similarly engaged by the council following a procurement process compliant with the council's contract procedure rules.
21. For the constituency bids CBRE have compiled a project longlist, derived from project suggestions that were nominated from a number of sources including in particular, the potential projects identified in the five Market Town Investment Plans (MTIPs) prepared for:
  - Bromyard
  - Kington
  - Ledbury
  - Leominster
  - Ross on Wye
22. The MTIPs approved by cabinet in March 2022 through the following [Decision - Market Town Investment Plans \(MTIP's\) - to approve the Investment Plans - Herefordshire Council](#). Developed in consultation with local stakeholders in each town, the plans identify a vision for the town, analyses local evidence, establishes a theory of change, in prioritising activities that will be brought forward to achieve growth. CBRE has reviewed the council's background evidence supporting the MTIPs, including Project Mandates, Outline Business Cases and any draft design or costing information where available. It is noted that this evidence was not available for all projects, given the differing stages of project development.
23. To supplement this approach CBRE undertook site visits to each of the five towns in May 2022 and inspected the potential candidate project locations, where a specific location had already been identified in the MTIP or supporting evidence.
24. CBRE reviewed the project longlist in terms of their strategic fit and deliverability, based on the available evidence and our understanding of Government's Levelling Up Fund – Round 2

Application Guidance and their experience of project selection and feedback from Levelling Up Fund Round 1.

25. CBRE assigned each potential candidate project a 'RAG rating' based on these parameters which resulted in recommended projects for each constituency.

### **North Herefordshire Constituency Bid**

26. For the North Herefordshire constituency a package approach has been recommended which includes the following projects:
  - a. Leominster Corn Square regeneration and Public Realm projects
  - b. Leominster Old Priory / Innovation Hub
  - c. Landscaping at Ledbury Masters House and St Katharine's car park
27. Project A comprises a public realm programme in Leominster town centre which will enhance the public realm proposals included in the High Streets Heritage Action Zone programme, focussing on Corn Square, Broad Street, West Street and South Street. The Leominster MTIP identifies significant tourism potential, building on its heritage, culture and independent retail. The MTIP identifies a need to significantly enhance the towns centre's public realm and to provide space for events to realise this potential. The proposals will increase vitality and vibrancy within the town centre, by creating a more attractive pedestrian environment to increase dwell time and support the retail and leisure experience. The Corn Square component will enable a greater number and quality of events to be held, by providing utility infrastructure and enhanced public realm, attracting additional visitors into the town centre with associated spend. The project will enhance the environmental quality of the town centre, support footfall, and enable visitors to better appreciate the historic environment.
28. Project B will invest in optimising the use of the Grade II listed Old Priory, which is due to be transferred from the council to Leominster Town Council via community asset transfer. Identified as a priority project in the Leominster MTIP, the proposals will refurbish and convert unused parts of the building, which are currently vacant due to their disrepair and unsuitability for use, delivering new flexible office floorspace, to support local start-up and other small businesses by providing attractive, affordable office accommodation. The project will also deliver self-catered visitor accommodation, contributing to Leominster's attractiveness as a visitor destination, particularly supporting overnight stays and associated spend. These commercial activities will cross-subsidise the continued accommodation for important social infrastructure, including ECHO, Leominster Food Bank and Leominster Meeting Centre.
29. Project C also identified as a priority project in the Ledbury MTIP, in supporting the growth of tourism in the town, will deliver new public realm adjacent to the Master's House in Ledbury town centre. This will redevelop part of St Katherine's Car Park to create pedestrianised public realm adjacent to the Grade II listed Master's House and to the rear of the Grade II listed St Katherine's Chapel, Hall and Stable and Grade II listed Barn south west of St Katherine's Chapel. The project will enhance the approved proposals, creating a larger area with utility infrastructure to support outdoor events and enhanced landscaping. This will support greater vibrancy and footfall in Ledbury town centre, attracting both local and tourist visitors, complementing previous investment in the Master's House and enhancing the viability of the town centre offer.
30. **Outputs of North Herefordshire Market Towns Package**
  - Creating 450sqm of new business incubator space at Leominster Old Priory by refurbishing a Grade II Listed Building, supporting circa 50 FTE jobs
  - Creating new accessible self-catered visitor accommodation in Leominster Old Priory
  - Delivering circa. 10,000sqm of new or improved public realm across Ledbury and Leominster town centres

- Creating new pedestrian-priority space at Corn Square in Leominster and creating a new public square adjacent to Master's House and St Katherine's in Ledbury, facilitating a larger market and seasonal events
- Improving the setting of numerous Listed Buildings within Ledbury and Leominster town centres and their respective Conservation Areas

### 31. **Outcomes of North Herefordshire Market Towns Package**

- Increased footfall and associated visitor spend, supporting the vitality and vibrancy of Ledbury and Leominster town centres
- Sustaining the towns' unique independent retail and food/beverage offer
- Growing the evening economy in the town centres
- Improving the ability of visitors to appreciate the valuable built heritage of Ledbury and Leominster town centres
- Enabling enhanced events programmes, building pride in place, providing local access to culture and enhancing the visitor economy offer of Ledbury, Leominster and the wider North Herefordshire sub-region

### **South Herefordshire Constituency Bid**

32. For the Hereford and South Herefordshire constituency the recommendation is to take forward a single project – the development of the Ross Enterprise Park and its transportation linkages to the rest of the town. This will be the first stage of the redevelopment of a strategically significant employment site for the county as a whole, creating much needed employment land to the south of the county. The Ross on Wye MTIP identified the lack of suitable employment land as a critical issue, with many businesses stating that they will need to leave the area in order to find the space required to expand. The Market Assessment and Market Testing report for the site completed in June 2022 states *'All existing information detailed above in the market assessment section along with Harris Lamb's knowledge and experience shows on a national, regional and local level demand is significantly outweighing supply for industrial/warehouse premises'*. The report also states *'There is clear demand for B1, B2 and B8 class development land in the sub-market of Herefordshire and specifically Ross-on-Wye'*.
33. The proposed project will enable the first phase of development of the model farm site. In the medium term the development of the wider site owned by the council provides opportunities to build on the county's significant strengths in cyber security advantageously located between GCHQ in Gloucestershire, and the Midlands Centre for Cyber Security in Hereford. The site is also well placed to enable the county to benefit from increasing strengths in engineering and technology through for example the growth of NMITE.
34. The project will encompass the design and installation of infrastructure works to open up and create development ready employment land at Ross Enterprise Park and consists of the following components:
- Creating a site access off the A40 together with required section 278 highways works
  - General site clearance including demolition of existing farm buildings
  - Groundworks to create development platforms, including necessary cut fill and compaction
  - Creating internal estate roads, cycleways, walkways to link plots together and to non vehicular routes offsite
  - Installing the appropriate level of utilities provision and communication networks
  - Installing a Sustainable Urban Drainage system that serves both development plots and highways and that enhances the existing on site natural attenuation
  - Soft and hard landscaping and ecology enhancement including the allocated 5hs buffer between existing residential and the new Enterprise Park



- Wider active travel measures linking the Ross Enterprise Park site with existing active travel infrastructure and improved linkages to residential areas within the town

**35. Outputs from the Southern Constituency Package**

- 7 ha of serviced employment land in an area of constrained employment land supply.
- 16,000 sqm of additional employment floorspace
- 3 ha of improved amenity land
- Land Value uplift of circa £2.6m

**36. Outcomes from the Southern Constituency Package**

- 1250 net additional jobs in the local economy
- Increase in gross value added in the local economy including higher value jobs leading to £195M increase in GVA over the next 10 years
- Support for the development of the sub regional construction sector with impact of £10.6m gross value added to the sector.
- Contribution to wider development of cyber and other high tech clusters
- Net Biodiversity gains from ecological enhancements
- Provision for net zero development

**Transport Bid**

37. The transport proposal comprises three separate but linked projects that provide complementary support to encourage increased active travel use across Hereford.

The Hereford City part of the submission is a package of Transport and Active Travel measures in and around city. Twenty schemes have been considered and scrutinised to check alignment with the bid criteria and deliverability by March 2025.

The schemes identified align with the council's corporate plan ambitions and support the ambitions of the council in improving pedestrian and cycle movements across the city linking to public transport and rail.

38. The Transport Bid elements are:

*Transport Hub*

- Integrated modern public transport interchange linking cycling, walking, bus and rail transport. The Hub is designed to encourage modal shift away from being reliant on the car and provide an easy to use reliable link to alternative modes. Visitors to the city will be welcomed with clearly navigable public transport and active travel alternatives to the car.
- The multi transport hub will provide for all active travel including covered cycle facilities and lockers to encourage commuter cycle parking, taxi and car parking areas, bus stands and layovers, short term parking, welfare facilities and enhanced commuter parking.

*Active Travel Measures North of the River Wye*

- LTN1/20 cycle scheme from Aylestone Hill along the A465 and Commercial Road, linking the north and east of the county to the Transport Hub, the city centre, and south of the river.
- Bus priority measures along Blueschool Street and Newmarket Street.

- Improvements to the Great Western Way off-road walking/cycling path to enable compliance with LTN 1/20, plus linking to the A49 Designated Funds to improve access, especially across the A49 which is a perceived barrier to walking and cycling.
- Enhancements to St Owen Street one-way cycle scheme providing access to the Town Centre and linking to Rotherwas.
- Safer Routes to School interventions.
- Introduction of a 20mph speed limit in appropriate zones of the city. This measure will assist with the package in making these localities “streets” for people rather than a road for vehicles, reducing speed levels and increasing safety for pedestrians and cyclists.

#### *Active Travel Measures South of the River Wye*

- Hereford Enterprise Zone Quiet Routes - Introduce or improve a series of informal Quiet Routes to the Hereford Enterprise Zone to encourage more of the people who work there and who live in neighbouring housing to walk or cycle to work.
- Holme Lacy Cycleway - Introduce a series of LTN1/20 compliant measures along the Holme Lacy Road between the A49 and the western entrance of the Hereford Enterprise Zone, notably improvements to the cycleway, to encourage more and safer active travel to work and local services. A number of the Quiet Routes mentioned above will feed into this route.
- Safer Routes to School Initiatives
- Introduction of a 20mph speed limit in appropriate zones of the city. This measure will assist with the package in making these localities “streets” for people rather than a road for vehicles, reducing speed levels and increasing safety for pedestrians and cyclists.

#### **39. Transport Package Impacts**

- Improved connections between residential and employment locations
- Health benefits resulting from increased use of active modes
- Improved air quality, reduced noise and traffic congestion because of fewer vehicular trips
- Reductions in carbon due to transport in Hereford
- Clean and inclusive growth as more residents can sustainably access education, employment and leisure in the city

#### **40 Outcomes from the Transport Package:**

- Improved interchange between PT modes, and between PT and active modes
- Improved experience for people using the rail station and transport hub
- Increased cycle flow and pedestrian flow, and reduction in vehicle flow (due to mode shift to active modes)
- Improved safety (real and perceived) for pedestrians and cyclists
- Improvement in journey times as congestion is reduced due to mode shift

39. The council commissioning of WSP and CBRE has included support for the development of each of the above projects into a coherent and realistic bid submission to the Fund. In particular to help develop the required financial ask of the Fund and to establish a robust cost plan that takes account of current market uncertainty the proposals have been scrutinised by independent cost consultancy. The Ross Enterprise Park bid has also benefited from a market assessment report to detail the expected level of interest in plots created at the site, and a

market valuation report providing advice as to the expected value of the commercial development land once services and infrastructure have been constructed.

40. The transport bid benefits from a considerable amount of pre-existing development work on schemes such as the quiet routes

### **Government Assessment Process**

41. Once the bids have been submitted government will undertake an assessment of the proposals. Assessment will focus on four criteria: characteristics of places, deliverability, strategic fit with local and Fund priorities, and the economic case in line with the published assessment framework.
42. There will be a three staged approach to assessment and decision making. The government will consider any relevant information provided in the bid proposal, as well as any publicly available data to test assertions made by applicants.
43. Stage One – Gateway. The first stage is a pass/fail gateway. Bids that fail the gateway criteria will not be assessed and will not be eligible to be considered for funding.
44. Stage Two – Assessment and Shortlisting. Bids that progress from the gateway stage will be assessed on each of the criteria set out in the assessment framework:
  - a. Characteristics of Place – each local authority has been placed into category 1, 2 or 3 based on objective criteria, with category 1 representing the highest level of identified need. Herefordshire is a category 1 authority.
  - b. Strategic Fit - how the bid supports the economic, community and cultural priorities of their local area and will further the area's long-term levelling up plans, complementing national, regional and local strategies and investments.
  - c. Economic Case - Bids should demonstrate how they represent public value to society. A range of benefits will be considered in the value for money appraisal of projects, including both quantitative and qualitative benefits.
  - d. Deliverability - All bids will be assessed for evidence of robust management and delivery plans. Bids must also be able to demonstrate spend from the Fund in the 2022-23 financial year
45. Stage three – Decision Making. Once bids have been assessed and moderated, and the shortlist is drawn up, Ministers will make funding decisions. In making these, ministers will have the opportunity to exercise discretion to meet the following additional considerations:
  - ensuring a reasonable thematic split of approved projects (e.g. across regeneration and town centre, transport and culture and heritage)
  - ensuring a fair spread of approved projects across Great Britain within, and between, individual nations and regions, and between rural and urban areas
  - ensuring a fair balance of approved projects across places in need
  - prioritisation of either 'strategic fit' or 'deliverability' or 'economic case' over the other criteria (noting this must be applied consistently to all projects)
  - taking into account other investment in a local area, including investment made from the first round the Fund to encourage a spread of levelling up funds across places

46. There has been no further explanation or programme for the announcement of successful bids to the Fund.

### **Accountable Body Status**

47. The published government guidance states that “funding will be delivered through local authorities”. It does not contain any further detail about how local authorities should act in an accountable body role. However it is considered probable that the council would be required to become the accountable body and would therefore be responsible for the overall financial management, monitoring and risk associated with the delivery of any funding secured through the Fund.
48. The council will consider the implications of accountable body status, if required, when deciding to accept any award that it is successful in securing through the Fund.

### **Community impact**

49. It is considered that securing up to £46.137m through the Levelling Up Fund would have a significant positive impact on the ability to deliver on the ambitions contained within the County Plan 2020 - 2024. Should the council be successful in securing funding towards all three bids submitted these will make a significant contribution to both the Environment and Economy ambitions within the County Plan. Specifically the Levelling Up Fund submissions will help the council meet the following success measures:
50. Environment:
- Work in partnership with others to reduce county carbon emissions
  - Improve the air quality within Herefordshire
  - Improve residents’ access to green space in Herefordshire
51. Economy:
- Increase the average workplace earnings in Herefordshire
  - Grow jobs and keep unemployment rates low in all areas of the county
  - Increase the number of short distance trips being done by sustainable modes of travel – walking, cycling, public transport
  - Increase local wealth creation (measured by the Gross Values Added per head of population).
52. The provision of new employment land at Ross Enterprise Park will enable the facilitation of company growth by providing land and premises for expansion and relocation of businesses. This will bring benefit in terms of new employment opportunities, increased business investment, and the potential retention rather than loss of local companies.
53. The public realm improvements to the town centres of Ledbury and Leominster is a public intervention that will encourage investment by the private sector within these spaces. The enhanced public space will benefit the physical appearance of these towns and attract more visitors / footfall. Specific interventions such as the works in St Katherine’s car park will provide facilities to host events that can further attract people and add to the vibrancy of the town centre. Similarly the works to the Priory building in Leominster will provide a hub for a number of community organisations and space to encourage new business starts and foster entrepreneurship.
54. The Hereford Transport bid will provide safer alternative modes of travel to the car which will reduce the reliance and number of vehicles undertaking short journeys with the city limits. The new and enhanced walking, cycling and public transport links will help provide safe reliable alternatives. This will also enhance the current environment for the residents, businesses and visitors to Hereford and help:

- Protect and enhance our environment and keep Herefordshire a great place to live.
  - Strengthen communities to ensure everyone lives well and safely together.
  - Support an economy which builds on the county's strengths and resources.
55. At the full business case stage of project development officers will work with partners and commissioned support to understand the potential contribution projects can make to enhancing social value for example working with people not in employment, education or training (NEETS) or those with disabilities, addressing health inequalities, or those that are digitally excluded.

## Environmental Impact

56. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
57. The government guidance on the programme states "Projects should be aligned to and support net zero goals, including those set out in the UK government's net zero strategy and sector-specific plans such as the Heat and Buildings Strategy where relevant."
58. In the case of the Ross Enterprise Park the development is being designed with environmental principles at its centre. The council aims to make the Ross Enterprise Park as sustainable as possible in line with our 'zero carbon and nature rich' ambitions. Specific plans include:
- Energy – Maximise energy efficiency by ensuring high energy standards (minimum EPC A) for all buildings on the park. Maximise generation and use of renewable energy on site, including ensuring that all initial infrastructure is future proofed. The park as a whole will aim to be net zero carbon;
  - Waste – Plan site wide solutions to minimise waste generation, maximise recycling, and minimise waste to landfill;
  - Water – Introduce measures to reduce consumption within buildings and to harvest rainwater to provide a source of non-potable water for use in buildings and on landscaping;
  - Transport - New cycleways and walkways will be a major feature of the on-site infrastructure, connecting into the new Active Travel Measure initiatives which will be designed to make access from the local housing estates straight forward for pedestrians and cyclists. We will establish a travel plan for the Ross Enterprise Park and require new investors to have their own. We will require electric vehicle charging for all developments at a density higher than currently required by planning regulations;
  - Environment/Landscaping - The landscape and infrastructure design will seek to ensure that the ecological interest and character of the area is safeguarded and enhanced, utilising and complementing the current ecological features such as water features, trees and hedgerows. In line with our council commitments, we will aim for 30% biodiversity net gain on the development.
  - Procurement – Through the setting of social value requirements within the tender specification we will encourage the sourcing of local, and sustainable, supply chains.

Provide procurement workshops to ensure that local suppliers have an understanding of the council's procurement requirements.

59. Our aims for the Ross Enterprise Park include efficient flow and people movement; low impact build, low carbon footprint built with sustainable materials; minimising need for artificial heating and ventilation; optimising layout and build orientation to maximise daylight for heat gain; looking to utilise Heat Pumps where possible; natural lighting strategies used wherever possible. The site design will also be expected to be future proofed to incorporate the provision of utility corridors, for example if a waste water recovery system or a district heat system were to be adopted in the future.
60. Additionally the development will take account of and respect the site's setting not only on the edge of the town but also in open countryside and will look wherever possible to retain appropriate features from within the site, for example hedgerows and watercourses. The intent is to achieve a 30% biodiversity net gain from the development as the site transitions from a range of agricultural uses to a managed employment site.
61. The North Herefordshire Market Towns projects will deliver the following environmental benefits:
- Deliver biodiversity benefits through new tree and shrub planting as part of the public realm and The Grange projects;
  - Enhance the townscape quality of Ledbury and Leominster town centres, including enhancement to the setting of listed buildings;
  - Reuse historic building fabric at the Old Priory, delivering new workspace in an easily accessible town centre location and minimising embodied carbon compared with new build.
62. The Hereford City package of measures are designed to provide a safe alternative to the car which will reduce the use of cars for short journeys, the impact of which can be measured through Air Quality monitoring. The impact will be lower carbon emissions, less particulates in the air and a healthier, more attractive environment which will in turn further encourage walking and cycling.
63. In the event that these funding bids are successful, comprehensive assessments of environmental impacts and opportunities will be conducted during the development of Full Business Cases. Projects will seek to minimise any adverse environmental impact and will actively pursue opportunities to improve and enhance environmental performance.

## **Equality duty**

64. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
65. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. During the Business Case development phase of these projects the project promoters and any contractors will be made aware of their contractual requirements in regards to equality legislation.
66. All of the council led projects have completed an Equality Impact Assessment and confirmed that, as a minimum, there is no detrimental impact on any of the protected characteristics at this bidding stage of the Levelling Up Fund process. In the event that the funding bids are successful then the project team's will conduct detailed Equality Impact Assessments for all aspects of the schemes as they are developed.

### **Resource implications**

67. The proposals detailed in this report are bid submissions to a specific funding opportunity and work has been commissioned to specifically support these bid proposals. Should the bids not be successful the council have the opportunity to consider whether there is merit in continuing their development but this would be subject to a separate decision and business plan.
68. As government identified Herefordshire as a priority 1 area for Levelling Up Funding consideration, the council has received £125,000 of capacity funding to support the development of bids. A separate Cabinet Member decision was taken to accept and implement these funds which can be found here: [Decision - Levelling Up Fund Capacity Funding - Herefordshire Council](#). These funds have been utilised to commission WSP and CBRE and a wider range of technical support required to develop the bids.
69. If bids are successful then the cost of implementation will be covered by the funding award and the identified council match funding. There is a risk that costs escalate beyond the funding award and the council would be required to cover any cost overrun, this risk is covered within the risk section and, following expert cost consultancy advice, it is considered that there is sufficient cost contingency within the funding submissions.
70. The stated value of the Levelling Up Fund bids is based on an approximate estimate worked up by experienced cost consultants in CBRE and WSP based on a range of information that has been used to support the proposals. The submissions have been based on conducting, as per the government guidance, an element of works within this current financial year and concluding within financial year 2024/25. Each project's ability to meet these government imposed spend deadlines was one of the assessment criteria the consultants used when assessing the viability of projects within the longlist of potential submissions.
71. Acknowledging that there is considerable financial uncertainty regarding construction costs and wage inflation an appropriate package of risk and contingency has been added to the project budgets. These costs are included within the table below and among the items considered as potentially influencing risk and contingency costs are:
- Elevated fuel and energy costs
  - Red diesel rebate ban
  - Labour shortages

- Increases in National Insurance contributions
- Regional factors such as HS2 and busy Bristol and Cardiff markets
- Strong national and regional pipeline of work
- Contractors targeting higher margins and risk allowances

72. The cost plans for each of the proposed have been developed by qualified CBRE Quantity Surveyors and technical support from WSP, who have fully considered each of the factors identified above, and current market conditions including the experience of other similar construction projects, and national construction industry benchmarks to inform the level of contingency identified, mitigating the risk of significant future cost increases. Additional construction risk contingency has been included to account for the design stage of each of the projects, to accommodate unforeseen costs which arise during the subsequent detailed design process. Cost inflation will be built into the North Herefordshire and South Herefordshire Constituency bids to the mid-point of construction, to reflect the current trend of inflation in building materials and labour costs.

#### Bid Costs Tables

North Herefordshire Constituency Bid costs	2022/23 (000's)	2023/24 (000's)	2024/25 (000's)	Future Years	Total (000's)
Fees	166	166			332
Construction costs	1,932	1,932			3,864
Risks	207	207			414
Inflation	92	92			184
<b>TOTAL</b>	<b>2,397</b>	<b>2,397</b>			<b>4,794</b>

South Herefordshire Constituency Bid costs	2022/23 (000's)	2023/24 (000's)	2024/25 (000's)	Future Years (000's)	Total (000's)
Fee's	605	967	229		1,801
Construction costs		8,508	7,633	114	16,255
Risks		1,369	821		2,190
Inflation		511	608	9	1,128
<b>TOTAL</b>	<b>605</b>	<b>11,355</b>	<b>9,291</b>	<b>123</b>	<b>21,374</b>

Hereford Transport Bid costs	2022/23 (000's)	2023/24 (000's)	2024/25 (000's)	Future Years	Total (000's)
Construction Costs and fees	£1,956	£12,211	£7,022	£0	£21,188
Contingency	£59	£370	£213	£0	£641
Risk	£192	£1,200	£690	£0	£2,083
Inflation Contingency	£127	£793	£456	£0	£1,376
<b>TOTAL</b>	<b>£2,334</b>	<b>£14,574</b>	<b>£8,380</b>	<b>£0</b>	<b>£25,288</b>



## Bid Funding Tables

<b>North Herefordshire Constituency Bid Funding</b>	<b>2022/23 (000's)</b>	<b>2023/24 (000's)</b>	<b>2024/25 (000's)</b>	<b>Future Years</b>	<b>Total (000's)</b>
Levelling Up Fund external bid	2,129.5	2,129.5			4,259
Herefordshire Council match funding – See P59 below	267.5	267.5			535
<b>TOTAL</b>	<b>2,397</b>	<b>2,397</b>			<b>4,794</b>

<b>South Herefordshire Constituency Bid Funding</b>	<b>2022/23 (000's)</b>	<b>2023/24 (000's)</b>	<b>2024/25 (000's)</b>	<b>Future Years</b>	<b>Total (000's)</b>
Levelling Up Fund external bid	544	10,219	8,362	111	19,236
Match funding – See para 76 below	61	1,136	929	12	2,138
<b>TOTAL</b>	<b>605</b>	<b>11,355</b>	<b>9,291</b>	<b>123</b>	<b>21,374</b>

<b>Hereford Transport Bid Funding</b>	<b>2022/23 (000's)</b>	<b>2023/24 (000's)</b>	<b>2024/25 (000's)</b>	<b>Future Years</b>	<b>Total (000's)</b>
Levelling Up Fund external bid	£1,845	£11,521	£6,625	£0	£19,990
Herefordshire Council match funding – see para 77 below	£489	£3,053	£1,756	£0	£5,298
<b>TOTAL</b>	<b>£2,334</b>	<b>£14,574</b>	<b>£8,380</b>	<b>£0</b>	<b>£25,288</b>

73. The total amount of funding being applied for from the Fund is £43.485m.
74. The match funding has been identified from existing approved budgets and secured funds.
75. The match funding for the Northern Constituency bid has been identified as coming from:
- a. £108k of Section 106 contributions towards the St Katherine's car park works.
  - b. £79k of Leominster Town Council contributions to the Priory and the Grange works.
  - c. £348k of Herefordshire Council £1.8m contribution Leominster Heritage Action Zone public realm budget. The Historic England grant is currently £1.3m. The additional Levelling Up Funding will deliver extended public realm enhancements in Leominster, extending and in no way reducing the current Heritage Action Zone programme.
76. The full match funding for the Southern Constituency bid will entirely be allocated from the Employment Land and Incubation Space budget. There is market demand and valuation report evidence to confirm that the Ross Enterprise Park project will generate sufficient return from sales of the created employment land to cover the council match funding contribution.
77. The match funding for the Transport Fund bid will come from within existing agreed budgets, specifically;
- a. £3.5mborrowing is currently approved to fund the transport hub within the HCCTP budget.
  - b. £120k from the Department for Transport Active Travel Fund as a contribution towards the Aylestone Hill cycleway works.

- c. £700k from the Marches LEP Get Building Fund for the St Owen's Street cycle contraflow.
  - d. £978k from the council cycle superhighway budget as a contribution towards the Quiet Routes scheme in South Wye.
78. At this stage of the project development process it is considered that the level of contingency funding included within the project costs provides a realistic and appropriate level of financial mitigation against risk and cost increases. However it is acknowledged that the construction market is facing cost pressure and the schemes have yet to secure a construction contractor. Currently the council is unaware of the success of these bid submissions or the level of finance that may be secured through the Fund, consequently the risk associated with accepting any offered funds and the council being responsible for financing any cost overruns will be considered in a later report.
79. The Section 151 officer has appointed specialist economics consultancy Chamberlain Walker to provide additional assurance on the bid development and project submissions. Chamberlain Walker will be producing a report for the Section 151 officer to give the appropriate assurance.
80. Should the bids be successful and where a procurement of goods or services is required it will follow and comply with the council's contract procedure rules.

### Legal implications

81. There are no legal implications arising directly from the submission of the three proposals and if the bid or any part of it is successful they will be subject to separate governance decisions.
82. The council has the power to act as the Accountable Body for the Levelling Up Fund under s1 - 4 of the Localism Act 2011 although there is no statutory requirement for the council to act as Accountable Body.
83. It is anticipated that any funding awarded to the council following acceptance of the bid or part thereof will be provide by way of a Section 31 ring-fenced grant under the Local Government Act 2003. This grant determination may have associated requirements and obligations and these will need to be assessed at the time of award.

### Risk management

Risk / Opportunity	Mitigation
Cost Inflation risk – The construction industry is exposed to significant inflationary pressures, with RPI expected to be running at 10% or more at year end.	Projects have been considered by cost consultants reviewing the proposals and applying an appropriate level of project contingency and an additional inflationary contingency. Information from the industry standard Building Cost Information Service (BCIS) has been used to inform the inflationary contingency as costs are projected to rise by 10% in 2022 and 5% per annum in 2023 through 2025. For each package a minimum inflation contingency of 5% has been added on top of any underlying inflation assumptions to cater for the inflationary risk.
Cost are higher then expected at point of tender/ selection of contractor.	Projects have been considered by cost consultants reviewing the proposals and applying an appropriate level of contingency

	<p>based on current market conditions including other similar projects at the point of tendering/delivery, optimum bias, and inflationary pressure.</p> <p>In addition projects are scalable, for example if cost overruns are identified on the Ross Enterprise Park site then the amount of site infrastructure that is installed could be reduced to the available budget. This would impact on the amount of employment land that is brought forward and the capital receipt gained. Were this risk to materialise the council could choose to increase the value of its financial contribution in order for the projects to proceed.</p>
Risk that the Levelling Up bids are of insufficient quality to secure government funding through the Levelling Up Fund process.	Consultants have been engaged who have been involved in previous Levelling Up fund submissions and bring considerable experience in drafting regeneration strategies and funding bids.
Unable to procure contractor to undertake the physical work. This would result in delays to the project timetable and additional costs	The Project Management Office and the Herefordshire Council commercial team will work with the appointed design team (subject to grant funding approval) to seek to procure a contractor.
Procurement timeframes are longer than expected. Delays to project delivery and additional cost.	The Project Management Office (PMO) teams will working closely with Herefordshire Council procurement team and with appointed construction project manager's procurement team, who understand the current market. This expertise and advice will reduce this risk.
Costs increase during the delivery stage.	A number of surveys have already been commissioned or completed to inform costs and designs across the projects. These are considered commensurate with the current stage of project i.e. bidding for funding stage. Further survey works will be carried out over the life of these projects to ascertain building and site condition before works occur. Contingency has been built into the budget. Information from the industry standard Building Cost Information Service (BCIS) has been used to inform the inflationary contingency as costs are projected to rise by 10% in 2022 and 5% per annum in 2023 through 2025. The Cost Plan's for each project consider the level of required contingency in detail, considering the stage of the project design, and the timing of commencement of construction on this basis.
Project not delivered on time or not delivered within the allocated budget, resulting in reputational damage, potential funding claw back, and further delay to the projects.	The Project Management Office teams will ensure continued communication with funding providers throughout the life of the project, and will raise any issues via the council's Project Management Office monitoring procedure.

	Project Management Office teams will also work closely with the governance team and funding partners to map out timelines and key milestones.
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## Consultees

The Members of Parliament from the two Herefordshire constituencies have been engaged during the process of project identification and bid development. The MP for Hereford and South Herefordshire has welcomed the inclusion of the Ross Enterprise Park submission and will be submitting a letter of support endorsing the bid to the Fund.

The MP for North Herefordshire has expressed some reservations that the bid being proposed for the North Herefordshire constituency is limited in its scope and the council are not applying for a larger amount but are extending existing projects. The MP has been advised that the council, having taken advice from CBRE, are following closely the bidding guidance and a recommendation to follow closely the government's criteria.

The broad project proposals were shared with the Herefordshire Economic Big Plan Stakeholder Group, the comments back were largely positive and expressed a desire to be closely involved in future development of projects.

A discussion session was held with local Members and the different political groups to inform them of the three distinct submission elements. Again the comments back were largely positive although Members queried the timescales for submission and who imposed them, why the northern bid was not of a similar scale to that for the southern constituency, and the degree to which the various elements of the transport bid are joined up.

It was explained that the timescales were set by government and have been extremely challenging, that the consultants undertook a robust appraisal of all potential project ideas and those for the northern constituency were the best that could be constructed with the time and information available, and that bids were coordinated across the city of Hereford.

It was accepted that further detail would be shared with Members as soon as it can be made available.

## Appendices

Appendix 1 – Shortlist of considered projects

## Background papers

None identified.

## Report Reviewers Used for appraising this report:

Please note this section must be completed before the report can be published		
Governance	Alice McAlpine	Date 24/06/2022
Finance	Karen Morris	Date 22/06/2022

Legal	Simon Aley	Date 24/06/2022
Communications	Alex Floyd	Date 20/06/2022
Equality Duty	Carol Trachonitis	Date 16/06/2022
Procurement	Mark Cage	Date 24/06/2022
Risk	Kevin Lloyd	Date 20/06/2022

Approved by	Ross Cook	Date 24/06/2022
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**[Note: Please remember to overtype or delete the guidance highlighted in grey]**

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

